

Departmental Disclosure Statement

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

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 Social Development and Inland Revenue.

The Ministry of Social Development and Inland Revenue certify that, to the best of their knowledge and understanding, the information provided is complete and accurate at the date of finalisation below.

7 February 2024

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Part One: General Policy Statement

The Social Security (Benefits Adjustment) and Income Tax (Minimum Family Tax Credit) Amendment Bill (the Bill) is an omnibus bill introduced under Standing Order 267(1)(a). That Standing Order provides that an omnibus Bill to amend more than one 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 threshold.

Purpose of Bill

To index main benefits to inflation and increase the Minimum Family Tax Credit threshold from 1 April 2024. The first change intends to protect the real income of benefit recipients, while also ensuring the fiscal sustainability of the benefit system as a whole. The second change intends to protect the real income of tax credit recipients, by making a relative increase to the Minimum Family Tax Credit threshold.

Part 1 of Bill

Part 1 of the Bill revokes the current section 452A of the Social Security Act 2018, which requires main benefits to be indexed to net average wage growth. It also amends section 453, so the benefits listed in that section 452A are inserted into section 453 and will be adjusted to inflation.

For this purpose, main benefits include:

- Jobseeker Support;
- Sole Parent Support;
- Supported Living Payment (with and without children);
- Youth Payment;
- Young Parent Payment;
- Rates of generally abolished former Widows' Benefits; and
- Rates of generally abolished former DPB for solo parents.

A further amendment to the Act is also included, which clarifies that adjustments in line with the rate of inflation under section 453 also affect the maximum rate that MSD may grant Emergency Benefit. It also makes other related and consequential amendments to the Act, including revoking section 453(3), as it is now spent.

Part 2 of Bill

Part 2 of the Bill consequentially amends the Income Tax Act 2007 to adjust the Minimum Family Tax Credit threshold in line with increases to main benefit rates, in accordance with Cabinet policy. 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.

Part Two: Background Material and Policy Information

Published reviews or evaluations

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?	NO
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Relevant international treaties

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

2.3. Were any regulatory impact statements provided to inform the policy decisions that led to this Bill?	NO
Due to time constraints related to the Mini Budget process, and the nature of this proposal as a manifesto commitment, a Regulatory Impact Statement was not prepared or available at the time that policy decisions were taken.	

Extent of impact analysis available

2.4. Has further impact analysis become available for any aspects of the policy to be given effect by this Bill?	YES
Following policy decisions being taken, a Supplementary Analysis Report has been prepared for this proposal. This Supplementary Analysis Report has been through a quality assurance process by a panel, including a Treasury representative.	

2.5. For the policy to be given effect by this Bill, is there analysis available on:	
(a) the size of the potential costs and benefits?	YES
(b) the potential for any group of persons to suffer a substantial unavoidable loss of income or wealth?	YES
The Supplementary Analysis Report prepared for the Bill and the Cabinet paper that informed decision-making analyse these impacts are available on the Ministry of Social Development website at https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/regulatory-impact-statements/sar-indexing-main-benefits-to-inflation.docx	

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

Part Three: Testing of Legislative Content

Consistency with New Zealand's international obligations

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?

Not applicable.

Consistency with the government's Treaty of Waitangi obligations

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?

Due to the nature of this proposal as a manifesto commitment, and the compressed timeframes associated with its implementation, there has been limited opportunity to conduct Treaty analysis of the proposal.

As Māori are disproportionately represented in the population receiving main benefits, the amendments contained within the Bill to the indexation rate of these benefits will in turn particularly impact Māori. In the short term, this is likely to result in an increase to financial resources for main benefit recipients compared to an adjustment in line with net average wage growth, due to the current inflation rate. However, in the long term this trend is likely to reverse, with a notably reduced increases in main benefit rates and financial resources for recipients.

Consistency with the New Zealand Bill of Rights Act 1990

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?

YES

The Ministry of Justice is in the process of completing vetting of the Bill with respect to the consistency of the Bill with the rights and freedoms contained in the New Zealand Bill of Rights Act 1990.

Offences, penalties and court jurisdictions

3.4. Does this Bill create, amend, or remove:

(a) offences or penalties (including infringement offences or penalties and civil pecuniary penalty regimes)?

NO

(b) the jurisdiction of a court or tribunal (including rights to judicial review or rights of appeal)?

NO

Privacy issues

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?

NO

External consultation

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?	NO
It was not possible to conduct external consultation on the Bill due to compressed timeframes and the need for legislative changes to be in place by 8 March 2024 at the latest, to allow the benefit rates implemented in the 2024 Annual General Adjustment to reflect the policy change.	

Other testing of proposals

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?	NO
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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?	YES
<p>The Bill repeals section 452A of the Social Security Act 2018, which requires the adjustment by Order in Council of specified benefits by any percentage movement upwards in net average ordinary time weekly earnings, on 1 April of each year.</p> <p>It also amends section 453 of the Social Security Act 2018, which requires the adjustment by Order in Council of specified benefits by any percentage movement upwards in the Consumers Price Index (CPI) on 1 April of each year. Section 453 would be amended to include all benefits specified in the repealed section 452A, with the intention that they be adjusted by the CPI each year.</p> <p>Section 452 of the Social Security Act 2018, which provides for discretionary increases in the rates of benefits, remains unchanged.</p>	

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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