

MAKING TAX SIMPLER

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Do you receive Working for Families payments?

The Government wants your views on proposals to make Working for Families work better for you

Proposed changes would give you more accurate payments

Making Tax Simpler is a chance to improve the system for families

Current system doesn't work as well as it could for all families

Have your say at:

socialpolicy.makingtaxsimpler.ird.govt.nz



***You can have your say until
Friday 15 September 2017***

The Government wants to improve how Inland Revenue manages Working for Families and is interested in your views. The changes would help you be certain you are getting what you are entitled to, and you wouldn't have to worry about going into debt when your income changes.

Working for Families is a payment from the Government to make it easier for parents to work and raise a family.

The proposals mean you would get the correct payment closer to when you need it.

Inland Revenue would have easier ways to help you sort things out if you did receive too much.

The main proposal is to base Working for Families on your recent actual income instead of an estimate of what you might earn in the current year.

Your payments would be more accurate, because they'd be based on what you have earned rather than what you think you might earn. You wouldn't have to tell us when your income changes.

The Government is modernising the tax administration system so it's less work and simpler for you to do the right thing.

Other changes already underway mean that Inland Revenue will get information more quickly from your employer.

With more up-to-date information and a modernised computer system, Inland Revenue will be able to react more quickly when your income changes so you keep getting the right amount of Working for Families payments.

Currently, if you want to get your Working for Families payments regularly throughout the year, you have to estimate how much you will earn in the year ahead. If you earn more than you thought you would, you can end up in debt.

Some people choose to wait until the end of the year and get their Working for Families in a lump sum. Although this means there's no worry about getting into debt, it also means they might struggle to make ends meet throughout the year.

The system can be complicated and this makes it hard for you to be sure you're getting the Working for Families payments you are entitled to.

This consultation is your chance to tell the Government whether these proposals would make Working for Families work better for you.

The proposals are set out over the page. Go online to answer a quick survey, take part in an online forum or send a formal submission.

The Government is also proposing changes to the way Inland Revenue manages Child Support and Student Loan repayments.

Read more at socialpolicy.makingtaxsimpler.ird.govt.nz

If the proposals are agreed and the law is changed, Inland Revenue will provide information about the changes well before they start.

LEARN MORE ABOUT THE PROPOSALS

Payments would be based on actual income instead of an estimate

The main proposal is that Inland Revenue would use information about the actual recent income of salary or wage earners, instead of an estimate.

Self-employed or business people would be able to provide information during the year about their recent income.

The Government has said that nobody will be entitled to less support from the Government than they are now.

You would still have to tell Inland Revenue when your family circumstances change, such as if you have another baby or you reduce your work hours.

If your income changes a lot, your payments will be more when you need them and less when you don't

If your income changes from week to week, or month to month, your payments would adjust – for example, if your income goes up, your Working for Families payments would go down. If Inland Revenue looks back more often, your payments would change more often. If Inland Revenue looks back over a longer period, your payments would change less often.

At the moment, Working for Families payments are based on annual income and then spread evenly across the year. If Inland Revenue looks back more often, the payment could adapt quickly to your circumstances so you get your payment when you need it, that is, when you have lower income.

This table shows the potential impact of looking back every month for a family earning \$62,000 a year with one young child, with income that varies month to month.

| | INCOME | WORKING FOR FAMILIES NOW | WORKING FOR FAMILIES PROPOSED |
|-------------|--------|--------------------------|-------------------------------|
| JUNE | 3605 | 216 | 478 |
| JULY | 8445 | 216 | 0 |

The Government wants feedback on what recent time period Inland Revenue should look at to see your income, for example, the previous month or the previous three months.

Easier ways to pay back overpayments

Overpayments wouldn't happen as often under the proposed changes because your payments would be more accurate.

It would still happen sometimes, for example, when someone doesn't tell Inland Revenue about a change in their family circumstances quickly enough. But the amounts of overpayment would be smaller.

The proposed changes would do away with the current system of requiring money to be paid back by a certain date. Instead overpayments would be deducted from future payments – a small amount each time. There would be no penalties or interest.

If even the smaller future payments wouldn't work for you, Inland Revenue would talk to you about other options.

Rules would be easier to understand

The Government is proposing to review and simplify the definitions used – such as "income" and "residency".

Flexibility to move away from a one-size-fits-all approach

The Government would allow Inland Revenue to be more flexible when people have unusual circumstances, to make sure Working for Families still works for these people.