



New Zealand Council Of
Christian Social Services

**NZCCSS Submission to Policy and Strategy, Inland Revenue on
Making Tax Simpler: Better Administration of Social Policy
14 September 2017**

1. Introduction

The New Zealand Council of Christian Social Services (NZCCSS) works for a just and compassionate New Zealand. We see this as a continuation of the mission of Jesus Christ. In seeking to fulfil this mission, we are committed to (a) giving priority to the poor and vulnerable members of our society and (b) Te Tiriti O Waitangi.

NZCCSS has six foundation members; the Anglican Care Network, Baptist Churches of New Zealand, Catholic Social Services, Presbyterian Support and the Methodist and Salvation Army Churches.

Nationally, the range and scope of our six members is extensive and comprises 213 separate provider sites, delivering a range of 37 types of services via 1024 specific programmes, located in 55 towns and cities throughout New Zealand. Further details on NZCCSS can be found on our website www.nzccss.org.nz

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2. General comments

NZCCSS welcomes the opportunity to comment on proposals to simplify the administration of entitlements (and obligations) delivered by Inland Revenue. It is critical that related rules and processes are sufficiently straight forward and easy to understand to ensure those entitled to payments know how to access them along with any obligations required.

NZCCSS acknowledges the extensive consultation underpinning the proposals set out in the consultation document: *Making Tax Simpler: Better Administration of Social Policy* and commends Inland Revenue for its consultative process.

NZCCSS members have a long history of work alongside families and whānau struggling to cope with persistent hardship, often living in complex family situations (family violence, addictions, mental health issues) and who are reliant on low skilled, low paid and often precarious work, with hours worked varying from week to week.

NZCCSS' guiding position is that it would be unethical if already vulnerable families and whānau should find themselves in further hardship as a result of any of the changes proposed by Inland Revenue.

Further, NZCCSS recommends Inland Revenue undertakes a Child Impact Assessment to better understand how the proposals may impact on children before proceeding further with this consultation. Policies should be assessed against principle of "*the best interest of the child*", and then adjusted to mitigate any negative impacts, and to maximise benefits' to the child where possible.

New Zealand ratified the United Nations Convention on the Rights of the Child (UNCROC) in 1993, which recommends ratified states to adopt a child impact assessment for all policy that affects children. Policy decisions made by Inland Revenue will clearly impact on children and therefore failure to consider their likely impacts could result in unintended negative outcomes (i.e increased child poverty and vulnerability), which would undermine the positive intent of this review.

3. Key Points

NZCCSS has provided comments on areas identified below.

3.1 Inland Revenues Core Principles

NZCCSS notes and supports the core principle guiding Inland Revenue's review that *people should not be entitled to any less government support than they are currently entitled to received*. Given the technological advances driving the proposals, NZCCSS would welcome an initiative that sees Inland Revenue apply this new technology to proactively identify people entitled to receive specific payments but who are missing out, so that they can be advised of the process to collect their full entitlement.

3.2 Working for Families Tax Credits – end of year round-up versus payments adjusted through the year?

NZCCSS welcomes the discussion on shorter versus longer assessments of observable income and supports the overall intention to reduce end of year debt to households where income fluctuates during the year. However, we caution against options based on an assumption the impact on families/whānau is the same regardless of income levels, composition of the household, number of dependents (old and young) and types of work supporting the household. Families are complex, dynamic units that require flexible policies and supports to reflect this.

3.3 Flawed design not addressed

Firstly, we wish to express concern that the policy design underpinning the WFFTC remains outside the scope of this review. NZCCSS agrees with the Child Poverty Action Group that WFFTC is inherently flawed in its overall design, specifically in regards to the current level of abatement rate, which acts as a disincentive for low income families to taken on much needed extra hours for fear of having their entitlement cut.

The WFFTC also discriminates against families who fall below the minimum number of working hours to comply, and against families not in paid work (particularly single families). And most critically, by not applying the entitlement to all children in low income households, the policy design breaches New Zealand's human rights obligations under UNCROC that require policy makers to put the 'best interest' of the child at the centre. Reviewing the delivery of WFFTC will not address these long standing concerns.

NZCCSS would like to see the policy design of WFFTC reviewed at the same time as the delivery side, along with the removal of all fixed hours of paid work requirements for the payment of any WFFTC.

3.4 Impact on families in precarious work

The discussion document clearly identifies the risk of adjusting payments more frequently in response to the income changes in terms of a *loss of certainty* in the amount paid to a family and of a time lag before the adjusted payment is made. To understand the impact of this proposal, it is critical to understand how changes would impact on families in precarious work. For example where 40 hours are worked one week and 30 hours the next, the WFFTC would be reduced with the adjustment likely to occur in the same week as pay drops to reflect a change in hours (40 hours to 30 hours). All at the same time, as rent, food, and electricity need to be paid. Whilst this proposal could see debt to Inland Revenue reduce, it might also see debt to other groups increase in order to cover essential household expenses. Under the current system of casual worker contracts possibly an average paid on the past two months work may be more acceptable.

3.5 System needs to smooth out volatility

The likely impact of shorter assessments on such families in precarious work would likely be volatile swings in payments, reflecting the volatility of the hours worked. NZCCSS believes the intent of any change to the delivery of entitlements (the delivery system) should be to *smooth out* income patterns to support vulnerable families rather than exacerbate hardship.

As part of this, Inland Revenue need to consider *what is best for vulnerable families and children* living in households where income levels change rapidly, and where the system can't react sufficiently quick to ensure there is enough income in a household to look after its dependents. A responsive and flexible delivery system should set a higher income threshold before reductions to WFFTC occur and enable families/whanau to decide whether to estimate an annual income with an end of year square up or more frequent assessments.

3.6 Managing missed payments and overpayments better

NZCCSS supports the proposal to identify earlier any overpayment or missed payment and to work proactively with customers to manage the debt. The initiatives set out in the document are likely to help support families struggling to pay back debt incurred to Inland Revenue. However, the proposal to apply the under \$20 annual small balance write off for all Working for Families Tax Credits (and student support and student loan

customers) seems too small to benefit families and even to cover the administrative cost to IRD to collect this amount small.

NZCCSS supports the inclusion of thresholds under which debts are not collected and that these could be aligned across other social policies so long as discretionary decision-making remain, a mechanism to review decisions is applied and Inland Revenue implements a communication strategy to ensure the public understand these changes.

3.7 Technology does not replace the need for discretion

As covered in the discussion document, technological advances bring opportunities to identify more quickly changes to observable financial information, and in the future some non-observable financial information, along with opportunities to align thresholds and policies. However, NZCCSS would be concerned if over time a misplaced trust in technology saw discretion and appeal processes diminish.

3.8 Recovery through future entitlement payment, wages, bank accounts

NZCCSS notes the discussion on options for Inland Revenue to have payments deducted from entitlement payments, recovery through wages or from bank accounts (p47-p48). For some families/whānau this option may work well to reduce debt. As discussed above for families/whānau already struggling to pay off debt, automatic deductions for sources of other payments could seriously undermine the health and wellbeing of the family unit, and particularly children. NZCCSS requests Inland Revenue undertakes a Child Impact Assessment to better understand how this proposal may impact on children before proceeding further with this proposal.

3.9 Child Support: Compulsory wage deductions

NZCCSS believes all parents should make a fair and equal contributions to the raising of their children but the reality is that only a relatively small rate of liable partners make child support payments.

In principle, NZCCSS supports compulsory wage deductions as a default, but on the basis that an opt-out criterion is developed to capture situations where a liable partner wants to contribute but is unable to due to reasons related to hardship i.e. the liable partner has other children, or is part of a blended family. As set out in the previous section, a child impact assessment would identify the likely impact of compulsory wage deductions on all of the children in the receiver and liable partner's household.

In addition, any decision to proceed with compulsory wage deductions must comply with advice received from the Office of the Privacy Commissioner, and their early recommendation to incorporate *additional operational safeguards* to minimise impacts on privacy.

3.10 Recognising private payments

NZCCSS supports in principle the recognition of private payments by liable parents to third parties for example i.e. boarding school fees as part or all of their child support obligations. However, the criterion that parents and carers must agree in writing that the private payment meets or partially meets the child support obligation needs to be retained as it is critical the receiving parent is not put under undue pressure by the paying parent to accept a third party payment. The review of the restriction that the receiving carer is not receiving a main benefit however needs to be carefully considered. Again, a thorough child impact assessment would identify any specific impacts on children if this criterion was removed. The needs of all the children in a household needs to be considered.

3.11 Customers with unusual circumstances

NZCCSS supports the government's proposal to provide Inland Revenue with '*additional authority to work with customers who have unusual circumstances*' to achieve the intended policy outcomes. NZCCSS preferred option is a general discretion in legislation to provide sufficient flexibility to accommodate complex situations. NZCCSS sees this provision as a positive step towards supporting people living in highly vulnerable situations.

3.11 Greater use of regulations

NZCCSS questions the greater use of regulations (p61) and request further consultation on the this matter. While the intention is to defer "*matters relating to detail and administration*" to regulations, this substantially curtails requirements for public consultation. NZCCSS notes the Social Security Legislation Rewrite Bill sets out regulation making powers to cover areas including how discretions would be applied or the criteria that would need to be considered. Both of these areas go well beyond matters of *detail and administration* case. The risk is substantive policy changes are made at the Cabinet level without robust public consultation.