

Regulatory Impact Statement: Options to expand FamilyBoost

Decision sought	Analysis produced for the purpose of informing Cabinet decisions on the expansion of settings for the FamilyBoost tax credit
Agency responsible	Inland Revenue
Proposing Ministers	Finance and Revenue
Date finalised	25 June 2025

Briefly describe the Minister's regulatory proposal

The proposal is to adjust the current FamilyBoost policy settings to:

- increase the number of recipients eligible for the payment
- increase the payment amounts, and
- maintain the fiscal envelope for the scheme.

The specific adjustments to the abatement and rebate settings proposed are:

- increasing the rebate percentage from 25% to 40%; and
- lowering the abatement rate from 9.75% to 7%.

The income cap for eligibility of the payment will increase from \$180,000 a year to \$229,100 a year. The changes would apply to fees from 1 July 2025 and affect payments from 1 October 2025. The aim is to ensure the financial assistance Cabinet originally intended to provide to families with early childhood education (ECE) fees is achieved.

Summary: Problem definition and options

What is the policy problem?

The policy problem is that FamilyBoost is reaching fewer families and providing less financial assistance than originally intended. A change is required as the number of families originally assumed to be eligible for the payment (up to 100,000 families across a year) cannot be reached under the current policy settings. This is because the 100,000 figure is based on an assumed 100% uptake of the payment. A 100% uptake rate is highly unlikely due to behavioural and contextual factors. A more realistic uptake rate is 71% of eligible families, which is an estimated uptake of around 80,000 families at current settings. Additionally, lower than expected ECE costs, especially for low-income families, have resulted in families receiving less financial assistance than intended, and fewer families receiving the full payment amount. An adjustment to the current policy settings is, therefore, required if the goal is to ensure the overall quantum of assistance Cabinet originally intended to provide to families (both in terms of population reach, and the payment amount) is achieved.

Non-regulatory options, such as administrative changes and marketing activities, have been implemented to increase uptake of the FamilyBoost payment. However, as the fundamental issue lies in the current policy settings resulting in too few families being eligible and claiming the payment at a realistic uptake rate, a regulatory option to change policy settings is required to improve access and participation in the scheme.

What is the policy objective?

The intended outcome of this change is to improve the uptake of FamilyBoost by increasing both the number of eligible recipients and the payment amounts to better align with the Government's intended level of support through FamilyBoost. Specifically, Cabinet agreed to the scheme with the understanding that it would reach up to 100,000 eligible families with an average fiscal cost of \$170 million per annum across the forecast period.

The impact of the proposed policy changes will be assessed based on recipient numbers and payment amounts after the new settings take effect on 1 October 2025 (for fees paid from 1 July). At least a year of implementation is recommended to evaluate initial uptake and fiscal cost of the proposed changes.

What policy options have been considered, including any alternatives to regulation?

Officials were specifically asked to focus on options that could be implemented and apply to fees paid from 1 July 2025. Therefore, the options considered were limited to those which could be implemented in the short term. Longer term options or options that would have fundamentally changed the FamilyBoost model were considered out of scope.

The four options considered were:

- Option 1: Status quo – maintain current settings
- Option 2: Increasing the quarterly household income cap and rebate rate (Ministers' preferred option)
- Option 3: Introducing a two-tier rebate rate where eligibility for the payment is universal, but the rate of the rebate is income tested.
- Option 4: Introducing a three-tier rebate rate, keeping an upper income cap for eligibility and the rate of rebate is income tested.

Each option included several sub-options that propose different settings for income caps, rebate rates, and maximum payments. All options would expand the eligible population and increase the payment received by families.

What consultation has been undertaken?

Officials undertook limited targeted consultation over the course of a week. Consultation consisted of in-person and online meetings with key ECE stakeholders. The stakeholders provided both short- and long-term suggestions, including some of the options canvassed in this statement.

Given the timeframes, we did not consult more broadly on the problem definitions or options. However, we were able to consider information received by Inland Revenue more generally. Inland Revenue has received complaints and feedback from customers, and the majority of complaints were focused on the income thresholds rather than administrative process. A small survey was also completed to assess the time taken by customers to complete FamilyBoost claim process, with respondents taking 5 minutes or less to complete. s 9(2)(f)(iv)

Is the preferred option in the Cabinet paper the same as preferred option in the RIS?

Officials prefer retaining the status quo (maintaining the current settings). This would allow Inland Revenue to monitor the uptake of FamilyBoost into the fourth quarter (April – June 2025), understand the impacts of potential changes to ECE funding on FamilyBoost uptake and further explore the long-term option of a direct data feed. If needed, policy changes could be recommended after FamilyBoost has been in place for a full year based on more data.

However, maintaining the status quo would not meet all the objectives for the policy – namely, it would not meet Cabinet’s initial objective to provide approximately \$174 million annually to up to 100,000 families that would be eligible to claim a FamilyBoost payment. Out of the short-term options to expand eligibility and increase the payment, officials’ preferred option is option two (adjusting the current settings by increasing the household income cap and rebate rate). This option is preferred as it addresses low uptake by expanding the population eligible for payments and providing a higher rebate. This in turn increases the payment available and remains targeted to low-income households by abating the payment for households with income above \$35,000 per quarter (\$140,000 per annum). As it is most similar to the current settings, it is also simple to communicate to families. This option also does not limit any future longer-term options.

Therefore, considering Ministers’ objectives, the preferred option in the Cabinet paper is consistent with officials’ preferred option.

Summary: Ministers’ preferred option in the Cabinet paper

Costs (Core information)

Outline the key monetised and non-monetised costs, where those costs fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

There are no additional costs placed on regulated groups (the ECE sector), as the option adjusts the existing model. Inland Revenue will face one-off costs of \$0.150 million operating, \$0.030 million depreciation and capital charge, and \$0.050 million capital to make changes to the policy settings. These costs will be managed within existing departmental funding (\$49.487 million operational and \$5.550 million capital).

Families with incomes under \$45,000 a quarter (\$180,000 per annum) currently receiving the payment will not face additional costs. Initial modelling suggests there could be approximately 16,000 additional families who would claim FamilyBoost under the proposed new settings, who would face costs of registering and claiming the payment each quarter.

The current fiscal cost for the existing FamilyBoost scheme was revised in Budget 2025 to be \$797 million over a five year forecast period (2024/25 to 2028/29). Accounting for underspends and adjusting the FamilyBoost policy settings is expected to have a net fiscal cost of \$695 million over the same five year forecast period. Therefore, the proposals can be met within the existing funding envelope provided for FamilyBoost in Budget 2025.

Benefits (Core information)

Outline the key monetised and non-monetised benefits, where those benefits fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

The ECE sector could benefit by receiving an increased demand for services, subject to availability. Inland Revenue does not receive additional benefits. Families with incomes under \$35,000 a quarter (\$140,000 per annum) currently receiving FamilyBoost payments will receive a higher payment than they do currently – increasing from 25% rebate to 40% rebate would increase the maximum quarterly payment from \$975 (\$75 per week) to \$1560 (\$120 per week). Families with income between \$35,000 (\$140,000 per annum) and \$45,000 (\$180,000 per annum) will have their payment abated at a slower rate (9.75% moving to 7%). Newly eligible families with incomes between \$45,001 and \$57,286 (\$229,100 per annum) will receive a payment when they previously did not.

Table 1 – changes to maximum weekly payment by income range

Household income		Maximum payment	
Quarterly	Annual	Quarterly	Weekly
\$35,000	\$140,000	\$1,560	\$120
\$40,000	\$160,000	\$1,210	\$93
\$45,000	\$180,000	\$860	\$66
\$50,000	\$200,000	\$510	\$39
\$55,000	\$220,000	\$160	\$12
\$57,286	\$229,144	\$0	\$0

Balance of benefits and costs (Core information)

Does the RIS indicate that the benefits of the Minister's preferred option are likely to outweigh the costs?

The benefits are likely to outweigh the costs, as there is no impact to the ECE sector and a low, one-off impact to Inland Revenue (which Inland Revenue is able to self-fund). In turn, there is a significant benefit to eligible families of receiving an increased payment to support ECE costs. The benefit-cost ratio will change over time as the costs for Inland Revenue are one-off, and once policy settings are changed will not have an additional cost. The ongoing costs are only imposed on the newly eligible families receiving payments however, these costs are outweighed by the benefit for all eligible families (newly and currently eligible) of receiving a payment each quarter.

Implementation

How will the proposal be implemented, who will implement it, and what are the risks?

Inland Revenue is responsible for administering the FamilyBoost payment. Given the proposals only require minor changes to existing settings and do not structurally alter the FamilyBoost model, it is the simplest and most cost-effective option for Inland Revenue to deliver and communicate to families. It would also allow for the simplest implementation of any future policy adjustments, if required.

Departmental funding for Inland Revenue to implement and administer FamilyBoost was provided as part of Budget 2024. Given the changes proposed are small adjustments to current settings, the additional costs of the proposals are relatively small. As such, they will

be managed either from the funding already provided or Inland Revenue will self-fund the changes.

The changes are proposed to apply to payments from 1 October 2025 (for fees paid from 1 July 2025). No transitional arrangements are required to move from the current settings to the proposed new settings.

Limitations and Constraints on Analysis

The key limitations and constraints for this proposal is that there has only been three quarters of FamilyBoost payments available to-date and data remains limited.

Data was also a key constraint when FamilyBoost was originally developed. At that time, Inland Revenue lacked comprehensive data on families' use of ECE services, household incomes, incurred ECE costs and likely uptake. The original FamilyBoost estimates therefore assumed 100,000 families would be eligible for the payment based on their incomes – even those families unlikely to claim due to having little or no unsubsidised fees (for example, families using lower-cost centres such as kindergartens, playcentres and Kōhanga Reo). The original estimate was fiscally conservative and assumed 100% uptake across the full year.

The current FamilyBoost uptake rate to-date is 52.8% (this reflects three of four quarterly payments and assumes gradual uptake growth over time). For the purposes of this proposal, the new costing and model estimates a 71% uptake rate across the full year. This update is based on the estimated uptake for other Government assistance and also removes ECEs that appear to be fully subsidised (playcentres) and builds in an assumption of reduced uptake from kindergartens and Kōhanga Reo.

While the assumptions around uptake have been tightened and informed by the data collected in the last 8 months, the limitations around data remain and estimating and measuring uptake remains difficult. Any estimates and numbers used to inform this proposal, and used for FamilyBoost going forward, will continue to have significant levels of uncertainty until the payment has been in place for several years.

Reaching the new assumed 71% annual uptake and related per annum fiscal cost may take a while, given these changes will only impact three payments recognised in the 2025/26 year, and the forecasts are based on full-year data. There is also a risk of over-spend if the uptake is larger than 71%, or if average fees claimed are significantly higher than to date.

While FamilyBoost has increased data available to Government on the ECE sector, in particular the link between income and fees, it is limited to those who claim FamilyBoost and is not representative of *all* households with children in ECE. We have used declined FamilyBoost applications data (due to incomes being above the income cut-off under the current settings), along with data from Best Start tax credit payments, to estimate the likely impact/reach of extending the FamilyBoost settings under the proposal. As with any forecast, uncertainty remains.

Inland Revenue will continue to monitor and report to Ministers on the number and dollar amount of claims against the risk of over- or under-spending.

Other constraints related to timing and a desire for options to remain within the existing funding envelope for the scheme.

Ministers asked officials to provide options that could be implemented and apply to fees paid from 1 July 2025. Options were also limited to those that fell within the funding envelope already appropriated for FamilyBoost as part of Budget 2024 (when the scheme was initially set up). This limited officials' advice to short-term options that could be delivered by 1 October 2025 (applying to fees from 1 July 2025). This meant any longer-term options, or options that could not be implemented by 1 October 2025, were not considered in scope of this analysis.

Timing constraints also meant the consultation that was undertaken was limited and targeted to key ECE stakeholders.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager(s) signature:

s 9(2)(a)

Maraina Hak
Policy Lead
25 June 2025

Quality Assurance Statement

Reviewing Agency: Inland Revenue

QA rating: Partially meets

Panel Comment:

Inland Revenue's quality assurance panel reviewed the Regulatory Impact Statement (RIS) *Options to expand FamilyBoost*.

The panel considers that the information and analysis in the RIS "partially meets" the quality assurance criteria and expectations for regulatory impact analysis.

The panel acknowledges the limitations and constraints on the analysis including a focus on short-term options only and the constrained consultation period with a limited group of stakeholders. These constraints, which are well documented in the RIS, have prevented the authors from considering a fuller suite of options that could have also addressed the problem definition. It will therefore be important that the ongoing monitoring of the payment is reported on to determine whether further action is required to meet the objectives of the proposal.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

1. The Government is concerned that FamilyBoost is reaching fewer families and providing less financial assistance than intended, and is therefore only partially achieving its objective of supporting families with children in paid early childhood education (ECE).

Background

2. FamilyBoost is a childcare tax credit administered by Inland Revenue to provide targeted financial assistance to families with ECE fees.
3. The current FamilyBoost settings allow eligible families to claim up to 25% of their ECE fees every 3 months by uploading invoices or a quarterly statement to Inland Revenue's online portal; myIR. The maximum payment is \$975 per quarter (\$75 per week), based on 25% of the maximum claimable fees of \$3,900 a quarter (\$300 per week), and is subject to a quarterly household income test. The payment abates at \$35,000 a quarter (\$140,000 a year) at a rate of 9.75% until households are no longer eligible at \$45,000 a quarter (\$180,000 a year).
4. As part of Budget 2024, the Government agreed to introduce FamilyBoost to provide approximately \$174 million annually for up to 100,000 eligible families¹. Since the payment went live on 1 October 2024 (applying to fees paid from 1 July 2024), about \$50 million has been paid out to 59,747 families across the three available FamilyBoost payments to date (see Table 1). This number continues to change, with more claims made every week. Households will be able to claim payments for this fiscal year's final quarter (Apr25-Jun25) from 1 July 2025.
5. Given the lack of available data when the scheme was being designed in late 2023, the eligible population (families with children in ECE below the income cap) for the current settings was modelled assuming a 100% uptake in order to set the fiscal cost, giving a population of up to 100,000 eligible families. However, uptake of FamilyBoost could not reach 100% due to the modelled eligible population including families who have low or no fees, as they receive other ECE subsidies or attend low-cost services. While these families are still eligible for FamilyBoost, they are unlikely to claim as they would receive a low rebate amount or not have fees to claim a rebate on. Based on the data obtained from the three quarterly claims to date, a more realistic number of eligible families is 113,000 and uptake is expected to be around 71% under current settings. This uptake rate accounts for the fact that some families within the modelled eligible population will not claim FamilyBoost due to having low or no fees. This suggests 80,230 families would receive a payment across the full year.
6. Additionally, as this policy impacts a limited population of households with early childhood education costs, there is a natural cap of households eligible for a FamilyBoost payment. There are an estimated 162,000 families with 194,600 children enrolled in early childhood education. Not all of these families would be eligible for FamilyBoost, as some will have income higher than the threshold. Not all eligible families would claim FamilyBoost as they may not have any fees to pay given current levels of subsidy or the nature of the service they

¹ Annual fiscal costs are forecast to decline slightly across the four-year forecast period due to wage increases making some higher-income families ineligible over time. In Budget 2025 the \$174 million cost was adjusted to \$131 million to reflect an accounting change on when the timing of payments is recognised, effectively shifting ¼ of the cost forward.

are enrolled in. This limits the number of families this policy could potentially provide support to.

Table 2: FamilyBoost claims data as of 11 June 2025

	Jul to Sept 2024	Oct to Dec 2024	Jan to March 2025	Total year to date
Claims received	64,222	55,683	53,223	173,128 (70,346 households)
Claims paid	46,967	44,490	45,371	136,828 (59,747 households)
Claims denied	12,251	10,157	6,132	28,540
Denied due to income over threshold*	7,660	7,764	3,949	19,373
Amount paid	\$17,600,285	\$15,821,868	\$16,629,025	\$50,051,177
Households paid full \$975	1,673 in this quarter	1,209 in this quarter	1,386 in this quarter	385 across all three quarters

*The majority of denied claims are due to income being over the income threshold. Other reasons for claims being denied include invalid invoices and tax returns not filed.

Data insights

Distribution of payments

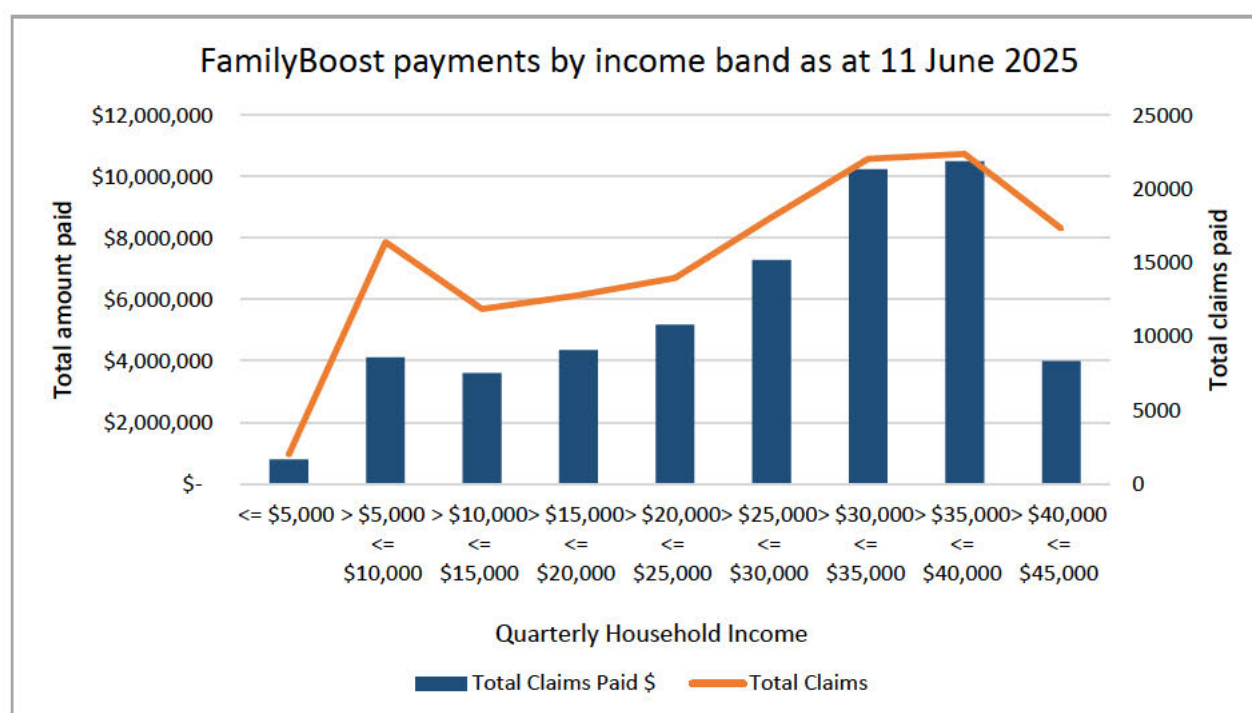


Figure 1: Distribution of payments by income and by payment amount

- Figure 1 shows the distribution of FamilyBoost claims and the total amount paid out by quarterly household income. This data reflects only those who claimed FamilyBoost and is not representative of all households with children in ECE.
- The data shows that claims and payments are concentrated among families at the higher end of FamilyBoost's income eligibility, particularly those earning between \$30,000-\$40,000 per quarter. This aligns with the view that high-income households, who face higher fees, are more likely to receive larger payments and see greater value in claiming FamilyBoost. Meanwhile, lower-income households, who tend to have reduced or

subsidised fees, are more likely to receive smaller payments and see less value in claiming FamilyBoost.

Payment value trends

9. The claims data shows a concentration of payments paid out at a value of between \$75–\$200 and near the maximum amount of \$950–\$975 (see Figure 2).
10. The concentration of payments valued between \$75 and \$200 is attributed to claims from lower-income households with low fees and higher-income households with abated claims. For example, households with quarterly incomes between \$42,500 and \$45,000 (\$170,000 and \$180,000 annually) are not eligible to receive a quarterly payment larger than \$250 due to the abatement rules. As such, most households within this income range will receive a payment between \$50 and \$200. This demonstrates that the current settings provide a reduced financial benefit for both lower-income households and higher-income households.

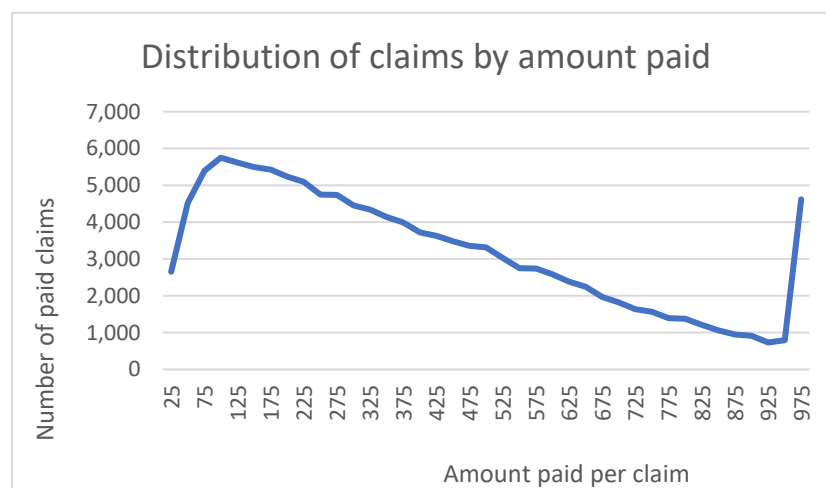


Figure 2: Number of claims by amount paid

Maximum payment trends

11. 4,618 families (7.7%) have received between \$950 and \$975 across the three available FamilyBoost payments to date. To get the maximum payment of \$975 a quarter (\$75 per week), fees for a quarter would need to be \$3,900 or more (approximately \$300 a week) and the quarterly household income would need to be \$35,000 (\$140,000 per annum) or less. This requires fees to be at least 11% of gross household income (and a higher percentage of after-tax take-home income). This expenditure is a significant proportion of household budgets.
12. Figure 3 shows that households across all income bands, up to the \$35,000 quarterly income abatement threshold (\$140,000 per annum), are receiving payments between \$950 and \$975.
13. There is an upward trend in income and receipt of the maximum payment, as higher-income families are more likely to be able to afford higher ECE fees. However, this trend declines beyond the \$35,000 quarterly income threshold, where payments begin to abate and households no longer qualify for the full rebate.

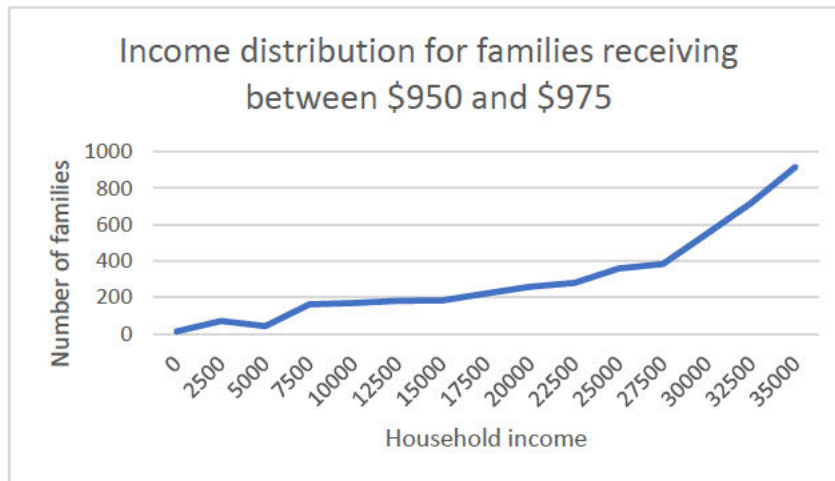


Figure 3: Income distribution of families receiving a FamilyBoost payment between \$950 and \$975

How the status quo is expected to develop

14. Families have up to four years (consistent with the general time-bar rules) to claim each quarterly payment, so Inland Revenue will not know the final uptake until that point. However, in the immediate term, officials anticipate that FamilyBoost uptake is expected to gradually increase. A late surge in claims may occur following 1 July 2025, when the final FamilyBoost payment for the 2024/25 fiscal year becomes available. If this occurs, this would likely be driven by families submitting claims for multiple quarters at once, including self-employed individuals filling annual tax returns and families who report income annually for the Working for Families tax credits. Such lump-sum claiming behaviour may “peak” claim volumes.
15. Over the long term, the number of eligible families is expected to decline as household incomes rise above the \$45,000 quarterly (\$180,000 per annum) maximum income cap. At the same time, the number of eligible families will reflect changes in the total number of families and children enrolled in ECE. The amount claimed will also reflect changes in the price of ECE over time, particularly the portion that is not subsidised by other forms of government support.

Interactions between FamilyBoost and other Government-funded ECE policies

16. ECE subsidies are administered across Inland Revenue, Ministry of Social Development (MSD) and Ministry of Education (MOE). These subsidies include:
 - **The ECE Subsidy.** A universal subsidy paid directly to ECE providers for all children attending the ECE service with a daily limit of 6 hours per day and a weekly limit of 30 hours per week.
 - **20 Hours ECE Subsidy.** A subsidy paid directly by MOE to ECE providers based on the number of children enrolled. The 20 hours covered by this subsidy replace the first 20 hours of the ECE subsidy. Associated with this funding are restrictions that specify parents cannot be charged fees for the 20 hours.
 - **The Childcare Subsidy.** Administered by MSD and paid directly to the ECE service provider for children up to the age of six of low- to middle-income families. This subsidy is normally paid for up to nine hours of ECE a week if the parent(s) are not working,

studying or training and up to fifty hours a week if the parent(s) are working, disabled, or meet other conditions required by MSD. It does not cover optional fees.

- **Donations Tax Credit.** Individuals can claim 33 percent of donations up to the amount of their taxable income. ECE payments can be claimed if they are optional and go to general funds and the service is an approved donee organisation/charity.

17. FamilyBoost cannot be claimed for the subsidised portion of ECE fees or for donations.

Therefore, any changes to ECE funding could have flow on implications for FamilyBoost.

18. A Ministerial Advisory Group has been established to review the wider government funding of ECE. While the terms of reference exclude FamilyBoost from the scope of the review, the group may consider how FamilyBoost interacts with other ECE funding policies.

What is the policy problem or opportunity?

19. The Government is seeking short-term options to address the immediate concern that FamilyBoost is reaching fewer families and providing less financial assistance than originally intended.

20. The following factors may be influencing uptake and the level of financial assistance:

- **Policy design** – a feature of FamilyBoost is that it covers unsubsidised fees. As such, the original estimate of eligible families may have been too high as the model included all families who appeared eligible based on their income, even those families unlikely to claim due to having little or no unsubsidised fees (mostly families using lower-cost centres such as kindergartens, playcentres and Kōhanga Reo). Additionally, the design of the policy as a rebate model requires families to pay for ECE fees before receiving a FamilyBoost payment. This means families need to have the ability to pay for fees upfront in order to receive the financial assistance and need to be able to afford high fees to receive a higher amount of financial assistance. Requiring families to apply up to three months after fees have been incurred may also impact on uptake. Additionally, the quarterly income assessment means a family may qualify in one quarter and not in the next (or vice versa) if their income changes.
- **Compliance costs** – the current model requires families to upload their ECE invoices or a quarterly statement to myIR to claim a FamilyBoost payment. Some families may experience difficulties accessing myIR and completing the registration and claims processes due to limited digital access or a lack of confidence in navigating government systems. Additionally, some families may encounter difficulties obtaining invoices from ECE centres or may receive invoices that do not meet the requirements, adding a further compliance cost to both families and the sector.
- **Perceived benefit of policy** – parents are often time-poor, and some parents may not perceive the process as worthwhile, particularly those receiving smaller rebates, given the effort required to apply. The claims data has also illustrated that the average fees claimed has been lower than expected, leading to a reduced average payment for families claiming.
- **Transient population** – the population eligible for FamilyBoost can change from quarter to quarter, and not every household is necessarily eligible for a payment every quarter.

The number of families eligible for each FamilyBoost quarter is determined by both the total number of families with children enrolled in ECE and by their quarterly household income. This may also result in families receiving different payment amounts each quarter, due to fluctuations in their quarterly income.

- **Awareness and perception of the policy** – there is the potential for families to not apply for FamilyBoost as they do not understand the policy or the interaction with other government support payments. This may include misconceptions about incurring debt or a lack of understanding regarding application processes and eligibility criteria. For example, some families may believe they are ineligible to apply if they receive any ECE subsidy, even when they still have unsubsidised fees.

21. Inland Revenue has introduced operational changes aimed at reducing compliance costs for families, including the introduction of quarterly statements to reduce the number of invoices required and the pre-population of claims information to minimise the data families need to enter across quarterly claims. Further operational changes to reduce compliance costs are unlikely to be feasible in the short term. Inland Revenue also has an active marketing and communications campaign to improve awareness and understanding of the policy.
22. The impact of these changes so far suggests that there is a small improvement in uptake in the short-term, however compliance costs are not the only factors influencing families' decision to apply for FamilyBoost. Most complaints received by Inland Revenue are related to income settings rather than compliance costs. This suggests that changes to policy settings to expand eligibility and increase the financial benefit for families may be the most effective option to improve the scheme's reach and uptake in the short-term.

Constraints in defining the problem

23. **There have only been three quarterly payments available to date** – this means there has not yet been a full year of FamilyBoost payments. As a result, Inland Revenue cannot yet determine the initial annual uptake, and the actual long-term uptake will not be fully understood until four years after each quarterly payment, as families have up to four years to make a FamilyBoost claim (consistent with the general time-bar rules). This makes it difficult to draw definitive conclusions about behavioural trends, such as the potential for lump-sum claiming at the end of the tax year. Allowing for more claims data to become available would provide a clearer picture of claims behaviour and the factors affecting uptake.
24. **Data remains limited** - FamilyBoost has increased the data available to the government on the ECE sector, in particular the link between income and fees. However, this data reflects only those who claimed FamilyBoost and is not representative of all households with children in ECE. As such, most of the available data comes from households earning below \$180,000 per year, with some data from higher-income households who applied but were ineligible for FamilyBoost. This has made it challenging to estimate how the income threshold affects uptake.
25. Additionally, the data is unequally distributed across different types of ECE centres, with less claims from lower fees centres, such as kindergartens, playcentres and Kōhanga Reo,

compared to enrolment figures. The number of claims can vary by region, even within the same type of service or brand of ECE provider. This has limited our ability to have a comprehensive picture of the ECE fees and how these fees may differ by household income.

Regulated parties

26. The regulated parties affected by the FamilyBoost policy are ECE providers, student management system (SMS) providers, and families. Any changes to the model will be particularly relevant to these parties, including adjustments to invoice requirements or modifications to the applications and claims processes. However, changes within the existing model (such as settings changes) are less likely to impact the regulated parties.

Population impacts

27. Generally, ECE participation rates for Māori and Pacific children remain lower than those of other groups. Since FamilyBoost operates as a rebate model, requiring fees to be paid upfront, it is uncertain whether changes to the policy settings would increase ECE participation among these communities.

28. The specific impacts of lower-than-expected reach and average payment amounts suggests that lower-income households (including those over-represented in this group such as Māori, Pacific and some disabled people) may benefit less from FamilyBoost. This is because they often use low-cost, donation-based or fully subsidised ECE services, such as kindergartens, playcentres, and Kōhanga Reo, or informal care arrangements. As a result, these households may be less likely to have material amounts of fees to claim for FamilyBoost. This is reflected in the scheme's notably low uptake among families using kindergartens, playcentres, and Kōhanga Reo. In contrast, higher-income families with greater unsubsidised fees are more likely to apply for and receive higher FamilyBoost payments. An increase of the rebate amount would increase the benefit for lower-income households, regardless of their fees.

What objectives are sought in relation to the policy problem?

29. The key objective is to increase both the number of recipients, and the payment amounts to better align with the Government's intended level of support through FamilyBoost.

30. Alongside the primary objective, we have designed policy options that align with the following secondary objectives:

- Maintain targeted support – ensure that the payment continues to reach the intended recipients.
- Limit fiscal impact – keep costs within the bounds of the original appropriation.
- Minimise administrative costs – reduce the operational burden on Inland Revenue
- Ensure simplicity – design a policy that is easy to understand and communicate to families.

What consultation has been undertaken?

31. Targeted consultation has been undertaken with key sector stakeholders through in-person and online meetings. This consultation was limited due to the timeframes required for decision making to implement changes by 1 October (for fees paid from 1 July 2025). Officials met with stakeholders, who were asked to suggest options to increase uptake that

could be implemented quickly, as well as ideas to make the process to as simple as possible for families.

32. Officials met with Dr Sarah Alexander, chief advisor to the Office of Early Childhood Education, Simon Laube, CEO of the Early Childhood Council, and the operational Early Childhood Advisory Committee (ECAC), consisting of stakeholders from early childhood education organisations.
33. Feedback from consultation included options that are covered by this regulatory impact statement, including changes to the income threshold and increasing the level of rebate (consistent with the Ministers' preferred option to adjust FamilyBoost settings). Most suggestions had a focus on encouraging uptake through making the process easier or more accommodating for families, however these suggestions could not be achieved within the short-term. These included wider process changes and changes that are outside the FamilyBoost model such as making payments directly to centres. Suggestions on changes to marketing were also canvassed.
34. The short consultation timeframe meant officials were unable to engage directly with families. However, Inland Revenue has received feedback about FamilyBoost from families through the standard complaints process. The majority of these complaints were focused on issues with the income calculation and income thresholds. A small survey of 10 customers also assessed the time taken to complete the application process, with all respondents taking 5 minutes or less to complete. This highlighted that changes to the settings rather than the process of claiming are likely to be more effective in helping families receive more funds. s 9(2)(f)(iv)

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

35. The criteria which will be used to compare options are:
- Increases the level of support closer to original expectations (including families reached and payment amounts)
 - Degree of targeting
 - Fiscal cost of the option (compared to original fiscal envelope)
 - Administrative costs
 - Easy to communicate to families
36. Trade-offs must be made between expanding the eligible families and individual payment amounts and managing the scheme's fiscal cost and degree of targeting.

What scope will options be considered within?

37. The scope of the options considered is limited to those within the existing policy design of FamilyBoost – that is a payment to parents based on fees invoiced in the previous quarterly period. This limits consideration to options which tweak existing settings rather than broader reform of the FamilyBoost regime. This is necessary due to the objective to increase

the support provided through FamilyBoost in the short-term. There is a risk of entrenchment if the same settings continued to be used rather than overall reforms occurring. Options of long-term changes involving broader reforms were considered, but they are not part of these policy decisions, due to the time constraints, and will be progressed separately.

38. Non-regulatory options have already been implemented by Inland Revenue, including changes to reduce compliance costs such as quarterly invoices, and a comprehensive marketing and communications campaign to raise awareness of the policy. Further non-regulatory changes were not considered in these policy decisions due to their longer-term nature and the need to expand the eligible population to increase the number of families receiving FamilyBoost quickly.

What options are being considered?

39. The four options being considered are:

- Option 1: Status quo – maintain current settings
- Option 2: Increasing the quarterly household income cap and rebate rate
- Option 3: Introducing a two-tier rebate rate where eligibility for the payment is universal, but the rate of the rebate is income tested.
- Option 4: Introducing a three-tier rebate rate, keeping an upper income cap for eligibility and the rate of rebate is income tested.

40. Under each option, officials considered several sub-options that proposed different settings for income caps, rebate rates, and maximum payments.
41. For the purposes of comparing estimated uptake across options and sub-options, we updated the model to assume a 71% uptake rate across the full year. This figure is based on the estimated uptake for other Government assistance. The revised model also removes ECEs that appear to be fully subsidised (playcentres) and builds in an assumption of reduced uptake from kindergartens and Kōhanga Reo. Reaching the assumed 71% annual uptake and related per annum fiscal cost may take time, particularly if changes are introduced mid-fiscal year, as forecasts are based on full-year data.

High-level implications of options 2 to 4:

42. FamilyBoost targets low-to-middle income families, but lower-income households often benefit less due to having reduced or subsidised fees. This is reflected in the current distribution of payments and average amounts being skewed towards those earning \$30,000 to \$40,000 quarterly. The proposed options expand eligibility, further skewing payments towards higher-income groups and shifting the policy's focus to supporting a wider income range of families. This also makes the payment less targeted by allowing higher income families to receive a payment. This can be mitigated through increasing the rebate amount for lower-income families and abatement or creating rebate tiers to retain targeting of the payment.
43. While making childcare more affordable, the options below are more likely to increase the number of hours children are enrolled, rather than increase overall ECE participation. This may have implications for Ministry of Education demand-based funding. Increasing the amount paid out through FamilyBoost, particularly to higher income levels, heightens the risk of fee increases for services at the higher end of the market (provider capture). This

potentially reduces the amount of net benefit to families for any of the proposals, but families are still expected to be better off overall.

44. All options involve changes to the existing policy settings rather than a fundamental change of the FamilyBoost model. Therefore, there are minimal administrative costs to make these changes. These costs will be similar regardless of which option is chosen and can be managed within existing departmental funding already provided to Inland Revenue.

Table 3: example policy settings summary table

Proposed settings	Option 1 – current settings	Option 2 – increase income cap and rebate rate	Option 3 – universal two-tiered rebate rate	Option 4 – three-tiered rebate rate
Max. claimable fees per quarter	\$3,900 (\$300 per week)	\$3,900 (\$300 per week)	\$3,900 (\$300 per week)	\$3,900 (\$300 per week)
Rebate	25%	40%	33% (< \$35,000) [\$140,000 income per annum] 25% (> \$45,000) [\$180,000 income per annum]	33% (< \$35,000) 33% to 25% (\$35,001 – 55,000) [\$140,000 - \$220,000 income per annum] 0% (> \$55,000)
Max quarterly payment	\$975 (\$75 per week)	\$1,560 (\$120 per week)	\$1,287 (\$99 per week)	\$1,287 (\$99 per week)
Abatement threshold per quarter (per annum)	\$35,000 (\$140,000)	\$35,000 (\$140,000)	\$35,000 – 45,000 (\$140,000 – 180,000)	\$35,001 – 55,000 (\$140,004 – 220,000)
Abatement rate	9.75 cents in the dollar	7 cents in the dollar	9.75 in the dollar	9.75 cents in the dollar
Payments cut out per quarter (per annum)	\$45,000 (\$180,000)	\$57,286 (\$229,144)	N/A	\$55,000 (\$220,000)
Estimated fiscal cost	\$93 million	\$170 million	\$179 million	\$154 million
Comments	Distribution of payments skewed towards those earning \$30,000 to \$40,000 quarterly (\$120,000 to	Easy to communicate with the public: most similar to current settings	All households with ECE costs are eligible. Abatement avoids ‘cliff-face’ from increasing income	Means-tested rebate Income cap makes it more targeted Abatement avoids cliff-face

	160,000 annually)	Slow abatement increases payment amount Cost-effective to deliver Within fiscal envelope	Least targeted option due to universal payment. Outside fiscal envelope	from increasing income Complicated for families to understand Within fiscal envelope
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Option One – maintain current settings

45. Under the status quo, eligible families can claim up to 25% of their fees, or a maximum of \$975, every 3-months. The payment begins to abate at \$35,000 a quarter (\$140,000 per annum) until households are no longer eligible at \$45,000 a quarter (\$180,000 per annum)
46. Retaining these settings would limit the reach of the FamilyBoost payment to approximately 100,000 eligible households. However, actual uptake is likely to be lower, as not all eligible families will claim the payment. While uptake could increase over time, this would depend on growth in the number of families with ECE fees who fall below the income threshold, meaning there is a natural cap on FamilyBoost uptake and participation.
47. Inland Revenue would continue monitor and assess the uptake of payments. Ongoing remedial, technical, and operational adjustments may occur as part of the normal policy stewardship and administrative process.

Option Two – increase quarterly household income cap and rebate rate

48. Option two increases the quarterly household income cap and rebate rate, expanding both the eligible population and increasing the payment amount. This would likely shift the distribution of payments slightly upwards. Under this option, there will still be an abatement to maintain the targeting of the payment. This option requires only minor changes to existing settings, making it the most cost-effective option for Inland Revenue to legislate and deliver, and is simple to communicate to families. It is also the easiest option to make any future settings adjustments to, if required.
49. If this option were progressed, officials prefer a sub-option which increases the rebate amount from 25% to 40% of the maximum claimable ECE fees of \$3,900 per quarter, which raises the maximum payment amount from \$975 to \$1,560 per quarter (\$75 to \$120 per week). This sub-option also reduces the abatement rate from 9.75% to 7% and raises the quarterly household income cap from \$45,000 to \$57,286 (\$180,000 to \$229,144 per annum).
50. Officials recommend this option over options three and four as it substantively increases the number of families expected to take up the policy close to 100,000 families and remains within the funding amount allocated at Budget 24 of \$174 million, if a 71% uptake rate is assumed. It broadens eligibility to include approximately 16,000 additional families and increases the amount families currently receive from 25% to 40% of fees (which increases their maximum payment by up to \$585 per quarter (\$45 per week)).

Option Three - universal two-tiered rebate rate

51. Option three removes the household income cap on eligibility, meaning everyone with eligible ECE fees can apply for FamilyBoost. It introduces two different rebate rates based on an income test. Families qualifying under the current scheme benefit from the higher rebate rate. This would increase average payments at the lower bands of income and improve uptake as the payment amount is higher relative to the compliance costs of claiming for families. As higher-income families typically pay higher fees, their absolute FamilyBoost payment may still be higher than lower-income families' – even with a lower rebate percentage. This is an existing feature under the scheme but is exacerbated with no income cap. This option would likely shift the distribution of payments upwards with the small number of higher-income families creating a declining tail, similar to income tax distributions.
52. This option assumes households can still only claim up to \$3,900 of ECE fees, capping the maximum payment per household. Sub-options can be designed without abatement (a stepped approach) or with abatement (a sloped approach). Option three's main benefit is that it extends eligibility to all families with ECE fees, potentially helping FamilyBoost reach more households with an easily understood message. However, making the scheme universal would be inconsistent with the current policy intent to target support low-to-middle income households with the cost of living.
53. If this option were progressed, officials preferred a sub-option which would provide families earning less than \$35,000 a quarter (\$140,000 per annum) a rebate of 33% of their ECE costs, and families earning more than \$45,000 a quarter (\$180,000 per annum) a rebate of 25%. The payment would abate from 33% to 25% for families earning between \$35,001 and \$45,000 per quarter (\$140,004 to \$180,000 per annum)
54. Alongside substantively increasing the population, this option abates to avoid the 'cliff-face' effect where some families are financially worse off due to a significantly reduced payment for one dollar extra of income. Abatement minimises these work disincentives and the complaints that arise from people receiving a significantly reduced FamilyBoost payment for extra pay in a quarter. The trade-off is a forecasted higher fiscal cost than comparable settings with no abatement. The provisional forecast for this sub-option exceeds the original \$174m funding amount allocated at Budget 2024, even with 71% uptake assumed, so presents a greater risk of over-spend if the uptake is larger than 71%.

Option Four - three-tiered rebate rate

55. Option four mirrors option three but includes an income cap so higher-income families with eligible fees cannot claim the payment. In other words, it is a three-tiered rebate with the third rate being 0%. This reduces the fiscal cost when compared to option three and builds in targeting to low-to-middle income households. As with the previous option, the payment could have abatement or no abatement.
56. We do not recommend option four, as it is harder to explain to families than option two but offers similar benefits. However, if this option were progressed, we recommend the sub-option which would provide families earning less than \$35,000 a quarter a rebate of 33% of their early childhood education costs. For families earning between \$35,001 and \$55,000 (\$140,000 and \$220,000 per annum), the payment would rebate from 33% to a minimum of

25%, and families earning more than \$55,000 a quarter will not receive a FamilyBoost payment.

57. This option would broaden eligibility, the provisional forecast fits within the \$174 million Budget 2024 allocation, and it avoids the 'cliff-face' effect between the 33% tier and 25% tier by abating. While a 'cliff-face' remains at the \$55,000 mark, where payments drop from 25% to 0%, this is unlikely to significantly influence higher-income families' ECE decisions compared with a cliff-face at lower income levels. Some risk of complaints remains.

How do the options compare to the status quo/counterfactual?

	Option One – maintain current settings	Option Two – increase household income cap and rebate rate	Option Three - universal two-tiered rebate rate	Option Four – three-tiered rebate rate
Increases number of families eligible	0	+	++	+
Degree of targeting	0	+	-	+
Fiscal cost²	0	-	-	-
Ease to communicate	0	0	-	--
Administrative costs	0	0	0	0
Overall assessment	0	+	-	-

² The current fiscal cost for the existing FamilyBoost scheme was revised in Budget 2025 to be \$797 million over a five year forecast period (2024/25 to 2028/29). Accounting for underspends and adjusting the FamilyBoost policy settings is expected to have a net fiscal cost of \$695 million over the same five year forecast period. Therefore, the proposals can be met within the existing funding envelope provided for FamilyBoost in Budget 2025

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

58. Officials' preferred option is option one – maintaining the current settings. Officials consider this will allow Inland Revenue to monitor the uptake of FamilyBoost into the fourth quarter (April – June 2025), understand the impacts of potential changes to ECE funding on FamilyBoost uptake, and further explore the long-term option of a direct data feed³. If needed, policy changes can be recommended after FamilyBoost has been in place for a full year based on more data.
59. However, this option does not align with Ministers' short-term objective of expanding the number of recipients and increasing payment amounts to more closely reflect the Government's intended level of support through FamilyBoost.
60. Therefore, out of the short-term options to adjust policy settings, officials prefer option two – increasing household income cap and rebate rate. This option is preferred as it both broadens the eligible population and raises the maximum payment amount to increase uptake. This option maintains its' targeted approach to ensure that the payment continues to reach the intended recipients. Finally, as it is most similar to the current settings, it is simple to communicate to families and the most cost-effective for Inland Revenue to administer.

Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

61. Yes. Given the Ministers' stated policy objectives, the Ministers' preferred option in the Cabinet paper, is consistent with officials' preferred option.
62. The Ministers' preferred option is option two – adjusting the FamilyBoost settings to increase the payment amounts and the number of families eligible for the payment by:
- increasing the rebate amount from 25% to 40% of the maximum claimable ECE fees of \$3,900 per quarter, which raises the maximum payment amount from \$975 to \$1,560 per quarter; and
 - reducing the abatement rate from 9.75% to 7%; and
 - increasing the quarterly household income cap from \$45,000 to \$57,286.

Table 4: Summary of proposed changes

	Current settings	Proposal
Max. claimable fees per quarter	\$3,900 (\$300 per week, \$15,600 per annum)	\$3,900 (\$300 per week, \$15,600 per annum)
Rebate	25%	40%
Max. quarterly payment	\$975 (\$75 per week)	\$1,560 (\$120 per week)
Abatement threshold per quarter	\$35,000 (\$140,000 per annum)	\$35,000 (\$140,000 per annum)
Abatement rate	9.75 cents in the dollar	7 cents in the dollar
Payments cut out at per quarter	\$45,000 (\$180,000 per annum)	\$57,286 (\$229,100 per annum)

³ A direct data feed would allow early childhood education providers to send invoices directly to Inland Revenue. This would decrease the compliance costs for parents, as they would only have to register and maintain their details, rather than upload invoices each quarter to claim a FamilyBoost payment.

Est. annual household at 71% uptake	76,000 households	92,000 households
Est. annual cost at 71% uptake	\$93 million	\$170 million
Est. annual households at 100% uptake	106,000 households	127,000 households

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulated groups <i>ECE sector – ECE providers and student management system providers</i>	Ongoing minor costs for the sector in issuing additional quarterly statements for newly eligible households to claim FamilyBoost	Low to none	Medium
Regulators <i>Inland Revenue</i>	One-off cost to make changes to the policy settings and ongoing operational costs to support policy.	Low \$0.150 million operating, \$0.030 million depreciation and capital charge, and \$0.050 million capital. Operational costs funded within existing operating funding provided of \$49.487 million. Ongoing additional operating costs are negligible. Capital costs, depreciation, and capital charge self-funded.	High
Government	Increase in cost	Increase of \$343 million across the forecast period, but within the fiscal envelope for the FamilyBoost scheme appropriated as part of Budget.	Medium

	Potential impacts on MOE funding measures due to increase in ECE hours enrolled for	Low	Low
Others <i>Parents receiving payment</i>	Existing households: no additional costs.	None	Medium
	Newly eligible households: Ongoing cost for parents to register and submit invoices or quarterly statements.	Medium	Medium
Total monetised costs		\$343 million across the forecast period, but within the fiscal envelope for the FamilyBoost scheme appropriated as part of Budget.	
Non-monetised costs		Low	Medium
Additional benefits of the preferred option compared to taking no action			
Regulated groups <i>ECE sector – ECE providers and student management system providers</i>	Potential increased demand for services (subject to availability).	Low	Low
Regulators <i>Inland Revenue</i>	None	None	High
Government	More likely to meet Cabinet objectives to provide support to 100,000 families	Medium	Medium
Others <i>Parents receiving payment</i>	Existing households: Additional support for ECE fees for all existing households due to rebate percentage increase.	Medium Up to \$585 per household per quarter.	High
	New Households: New support for ECE fees for families above existing income cap.	Medium Up to \$860 per household per quarter	Medium

		Estimated 16,000 newly eligible families	High
Total monetised benefits		Up to \$860 ⁴ per household per quarter	
Non-monetised benefits		Medium	Medium

63. The impacts of non-monetised costs and benefits have been determined by Inland Revenue's previous experience with implementing and delivering FamilyBoost. As this change will only change policy settings and not the policy itself or the application and claims process, it has limited impact on the affected groups.

Section 3: Delivering an option

How will the proposal be implemented?

64. Inland Revenue will add to the existing FamilyBoost Change and Communication Plan to ensure families are fully aware of the policy changes and to assist take-up of the payment. This plan would include change management activities such as internal website updates, process materials/guided help, staff information sessions and detailed training, so that frontline staff are able to respond to queries and provide effective support to eligible families. These changes can be made within existing departmental funding and resources.

How will the proposal be monitored, evaluated, and reviewed?

65. As this is an existing policy, the monitoring, evaluation and review of FamilyBoost policy changes will continue within existing systems.

Monitoring

66. The uptake of FamilyBoost will continue to be monitored through regular data reporting. This includes monitoring of registrations, claims, households paid, and amount paid. This data is monitored as part of regular status reporting and can be used to update the costing estimates of the policy. Ongoing remedial, technical, and operational adjustments may occur as part of the normal policy stewardship and administrative process to ensure FamilyBoost is implemented as intended.

67. Any changes to the wider government ECE funding policies will be monitored as they may have flow on implications for FamilyBoost.

Evaluation and review

68. Any evaluation of the policy is expected to occur after the proposal has been in place for a full year to understand the impact of the adjusted policy settings on FamilyBoost uptake and fiscal cost.

⁴ As newly eligible households would be above the current income cap of \$45,000 a quarter (\$180,000 a year) their payment would be abated under the new settings, allowing them to claim up to \$860 per quarter depending on their quarterly income and ECE fees.