

# Departmental Disclosure Statement

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Budget Measures (Financial Support for Newborn Children) Bill
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The departmental disclosure statement for a government Bill seeks to bring together in one place a range of information to support and enhance the Parliamentary and public scrutiny of that Bill.

It identifies:

- the general policy intent of the Bill and other background policy material;
- some of the key quality assurance products and processes used to develop and test the content of the Bill;
- the presence of certain significant powers or features in the Bill that might be of particular Parliamentary or public interest and warrant an explanation.

This disclosure statement was prepared by the Ministry of Business, Innovation and Employment (MBIE) and Inland Revenue (IR).

MBIE and IR certify that, to the best of their knowledge and understanding, the information provided is complete and accurate at the date of finalisation below.

[1 May 2014]

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## Part One: General Policy Statement

This Bill implements the following fiscal measures announced as part of Budget 2014:

- An increase, in two stages, to 18 weeks of paid parental leave entitlement
- For lower and middle income working families, the Parental Tax Credit increases to \$220 per week, for the first 10 weeks following birth (currently \$150 per week, for 8 weeks).

The measures are part of the overall fiscal settings for Budget 2014, in line with the Budget Policy Statement 2014.

These measures are intended to provide increased targeted support, within the current fiscal environment, for working parents with newborns.

In the first year of a child's life, particularly the first six months, it is important for newborn development to get full time personal care and for parents to get support to manage budgetary and other pressures. Full time care and monetary support can greatly assist with mothers/caregivers and children developing close bonds, breast feeding for the first six months (which is the World Health Organisation's recommendation), and reducing parental and family stress, all of which improves short and long-term child and societal outcomes.

This omnibus Bill aims to help parents achieve this outcome by introducing amendments to the following Acts:

- Parental Leave and Employment Protection Act 1987
- Income Tax Act 2007

### *Paid Parental Leave*

The Bill increases the number of weeks of paid parental leave (PPL) from the current 14 weeks to 16 weeks as of 1 April 2015 and to 18 weeks as of 1 April 2016.

### *Parental Tax Credit*

The Bill increases the maximum amount of Parental Tax Credit (PTC) payable on the birth of a newborn to \$220 per week, for the first 10 weeks following birth. This takes the total maximum payment to \$2,200 per newborn. The higher payments apply to babies born on or after 1 April 2015.

The Bill also changes the abatement formula for the PTC, so that is abated against each dollar of family income over the abatement threshold earned over the year, rather than over the parental entitlement period. This change means that the PTC amount will reduce faster as income increases; it brings the effective abatement rate for the PTC in line with the abatement of the Family Tax Credit and the In-Work Tax Credit. This will better target PTC payments to lower and middle income families.

## Part Two: Background Material and Policy Information

### Published reviews or evaluations

<b>2.1. Are there any publicly available inquiry, review or evaluation reports that have informed, or are relevant to, the policy to be given effect by this Bill?</b>	<b>NO</b>
<p>There is no single inquiry, review or evaluation report that has informed or is relevant to the change in the number of weeks a person will be eligible for <b>PPL</b>. However, the Regulatory Impact Statement refers to a range of domestic and international publications outlining the benefits of mothers having increased time away from work to bond with their newborn children. Please see <a href="http://www.dol.govt.nz/publications/general/gen-ris.asp">http://www.dol.govt.nz/publications/general/gen-ris.asp</a> for more information.</p> <p>There is no single publicly available review or evaluation report that is relevant for the <b>PTC</b> changes. However, there was a review of the rate of the <b>PTC</b> in 2008. The review proposed no change to the PTC rate at that stage but that it be given further consideration when changes to paid parental leave were considered. The review is publicly available at <a href="http://taxpolicy.ird.govt.nz/publications/2008-other-wfftc-review/overview">http://taxpolicy.ird.govt.nz/publications/2008-other-wfftc-review/overview</a>.</p>	

### Relevant international treaties

<b>2.2. Does this Bill seek to give effect to New Zealand action in relation to an international treaty?</b>	<b>NO</b>
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### Regulatory impact analysis

<b>2.3. Were any regulatory impact statements provided to inform the policy decisions that led to this Bill?</b>	<b>YES</b>
<p>1) Additional Financial Support for Families with a Newborn (extension of paid parental leave payments and eligibility for paid parental leave), Ministry of Business, Innovation and Employment, 7 April 2014. This RIS is accessible at: <a href="http://www.dol.govt.nz/publications/general/gen-ris.asp">http://www.dol.govt.nz/publications/general/gen-ris.asp</a></p> <p>2) Providing additional financial assistance to working families with newborns, Inland Revenue, 4 April 2014. This RIS is accessible at <a href="http://taxpolicy.ird.govt.nz/publications/type/ris">http://taxpolicy.ird.govt.nz/publications/type/ris</a>.</p> <p>Both RIS's can also be found and downloaded at <a href="http://www.treasury.govt.nz/publications/informationreleases/ris">http://www.treasury.govt.nz/publications/informationreleases/ris</a>.</p>	

<b>2.3.1. If so, did the RIA Team in the Treasury provide an independent opinion on the quality of any of these regulatory impact statements?</b>	<b>NO</b>
<p>The two RIS identified above did not meet the threshold for receiving an independent opinion on the quality of the RIS from the RIA Team based in the Treasury.</p>	

<b>2.3.2. Are there aspects of the policy to be given effect by this Bill that were not addressed by, or that now vary materially from, the policy options analysed in these regulatory impact statements?</b>	<b>NO</b>
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## Extent of impact analysis available

<b>2.4. Has further impact analysis become available for any aspects of the policy to be given effect by this Bill?</b>	<b>NO</b>
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<b>2.5. For the policy to be given effect by this Bill, is there analysis available on:</b>	
<b>(a) the size of the potential costs and benefits?</b>	<b>YES</b>
<b>(b) the potential for any group of persons to suffer a substantial unavoidable loss of income or wealth?</b>	<b>YES (for PPL changes)</b> <b>YES (for PTC changes)</b>
<p>The extension of the period for <b>PPL</b> imposes primarily a fiscal cost to government. Businesses will not suffer a substantial unavoidable loss of income or wealth and eligible employees will be entitled to an increased entitlement for PPL.</p> <p>The potential size of the costs and benefits are set out in the relevant RIS  <a href="http://www.dol.govt.nz/publications/general/gen-ris.asp">http://www.dol.govt.nz/publications/general/gen-ris.asp</a></p> <p>Analysis on the potential size of the costs and benefits, and the potential for a substantial unavoidable loss of income or wealth with respect to the <b>PTC</b> changes is set out in the relevant RIS:</p> <p>Regulatory Impact Statement: Providing additional financial assistance to working families with newborns, Inland Revenue, 4 April 2014</p> <p>This RIS is accessible at <a href="http://taxpolicy.ird.govt.nz/publications/type/ris">http://taxpolicy.ird.govt.nz/publications/type/ris</a> and can also be found and downloaded at <a href="http://www.treasury.govt.nz/publications/informationreleases/ris">http://www.treasury.govt.nz/publications/informationreleases/ris</a>.</p>	

<b>2.6. For the policy to be given effect by this Bill, are the potential costs or benefits likely to be impacted by:</b>	
<b>(a) the level of effective compliance or non-compliance with applicable obligations or standards?</b>	<b>NO (for PPL changes)</b> <b>NO (for PTC changes)</b>
<b>(b) the nature and level of regulator effort put into encouraging or securing compliance?</b>	<b>NO (for PPL changes)</b> <b>NO (for PTC changes)</b>

With respect to **PPL**, the Bill extends a state provided benefit. As such the issue of compliance does not arise. The potential size of the costs and benefits of the policy are set out in the relevant RIS:

Additional Financial Support for Families with a Newborn (extension of paid parental leave payments and eligibility for paid parental leave), Ministry of Business, Innovation and Employment, 7 April 2014.

The RIS is accessible at <http://www.dol.govt.nz/publications/general/gen-ris.asp> and can also be found and downloaded at <http://www.treasury.govt.nz/publications/informationreleases/ris>.

There are not expected to be any additional compliance costs from the change in the **PTC** rate. The Bill is extending a state provided benefit. Analysis on the impact of compliance or non-compliance on the potential costs or benefits of the **PTC** changes is set out in the relevant RIS:

Regulatory Impact Statement: Providing additional financial assistance to working families with newborns, Inland Revenue, 4 April 2014.

This RIS is accessible at <http://taxpolicy.ird.govt.nz/publications/type/ris> and can also be found and downloaded at <http://www.treasury.govt.nz/publications/informationreleases/ris>.

## Part Three: Testing of Legislative Content

### Consistency with New Zealand's international obligations

<b>3.1. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with New Zealand's international obligations?</b>
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The paid parental leave provisions assist New Zealand in meeting various international obligations, for example the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) and the United Nation's Convention on the Rights of the Child. Extending the duration of PPL will further New Zealand's compliance with those obligations.

### Consistency with the government's Treaty of Waitangi obligations

<b>3.2. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with the principles of the Treaty of Waitangi?</b>
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No separate formal steps have been taken to determine whether the policies to be given effect by this Bill are consistent with the principles of the Treaty of Waitangi, as no policy measures in this Bill have been identified, as part of the normal policy process, as having significant impact on Maori.

### Consistency with the New Zealand Bill of Rights Act 1990

<b>3.3. Has advice been provided to the Attorney-General on whether any provisions of this Bill appear to limit any of the rights and freedoms affirmed in the New Zealand Bill of Rights Act 1990?</b>
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YES

Advice provided to the Attorney-General by the Ministry of Justice is generally expected to be available on the Ministry of Justice's website upon introduction of a Bill. Such advice, or reports, will be accessible on the Ministry's website at <http://www.justice.govt.nz/policy/constitutional-law-and-human-rights/human-rights/bill-of-rights/>

### Offences, penalties and court jurisdictions

<b>3.4. Does this Bill create, amend, or remove:</b>	
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<b>(a) offences or penalties (including infringement offences or penalties and civil pecuniary penalty regimes)?</b>
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NO

<b>(b) the jurisdiction of a court or tribunal (including rights to judicial review or rights of appeal)?</b>
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NO

### Privacy issues

<b>3.5. Does this Bill create, amend or remove any provisions relating to the collection, storage, access to, correction of, use or disclosure of personal information?</b>
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NO

## External consultation

<b>3.6. Has there been any external consultation on the policy to be given effect by this Bill, or on a draft of this Bill?</b>	<b>NO</b>
The need for Budget secrecy meant that no consultation was possible on these options, outside of the agencies developing this Budget initiative – namely the Department of the Prime Minister and Cabinet, the Treasury, the Ministry of Social Development, the Ministry of Business, Innovation and Employment, and Inland Revenue.	

## Other testing of proposals

<b>3.7. Have the policy details to be given effect by this Bill been otherwise tested or assessed in any way to ensure the Bill's provisions are workable and complete?</b>	<b>YES (for PPL changes) YES (for PTC changes)</b>
<p>While no other formal testing of the proposals have been undertaken, the proposals have been assessed against fiscal constraints. The proposals represent a balance between achieving the family objectives set out above and managing the fiscal constraints. In terms of the workability, the extended duration will be done via the existing processes and mechanisms used currently for the scheme. The paid parental leave scheme has been in operation for over ten years and the extending the duration does not materially alter the underlying system.</p> <p>The workability of extending the duration of paid parental leave was considered by the Government Administration Select Committee during consideration of the Parental Leave and Employment Protection (Six Months' Paid Leave) Amendment Bill.</p> <p>The PTC changes in the Bill use existing processes and mechanisms within the Working for Families scheme. These have been in operation for several years, and the increased PTC amount and payment period does not materially alter the underlying WFF systems.</p>	



## Part Four: Significant Legislative Features

### Compulsory acquisition of private property

4.1. Does this Bill contain any provisions that could result in the compulsory acquisition of private property?	NO
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### Charges in the nature of a tax

4.2. Does this Bill create or amend a power to impose a fee, levy or charge in the nature of a tax?	NO
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### Retrospective effect

4.3. Does this Bill affect rights, freedoms, or impose obligations, retrospectively?	NO
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### Strict liability or reversal of the usual burden of proof for offences

4.4. Does this Bill:	
(a) create or amend a strict or absolute liability offence?	NO
(b) reverse or modify the usual burden of proof for an offence or a civil pecuniary penalty proceeding?	NO

### Civil or criminal immunity

4.5. Does this Bill create or amend a civil or criminal immunity for any person?	NO
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### Significant decision-making powers

4.6. Does this Bill create or amend a decision-making power to make a determination about a person's rights, obligations, or interests protected or recognised by law, and that could have a significant impact on those rights, obligations, or interests?	NO
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### Powers to make delegated legislation

4.7. Does this Bill create or amend a power to make delegated legislation that could amend an Act, define the meaning of a term in an Act, or grant an exemption from an Act or delegated legislation?	NO
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4.8. Does this Bill create or amend any other powers to make delegated legislation?	NO
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### Any other unusual provisions or features

4.9. Does this Bill contain any provisions (other than those noted above) that are unusual or call for special comment?	NO
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