



## FamilyBoost background information

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To: Ministerial Advisory Group for the Early Childhood Education Funding Review

From: Murray Shadbolt, Kathleen Littlejohn, Andraya Heyes

Subject: FamilyBoost background information for ECE funding review Ministerial Advisory Group

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### Overview

1. This paper provides background information on the FamilyBoost tax credit policy, including the proposed upcoming changes to policy settings, to support the Ministerial Advisory Group's understanding of the make-up of Early Childhood Education (ECE) funding.
2. FamilyBoost is a childcare tax credit administered by Inland Revenue that provides financial assistance for families with ECE fees. From 1 July 2024, eligible families can claim up to 25% of their ECE fees every three months by uploading their invoices or quarterly statements<sup>1</sup> to Inland Revenue's online portal: myIR. The maximum amount is capped at \$975 per quarter and is subject to a household income test that abates out at \$45,000 a quarter (equivalent to \$180,000 a year).
3. On 30 June 2025, the Minister of Finance announced proposed changes to the FamilyBoost policy settings, to apply to ECE fees from 1 July 2025, which will expand eligibility to families with household income up to \$229,144 and increase the payment amounts by increasing the rebate percentage to 40%.

### How this policy came about

4. FamilyBoost was designed as a basic refund system due to a combination of time, system and information-sharing constraints that were necessary to deliver timely cost-of-living support for Budget 2024. The underlying design model is similar to the existing donations refund system.
5. This basic refund system design differs to the original proposal that was outlined in the National party's pre-election Back Pocket Boost manifesto commitments<sup>2</sup> prior to the 2024 general election. The original product design called for a direct data feed from ECE centres to Inland Revenue (via the Ministry of Education) to combine data on ECE fees paid with household information to refund a percentage of ECE fees directly to families' bank accounts. Payments would be made fortnightly.

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<sup>1</sup> Quarterly statements are for FamilyBoost claims purposes only, and are optional statements which ECE providers can give to families to make it easier for them to claim FamilyBoost.

<sup>2</sup> See here for the National party's original proposal: <https://www.national.org.nz/policies/familyboost>

## **Policy intent and funding for FamilyBoost**

6. FamilyBoost is intended to provide targeted cost-of-living support for families with children in ECE. The Minister of Finance has responsibility for the policy, while the Minister of Revenue manages its administration. Cabinet has allocated approximately \$170 million annually to support up to 100,000 eligible families through FamilyBoost.

## **FamilyBoost eligibility criteria and settings**

### ***Eligibility criteria***

7. FamilyBoost is a refundable tax credit, outlined in the Income Tax Act 2007. A parent or caregiver may be able to receive FamilyBoost if:
  - 8.1 They are the caregiver of a child or children aged 5 and under,
  - 8.2 They have household income of less than \$45,000 a quarter,
  - 8.3 They have costs from a licensed early childhood education (ECE) provider, and
  - 8.4 They are a tax resident of New Zealand.

### ***Registrations and claims***

8. Families can only claim FamilyBoost for the remaining ECE fees invoiced after other ECE subsidies are applied. This reflects that FamilyBoost is the last of a line of government support to help families with the cost of ECE fees, with some support already targeted at lower income households.
9. The parent or caregiver must submit an initial registration for FamilyBoost outlining family details and bank account information. After this, they can submit a claim each quarter attaching a supporting invoice or quarterly statement. FamilyBoost can be claimed for the following quarters:
  - January to March
  - April to June
  - July to September
  - October to December
10. The payment does not scale for the number of children in a household or for the number of childcare hours the child(ren) attend. Where a child may spend time in two households, those households are assessed separately for FamilyBoost claims, and each parent or caregiver must lodge a claim using their own ECE invoice or quarterly statement.
11. Payments are made based on the quarterly household income of the applicant and their partner (if relevant). The income used is from the past quarter or most recent income tax return. Payments are 'full and final', meaning there is no need for families to estimate their income and there is low risk of debt due to overpayments.

### ***Settings from 1 July 2024 (current)***

12. FamilyBoost entitles qualifying families to a refund of 25 per cent of residual quarterly ECE costs up to a maximum payment of \$975 a quarter (equivalent to \$75 a week). The abatement rate for households earning more than \$35,000 a quarter is 9.75 per cent. This means households earning up to \$45,000 a quarter (equivalent to \$180,000 a year) can claim some portion of FamilyBoost.

**Settings from 1 July 2025 (proposed)**

13. FamilyBoost uptake and spending to date has been lower than expected. The Minister of Finance therefore recently announced changes to help FamilyBoost reach more families by increasing payment amounts and expanding eligibility.
14. From 1 July 2025, qualifying families will be entitled to a refund of 40 per cent of residual quarterly ECE costs up to a maximum payment of \$1,560 a quarter (equivalent to \$120 a week). The abatement rate for families earning more than \$35,000 a quarter will reduce from 9.75 per cent to 7 per cent. This means households earning up to \$57,286 a quarter (equivalent to \$229,144 a year) can now claim some portion of FamilyBoost.

Table 1: Examples of maximum weekly payment by income under new settings:

| 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    |

15. Cabinet has approved the changes, and legislation is expected to be in place before October 2025 allowing parents and caregivers to receive increased payments for ECE fees incurred from 1 July 2025 onwards.
16. No changes have been made to the process for registering and making a claim.

Table 2: 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)               |
| Estimated annual households at 100% uptake | 106,000 households                           | 127,000 households                           |

## **FamilyBoost population and claims to date**

17. Inland Revenue estimates that 162,000 families have children enrolled in ECE. Of those families, 106,000 are estimated to be entitled to receive some FamilyBoost payment if they apply under the current settings (with 127,000 estimated eligible families under the proposed settings).
18. Around 78,000 households have registered for FamilyBoost. For payments made up to and including 2 July 2025, Inland Revenue have paid out approximately \$50.6 million towards 138,800 claims for 60,500 households (note that these payment amounts relate to the original settings of the scheme).
19. Similar to MSD's childcare assistance products, FamilyBoost requires families to know about and actively register for the payment. This means 100% take up is unlikely, based on trends observed for other social support payments. Inland Revenue estimates that under the current settings, 76,000 households may apply and be paid over a full year. This assumes a 71 per cent **update**. The proposed settings are estimated to result in 92,000 families being paid across a year at 71 per cent uptake.
20. Families have four years to claim FamilyBoost refunds. The final actual uptake will not be known for some time and will depend on how many families choose to apply for FamilyBoost. This four-year period is aligned with other tax and social support products administered by Inland Revenue.
21. For more detail on the distribution of claims, see Appendix 1: Distributional graphs of payments to date.

## **Working with the Early Childhood Education sector**

### ***Student management system vendors***

22. Most licensed ECE providers must use a student management system vendor, or the Ministry of Education-owned alternative system called "ELI (Early Learning Information) Service Portal," to electronically submit data to the Ministry of Education. Only kōhanga reo, casual education and care services<sup>3</sup> and hospital-based services are exempt from this requirement. Almost all student management system vendors provide an invoicing function, and this invoicing function is frequently used by ECE providers.

### ***The rebate model using invoices***

23. When considering options for FamilyBoost design and implementation in late 2023, Inland Revenue considered that setting up a direct data feed model for a new product would likely take around two to three years due to complexity involved and Inland Revenue's unfamiliarity with the ECE sector. The FamilyBoost design needed to include a way for Inland Revenue to utilise actual ECE fees paid by parents to calculate their entitlement. This meant parents would need to provide evidence of ECE costs.
24. As such, FamilyBoost was designed as a basic refund system, similar to Inland Revenue's existing Donations Tax Credit refund scheme (which requires proof of donation receipts to claim a refund).
25. Following consultation with the sector, Inland Revenue recommended FamilyBoost use existing invoices, unlike the Donations Tax Credit refund scheme which requires receipts<sup>4</sup>. It was felt that asking all centres to provide their customers with receipts

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<sup>3</sup> i.e. ECE providers as ski fields and a shopping mall

<sup>4</sup> The Donations Tax Scheme receipts must contain specific information to enable the claims to be processed and checked. This often means creating a bespoke document specifically for this purpose that a business would not otherwise need to produce.

(when invoices are already required to be provided) might place an unnecessary burden on them in the timeframe allowed, particularly for smaller centres or those who are less digitally sophisticated.

26. Many providers are now offering families a quarterly statement, making claiming FamilyBoost easier. Families can provide a quarterly statement rather than submitting up to 13 weekly invoices as evidence for their FamilyBoost claim each quarter.
27. Invoices and quarterly statements need to include the ECE or Kōhanga Reo name, service address, licence number and GST number (if registered). They also need to show the full name of the caregiver, full name(s) of the child or children, the date it was issued, the start and end date of the period covered by the fees and the final amount invoiced after any other subsidies, discounts or donations (for example, 'total net fees for the period'). A statement or invoice number is also required<sup>5</sup>.
28. Providers and other parties have asked why the payments are made directly to parents rather than the centres. The original policy proposed was for refunds to be provided directly to parents as a cost-of-living relief measure for families. The policy also requires payments to be abated according to household income. This means that applicants must declare their relationship status so Inland Revenue can access income information for both the applicant and their partner (if relevant). They are also required to provide IRD numbers for their child(ren) and partner. If payments were made directly to ECE providers, applicants may be reluctant to share this personal information with their ECE service.

#### **Information sharing and fees data**

29. Data on ECE fees paid *per household* is not currently exchanged between government agencies. Inland Revenue gathers some fees information through FamilyBoost claims and the Ministry of Social Development would likewise gather some information to support Childcare Subsidy. Since the implementation of FamilyBoost, Inland Revenue and the Ministry of Education regularly share some data to check the eligibility of children for processing FamilyBoost claims.
30. It remains difficult for government agencies, however, to provide advice on overall ECE affordability for parents and caregivers.
31. From July 2024, data specific to FamilyBoost administration is being collected by Inland Revenue. However, the data being collected is limited to what is relevant for the administration of the policy. For example, families with ECE costs may choose not to apply for a variety of reasons. Families may also have no residual fees following other subsidies and support payments, and therefore gross fees charged will not be recorded in FamilyBoost data.
32. It is also important to note that the policy is in its early days and long-term behaviours and trends are not yet apparent. For example, some people may choose to claim four quarterly payments after they have filed their end of year income tax returns (typically due 7 July). Awareness of the payment is also likely to increase over time.
33. As part of the announcement in July 2025, the Minister of Finance confirmed that officials have been asked to progress work on longer term improvements to the scheme, including by having fees information provided directly to Inland Revenue by ECE providers. Inland Revenue have advised that this will be a multi-year process to implement, requiring extensive discussions and process changes from student management system vendors, early childhood education providers, Inland Revenue,

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<sup>5</sup> For more information, see: <https://www.ird.govt.nz/familyboost/early-childhood-education-providers>

and agencies. Inland Revenue have yet to determine all the financial implications for this option as it may, if successful, increase FamilyBoost uptake significantly.

### **FamilyBoost interaction with other ECE subsidies and support payments**

#### **34. The Ministry of Education's 20 Hours ECE:**

Funding received in relation to the ECE centre is assumed to have been accounted for prior to the parent being invoiced, meaning FamilyBoost should be paid as a percentage of any remaining amounts that the parent is invoiced for.

#### **35. The Ministry of Social Development's childcare assistance payments:**

When MSD's childcare assistance payments are made directly to centres and the parent is invoiced afterwards, the FamilyBoost amount should be calculated based on the final fees the parent is expected to pay to the ECE provider. On some invoices the MSD subsidy is listed as a credit against an invoiced amount. FamilyBoost is based on the net amount invoiced after any MSD subsidy.

### **Examples of FamilyBoost and other ECE support product interactions**

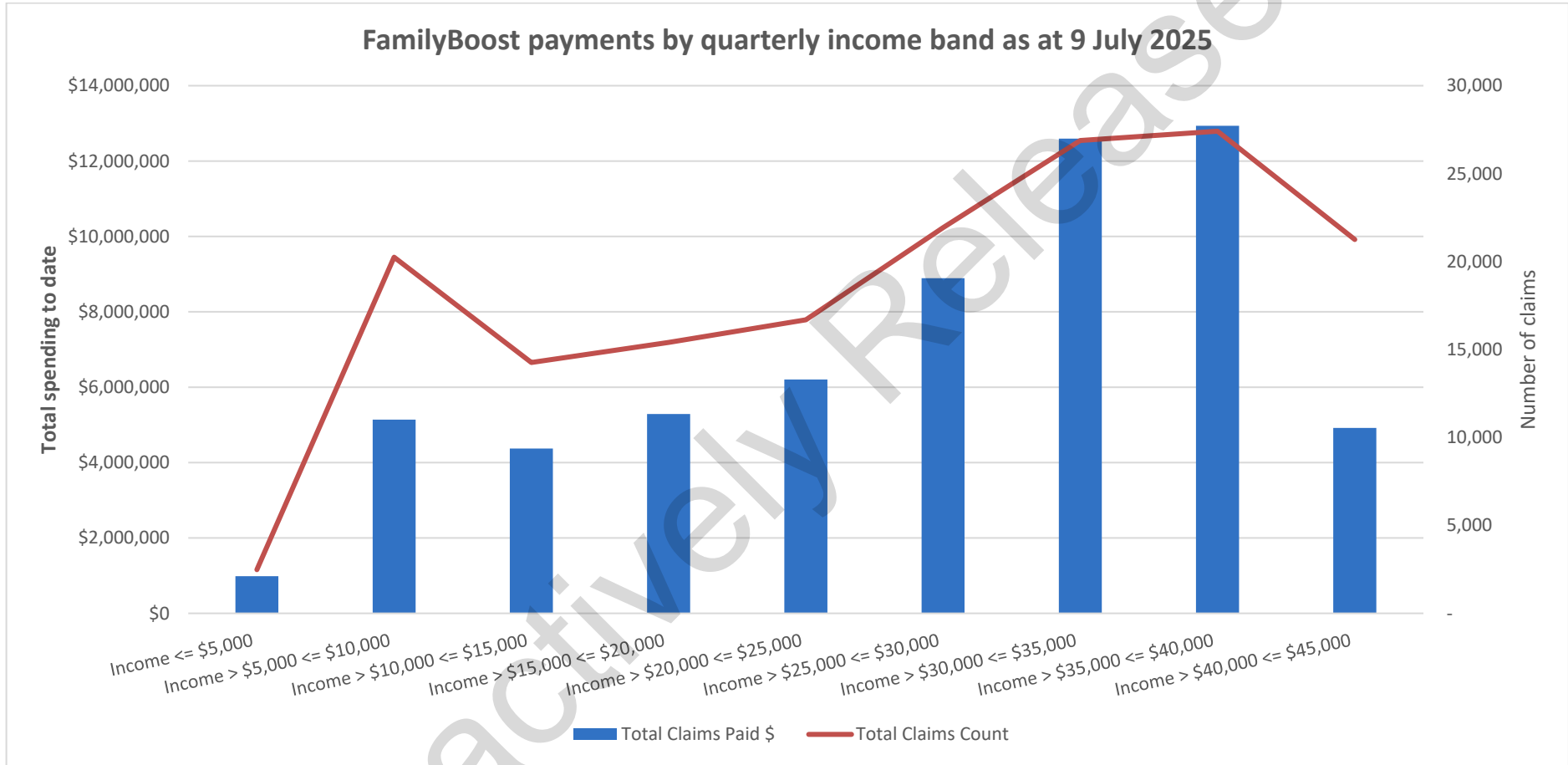
Kaitlyn is a sole parent with a two-year old child. Kaitlyn works part time and earns \$40,000 a year (\$10,000 per quarter). Her daycare charges her \$174 per week. She applies for the Childcare Subsidy and is entitled to \$98 a week from MSD towards her childcare costs. She pays the remaining fees of \$76 a week.

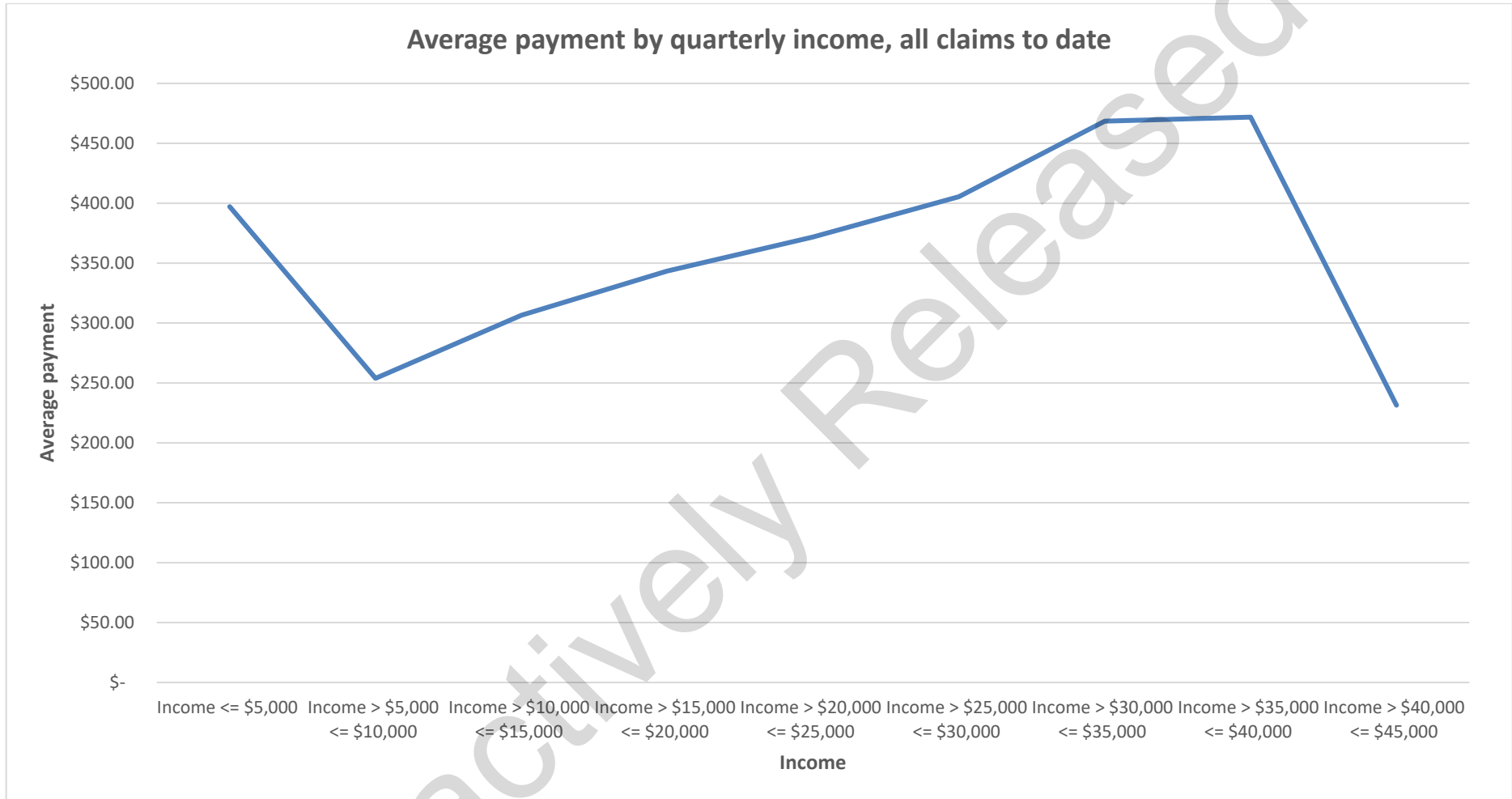
- Under the settings from 1 July 2024, she receives \$19 a week through FamilyBoost.
- After the changes from 1 July 2025, she will be eligible to receive just over \$30 a week.

Jacqui earns \$110,000 per year (\$27,500 per quarter) and has one child aged 3 in ECE for 40 hours per week. Her child is eligible for the Ministry of Education's 20 Hours ECE policy, with fees to pay of \$250 per week. She also qualifies for the Childcare Subsidy and is entitled to \$145 a week. She pays the remaining \$105 per week.

- Under the settings from 1 July 2024, she receives around \$26 a week through FamilyBoost.
- After the changes from 1 July 2025, she will be eligible to receive \$42 a week.

**Appendix 1: Distributional graphs of payments to date**







## Appendix 2: FamilyBoost and Inland Revenue's social policy role

36. Generally, the tax system no longer deducts specific personal costs from wages and salaries to reduce the individual's tax liability. Instead, from the 1980s onwards, income tax rates were reduced and subsidies to the ECE sector increased. However, parallel to this, Inland Revenue has had an increasing presence in the social policy landscape since the 1990s, exacerbated by Inland Revenue's Business Transformation programme which has enabled better data on people's incomes and faster disbursements.
37. Below is a short outline of other products which Inland Revenue administer for families, provided to contrast in the way the different payments work and the policy intent behind them. FamilyBoost entitlements are assessed separately and differently from other Inland Revenue social support payments.
38. **Working for Families tax credits:** Working for Families Tax Credits (WFF) is a suite of refundable tax credits designed to help support low-to-middle income earners to meet the day-to-day costs of raising children, and to incentivise parents and caregivers to move into work or take up more work. If families wish to receive a weekly payment, they need to estimate their expected income for the upcoming tax year. Their final entitlement is then checked after the end of the year, at which point they may have additional entitlement (underpaid) or a liability (overpaid). WFF is household based, and recipients must update Inland Revenue if their family circumstances (relationship status, number of children, time children are in their care) or income circumstances (income increase or decrease, entering or leaving work) change as soon as possible. Policy responsibility is jointly held between Inland Revenue and the Ministry of Social Development (with involvement from the Treasury). The Ministry of Social Development administer payments for people who are on a benefit and have dependent children, and will pay the Family Tax Credit and Best Start tax credit components at the full rate for these customers. Inland Revenue administer all four component tax credits, where relevant, for people not on a benefit and can abate payments according to income.
39. The In-Work tax credit is part of WFF. It has a focus on encouraging families into work and to remain in work through an eligibility requirement to be 'off benefit' and in paid employment. The Minimum Family Tax Credit also has a similar purpose but requires minimum work hours per week and is restricted to salary and wage workers.
40. **Child support:** Child support is a payment to support the cost of raising a child, who may be living some or all of the time with another parent or caregiver. Usually, payments are made from one parent to another where they have separated. Child support is assessed as a yearly liability and entitlement which is then split into monthly payments. The amount owed is based on a complex formula designed to take into account the income and circumstances of the legal parents, the cost of raising the child or children, and making allowance for the support of other legal children of either parent. Responsibility and administration sits with Inland Revenue. Recently, the rules were changed to allow sole parents on a main benefit to receive child support payments. Child support is taken into account when determining Working for Families entitlement and income-tested welfare payments.
41. **Paid parental leave:** a government-funded payment for eligible employees and self-employed people who are taking care of a new baby or a child under 6 years old. Policy responsibility sits with the Ministry for Business, Innovation and Employment with day-to-day administration managed by Inland Revenue. Parents receiving paid parental leave cannot receive the Best Start tax credit at the same time for the same child.