

Social Assistance Legislation (Budget 2019 Welfare Package) Amendment Bill

Government Bill

Explanatory note

General policy statement

This Bill gives effect to the income support policy changes announced through Budget 2019. The Budget 2019 initiative *Incomes for People Receiving Benefits – Indexing Main Benefits, Removing Deductions, and Changing Abatement Thresholds (Budget 2019 Income Support Changes)*, requires amendments to the Social Security Act 2018, Child Support Act 1991, and Veterans’ Support Act 2014 in order to be brought into effect. This Bill makes the changes required. This Bill is an omnibus Bill introduced under Standing Order 263(a). That Standing Order states that an omnibus Bill to amend more than 1 Act may be introduced if the amendments deal with an interrelated topic that can be regarded as implementing a single broad policy.

Objectives

The Budget 2019 Income Support Changes are designed to increase the incomes of low-income individuals and families and to support a sustained reduction in child poverty.

The Budget 2019 Income Support Changes will—

- remove the benefit deductions, under sections 192 to 194 of the Social Security Act 2018 (formerly section 70A of the Social Security Act 1964), on sole parents who do not identify the other parent of the child, apply for child support, or both;
- index, or adjust, main benefits each year, by the percentage growth in average wages each year;
- increase the amount that beneficiaries, veteran’s pensioners, and the non-qualified partners of superannuitants can earn before their benefit or pension reduces, by lifting the abatement thresholds for these payments.

This Bill will—

- repeal sections 192 to 194 of the Social Security Act 2018;
- ensure mandatory annual adjustment of main benefits by the percentage of any increase in net average weekly earnings (replacing the current requirement for the adjustment of main benefits by any increase in the Consumers Price Index);
- create a new regulation-making power under the Veterans' Support Act 2014 to enable increases to the abatement thresholds for any income-tested rate of the veteran's pension announced through Budget 2019 to be made in future years.

The other measures announced as part of the Budget 2019 Income Support Changes, including increases to abatement thresholds for main benefits, veteran's pensioners, and non-qualified partners of superannuitants, will be given effect separately from this Bill, and through regulations and Orders in Council.

Specific changes

Repeal of sections 192 to 194 of Social Security Act 2018 (and related change to section 9(5B) of Child Support Act 1991)

This Bill repeals sections 192 to 194 of the Social Security Act 2018 in order to remove the benefit deductions on sole parents who do not identify the other parent of their child, apply for child support, or both. This will mean that sole parent beneficiaries who do not identify the other parent of their child, apply for child support, or both will no longer be subject to—

- a benefit reduction of \$22 for each dependent child for whom the client refuses or fails to meet their child support obligations;
- a possible further reduction of \$6 a week (once per client) after 13 weeks, regardless of the number of children to whom the \$22 reduction applies;
- the disclosure of sensitive personal information to Work and Income case managers that is not otherwise relevant to their entitlement for assistance.

The obligation to apply for child support under section 9 of the Child Support Act 1991 will still exist. Therefore, this Bill will make a related amendment to section 9(5B) of the Child Support Act 1991 in order to enable sole parent beneficiaries to discuss with either Inland Revenue or Work and Income whether they are required to apply for child support, or if one of the exemptions under section 9 of the Child Support Act 1991 applies to them.

Mandatory annual adjustment of rates of main benefits

This Bill will require that the rates of main benefits be adjusted, by Order in Council, on 1 April each year based on any percentage increase in net average weekly earnings. Currently, rates of main benefits are required to be adjusted annually by any percentage increase in the Consumers Price Index (CPI).

As wage growth is generally higher than inflation, this policy change will provide additional financial support each year for beneficiaries. This change will ensure rates of main benefits are maintained relative to wages in society.

Abatement thresholds

This Bill also amends the Veterans' Support Act 2014 to empower the Governor-General, by Order in Council, to make regulations to change the abatement thresholds for the veteran's pension.

This new regulation-making power will ensure that changes to abatement thresholds can be made for any income-tested rate of the veteran's pension in a similar way to how they can be made for main beneficiaries and superannuitants.

This Bill also repeals provisions that set out the details of all of the current arrangements for abatement (for example, abatement thresholds) on the basis that, on and after **1 April 2020**, they will be prescribed instead by the Veterans' Support Regulations 2014.

Departmental disclosure statement

The Ministry of Social Development is required to prepare a disclosure statement to assist with the scrutiny of this Bill. The disclosure statement provides access to information about the policy development of the Bill and identifies any significant or unusual legislative features of the Bill.

A copy of the statement can be found at <http://legislation.govt.nz/disclosure.aspx?type=bill&subtype=government&year=2019&no=150>

Regulatory impact assessment

A regulatory impact assessment is not required for this Bill.

Clause by clause analysis

Clause 1 is the Title clause.

Clause 2 relates to commencement. The Amendment Act will come into force on the day after the date of Royal assent. (This enables orders to be made under the new provisions before, but to have effect only on or after, **1 April 2020**.) However, the following specified provisions come into force on **1 April 2020**:

- *clauses 4 to 7, 10(3), 13, and 14 (and Part 1 of the Schedule)* (repeal of MSD's duty to reduce rates of benefits for sole parents for failure to assist child support):
- *clause 16* (authorising the Commissioner to decide that a social security beneficiary is not required to apply for a formula assessment):
- *clauses 18 to 20* (abatement of veteran's pension—but *new Part 4 of Schedule 1* of the Veterans' Support Act 2014 (*see clause 21*) enables the new regula-

tion-making powers to be used after this Bill is enacted and before **1 April 2020**).

Part 1 Amendments to Social Security Act 2018

Principal Act

Clause 3 indicates that the Part amends the Social Security Act 2018.

Repeal of MSD's duty to reduce rates of benefits for sole parents for failure to assist child support

Clause 4 amends section 5(4), which is a guide to Part 4 (factors affecting benefits). A reference to failure to assist child support is deleted. The deletion is a consequence of the repeal of sections 192 to 194 (*see clause 6*).

Clause 5 repeals section 183(2)(d), which is a guide to sections 192 to 194. The repeal is a consequence of the repeal of sections 192 to 194 (*see clause 6*).

Clause 6 repeals sections 192 to 194 (*see also clauses 4, 5, 7, 10(3), 13, and 14 and Part 1 of the Schedule*).

Clause 7 repeals regulation-making powers in section 418(1)(i). The repeal is consequential on the repeal of sections 192 to 194 (*see clause 6*).

Mandatory annual adjustment of rates of main benefits

Clause 8 inserts *new section 452A*. *New section 452A* requires rates of main benefits (as those benefits are defined in Schedule 2) to be adjusted, by Order in Council, as at 1 April each year based on any percentage movement upwards in average ordinary time weekly earnings (as that term is defined in *new section 452A(6)*). Currently, rates of main benefits are required by section 453 to be adjusted annually in that way by any percentage movement upwards in the Consumers Price Index (All Groups) published by Statistics New Zealand (**CPI**, as defined in section 453(6)).

Clause 9 amends section 453, which requires an annual adjustment of rates of certain benefits by reference to the Consumers Price Index (All Groups) published by Statistics New Zealand (**CPI**, as defined in section 453(6)). The amendments exclude main benefits (as those benefits are defined in Schedule 2) from section 453. Main benefits are excluded from section 453 because they are to be adjusted annually under *new section 452A* (inserted by *clause 8*).

Mandatory annual adjustment of rates of main benefits and repeal of MSD's duty to reduce rates of benefits for sole parents for failure to assist child support

Clause 10 amends Schedule 1, which sets out transitional, savings, and related provisions.

Clause 10(1) and (2) makes amendments related to *new section 452A* (*see clause 8*).

Clause 10(3) inserts the *new Part 3* set out in *Part 1* of the *Schedule* of this Bill. That *new Part 3* sets out how the repeal of sections 192 to 194 (by *clause 8*) affects existing reductions and additional reductions under those repealed sections.

Mandatory annual adjustment of rates of main benefits

Clause 11 amends Schedule 2, which lists all terms defined for the purposes of the principal Act, and sets out, or indicates where to find, the definitions. *Clause 11* inserts new definitions, and amends an existing definition, to reflect *new section 452A* (inserted by *clause 8*).

Clause 12 amends Schedule 4, which specifies rates of benefits. The shoulder reference is updated to reflect *new section 452A* (inserted by *clause 8*).

*Repeal of MSD's duty to reduce rates of benefits for sole parents
for failure to assist child support:
consequential amendments to other enactments*

Clause 13 amends the Social Security Regulations 2018. The amendments are consequential on the repeal of sections 192 to 194 of the Social Security Act 2018 (*see clause 6*).

Clause 14 amends the Child Support Act 1991. The amendments are consequential on the repeal of sections 192 to 194 of the Social Security Act 2018 (*see clause 6*).

Part 2

Amendments to other Acts

Subpart 1—Amendment to Child Support Act 1991

Principal Act

Clause 15 indicates that the subpart amends the Child Support Act 1991.

*Commissioner authorised to decide social security beneficiary is not required
to apply for formula assessment*

Clause 16 amends section 9(5B). The amendment authorises the Commissioner (as defined in section 2(1)) to decide that a social security beneficiary to whom section 9 applies (*see section 9(1)*) is not required to apply for a formula assessment. Currently, the only person authorised by section 9(5B) to make that decision is the chief executive of the department for the time being responsible for the administration of the Social Security Act 2018.

Subpart 2—Amendment to Veterans' Support Act 2014

Principal Act

Clause 17 indicates that the subpart amends the Veterans' Support Act 2014.

Abatement of veteran's pension

Clause 18 amends section 158(1). The definition of Income Test 3 is repealed as a consequence of *new section 171* (see *clause 19*).

Clause 19 inserts *new section 171*, on abatement of veteran's pension. Under section 171, a veteran's pension under section 161 or 164 is subject to abatement (reduction on account of income) in accordance with income tests, abatement rates, and abatement thresholds stated, or referred to in, that section. *New section 171(1)* instead makes a veteran's pension under section 161 or 164 subject to abatement in accordance with regulations made under section 265. *New section 171(2) to (4)* also makes clearer what may and must be done by the new regulations (see also *clause 20*).

Clause 20 amends section 265. *New section 265(1)(29A)* authorises regulations to be made for the purposes of *new section 171* (see *clause 19*).

Clause 21 amends Schedule 1, which sets out transitional, savings, and related provisions. *Clause 21* inserts the *new Part 4* set out in *Part 2* of the *Schedule* of this Bill. (Part 3 of Schedule 1 is to be inserted on 1 July 2019 by section 15 and Schedule 2 of the Accident Compensation Amendment Act 2019.) That *new Part 4* enables the new regulation-making powers to be used after this Bill is enacted and before **1 April 2020**.

Hon Carmel Sepuloni

Social Assistance Legislation (Budget 2019 Welfare Package) Amendment Bill

Government Bill

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The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Social Assistance Legislation (Budget 2019 Welfare Package) Amendment Act **2019**.

2 Commencement

- (1) This Act comes into force on the day after the date of Royal assent.
- (2) However, the following specified provisions come into force on **1 April 2020**:
- (a) **sections 4 to 7, 10(3), 13, and 14 (and Part 1 of the Schedule)** (repeal of MSD’s duty to reduce rates of benefits for sole parents for failure to assist child support): 5
- (b) **section 16** (authorising the Commissioner to decide that a social security beneficiary is not required to apply for a formula assessment):
- (c) **sections 18 to 20** (abatement of veteran’s pension).

Part 1 10

Amendments to Social Security Act 2018

Principal Act

3 Principal Act

This Part amends the Social Security Act 2018 (the **principal Act**).

*Repeal of MSD’s duty to reduce rates of benefits for sole parents
for failure to assist child support* 15

4 Section 5 amended (Guide to this Act)

In section 5(4), delete “failure to assist child support.”.

5 Section 183 amended (What this Part does)

Repeal section 183(2)(d). 20

6 Sections 192 to 194 and cross-heading above section 192 repealed

Repeal—

- (a) sections 192 to 194; and
- (b) the cross-heading above section 192.

7 Section 418 amended (Regulations: general) 25

Repeal—

- (a) section 418(1)(i); and
- (b) the paragraph heading above section 418(1)(i).

Mandatory annual adjustment of rates of main benefits

8 New section 452A inserted (Orders in Council: mandatory annual average weekly earnings adjustment of rates of main benefits) 30

After section 452, insert:

452A Orders in Council: mandatory annual average weekly earnings adjustment of rates of main benefits

- (1) The rates of benefits set out in the provisions to which this subsection applies must be adjusted, by Order in Council, as at 1 April each year so that in each case the new rate is the rate at that date adjusted by any percentage movement upwards in average ordinary time weekly earnings between— 5
- (a) average ordinary time weekly earnings, expressed on a base quarter, last published before 1 March in that year; and
 - (b) average ordinary time weekly earnings expressed on the same base quarter of the year immediately preceding the year of the base quarter referred to in **paragraph (a)**. 10
- (2) **Subsection (1)** applies to the following provisions:
- (a) Part 1 of Schedule 4 (rates of jobseeker support):
 - (b) Part 2 of Schedule 4 (rates of sole parent support):
 - (c) Part 3 of Schedule 4, including clause 2, but excluding clauses 3 and 4 (rates of supported living payment): 15
 - (d) Part 6 of Schedule 4, other than any rate of incentive payment in subpart 3 of Part 6 of Schedule 4 (rates and component of youth payment and young parent payment, and criteria for incentive payments):
 - (e) Part 10 of Schedule 4 (rates of generally abolished former widows' benefits under section 21 of the Social Security Act 1964 as saved by clause 55 of Schedule 1 for reciprocity agreement applicants or recipients): 20
 - (f) Part 11 of Schedule 4 (rates of generally abolished former DPB for solo parents under section 27B of the Social Security Act 1964 as saved by clause 55 of Schedule 1 for reciprocity agreement applicants or recipients). 25
- (3) An adjustment under **subsection (1)** also affects the maximum rate at which MSD may grant an emergency benefit (*see* section 63(4)).
- (4) An adjustment under **subsection (1)** must not reduce the weekly amounts of benefits payable under those Parts of Schedule 4. 30
- (5) Every Order in Council made under **subsection (1)**—
- (a) comes into force or is considered to come into force on 1 April of the calendar year in which it is made; and
 - (b) applies to benefits payable on and after that date. 35
- (6) In this section,—
- average ordinary time weekly earnings** means average ordinary time weekly earnings (per full time equivalent) as determined by the Quarterly Employment Survey of wages published (as original, or revised, statistics) by Statistics New

Zealand (after the deduction of standard tax, and the earner levies, payable as at 1 April of the following year, on those earnings)

earner levies means the levies payable under section 219(1) of the Accident Compensation Act 2001

standard tax means the amount of tax reckoned on a weekly basis that would be deductible in accordance with the tax code “M” stated in schedule 5, part A, clause 4, table row 1 of the Tax Administration Act 1994. 5

9 Section 453 amended (Orders in Council: mandatory annual CPI adjustment of rates of certain benefits)

(1) In the heading to section 453, after “**certain benefits**”, insert “**that are not main benefits**”. 10

(2) Replace section 453(2) with:

(2) Subsection (1) applies to the following provisions:

(a) Part 4 of Schedule 4 (orphan’s benefit):

(b) Part 5 of Schedule 4 (unsupported child’s benefit): 15

(c) Part 12 of Schedule 4 (rates of benefits payable to long-term hospital patients).

(3) In section 453(4), replace “schedules” with “Parts of Schedule 4”.

Mandatory annual adjustment of rates of main benefits and repeal of MSD’s duty to reduce rates of benefits for sole parents for failure to assist child support 20

10 Schedule 1 amended

(1) In Schedule 1, heading to clause 55(6), replace “*CPI*” with “*average weekly earnings*”.

(2) In Schedule 1, clause 55(6), replace “453” with “**452A**”. 25

(3) In Schedule 1, after Part 2, insert the **Part 3** set out in **Part 1** of the **Schedule** of this Act.

Mandatory annual adjustment of rates of main benefits

11 Schedule 2 amended

(1) In Schedule 2, insert in their appropriate alphabetical order: 30

average ordinary time weekly earnings is defined in **section 452A(6)** for the purposes of **section 452A**

earner levies is defined in **section 452A(6)** for the purposes of **section 452A**

standard tax is defined in **section 452A(6)** for the purposes of **section 452A**

(2) In Schedule 2, definition of **incentive payment**, replace “ 453(2)(f)” with “**452A(2)(d)**”. 35

12 Schedule 4 amended

In the Schedule 4 heading, after “452,”, insert “**452A**,”.

*Repeal of MSD’s duty to reduce rates of benefits for sole parents
for failure to assist child support:
consequential amendments to other enactments*

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13 Social Security Regulations 2018 amended

(1) This section amends the Social Security Regulations 2018.

(2) Revoke—

(a) regulation 108(e); and

(b) subpart 5 of Part 4.

10

14 Child Support Act 1991 amended

(1) This section amends the Child Support Act 1991.

(2) Repeal—

(a) section 9(6), (6B), and (7); and

(b) section 122(2).

15

Part 2**Amendments to other Acts**

Subpart 1—Amendment to Child Support Act 1991

*Principal Act***15 Principal Act**

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This subpart amends the Child Support Act 1991 (the **principal Act**).

*Commissioner authorised to decide social security beneficiary is not required
to apply for formula assessment*

16 Section 9 amended (Social security beneficiaries must apply for formula assessment)

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In section 9(5B), before “the chief executive of the department for the time being responsible for the administration of the Social Security Act 2018”, insert “either the Commissioner or”.

Subpart 2—Amendment to Veterans’ Support Act 2014

Principal Act

17 Principal Act

This subpart amends the Veterans’ Support Act 2014 (the **principal Act**).

Abatement of veteran’s pension

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18 Section 158 amended (Interpretation)

In section 158(1), repeal the definition of Income Test 3.

19 Section 171 replaced (Abatement of veteran’s pension)

Replace section 171 with:

171 Abatement of veteran’s pension

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(1) The amount payable to a veteran who is entitled to a veteran’s pension under section 161 or 164 is subject to abatement in accordance with regulations made under section 265.

(2) Regulations made under section 265 may require different abatement (for example, different income tests, abatement rates, and abatement thresholds (for example, amounts, ranges, or both, of income per week)) for—

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(a) a veteran’s pension under section 161 and a veteran’s pension under section 164:

(b) a veteran’s pension under section 164 if the veteran receives the veteran’s pension at—

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(i) the relationship rate, the single living alone rate, or the single sharing accommodation rate:

(ii) the relationship (partner not receiving superannuation or pension) rate or the relationship (partner not receiving superannuation or pension) legacy rate.

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(3) Regulations made under section 265 that increase an amount of an abatement threshold (prescribed by regulations of that kind) for abatement of a veteran’s pension under section 161 or 164—

(a) must state the date on which they are to have effect (which may be a date before the date on which they were made); and

30

(b) apply to abatement thresholds as applicable on or after the date on which the regulations have effect.

(4) **Subsection (3)** does not authorise any payment to be made before the date on which the regulations that increase the abatement threshold are made.

Compare: 2018 No 32 s 452

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20 Section 265 amended (Regulations)

After section 265(1)(29), insert:

(29A) **section 171** (abatement of veteran's pension):

21 Schedule 1 amended

In Schedule 1, after Part 2, insert the **Part 4** set out in **Part 2** of the **Schedule** 5
of this Act.

Schedule
Transitional, savings, and related provisions

ss 10(3), 21

Part 1
New Part 3 of Schedule 1 of Social Security Act 2018 5

Part 3
**Provision relating to Social Assistance Legislation (Budget 2019
Welfare Package) Amendment Act 2019**

- 79 Effect of repeal of MSD’s duty to reduce rates of benefits for sole parents for failure to assist child support** 10
- (1) This clause applies to a benefit referred to in section 192(1)(b) that a sole parent receives if, at the close of **31 March 2020**, MSD—
- (a) has reduced the benefit under section 192(2); or
 - (b) has reduced the benefit under section 192(2) and has further reduced the benefit under section 194. 15
- (2) On and after **1 April 2020**, the benefit is no longer subject to—
- (a) the reduction under section 192(2); or
 - (b) the reduction under section 192(2) and the additional reduction under section 194.
- (3) This clause applies even if that reduction, or that reduction and that additional reduction, would be required under the following enactments if they were not repealed or revoked on **1 April 2020**: 20
- (a) sections 192 to 194; and
 - (b) subpart 5 of Part 4 of the Social Security Regulations 2018.
- (4) However, the repeal or revocation on **1 April 2020** of those enactments does not limit or affect any reduction or additional reduction MSD is required to make under those enactments because of their previous operation (in respect of any period, or periods, before or on **31 March 2020**). 25

Part 2**New Part 4 of Schedule 1 of Veterans' Support Act 2014****Part 4****Provision relating to Social Assistance Legislation (Budget 2019
Welfare Package) Amendment Act 2019**

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21 Exercise of powers after enactment and before 1 April 2020

- (1) This clause applies to a power conferred by **section 265(1)(29A)** (as that section is to be inserted by the Social Assistance Legislation (Budget 2019 Welfare Package) Amendment Act **2019**).
- (2) The power may be exercised after the enactment of that Act and before the commencement on **1 April 2020** of that section. 10
- (3) If this clause is to be, or has been, relied on to exercise a power,—
- (a) all other enactments relevant to the power's exercise, and that have not yet commenced, must be treated as if they had commenced; and
- (b) a legal position that would be conferred or imposed by an enactment relevant to the power's exercise, and that has not yet commenced, must be treated as if it has accrued or been imposed. 15
- (4) Anything that results from the exercise of the power may take effect only on or after **1 April 2020**.
- (5) However, that limit does not apply if the exercise of the power is necessary or desirable— 20
- (a) to bring the power, and all other enactments relevant to the power's exercise, into operation; or
- (b) in connection with bringing the power, and all other enactments relevant to the power's exercise, into operation; or 25
- (c) to amend, revoke, or replace anything previously done in reliance on this clause.