

# **Social Security (Benefits Adjustment) and Income Tax (Minimum Family Tax Credit) Amendment Bill**

Government Bill

## **Explanatory note**

### **General policy statement**

The Social Security (Benefits Adjustment) and Income Tax (Minimum Family Tax Credit) Amendment Bill is an omnibus Bill introduced under Standing Order 267(1)(a). That Standing Order provides 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. The single broad policy implemented by the amendments in this Bill is to ensure that income support responds to increases in the cost of living by indexing main benefits to changes in the Consumers Price Index and adjusting the minimum family tax credit (as defined in the Income Tax Act 2007) threshold.

### **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=2024&no=14>

### **Regulatory impact statement**

A supplementary analysis report (**SAR**) has been prepared for this Bill instead of a regulatory impact statement. The Ministry of Social Development produced the SAR on 18 January 2024. The SAR summarises the impacts, the risks, and other elements of the main policy decisions taken by the Government in connection with the Bill.

A copy of the SAR can be found at—

- <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/regulatory-impact-statements/sar-indexing-main-benefits-to-inflation.docx>
- <https://treasury.govt.nz/publications/informationreleases/ris>

### Clause by clause analysis

*Clause 1* is the Title clause.

*Clause 2* is the commencement clause. It provides that *Part 1* of the Bill comes into force on the day after Royal assent and *Part 2* of the Bill comes into force on 1 April 2024.

## Part 1

### Amendments to Social Security Act 2018

*Clause 3* provides that *Part 1* amends the Social Security Act 2018.

*Clause 4* repeals section 452A, which requires rates of main benefits (listed in subsection (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 section 452A(6)).

*Clause 5* amends section 453 to require rates of main benefits previously adjusted under section 452A to be adjusted under section 453. Adjustments under section 453 are based on any percentage movement upwards in the Consumers Price Index (All Groups) published by Statistics New Zealand or, if that index ceases to be published, any measure certified by the Government Statistician as being equivalent to that index. *Clause 5* also has the effect of repealing section 453(3), because it is spent and no longer has any legal effect.

*Clauses 6 to 8* make amendments to Schedules 1, 2, and 4 that are consequential on the changes made by *clauses 4 and 5*.

## Part 2

### Amendment to Income Tax Act 2007

*Clause 9* provides that *Part 2* amends the Income Tax Act 2007.

*Clause 10* amends section ME 1(3)(a) to increase the prescribed amount from \$34,216 to \$35,204. The prescribed amount is used in the formula that determines the minimum family tax credit that a person is entitled to. The minimum family tax credit provides a financial incentive to ensure low-income, working families remain better off financially in full-time work than they would be on a main benefit. For the tax credit system to work as intended, the minimum family tax credit must be increased whenever main benefits go up. *Clause 10* therefore increases the minimum family tax credit, effective from 1 April 2024, in line with the adjustment to the main benefits

that is due to happen from 1 April 2024 under section 453 of the Social Security Act 2018 (as amended by *clause 5*).



*Hon Louise Upston*

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**The Parliament of New Zealand enacts as follows:**

### **1 Title**

This Act is the Social Security (Benefits Adjustment) and Income Tax (Minimum Family Tax Credit) Amendment Act **2024**.

## **2 Commencement**

- (1) **Part 1** comes into force on the day after Royal assent.
- (2) **Part 2** comes into force on **1 April 2024**.

## **Part 1 Amendments to Social Security Act 2018**

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### **3 Principal Act**

This Part amends the Social Security Act 2018.

### **4 Section 452A repealed (Orders in Council: mandatory annual average weekly earnings adjustment of rates of main benefits)**

Repeal section 452A.

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### **5 Section 453 amended (Orders in Council: mandatory annual CPI adjustment of rates of certain benefits that are not main benefits)**

- (1) In the heading to section 453, delete “**that are not main benefits**”.
- (2) Replace section 453(2) and (3) with:
  - (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):
    - (d) Part 4 of Schedule 4 (orphan’s benefit):
    - (e) Part 5 of Schedule 4 (unsupported child’s benefit):
    - (f) 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):
    - (g) 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):
    - (h) 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):
    - (i) Part 12 of Schedule 4 (rates of benefits payable to long-term hospital patients).
- (3) An adjustment under subsection (1) also affects the maximum rate at which MSD may grant an emergency benefit (*see* section 63(4)).

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**6 Schedule 1 amended**

- (1) In Schedule 1, cross-heading above clause 55(6), replace “*average weekly earnings*” with “*CPP*”.
- (2) In Schedule 1, clause 55(6), replace “452A” with “453”.

**7 Schedule 2 amended**

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- (1) In Schedule 2, repeal the definitions of **average ordinary time weekly earnings**, **earner levies**, and **standard tax**.
- (2) In Schedule 2, definition of **incentive payment**, replace “452A(2)(d)” with “**453(2)(f)**”.

**8 Schedule 4 amended**

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In the Schedule 4 heading, delete “452A,”.

**Part 2**

**Amendment to Income Tax Act 2007**

**9 Principal Act**

This Part amends the Income Tax Act 2007.

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**10 Section ME 1 amended (Minimum family tax credit)**

- (1) In section ME 1(3)(a), replace “\$34,216” with “\$35,204”.
- (2) **Subsection (1)** applies for the 2024–25 and later tax years.