

# In-work tax credit – findings for potentially eligible respondents



**MINISTRY OF SOCIAL  
DEVELOPMENT**  
TE MANATŪ WHAKAHIATO ORA



**Inland Revenue**  
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**Te Kāwanatanga  
o Aotearoa**  
New Zealand Government

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## Introduction

We asked respondents to the New Zealand Income Support Survey who were potentially eligible for the in-work tax credit (a payment that is part of Working for Families (WFF)) some detailed questions about this payment, including questions about:

- awareness and understanding of the payment
- self-reported receipt
- changes that families made, or could make, because of the in-work tax credit.

The survey included people aged 18 to 64 on incomes that could potentially qualify them for income support payments such as the Accommodation Supplement and WFF and excluded full-time students.

1,852 people from across the country responded to the survey between June and December 2022, including 1,018 people in families with children.

## What is the in-work tax credit?

**The in-work tax credit is a payment available for families with dependent children who have some income from paid work each week, and do not receive a main benefit payment from Work and Income**

Like the family tax credit, this payment depends on how much a family earns.<sup>1</sup> At the time of the survey, a family could get up to \$72 per week if they have between one and three children. If the family has four or more children, they could receive up to an extra \$15 per week for each of those children.

The total amount a family can receive reduces by 27 cents for every extra dollar the family earns above the income cut-off point for their family tax credit payment.<sup>2</sup>

In April 2020, the minimum hours of work test for this payment was removed. Prior to this, parents or caregivers had to work a minimum of 20 hours (if a one parent family), or 30 hours combined (if a two parent family) per week in order to be eligible for the payment.

Additionally, as part of Budget 2024, the rate of the in-work tax credit rate was increased.<sup>3</sup>

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<sup>1</sup> For more information about the in-work tax credit, see: <https://www.ird.govt.nz/working-for-families/payment-types>

<sup>2</sup> For a table showing how payments abated as at the time of the survey, see: <https://www.ird.govt.nz/-/media/project/ir/home/documents/forms-and-guides/ir200---ir299/ir271/ir271-2023.pdf?modified=20220406213635&modified=20220406213635>

<sup>3</sup> For more information on the Budget 2024 changes, see: <https://budget.govt.nz/budget/2024/tax-at-a-glance/increasing-iwtc.htm>

## **Approach to reporting results**

### **Weighting**

Results are weighted to be representative of the New Zealand population of working-age families on low- and middle-incomes.

### **Reporting of results**

Some results are marked with a hash (#). Results with a hash should be reported with additional context in text (for example: "52 ( $\pm$  15) percent respondents said..."). This is because these results have high margins of error and/or high relative sampling errors, and so should be used with care.

For more information about how this is determined, please read the methodology report. For confidence intervals, see the supporting excel tables for this findings pack.

### **Sub-group comparisons**

Sub-group level comparisons are only reported when there are at least 300 respondents included in the total analysis and there are enough sub-groups where it is viable to produce the comparison. Two forms of sub-group comparison are commented on:

- comparison to the overall survey result (for example, comparing the result for respondents aged 18 to 24 against the overall survey result)
- comparison with other sub-groups in the same breakdown (for example, comparing the result for respondents aged 18 to 24 to the results for other age groups).

Differences that are statistically significant at the 95 percent confidence level using confidence intervals are commented on.

Differences compared to other sub-groups in the same breakdown are generally only commented on if they have not already been mentioned in comparison with the survey average.

On occasion, differences that are not statistically significant using confidence intervals but display interesting trends that may be of interest to readers are commented on.

### **Rounding of percentages and weighted figures**

Due to rounding, percentages may not add up to 100 percent, and weighted figures may not add up to weighted totals.

### **Aggregation and suppression of sub-groups and categories**

Where sub-group and/or category counts are small and/or have large confidence intervals and/or relative sampling errors, these are sometimes aggregated together, or suppressed and not displayed in graphs.

### **Reporting of ethnicity**

A respondent can identify with more than one ethnicity. This results in totals for ethnic breakdowns adding up to more than 100 percent of respondents. Statistical testing for differences between ethnic sub-groups compares those in a selected ethnic group with those not in the group (including respondents who did not provide an ethnicity).

### **Reporting of gender**

Respondents were asked about their gender, with the possible responses being male, female, another gender, don't know, or prefer not to say. In the reporting of results, we only report gender sub-group results for respondents who identified as male or female due to the small number of respondents who responded otherwise. This is to protect confidentiality.

### **Survey routing issue that affected the in-work tax credit section of the survey**

Some respondents who should have been asked questions in the in-work tax credit section of the survey were not asked some questions due to a survey routing error. In parts of this analysis, we have mitigated the impact of the routing error by either using other survey questions as a proxy, or creating inferred data based on other survey data and relevant policy settings. These mitigations were only performed when we felt confident in the accuracy of doing so. However, this was not always possible, such as in our analysis of what changes respondents had made or would make because of the in-work tax credit on page 18. Further information is included within our methodology report.

## **Determining potential eligibility for the in-work tax credit**

### **What did we ask respondents?**

**Respondents were asked the following questions to determine if they appeared potentially eligible to receive the in-work tax credit:**

- Do you (or your partner) share care of your child/any of your children with another adult not living in your house?

#### **If so:**

- On average, how many days per fortnight does your child/children stay with you?

**If the respondent had at least one child not in a shared care arrangement, or had all of their children in a shared care arrangement but had care of at least one child for five or more days a fortnight, they were asked the following:**

- Is your (and your partner's combined) annual income [insert the in-work tax credit income cut-off for the respondent's family type] or less?

**Respondents were also asked about their residency status with the following questions (as residency requirements apply to the in-work tax credit):**

- Are you (or your partner) a New Zealand citizen or permanent resident?
- Do you (or your partner) hold a residence class visa? An example of this is if you (or your partner) are an Australian citizen or resident.

#### **If yes to either of the previous two questions:**

- Have you (or your partner) lived in New Zealand for at least two years at any one time since becoming a New Zealand citizen or permanent resident/holding a residence class visa?
- Do you (or your partner) normally live in New Zealand?

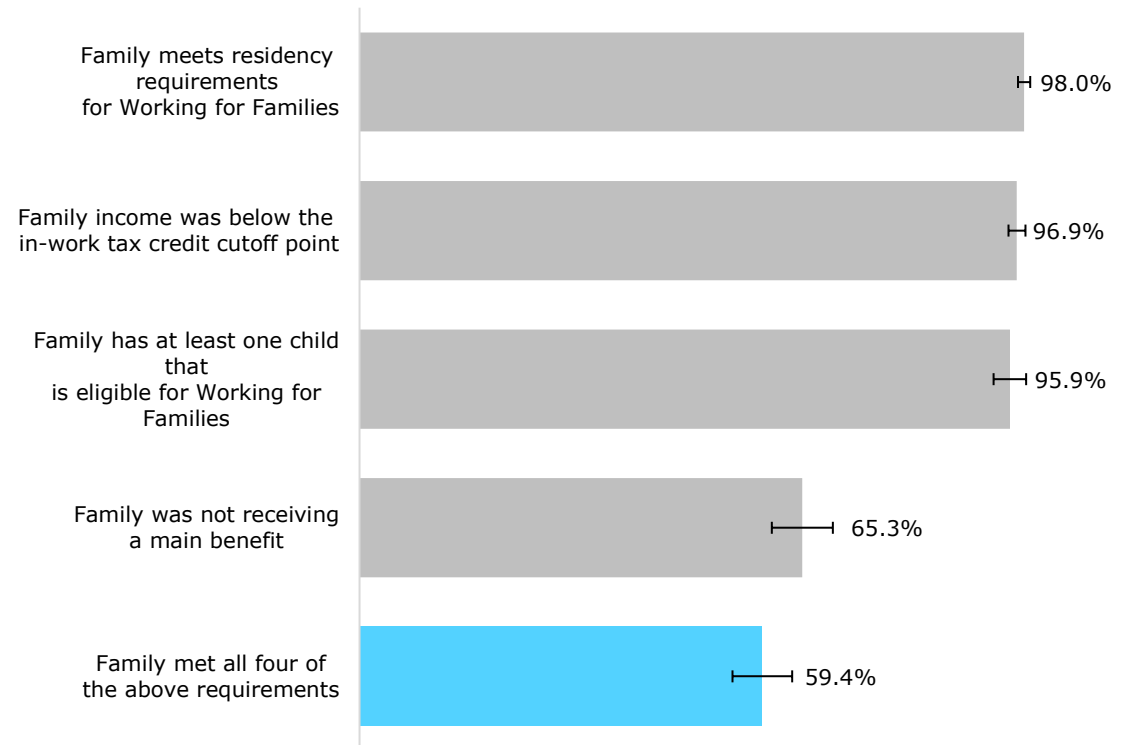
**Respondents were also asked about whether they were receiving a main benefit (as families receiving an income-tested main benefit could not receive the payment).**

## Around 59 percent of respondents with children were potentially eligible for the in-work tax credit around the time of their interview

Of respondents with children:

- **98 percent** met the residency requirements for Working for Families
- **96.9 percent** had family income below the in-work tax credit cutoff point
- **95.9 percent** had at least one child that was eligible for Working for Families supports
- **65.3 percent** were not receiving a main benefit.<sup>4</sup>

In total, **59.4 percent** of respondents with children met all four requirements and were **potentially eligible** for the in-work tax credit.<sup>5</sup>



Note: Total families = 1,018, total weighted families = 335,896

<sup>4</sup> The survey only asked for the labour force status of the survey respondent, meaning we cannot determine if families meet the “work” test for the tax credit if the survey respondent is not in employment. Instead, we assume that if the family is not receiving a main benefit, that at least one adult family member is in employment.

<sup>5</sup> This is a broad approximation of potential eligibility. This assessment was made based on the reported annual incomes, number and ages of children, shared care status of children (if relevant), residency status and main benefit status as at the survey date. This means that we may under-count the number of eligible respondents here, as we miss families eligible in other parts of the year but not eligible when they were surveyed.

## **Awareness and understanding of the in-work tax credit for respondents who were potentially eligible**

### **What did we ask respondents?**

#### **Respondents were asked the following questions:**

- Before today, were you aware of the in-work tax credit, which is part of Working for Families?

#### **If aware:**

- Looking at the Showcard, who do you think can receive the in-work tax credit, which is part of Working for Families? Respondents were asked to respond "Yes", "No", or "Don't know" to the following options: People receiving a main benefit, low / middle / high income workers not receiving a main benefit.

#### **If respondents said they were unaware of the payment but appeared potentially eligible, they were asked this question later in the survey:**

- Earlier, you said that before today you weren't aware of the in-work tax credit. Now that we have talked about it a bit more, does it sound familiar to you?

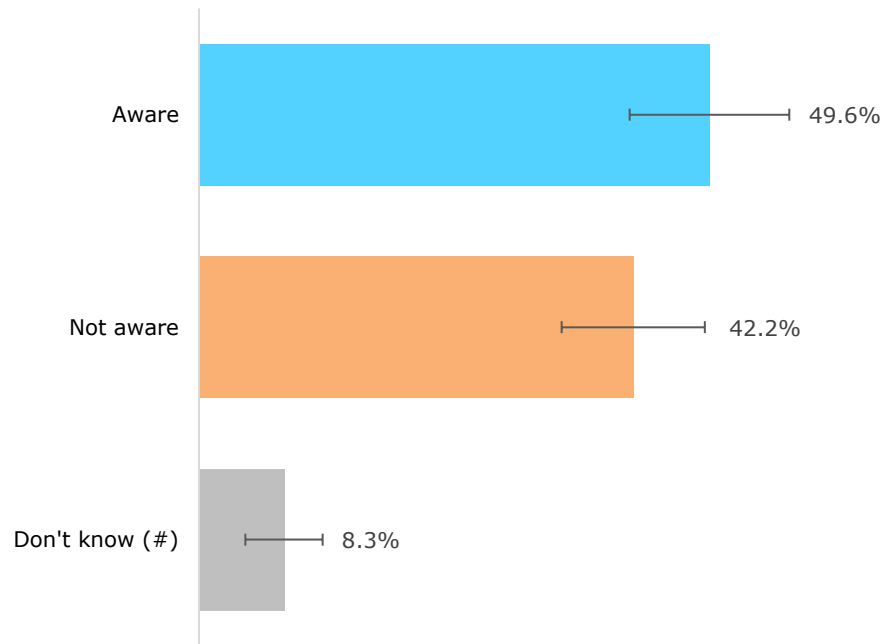


**Among respondents with children who were potentially eligible for the in-work tax credit, awareness of the payment was mixed**

**49.6 percent** of respondents with children who were potentially eligible for the in-work tax credit said that they **were aware** of the payment.

**42.2 percent** said they **were not aware**. This was not statistically significantly different from the proportion that were aware.

**8.3 (± 3.8) percent** said they didn't know.



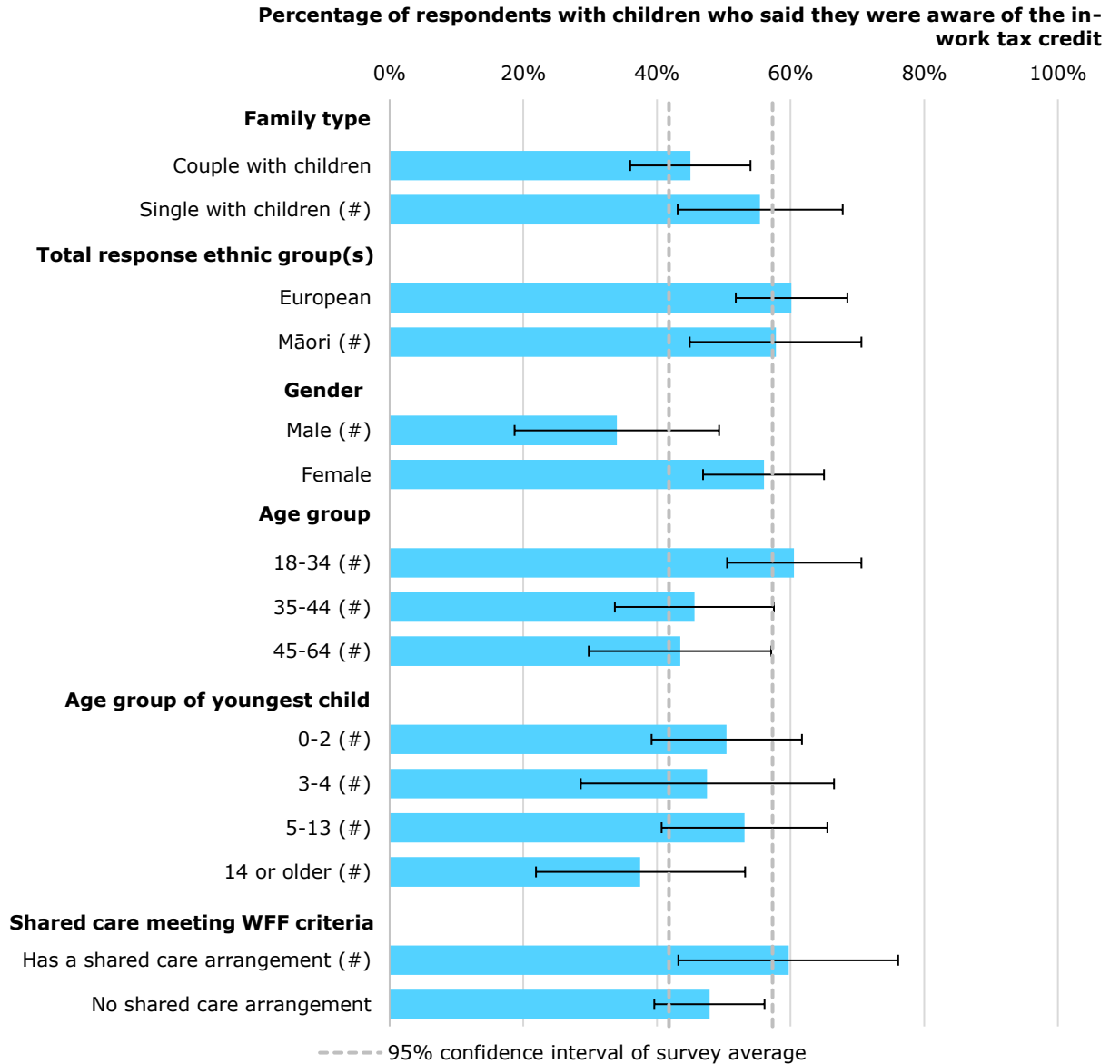
Note: Total families = 596, total weighted families = 199,485.

**There were no statistically significant differences in the proportion aware of the in-work tax credit across sub-groups**

The proportion of respondents with children who were potentially eligible for the in-work tax credit who were aware of the payment ranged between 34 and 61 percent depending on the sub-group analysed.

While no statistically significant differences were found, respondents who had a shared care arrangement meeting Working for Families criteria, or identified as European, or were aged 18 to 34 years old seemed slightly more likely to be aware of the in-work tax credit.

In contrast, respondents who were male, or whose youngest child was aged 14 or older, seemed slightly less likely to be aware of the in-work tax credit.



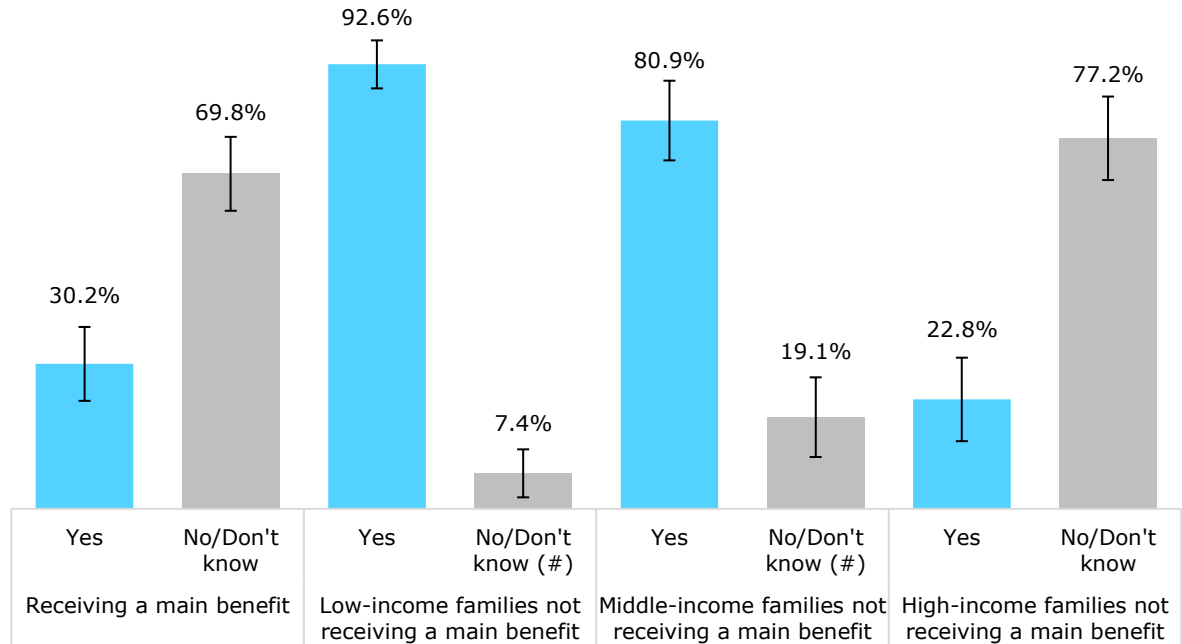
**Most respondents who were potentially eligible and were aware of the in-work tax credit understood this payment can be received by families on low- and middle-incomes who are not receiving a main benefit**

**30.2 percent** of respondents with children who were potentially eligible and were aware of the payment **incorrectly** thought that families receiving a main benefit **can receive** the in-work tax credit.

**92.6 percent understood** that low-income families not receiving a main benefit **can receive** the payment.

**80.9 percent understood** middle-income families not receiving a main benefit **can receive** the payment.

**77.2 percent** thought that high-income families not receiving a main benefit **can not receive the payment or said they did not know**.



Note 1: Total families = 244, total weighted families = 85,484.

Note 2: 51 respondents who were aware of the in-work tax credit were not asked this question, as they did not say they were aware of the payment when first asked and therefore were not routed to this question.

## **Self-reported receipt by those with potential eligibility, and awareness for those not receiving**

### **What did we ask respondents?**

**People were asked the following question to determine whether they received the in-work tax credit:**

- Do you receive in-work tax credit payments?

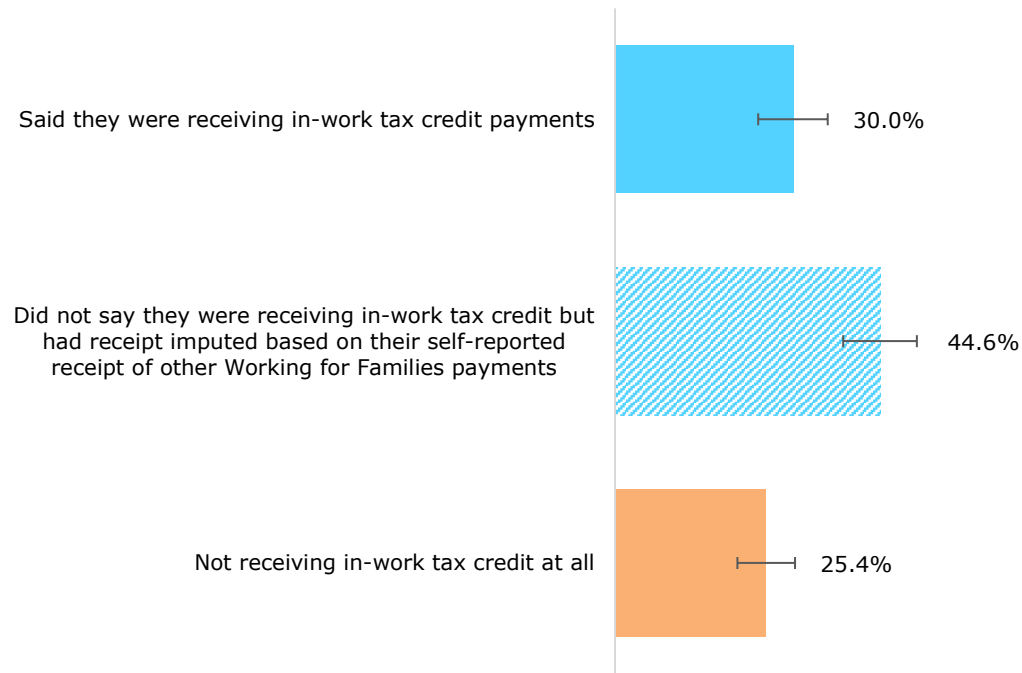
Note: Respondents who were not routed to this question due to the survey routing issue had an opportunity to self-report receipt of the in-work tax credit at a later point of the survey.

## Around 30 percent of potentially eligible respondents said they were receiving in-work tax credit payments

Of the respondents with children who appeared potentially eligible for the in-work tax credit:

- **30.0 percent** said they **were receiving** the payment
- **44.6 percent** said they were not receiving the payment but were likely receiving based on their self-reported receipt of other Working for Families payments
- **25.4 percent** did not appear to be receiving the payment at all.

Totalling cases where the respondent said they were receiving the in-work tax credit, or they looked like they were receiving the payment based on their self-reported receipt of other Working for Families payments, **74.6 percent** of potentially eligible respondents **were receiving the payment**.

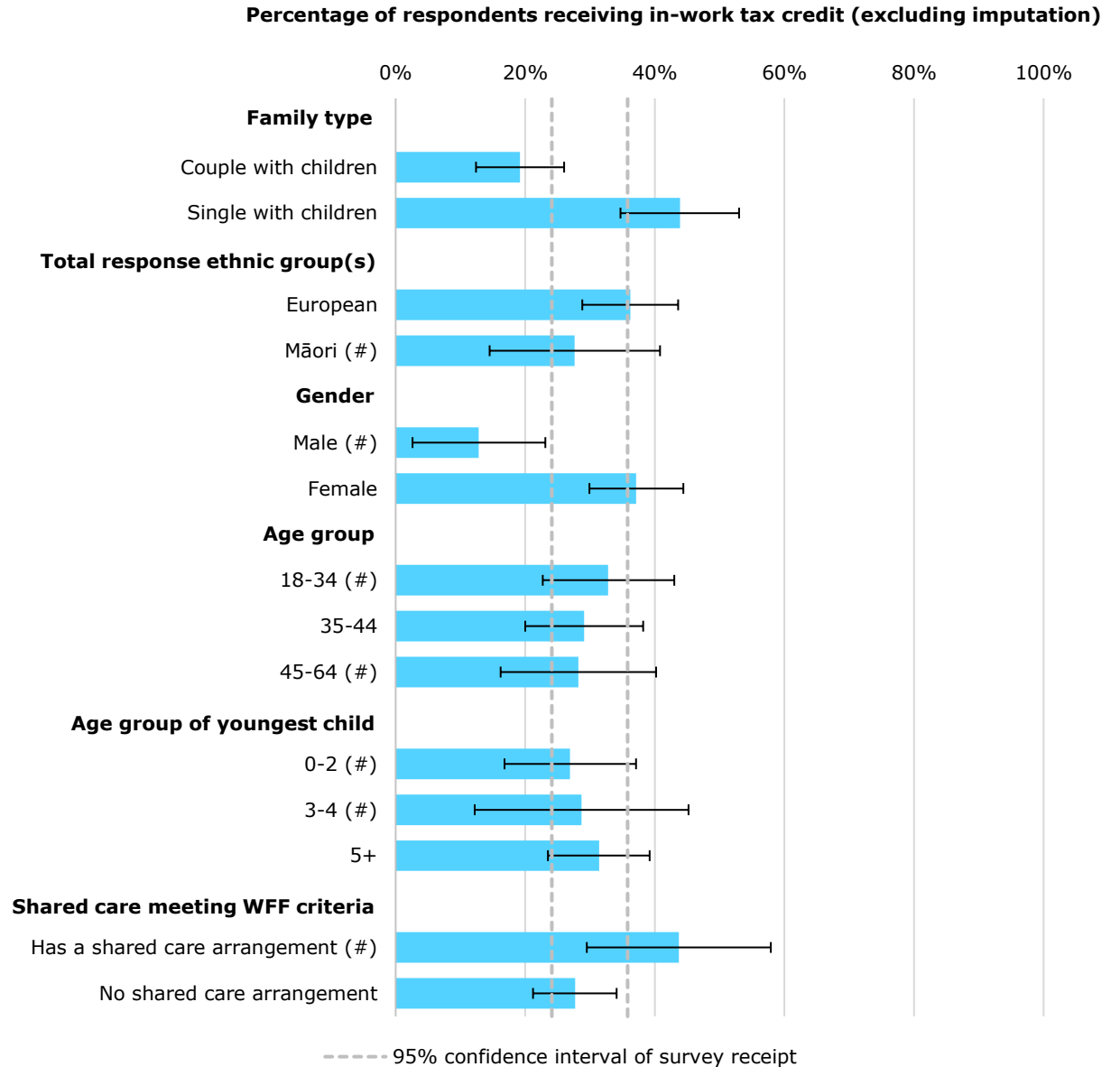


Note: Total families = 596, total weighted families = 199,485.

**Focusing on just respondents who said they were receiving the in-work tax credit, there were few statistically significant differences in the rate of receipt among those with potential eligibility**

Compared to the survey average, focusing on just respondents who said they were receiving the in-work tax credit, respondents who were statistically significantly **less likely** to say they were receiving the payment were male.

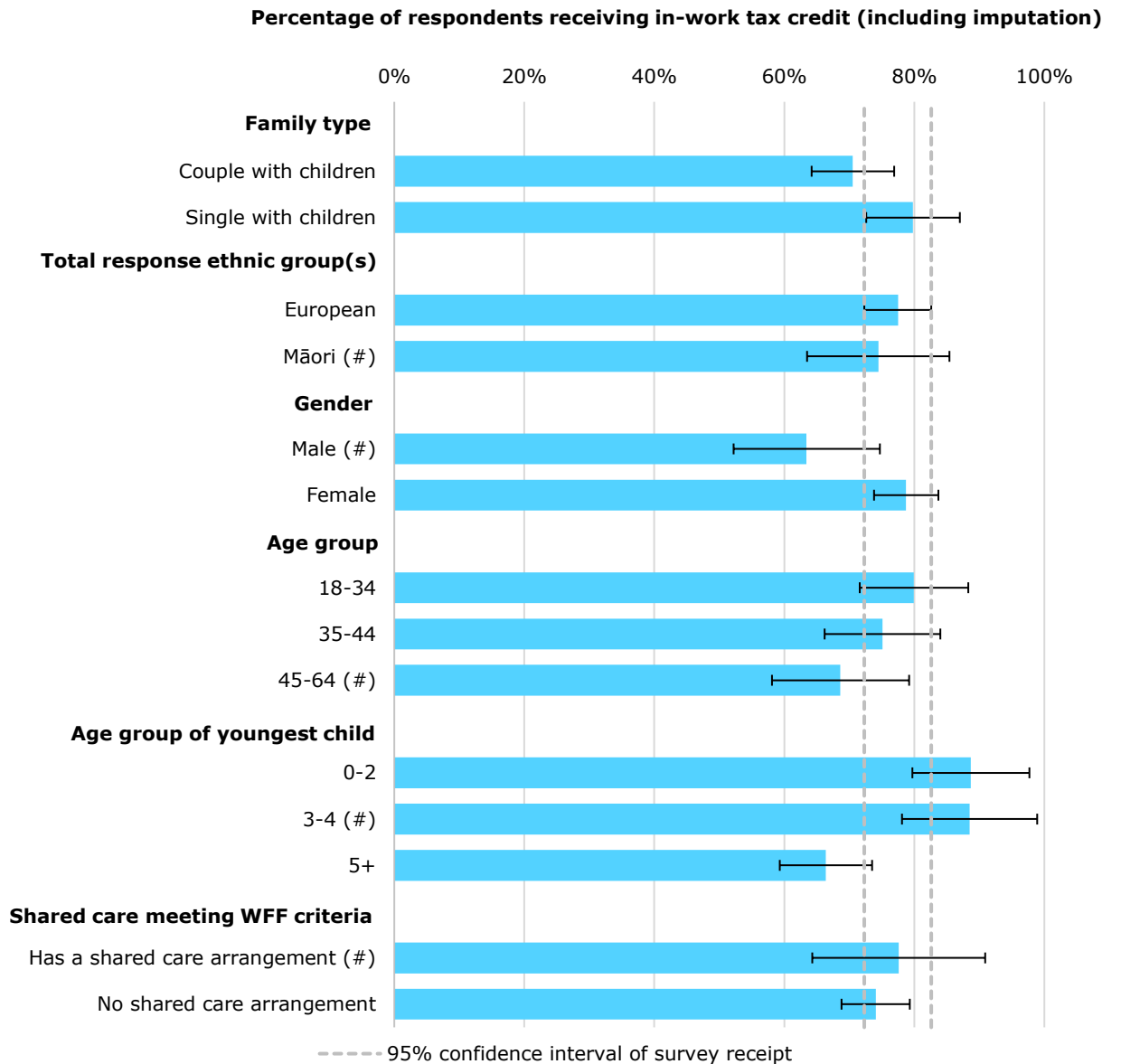
Comparing within sub-group breakdowns, respondents who were single with children were significantly **more likely** to be receiving the payment compared to respondents who were in a couple with children.



**Including respondents who looked like they were getting the in-work tax credit, there was just one statistically significant difference in the rate of receipt among those with potential eligibility at the sub-group level**

Comparing within sub-group breakdowns, respondents who had a youngest child aged five or older were significantly **less likely** to be receiving the in-work tax credit (including imputed responses) compared to respondents with a youngest child aged zero to two, or three to four.

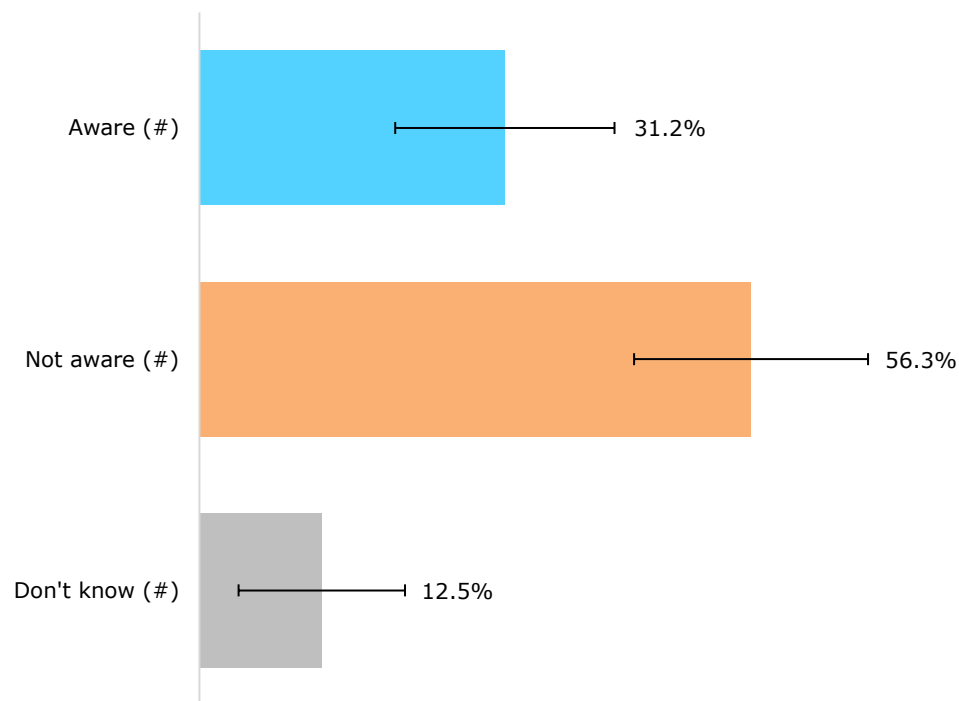
Additionally, while not statistically significant, respondents who were in a couple with children, and respondents who were male, or were aged 45 to 64, appeared slightly less likely to be receiving the in-work tax credit (including imputed responses).



**Around 58 percent of respondents who appeared eligible for the in-work tax credit, but were not receiving it, were not aware of the payment**

Of the respondents who appeared eligible for the in-work tax credit, but didn't say they received it and didn't look like they were receiving the payment based on their self-reported receipt of other payments:

- **31.2 (± 11.2) percent** said that they **were aware** of the payment
- **56.3 (± 12) percent** said they **were not aware**
- **12.5 (± 8.5) percent** said they didn't know.



Note: Total families = 178, total weighted families = 50,718.



## **Changes that families made, or could make, because of the in-work tax credit for respondents who looked eligible for the payment**

### **What did we ask respondents?**

**People were asked the following question if they said they were receiving the in-work tax credit:**

- Thinking about your work and family life situation: What changes, if any, have you made because of the in-work tax credit you received?

**People were asked the following question if they said they were not receiving the in-work tax credit:**

- Thinking about your work and family life situation: What changes, if any, would you make if you received the in-work tax credit?

Note: 216 respondents who should have been asked these questions were not asked them due to a routing issue within the survey. Further information is included within our methodology report.

**Respondents commonly said that they either didn't do anything different because of receiving the in-work tax credit (if they said they were receiving), wouldn't do anything different if they were to receive the payment, or were not sure what they would do if they were to receive the payment.**

**Of the 111 respondents receiving the in-work tax credit:**

- The majority ( $67.6 \pm 12.5$  percent) said that they have made no changes because of the payment.
- A smaller proportion ( $7.2 \pm 4.9$  percent) said they didn't know or preferred not to say about what changes they made.
- Some changes made among respondents who said they made changes included: getting a job (to qualify), spending the money received on other things, working more hours, and moving off of a main benefit.

**Of the 191 respondents who said they were not receiving the in-work tax credit, but looked like they were receiving:**

- Almost half ( $48 \pm 12.5$  percent) said that they didn't know or preferred not to say what they might do if they were to receive the payment.
- A quarter ( $25.6 \pm 11.7$  percent) said that they would make no changes.
- Some changes respondents said they might make included: using the money for other necessities, finding out more about the payment, getting a job, or finding suitable childcare.

**Of the 78 respondents who said they were not receiving the in-work tax credit, and didn't look like they were receiving:**

- Around a third ( $32.3 \pm 16.6$  percent) said that they didn't know or preferred not to say what they might do.
- Just under a quarter ( $23.7 \pm 16.6$  percent) said that they would make no changes.
- Sizable proportions said they would either work more hours ( $22.1 \pm 18$  percent) or find out more about the payment ( $16.9 \pm 15.4$  percent).
- Other less common changes respondents said they might make included: finding suitable childcare or using the money for other necessities.