



**National Council of
Women of New Zealand**

Te Kaunihera
Wahine O Aotearoa

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15 September 2017

S17.13

Submission to Inland Revenue on Making Tax Simpler: Better Administration of Social Policy

1. Introduction

- 1.1. The National Council of Women of New Zealand, Te Kaunihera Wahine o Aotearoa (NCWNZ) is an umbrella group representing 283 organisations affiliated at either national level or to one of our 21 branches. In addition, about 260 women are individual members of branches.
- 1.2. Collectively our reach is over 290,000 with many of our membership organisations representing all genders. NCWNZ's vision is a gender equal New Zealand and research shows we'll be better off socially and economically if we're gender equal. Through research, discussion and action, NCWNZ in partnership with others, seeks to realise its vision of gender equality because it is a basic human right.
- 1.3. This submission has been prepared by the NCWNZ Consumer Affairs/Economics Standing Committee and Parliamentary Watch Committee. The submission draws on past submissions NCWNZ has made on the relevant topics. Consultation with NCWNZ members was undertaken and many commented on the complexity of the discussion document and questions asked, and therefore felt limited in their ability to respond appropriately. Despite this, a significant number of individuals and members fed into this submission, indicating the high level of interest in the matter.

2. Executive Summary

- 2.1. NCWNZ supports the modernising of tax and social policy administration, with the aims of reshaping the way Inland Revenue works with customers, and of improving policy and legislative settings.
- 2.2. The complexity of the issues covered in the discussion document was apparent to NCWNZ members consulted, and it is believed this has limited the responses received.
- 2.3. NCWNZ would like to congratulate Inland Revenue for holding regional forums to discuss the changes with communities. NCWNZ notes with concern, however, the anticipated attendance at a number of forums is likely to be limited due to the wide geographical catchment area they are covering. For example the Canterbury, Marlborough, Nelson, Tasman forum could require attendees to travel over five hours to attend the event dependent on the location.

3. Chapter 3 - Making payments certain, accurate and timely

- 3.1. Certainty, Timeliness, and Consistency were all seen as very important by the NCWNZ respondents. It is argued that any child caregiver should receive payments as quickly as possible, and that collectively these would enable people to budget sensibly.
- 3.2. It was noted that, in circumstances where income is not known or confirmed to Inland Revenue during the year, the payments' estimates are based on clients' past year's information. This is inconsistent with penalties which are based on forward estimates.
- 3.3. Child support. As noted in NCWNZ submission S.10.27¹ the primary driver of any changes should take into account the needs of the child. This overriding factor should influence which of the four options is selected. It is also noted that with changing family dynamics and increased demand on many social support services, the wellbeing of the child should always remain the primary focus.
- 3.4. NCWNZ has also advised, in submission S10.11², that assessments be based on net, not gross income.
- 3.5. NCWNZ has previously recommended that payments be based on the Consumer Price Index [CPI]³ and once more recommends that any of the options chosen should take the CPI into account.
- 3.6. There are four options considered: NCWNZ recognises the importance of making assessments based on current information and the difficulties for all parties in addressing incorrect calculations that are based on out-of-date information.
- 3.7. NCWNZ would advocate that, whatever option is used in terms of information gathering for payment assessments, Inland Revenue employs the same promptness or time period for communicating to the liable parent paying, of any changes to an individual's threshold.
- 3.8. NCWNZ supports streamlining of information provision as budgeting is harder when changes are not taken into account. As previously submitted⁴ the administrative aspect of sharing information whilst needing to be cost-effective, must ensure the privacy of individuals concerned. NCWNZ has supported sharing of information between the Ministry of Education and other agencies⁵ when this is in the best interests of the child, and the same principle applies in this context.
- 3.9. NCWNZ would seek to ensure a pathway exists for any discrepancies to be resolved when accuracy of information is not agreed on. Inquiries regarding any changes should be able to be easily made, and NCWNZ members report this is not always the situation when utilising the IRD 0800 contact services.

¹ S10.27 Submission on Supporting Children <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S10.27-Submission-on-Supporting-Children.pdf>

² S10.11 Social Assistance (Future Focus) Bill <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S10.11-Submission-to-the-Social-Services-Committee-on-the-Social-Assistance-Future-Focus-Bill.pdf>

³ S03.12 Child Support Issues Paper

⁴ S10.21 Making Tax Easier – A Government Discussion Document <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S10.21-Submission-to-IRD-on-Making-tax-easier-a-government-discussion-document.pdf>

⁵ S12.09 Social Security (Youth Support and Work Focus) Bill <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S12.09-Social-Security-Youth-Support-and-Work-Force-Amendment-Bill.pdf>

- 3.10. NCWNZ members had mixed opinions for moving away from annual assessments but noted assessments based on current and accurate information are preferred, ensuring the less difficult estimating process for the recipient be chosen.
- 3.11. NCWNZ recognises the importance for payments to react quickly to changes and that timeframes set for payment should take into account other outgoing expenses of the recipient such as power bills.
- 3.12. The significance of the difference the change would make should be a factor.
- 3.13. NCWNZ is aware of situations when Working for Tax credit assessments are made there is considerable delay before a payment is received.
- 3.14. NCWNZ members had differing preferences for payment change timeframes that varied from each pay period, monthly through to annually. NCWNZ recognises that whilst accuracy and currency are important, this should not be at the costs of predictability and appropriateness. The ability to meet expenses and enable careful budgeting should determine frequency of Working for Tax and Child Support subsidies.
- 3.15. As noted in NCWNZ submission S03.12⁶ approximately 70% of liable parents in 2012 were paying the minimum contribution required. This should be taken into account to ensure assessment periods are not set so as to minimise liability calculations. Compliance costs are to be considered.
- 3.16. Income derived from sources such as Family Trusts, Fringe Benefit Tax, rental properties should be taken into account and advised on a monthly to six-monthly basis.
- 3.17. One NCWNZ member was aware of a liable parent earning income as a self-employed independent contractor who calculated income in a way that showed a balance or loss of profit that allowed for an exemption for making maintenance contributions. NCWNZ wishes to ensure processes are in place to prevent such situations occurring.
- 3.18. Generally NCWNZ members support prompter periods to ensure the caring parent can readily meet the needs of a child.

4. Chapter 4 - Better payment options

Child support

- 4.1. As in past submissions⁷ NCWNZ advocates that child allowance payments be paid to the mother or woman guardian responsible for the child or children, and that this payment should not lessen the liability of the child's father. NCWNZ continues to support payments from liable parents and many NCWNZ members assumed this was already a compulsory deduction from wages.

⁶ S03.12 Child Support Issues Paper

⁷ S03.12 Child Support Issues Paper

- 4.2. NCWNZ has noted⁸ the importance of distinguishing between parental rights and parental responsibilities and such distinction be included when identifying liability.
- 4.3. NCWNZ has also submitted⁹ on the right for all couples having the option of registering their partnership with the Inland Revenue, and believes such registration could facilitate identification of parent liability.
- 4.4. NCWNZ members consulted continue to support the principle of all liable parents contributing to child support obligations.
- 4.5. NCWNZ has advocated for simple, cost effective and less volatile forms of tax administration¹⁰ and would maintain this still applies. However, as previously raised¹¹ the administrative aspect of sharing information whilst needing to be cost-effective, must ensure privacy of individuals concerned.
- 4.6. The compliance costs incurred will be influenced by other factors such as alignment with tax payment dates, and employer information reporting timeframes on things such as PAYE and KiwiSaver.
- 4.7. In light of contemporary changing family dynamics, situations such as Blended Families need to be considered when allowing exemptions.
- 4.8. Ideal payment periods for situations where deductions are not coming from wages would range between fortnightly, and one to three monthly to ensure long-standing payments are not neglected more permanently. Generally shorter periods are recommended.
- 4.9. As noted in 3.7, processes need to be in place to ensure income sources such as self-employment cannot be assessed in ways that negate mandatory maintenance payment.
- 4.10. Generally third party payments are considered an appropriate option, but privacy and timeliness of such arrangements should be taken into account, and the informed consent of child carer obtained.

5. Chapter 5 - Managing missed payments and overpayments better

- 5.1. NCWNZ would support a clear and consistent threshold across policies whereby an appropriate minimal balance is confirmed. This would enable the rules to be better understood and hence abided by.
- 5.2. The threshold balance would need to be adjusted in line with costs of living and the CPI.

⁸ S10.27 Submission on Supporting Children <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S10.27-Submission-on-Supporting-Children.pdf>

⁹ S08.19 Income Splitting for Families with children <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S08.19-Income-splitting-for-families-with-children.pdf> and S10.01 An income-splitting tax credit for families with children <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S10.01-Income-Splitting.pdf>

¹⁰ S10.21 Making Tax Easier – A Government Discussion Document <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S10.21-Submission-to-IRD-on-Making-tax-easier-a-government-discussion-document.pdf>

¹¹ Ibid.

- 5.3. As noted above NCWNZ members generally support a consistent threshold, but wish to allow for empathy in exceptional and individual circumstances. NCWNZ recognises that what might appear a small amount could be quite significant to a person on a tight budget, and this should also be considered.
- 5.4. NCWNZ has submitted on taxation payment arrangements¹² and cautioned that requests for tax liability instalments be used only once. This argument would apply to any requests to allow for missed, delayed or instalment child support payments and exceptions relating to minimum thresholds.
- 5.5. Whilst cost efficiency should be noted, NCWNZ wishes to ensure the specific situations of the individuals concerned be taken into account when setting income or payment thresholds, and that allowance is made for demonstrated emergency situations.
- 5.6. Rationale should always be clearly provided in setting and implementing thresholds, and take into account living costs of the location and potential risk of forcing parents into hardship.
- 5.7. NCWNZ advocates for individual responsibility for addressing incorrect payments and cautions against unclear parameters if third parties such as tax agents may be involved. Any self-managed payments should be implemented in a timely manner.
- 5.8. NCWNZ has submitted on taxation payment arrangements¹³ and cautioned that requests for tax liability instalments be used only once. This argument would apply to any requests to allow for missed, delayed or instalment child support payments and exceptions relating to minimum thresholds.

6. Chapter 6 - Aligning and updating key definitions

- 6.1. NCWNZ wishes to see consistent definitions and thresholds across policies and between agencies such as Inland Revenue, Customs, ACC, Work and Income, and the Ministry of Social Development. This would give greater clarity for individuals affected.
- 6.2. NCWNZ is not convinced retaining the requirement for maximum child age to be aligned with school attendance is the best option. The Not in Employment, Education or Training [NEETS] youth should not be disadvantaged, but rather these other forms of engagement be equally recognised.
- 6.3. NCWNZ recognises the minimum sliding levels set for the Independent Child Benefit and recommends this level should also refer to determining minimum money amounts when considering a child as financially independent.
- 6.4. Geographical location can influence costs of living and NCWNZ wishes location to be taken into account when setting minimum amounts for independence.

¹² S02.06 Taxation (Relief, Refunds etc) Amendment Bill <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S02.06-Taxation-Relief-Refunds-and-Miscellaneous-Provisions-Bill.pdf>

¹³ Ibid.

- 6.5. In previous submissions¹⁴ NCWNZ has called for a Universal Child Benefit to ensure every child enjoys economic status and no family experiences poverty. NCWNZ requests the same recommendation be considered in the current review process.
- 6.6. NCWNZ would like children to be defined as dependent even where they are receiving reducing student allowance due to parental support. Financial earnings do not necessarily reflect the level of support a child receives from parents, and more flexibility around circumstances should be allowed for.
- 6.7. NCWNZ believes six months is a long period in which to determine social policy. Where additional information is provided, an extended period overseas should be allowed for when appropriate: for example, when an individual is overseas studying on an exchange programme.
- 6.8. Non-residence status must not be too fixed and NCWNZ is aware of situations where residence status was missed by one hour due to a delayed flight.
- 6.9. Whilst having ability to allow for exceptions, NCWNZ generally supports the requirement of permanent residence before Working for Tax Credits are paid.

7. Chapter 7 - Customers with unusual circumstances

- 7.1. NCWNZ believes most proposals should have the same or similar compatible principles, and would support a more principle-based approach for discretions. However exceptions would always need to be allowed for as people's situations are becoming more and more complex.
- 7.2. Fairness, compassion, justice and consistency should be objectives of discretions with fairness to the individuals and to society as a whole.
- 7.3. Principles NCWNZ wish to be included are the survival of the individuals concerned and allowance for economic independence. The furthering of students to complete education is also to be facilitated in any discretionary granting.
- 7.4. The purpose for requesting discretion should be the initial considerations and some NCWNZ members suggest a statutory declaration be required so as to mitigate against avoidance, evasion and fraud.
- 7.5. The significance of the effect of any discretions should also be considered.
- 7.6. NCWNZ believes it is important that principles are not aligned with staff performance targets or measures. This is to limit potential for bias or unconscious decision making.

¹⁴ S10.32 Taxation (Income-sharing Tax Credit) Bill <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S02.06-Taxation-Relief-Refunds-and-Miscellaneous-Provisions-Bill.pdf>

8. Conclusion

- 8.1. NCWNZ supports the aims of this review and appreciates the opportunity for community input. NCWNZ has concerns about the complexity of the discussion documents and questions, and is conscious this factor has limited the ability of many members to meaningfully contribute.
- 8.2. NCWNZ encourages Inland Revenue to deliver a revenue system that is fair and efficient, simple to navigate and one where customers receive correct and timely entitlements to fully meet their obligations to maintain health and wellbeing, on both a short and long-term basis.

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