

POLICY AND STRATEGY

Tax policy report: **Hague Convention on the International Recovery of Child Support and other forms of Family Maintenance: entry into force**

Date:	23 July 2020	Priority:	Medium
Security level:	In Confidence	Report number:	IR2020/351

Action sought

	Action sought	Deadline
Minister of Revenue	Agree to recommendations	12 August 2020

Contact for telephone discussion (if required)

Name	Position	Telephone
Emma Hamilton	Senior Policy Advisor	s 9(2)(a)
Samantha Aldridge	Principal Policy Advisor	
Carolyn Elliott	Policy Lead	

23 July 2020

Minister of Revenue

Hague Convention on the International Recovery of Child Support and other forms of Family Maintenance: implementation timing

Purpose

1. This report seeks your agreement to align the date that the Hague Convention on the International Recovery of Child Support and other forms of Family Maintenance (the Convention) comes into force in New Zealand with the new timing for the transfer of child support into Inland Revenue's new systems, as part of its Business Transformation programme. Originally this was planned for April 2021 but will now occur in October 2021.

Background

The Convention

2. The Convention is a multilateral treaty that provides for the recovery of child support and other forms of maintenance (such as spousal support) when the liable person resides in a different country to where the maintenance payment was raised.
3. New Zealand is currently in the process of taking the necessary steps to ratify the Convention and bring it into force. The Social Services and Community Committee has completed the Parliamentary treaty examination process and reported back to the House recommending ratification.
4. An Order in Council is needed to recognise and give effect to the Convention under New Zealand Law and once this has been completed New Zealand will be in a position to ratify the Convention.

Timing of the entry into force of the Convention and Business Transformation child support changes

5. The original intent was that the Convention would enter into force in New Zealand at the same time child support transfers into Inland Revenue's new systems as part of Business Transformation [CAB-MIN-0447]. This was expected to be in April 2021.
6. However, due to the impacts of COVID-19, it has recently been confirmed that the transfer of child support to Inland Revenue's new systems will be moved to October 2021.
7. In light of this, officials recommend that the date for the Convention to enter into force be moved to October 2021 to align with Business Transformation.

Customer implications

8. The proposal to move the date that the Convention enters into force would have an impact on some New Zealand carers. This is because it would mean a delay in Inland Revenue's ability to send cases to other member countries for collection under the Convention. It would also prevent other member countries from sending cases to

New Zealand for collection. This would affect the timing of when cases could be sent or received, but not the amount of child support being referred for collection.

Administrative implications

9. Alignment means the required systems and processes could be designed and built alongside the Business Transformation child support changes in the new system. There would be no need to develop any temporary processes or changes to the heritage system, FIRST.
10. There are some significant challenges with an April 2021 date for the Convention to enter into force. It would require some change in Inland Revenue's heritage system, FIRST (including ongoing system support), which has not been factored into Inland Revenue's work programme. It would also require the development of temporary manual processes to allow Inland Revenue to accept and send cases under the Convention. It would add additional risk to the Business Transformation programme if Inland Revenue were required to divert specialist resources to deliver that additional scope.
11. An April 2021 implementation in Inland Revenue's heritage system would be sub-optimal and could result in an inefficient administration and fewer cases able to be referred than if implementation were to be in our new systems. This could also create a reputational risk for Inland Revenue because there may be an expectation that as soon as the Convention enters into force, cases would be sent for collection, and this may not be immediately feasible.
12. Many of the preparatory activities required prior to ratification, such as consultation with other countries have been delayed because of COVID-19. These activities have now recommenced but may not be able to be completed in time for an April 2021 entry into force.

Costs

13. There would be no additional costs associated with the proposal to move the date for entry into force to October 2021 to align with the child support Business Transformation changes. Implementation and administration costs would continue to be met within existing baselines.
14. However additional costs would be incurred if the date for the entry into force for the Convention were not aligned with the child support Business Transformation changes. These increased costs would primarily result from implementing and supporting the administration of the Convention in Inland Revenue's heritage system, FIRST for a limited period.
15. There are no fiscal costs associated with ratifying the Convention and bringing it into force in New Zealand.

Consultation

16. Officials have consulted with the Ministry of Foreign Affairs and Trade to confirm there are no impacts on the timing of the submission of the instrument of ratification that would result from moving the implementation date from April 2021 to October 2021.
17. Treasury has been consulted and is comfortable with the proposal.
18. The Ministry of Justice has also been informed about this proposal.

Next steps

19. If you agree to the proposal, officials will prepare the Order in Council necessary for the necessary domestic law change with the amended date.
20. Following the Order in Council being made, New Zealand's instrument of ratification and list of confirmed declarations and reservations will be deposited with the Convention depositary. This is required to be completed at least three months before the Convention comes into force in New Zealand and will be completed by June 2021.

Recommended action

We recommend that you:

21. **agree** to align the date the Hague Convention on the International Recovery of Child Support and other forms of Family Maintenance comes into force with the timing of Inland Revenue's child support Business Transformation changes;

Agreed/Not agreed

22. **note** that it is expected that the child support Business Transformation changes will occur in October 2021.

Noted

Carolyn Elliott

Policy Lead
Policy and Strategy

Hon Stuart Nash

Minister of Revenue
/ /2020