



**TAX  
JUSTICE  
AOTEAROA**

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**Submission  
to  
Inland Revenue  
on the  
Working for Families  
Consultation**

***3 July 2025***

**Tax Justice Aotearoa – Working For Families consultation**

Inland Revenue [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)

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## About TJA

Tax Justice Aotearoa (TJA) is an NGO that works to create a world where fair and progressive tax policies enable everyone to share in local and global prosperity, access public services and social protections. In accordance with our constitutional objects, we advocate for a progressive tax system in Aotearoa that would reduce extremes of income and wealth inequality. Our Constitution also affirms the promotion of tax policy that respects human rights and is consistent with Te Tiriti o Waitangi.

## General comments

Working for Families (WFF) is a crucial part of the tax and transfer system that has material impact on levels of poverty and hardship for families with children. TJA welcomes this opportunity to comment on this discussion document.

This consultation on aspects of WFF needs to be understood in the wider context of the purposes of the legislation underpinning WFF that sets the objectives of achieving income adequacy in households with children to reduce poverty and supporting work incentives.

The narrow focus of this consultation is disappointing and provides little opportunity to meaningfully improve WFF so that it can better achieve its policy objectives.

WFF exists within the complex system of welfare and tax support. Examining a few smaller aspects of WFF without considering the multiple other components of the welfare system that contribute to income adequacy for families means there is little likelihood of meaningful improvement in income adequacy or poverty reduction improvement for families on lower incomes from proposed changes.

## Main Proposals

There are four main proposals in the Discussion Document and TJA response in summary is:

1. We support the proposal to use **a shorter time period** than a year to calculate WFF entitlements with three months appearing to a reasonable time period, with the proviso that an annual catch-up calculation is included to avoid underpayment of WFF.
2. We support the **simplifying the definition of family income scheme** by removing some types of income where the risk of misrepresenting family income is low.
3. We support **removing the tax residence test requirement** from WFF entitlement. We support the proposal to require both the principal caregiver and dependent child to be “ordinarily resident” and “physically present” in New Zealand, with the inclusion of allowances for being outside of the country for periods of up to six weeks. We note that people receiving other income-tested benefits from MSD are subject to different residence requirements and it would make sense to align these requirements as most families receiving income-tested benefits are also in receipt of WFF payments.
4. We have concerns about **automated information sharing proposals between IR and the New Zealand Customs Service**. No information is provided in the consultation document about the number of WFF recipients traveling overseas, but our assumption is that the majority (or most) of WFF recipients do not travel overseas in any given year and it does seem overreach to supply Customs with a list of all

WFF recipients. There is also no information supplied in the consultation to help assess the extent of the problem with overpayment to WFF recipients who are overseas. An approved information sharing agreement limited to principal caregivers receiving WFF payments is essential protection and would need to be carefully managed to ensure it is limited to assisting accurate assessment of WFF entitlement.

## **Issues with Working For Families system**

**Failing to provide income adequacy.** The goals of WFF are set out in the discussion document as achieving income adequacy in households with children to reduce poverty and supporting work incentives. The order of priority for WFF policy must surely be based on ensuring income adequacy first and then addressing work incentives.

The current WFF abatement threshold of \$42,700 (\$821 per week) is too low and households with incomes below the poverty line face abatement of entitlements. A household with one person working more than 35 hours on the current minimum wage (\$23.50) will be subject to abatement of WFF entitlements. The poverty line for a sole parent household with two children is \$43,784 (\$842 per week) according to the MSD Child Poverty Report 2024 (using the 50 percent median household income before housing costs measure).

Changes made in Budget 2025 to raise the threshold slightly to \$44,900 in April 2026 still means someone working 37 hours at the minimum wage will face abated payments, which will also be abated at a higher rate of 27.5 percent. The abatement threshold applying from April 2026 is just 2.5 percent higher than the 2024 poverty line for a sole parent with two children noted above, which suggests those households will be having their WFF payments reduced when their income is below the official before housing costs child poverty measures. This means even if families are able to receive their full WFF entitlement, they are at risk of still being in poverty.

## **Shorter Period of Assessment**

**WFF overpayment debt to IRD:** the discussion document provides only limited information on the extent of the WFF overpayment issue. It is important to understand what proportion of households owing WFF debt have household incomes below or near current official child poverty lines (e.g. 50 percent median household income before housing costs).

The discussion document uses figures from the 2022 tax year in the analysis, which raises the question why more recent data is not available to inform this policy work. Using these figures, of the 360,000 who received WFF, 300,000 received weekly or fortnightly payments. Of these 24 percent (72,000) received the correct WFF entitlement. Another 41 percent (124,000) were underpaid and 35 percent (105,000) were overpaid.

Overpayments totalled \$148 million which is around 5 percent to of total WFF payments of \$2,600 million. There is no detail available in the discussion document about the number of very large overpayments, but half of the overpayments were less than \$924 (\$18 per week). This suggests that around 50,000 households received overpayments that were larger and which might be considered material overpayment (depending on the level of household income).

More households were underpaid (124,000), probably because many underestimated their annual income to avoid being overpaid. As the discussion document correctly points out, this may mean families going without income they need on a weekly basis to meet living costs simply to avoid owing IR debt at the year end.

Moving to three-monthly assessments of income for WFF would help reduce the length of time a household goes without receiving the full WFF they are entitled to. But this comes with the risk for households with fluctuating income that there will be periods of up to three months with lower income than they should be receiving, which could increase hardship. There is also the risk particularly for families with incomes around the abatement threshold, where the sum of their quarterly WFF assessments will be less than their actual total WFF entitlement based on their final full year income. This means it is crucial to include an annual 'catch-up' payment to families whose annual income has been under-estimated through the 3-monthly process.

Protected entitlements (p.19 of Discussion Document) for families on very low incomes who have received a main benefit during the year need to be considered in a change to a shorter three-month assessment period. The discussion document highlights the issue of families being overpaid because more families are earning above the monthly abatement threshold. It would seem reasonable to explore further whether the threshold needs to apply for situations where families are transitioning into paid work or leaving paid work. Avoiding adding debt to families on margins of the paid workforce seems a positive policy choice to help make work pay.

**Debt to Government Framework:** With around 57,000 families in WFF debt to IR in 2024, discussion document reports this debt is treated like other unpaid tax income as a tax liability. The total amount owing of \$274 million is less than 3 percent of total overdue tax debt of \$9,300 million (March 2025).

In 2023 IR adopted the cross Government agency policy 'A framework for debt to government' ([Policy framework for debt to government](#)). The framework guidelines specify that the treatment of overpayment debt for government support to people "needs to be governed by the fact that these payments are intended to provide financial assistance when they need it." The complexity of targeted hardship policies such as WFF are more likely to lead to debts through overpayment and guidelines for write-off should consider this when dealing with these debts.

The debt to government framework includes taking a 'person-centred' approach to dealing with debt and especially emphasises a range of factors to be considered including assessing the potential hardship caused by the debt repayments and recovery. A debt threshold below which the debt is forgiven unless there is proof of intent (e.g. 5% of payments for the period) could be helpful and reduce the administrative overhead and stress on recipients at a low cost.

### **Making work pay: Supporting transition from benefit into work**

Making the transition to work pay through phasing out payments at a slower rate would be an effective way to improve the transition into paid work for people on lower incomes. Adding a higher abatement rate for higher income families would help manage the additional cost to government of such a change.

Adding specific work-related incentives into the WFF scheme such as well targeted child care support or transport cost support would help improve the effectiveness of WFF.

The discussion document reports that 20 percent of WFF entitlements are paid by Ministry of Social Development (MSD) and 80 percent by Inland Revenue (IR). The combined administration of the same tax transfer programme by two departments is reported as administratively difficult. It is not clear from the discussion document what the exact nature of the problem with shared management of the system. But for some people, particularly those

on the margins of the paid workforce, there is the need for constant reporting and a high degree of uncertainty, because of the complexity of the system, which is in itself a disincentive to work. For people employed on lower incomes they often struggle with increasingly toxic mix of insecure hours and insecure employment, the rules in the welfare benefit system and the taxation system, including Working for Families tax credits. Any changes to WFF only address one aspect of this context.

From the perspective of people on lower incomes receiving MSD income support, dealing with one agency (MSD) for the assessment of their income entitlements in principle seems to make sense. The issues with crossover arise for people transitioning into and out of the paid workforce. The discussion document does not include information the proportion of MSD recipients on a welfare benefit are currently receiving WFF paid by IR or the number of WFF recipients estimated to be affected by transitioning into paid work and changing to IR from MSD.

Changing to IR administering all WFF payments would add a further set of government agency interactions for people receiving other MSD administered income support payments such as Jobseeker and Sole Parent Support. It is not clear from the proposals how this would reduce the challenges for people on low incomes of interacting with already complex welfare system.

As some clients receiving MSD assistance already opt to receive WFF through IR, a closer analysis of the number of people involved and their experience of this should inform any decision to change.