

Joint Report



Inland Revenue
Te Tari Taake



MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Date: 7 December 2017 **Security Level:** IN CONFIDENCE

To: Hon Grant Robertson, Minister of Finance
Hon Carmel Sepuloni, Minister for Social Development
Hon Stuart Nash, Minister of Revenue

Administrative Implications of the Timing of the Families Package Legislation

Purpose of the report

- 1 This Report provides requested brief advice on the administrative implications of the timing of the Families Package legislation.

Administering the Families Package

- 2 The Ministry of Social Development (MSD) and Inland Revenue (IR) will deliver the Families Package on 1 April and 1 July 2018 to a substantial proportion of New Zealanders. The timeframes for delivery are challenging.
- 3 IR is delivering the repeal of the Budget 2017 tax cuts (1 April) and changes to Working for Families and the Best Start payment (1 July). MSD is delivering the changes to the Accommodation Supplement and Accommodation Benefit (on 1 April) and the Winter Energy Payment, the increases to the Family Tax Credit to main beneficiaries, the new Best Start payment to main beneficiaries and a transitional assistance payment to anyone unintentionally financially disadvantaged by the Package (on 1 July). The implementation of these is complex and inter-related.
- 4 Passing the Families Package legislation under urgency before Christmas will provide the certainty needed for both MSD and IR to rapidly build and test the systems and processes required to deliver this Package. It also provides certainty for payroll providers updating their systems on the tax changes. It will also ensure a better experience for families receiving these payments, as there will be more time to develop communication plans, train staff and test systems.
- 5 The Families Package is being implemented over a similar timeframe to other work MSD and IR are delivering, including the extension of paid parental leave, property tax changes, Base Erosion and Profit Sharing measures, the Annual General Adjustment (AGA) to social assistance payments, and the introduction of a clothing allowance for recipients of the Orphan's Benefit and Unsupported Child's Benefit.

If the 1 July components of the Families Package legislation were delayed in order to go through the Finance and Expenditure Select Committee (FEC) early next year, it would pose significant risk to delivery on 1 July 2018

- 6 Given the uncertainty of potential changes made through the consideration of the Bill by FEC, MSD and IR would not be able to guarantee that these changes would be able to be implemented by 1 July 2018.
- 7 If any significant changes were proposed in the FEC report-back in early March, such as changes to the eligible population or the treatment of payments, there would likely

be insufficient time to implement these by 1 July 2018. Testing of system changes would already be underway at this point in time.

- 8 This risk could include, for example, Best Start not being able to be paid from 1 July 2018, with families needing to wait until the end of the tax year (April 2019) to receive their payments. IR is making these changes in their heritage system, which is resource-intensive and slow, and requires longer lead times.
- 9 Any further delay in the legislative process would increase this risk of inability to deliver.

There is also a risk of additional funding needed for further changes to systems and processes, or to unwind any changes to systems already made

- 10 In order to deliver the Families Package on 1 July MSD and IR will need to build our systems to deliver the settings as described in Cabinet decisions and the draft legislation (i.e. at introduction and before the legislation has passed), and would need to incur costs (and draw-down the associated funding) to do this.
- 11 This would risk the need for additional funding for changes, or to unwind changes already made if the Bill is changed by FEC. It may also create a perception that decisions have already been finalised, before consultation through the legislative process has been undertaken.

There would be little time for consequential amendments to regulations

- 12 Once the legislation has passed, there are several sets of regulations that need to be passed in order for parts of the Package to be implemented (including, for example, the Ministerial Welfare Programme to set up the transitional assistance payment). There would be very little time to pass these regulations between the passing of the legislation (if it were to be next year) and the implementation date of 1 July.

There are likely to be opportunities for any remedial changes in later legislation

- 13 While remedial changes are not expected to be needed, IR and MSD are likely to have options to include these in later legislation. IR expects that there will be a new tax Bill in April 2018. ^{9(2)(f)(iv)}

Splitting the legislation into two Bills would be risky in the time available

- 14 The current draft legislation is one Omnibus Bill with two parts. Splitting the Bill and making the necessary changes, including amending the disclosure statement, renumbering the Bills, proof-reading them and rewriting the LEG Cabinet paper before Monday would be difficult. There is a high risk of mistakes in the legislation if it is split later this week.

Note the changes to the definition of the Accommodation Supplement boundaries are required by 1 January 2018

- 15 The changes to the Accommodation Supplement boundaries need to be passed before 1 January 2018, as that is when Statistics New Zealand will next update their boundaries. The de-coupling of the Accommodation Supplement boundaries and Statistics New Zealand boundaries needs to happen before this update occurs.

Recommended actions

It is recommended that you:

- 1 **note** the advice on administrative implications of the timing of the Families Package
- 2 **refer** a copy of this report to the Leader of the House

Referred / not referred



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7/12/2017
Date



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