

**IN CONFIDENCE****In Confidence**

Office of the Minister for Social Development and Employment  
Chair, Cabinet Legislation Committee

**FamilyBoost Tax Credit Exemption Regulations 2024****Proposal**

- 1 This paper seeks Cabinet approval to submit the attached FamilyBoost Tax Credit Exemption Regulations 2024 to the Executive Council, which will exclude FamilyBoost tax credit payments from being considered as income or cash assets for assistance administered by the Ministry for Social Development (MSD) for a period of 12 months from receipt of payment.
- 2 The FamilyBoost Tax Credit Exemption Regulations 2024 consists of the following Amendment Regulations:
  - 2.1 the Social Security (Cash Assets and Income Exemptions – FamilyBoost) Amendment Regulations 2024;
  - 2.2 the Residential Care and Disability Support Services (Exempt Assets - FamilyBoost) Amendment Regulations 2024;
  - 2.3 the Student Allowances (Income Exemptions – FamilyBoost) Amendment Regulations 2024.

**Executive Summary**

- 3 The new FamilyBoost tax credit was launched on 1 July 2024 to support low-to-middle income families with early childhood education (ECE) costs. Parents will be able to claim their first FamilyBoost tax credit payment from 1 October 2024.
- 4 Cabinet has agreed that the new FamilyBoost payment would be available in addition to existing childcare support including MSD's childcare subsidies [CAB-24-MIN-0089].
- 5 This paper proposes several regulation amendments which will exclude FamilyBoost tax credit payments from being considered as income and cash assets for the purposes of assistance administered by MSD.

**Policy**

- 6 On 20 March 2024, the Cabinet Economic Policy Committee agreed to introduce the FamilyBoost tax credit from 1 July 2024 to support low-to-middle income families with ECE costs [ECO-24-MIN-0033].
- 7 I was authorised by Cabinet to make policy decisions to ensure the FamilyBoost tax credit payment is not treated or charged as income and cash assets for assistance

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administered by MSD, and to instruct the Parliamentary Counsel Office to draft amendment regulations to give effect to this decision [CAB-24-MIN-0089].

- 8 Based on Cabinet's authorisation, and in consultation with the Minister of Health and the Minister for Tertiary Education and Skills, I have agreed that it is necessary to amend the Social Security Regulations 2018, the Residential Care and Disability Support Services Regulations 2018, and the Student Allowances Regulations 1998. These amendments will ensure that the FamilyBoost tax credit is not treated or charged as income and cash assets for assistance administered by MSD.
- 9 This decision will ensure that FamilyBoost complements existing ECE support available through MSD, including Childcare Assistance, and that parents will continue to see the benefit of moving into work or extending their working hours.
- 10 As FamilyBoost will be paid quarterly in arrears, this exemption will also ensure MSD clients will not be forced to incur debt due to the FamilyBoost tax credit payment being charged as income and/or cash assets retrospectively against MSD administered assistance.
- 11 I propose that the exemption be time-limited for 12 months. This recognises that parents are receiving FamilyBoost payments for ECE costs that they have already incurred, but also takes into account the purpose of the Social Security Act 2018 that clients should use resources available to them before seeking Government assistance.
- 12 MSD clients will be asked to declare any remaining payment 12 months after receipt. If they have retained all or part of the payment, this will then be subject to existing income and cash asset rules and charged against the MSD administered assistance they receive. Any interest earned in the initial 12 months from the receipt of payment will be subject to income charging rules. An example scenario can be found in Appendix 1.

**Timing and 28-day rule**

- 13 If approved, the Amendment Regulations will be submitted to the Executive Council for consideration on 12 August 2024 and published in the New Zealand Gazette by 3 September 2024 at the latest to comply with the 28-day rule. The Amendment Regulations will take effect from 1 October 2024, which is the date when FamilyBoost tax credit payments can first be claimed from Inland Revenue.

**Compliance**

- 14 The Amendment Regulations comply with the following:
  - 14.1 the principles of the Treaty of Waitangi;
  - 14.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;
  - 14.3 the principles and guidelines set out in the Privacy Act 2020;
  - 14.4 relevant international standards and obligations; and

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- 14.5 the Legislation Guidelines (2021 edition), which are maintained by the Legislation Design and Advisory Committee.

**Regulations Review Committee**

- 15 There are no grounds for the Regulations Review Committee to draw the Amendment Regulations to the attention of the House of Representatives under Standing Order 319.

**Certification by Parliamentary Counsel**

- 16 The Amendment Regulations have been certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.

**Impact Analysis**

- 17 The Minister for Social Development and Employment had delegated authority to approve the policy for the FamilyBoost Tax Credit Exemption Regulations 2024 [CAB-24-MIN-0089], and therefore Cabinet's impact analysis requirements do not apply.
- 18 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal, as the threshold for significance is not met.

**Publicity**

- 19 The new income and cash asset exemption will be communicated to MSD clients who are eligible to claim the FamilyBoost tax credit. Once the Amendment Regulations have been published, Work and Income and StudyLink websites will be updated to include information about the incoming exemption.

**Proactive release**

- 20 I intend to proactively release this paper subject to the provisions of the Official Information Act 1982.

**Consultation**

- 21 The Ministry of Education, Ministry of Health, Inland Revenue and Whaikaha – Ministry of Disabled People have been consulted.
- 22 The Minister of Health and the Minister for Tertiary Education and Skills agreed to progress the recommendations relating to the Residential Care and Disability Support Services Regulations 2018 and the Student Allowances Regulations 1998, respectively.

**Recommendations**

I recommend that the Cabinet Legislation Committee:

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- 1 **note** that from 1 October 2024, eligible parents will be able to start claiming FamilyBoost tax credit payments from Inland Revenue;
- 2 **note** that on 25 March 2024, Cabinet:
  - 2.1 authorised the Minister for Social Development and Employment to make policy decisions to ensure the FamilyBoost tax credit payment is not treated or charged as income and cash assets for assistance administered by MSD;
  - 2.2 invited the Minister for Social Development and Employment to instruct the Parliamentary Counsel Office to draft amendment regulations to give effect to policy decisions [CAB-24-MIN-0089];
- 3 **note** that to give effect to paragraph 2.1, the Minister for Social Development and Employment has agreed to introduce an income and cash asset exemption for assistance administered by MSD;
- 4 **note** any interest earned in the initial 12 months from a FamilyBoost tax credit payment will be subject to MSD's income charging rules;
- 5 **note** that the Minister of Health and the Minister for Tertiary Education and Skills have agreed to an income and cash asset exemption for assistance administered by MSD under the Residential Care and Disability Support Services Act 2018 and the Student Allowances Regulations 1998, respectively;
- 6 **note** that the Amendment Regulations will give effect to the decisions referred to in paragraphs 3 and 4 above;
- 7 **authorise** the submission to the Executive Council of the following:
  - 7.1 the Social Security (Cash Assets and Income Exemptions – FamilyBoost) Amendment Regulations 2024;
  - 7.2 the Residential Care and Disability Support Services (Exempt Assets – FamilyBoost) Amendment Regulations 2024;
  - 7.3 the Student Allowances (Income Exemptions – FamilyBoost) Amendment Regulations 2024;
- 8 **note** that the Amendment Regulations will come into force on 1 October 2024.

Authorised for lodgement

Hon Louise Upston

Minister for Social Development and Employment

**IN CONFIDENCE****Appendix 1****Example Scenario**

Amy and Koa have two children (aged 2 and 3) and have a combined annual income of \$85,020 (\$1,635 per week).

As they are both in employment, both children are in childcare for 30 hours per week with one child receiving 20 hours ECE. Their combined childcare costs total \$400 per week.

They receive \$79 of Accommodation Supplement per week.

They qualify for \$203.60 per week in Childcare Subsidy and \$49.10 in FamilyBoost tax credit.

On 7 October 2024 they receive their first quarterly FamilyBoost tax credit payment, totalling \$638.30 (covering 13 weeks of invoices). The FamilyBoost tax credit payment is not considered as income against their Accommodation Supplement and Childcare Subsidy, therefore their entitlement and rate of payment is not affected. The FamilyBoost tax credit payment is also exempt from being considered as a cash asset for their Accommodation Supplement for the first 12 months after they receive it. Any interest earned from the FamilyBoost tax credit payment will be charged as income against their Accommodation Supplement and Childcare Subsidy.

Their options:

Spend entire payment within 12 months	As there is no payment left at the end of 12 months they would not be required to contact MSD.	Cash asset limit: N/A
Retain whole payment after 12 months	They would be required to contact MSD to declare the payment and the full <b>\$638.30</b> would be considered a cash asset against their Accommodation Supplement. Their Accommodation Supplement and Childcare Subsidy rate/entitlement would be reassessed.	Cash asset limit: Accommodation Supplement - <b>\$8,100</b> (single), <b>\$16,200</b> (partnered)
Retain part of the payment after 12 months	At the end of the 12 months, they have retained <b>\$500</b> . The remaining <b>\$500</b> would be considered a cash asset against their Accommodation Supplement. Their Accommodation Supplement and Childcare Subsidy rate/entitlement would be reassessed.	Cash asset limit: Accommodation Supplement - <b>\$8,100</b> (single), <b>\$16,200</b> (partnered)