

CONSULTATION> Empowering families: Increasing certainty and preventing debt in the Working for Families scheme

Summary of consultation on the Government discussion document “Empowering families: Increasing certainty and preventing debt in the Working for Families scheme”

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Inland Revenue
Te Tari Taake



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

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Background

1. On 22 May 2025, the Government published a discussion document: [*Empowering Families: Increasing certainty and preventing debt in the Working for Families scheme*](#) that sought public views on a set of proposals to improve the Working for Families tax credit scheme. The intention is to make Working for Families payments more accurate and help prevent families from going into debt.
2. One of the main proposals is to move away from the tax year as a basis for calculating entitlements. Currently, if families opt to receive regular payments during the year, they are required to estimate their income for the tax year ahead, update their income estimate and circumstances throughout the year if needed, and then be “squared up” at the end of the tax year. The proposal is to instead move toward a “full and final” process with entitlements calculated using past income (for example, from the previous three months), removing the need for a square up for most families (“shorter period of assessment”).
3. Other topics covered in the discussion document are:
 - Making work pay – supporting the transition from benefit to work
 - Simplifying the definition of family scheme income
 - Simplifying the Working for Families residence rules and improving information sharing between Inland Revenue and the New Zealand Customs Service.
4. This document summarises the key themes raised by written submitters and stakeholders in engagement sessions.

Consultation process

5. Consultation ran from 22 May 2025 – 3 July 2025 and included written submissions and engagement sessions with key stakeholders.
6. There were 42 written submissions, including 31 external submissions from individuals or groups, and 11 submissions from Inland Revenue staff members. Stakeholders that made written submissions included:
 - service providers (provides direct community assistance e.g. budgeting, accommodation, food),
 - umbrella organisations (represents multiple service providers),
 - advocacy groups (advocates on behalf of a relevant community sector but does not provide direct community assistance),
 - professional service firms (e.g. accounting and law firms),
 - professional bodies (representative bodies of professional services firms), and
 - academics.

7. Inland Revenue and the Ministry of Social Development conducted nine targeted engagement sessions with stakeholders over June and July 2025, to discuss their feedback on the proposals in the document. Stakeholders that officials met with included:
 - reference groups,
 - academics,
 - service providers,
 - umbrella organisations, and
 - advocacy groups.
8. While three of these stakeholders also made written submissions (and are included in the overall number in paragraph six), we have noted feedback from the engagement sessions in the themes collated throughout the document.

Key themes

9. Stakeholders and written submitters consistently highlighted the impact of debt on families, including acting as a constant source of stress, affecting decisions to undertake work and entrenching hardship. We heard across both engagement sessions and written submissions, that debt creation is due to government error, and the complexity of navigating the system.
10. On the proposal to explore alternative ways of administering and calculating entitlements, there was broad agreement that for many families, it is very difficult to estimate income for the year ahead, and that looking at past actual income was broadly an improvement.
11. There was mixed feedback on the shorter period of assessment proposal. Stakeholders broadly supported the idea of a shorter period, highlighting the benefits of certainty of payments for most families and debt reduction from using lagged income to calculate entitlements. However, there was concern regarding the trade-offs of certainty and income adequacy for some families, such as those who work variable hours, move on or off benefit, or lose their job.
12. When asked about problems faced in the transition between benefit and work, stakeholders and written submitters highlighted the complexity of payments, poor financial returns from work and difficulty navigating entitlements and agencies. Suggestions for change included: improving access to information and transparency of payments, improving how agencies work together and providing better supports for people in work.
13. On the proposal for simplifying the definition of family scheme income, there were fewer submissions. However, among those who did comment on the proposal there was broad support for simplifying, with the caveat that any changes needed to be clearly communicated.
14. This call for simplification also applied to residency rules. Written submitters and stakeholders supported more targeted information sharing and clearer rules, with appropriate safeguards in place for information sharing.

Issues with the Working for Families system

15. Chapter three of the discussion document focused on the effects of Working for Families debt on families. Consultation aimed to draw out the current issues with the design of Working for Families, and the weight that people placed on the different objectives of Working for Families. Written submitters were highly engaged on this topic, with a total of 34 written submissions relating to debt. Similarly, this topic was consistently raised by stakeholders across all of the engagement sessions.

What are the effects of Working for Families debt on families?

"Debt arising from the program undermines its core purpose. Debt reduces the scheme's ability to support low-to-middle-income families with basic needs and work incentives. An unexpected repayment demand can strain day-to-day living expenses, discourage career advancement, and increase administrative costs." – Individual

Debt is a psychological burden on families

16. Most individuals with experience receiving Working for Families have expressed that going into debt is a constant source of stress. A professional body raised that some, especially those who inadvertently accumulate debt due to digital exclusion, may find the burden of dealing with debt so overwhelming that they simply disengage, allowing interest and penalties to continue to accumulate. A service provider also noted that studies indicate a correlation between financial stress, debt, and depression.
17. There can also be an impact on individuals' dignity, as people fear judgement and can therefore be unlikely to reach out for help when they are in debt. An umbrella organisation noted that they did not hear as much about debt as they should, and they anticipated that it was likely in part due to this reason.
18. Another umbrella organisation explained that most people are unaware of what options are available for repaying debt and how to navigate the hardship process. A service provider supported this comment, noting that while customers can get the debt written off, it is still a stressful experience to be told you owe money to Inland Revenue when you are on a tight budget and already in debt.

Fear of debt disincentivises taking on additional work

19. Some individuals noted that the possibility of being penalised for working with a large bill a year later disincentivises them from taking on additional work. The penalties that accumulate on debt are a further barrier to work.

"We can just cover the costs of life without me having to return to work. And thinking ahead to next year, as things currently stand with the requirement to see into the future, I would have a small window to start a job, basically I wouldn't want to start working in the new financial year past April, otherwise the debt would just become ridiculous. So as it currently stands, the scheme provides zero incentive for people to better their circumstances without being penalised with a large bill a year later, rather defeats the purpose of working - paying daycare fees and then the IRD, what is left in the average household." – Individual

Debt further constrains already low incomes, entrenching hardship

20. With already tight budgets, any overpayments creating debt can become a significant issue for families in meeting their day-to-day costs. A service provider noted that people are increasingly coming to them to get help surviving debt, rather than for help with budgeting.

What measures are families taking to avoid Working for Families debt?

21. Some individuals raised that while they would like to avoid debt by taking an end-of-year lump sum or overestimating their income, they are not in the financial position to do so as they rely on receiving their entitlement through weekly payments for daily living costs. Instead, they put significant effort into ensuring the estimate of their income is as accurate as possible.
22. Other individuals noted that they overestimate their income to avoid debt. One individual described the current system as a "trap" for entering debt. Despite the efforts taken, they highlighted that there is still a risk that they will enter debt due to unexpected changes in circumstances.

"We currently choose to do the lump sum payment for working for families as we are always a little unsure of what our exact yearly earnings will be and we are not sure if we have reached the cut off. Debt is a big concern for a lot of families and reducing the risk of this happening is vital. We are in a very fortunate position and do not require weekly payments but I know there are a lot of families that would find it difficult to receive the yearly sum." – Individual

What is most important for Working for Families to achieve for families?

23. Individual written submitters broadly focus on their specific experiences with Working for Families under the status quo, and their views on the proposals, rather than the broader objectives of Working for Families.
24. However, in explaining the current issues with Working for Families, individuals consistently raised that they want Working for Families to be a reliable source of income, especially when transitioning between benefit and work, so that they can manage day to day costs without fear of sudden gaps or debt.

25. Under the status quo, Working for Families is viewed as a complex system disconnected from the reality of families. Individuals want Working for Families to have clear information, and simple processes that do not result in additional stress or require intensive administrative effort. Specific suggestions for improvements are raised in more detail in the section relating to the Making Work Pay chapter.
26. Advocacy groups, a professional services firm and some service providers acknowledged that while responsiveness and certainty of payments are important in supporting families to meet day-to-day living expenses, the focus of the discussion document does not accurately reflect the fundamental objectives for Working for Families. They stressed that the original objectives of Working for Families are to ensure income adequacy for low-and-middle income families, and view responsiveness, work incentives and debt prevention as secondary goals for Working for Families to achieve.

"The most important achievement of Working for Families is to reduce poverty and ensure families have an adequate income." – Umbrella organisation

27. These stakeholders view Working for Families as requiring more extensive reform than as proposed in the discussion document, with a broader scope that places Working for Families in the context of the entire income support system. Their recommended proposals are described in further detail in the section relating to the Making Work Pay chapter.

Are there any other issues with the way Working for Families operates?

28. Written submitters and stakeholders broadly view Working for Families debt as a product of either uncontrollable circumstances or complexity in government systems. Individuals, advocacy groups and service providers all raised frustration with agency systems, especially when updates in circumstances and income information do not flow across government agencies in a timely manner and leads to avoidable debt that is not the fault of the individual.
29. Several submissions and feedback from our engagement with stakeholders identified related concerns about administrative complexity, especially the dual-agency model. Families often do not understand which agency is responsible, leading to missed entitlements or unexpected debt. This is explored in greater detail in the Making Work Pay chapter summary.

Shorter period of assessment

30. Chapter four of the discussion document explored whether alternative ways of administering and calculating entitlements to Working for Families payments, like shorter periods and using past actual income, could improve accuracy and reduce debt. The discussion document asked what the possible impact of these options would be on families in different circumstances, what features of payments are most important to different families, and whether any other changes to the current system would work better for families. There was strong interest in this topic, with a total of 34 written submissions. Stakeholders across all of the engagement sessions were particularly interested in this topic and provided a great deal of feedback.

Have families faced any issues with estimating income for the current tax year?

31. Despite best efforts, families find estimating income challenging. Stakeholders in engagement sessions broadly raised that estimating for a full year is particularly difficult for families on low incomes, on benefits, and for specific types of seasonal/contract work. Difficulty estimating tends to be linked to the precarity of income and employment. This was echoed by individuals in written submissions, who noted that while they work hard to accurately estimate their income, it feels like entitlements are constantly changing.

Changes such as job losses or promotions cannot be anticipated when estimating

32. An umbrella organisation in an engagement session noted that the primary challenge with estimating is that changes to income or family circumstances can occur which cannot be anticipated. Relatedly, a service provider expressed that for those who are moving in and out of work and facing difficult family circumstances like escaping family violence, reporting changes to Inland Revenue is the last thing on their mind.

Inconsistent income and precarious work make it difficult to estimate in advance

33. Individuals with experience receiving Working for Families payments raised that it is particularly hard to estimate when income like child support is inconsistent. Secondments, and casual and part time work tend to be less consistent and can contribute to drastic income fluctuations at different points in the year. The amount of overtime hours that are either non-optional or made available cannot be predicted in advance. These comments were echoed by stakeholders such as service providers and umbrella organisations in stakeholder consultation sessions.
34. Broadly, the variability and precariousness of work is also increasing. A professional body raised that estimating income places an undue burden on families to predict their income over a 12-month period, which is an increasingly unrealistic expectation in a labour market characterised by casual, seasonal, and variable work patterns.

"Many of the whānau we support have fluctuating or irregular incomes due to casual, contract, seasonal, or variable-hour employment. Estimating income, a year in advance is not only difficult but often inaccurate, resulting in overpayments that later become recoverable debt. This contributes to financial stress, a sense of failure, and reluctance to engage with support systems." – Service provider

Would a different period for calculating entitlements create problems? What are the benefits of using a shorter period?

35. The key consideration written submitters raised, especially individuals with experience receiving Working for Families, was that using a shorter period but retaining the requirement to estimate income would create significant additional work for families. To realise some of the key benefits of a shorter period, individuals raised that it should be the responsibility of Inland Revenue to update entitlements when income changes, rather than placing the burden on families.

Shorter periods would be more responsive to changes in actual income

36. Some written submitters raised that a shorter period, such as quarterly, monthly, or weekly, would be likely to reflect actual income on a real-time basis. There was preference among a few individuals for enabling customers to choose between different periods.

"A monthly or quarterly system would be easier and more accurate. A full year is too unpredictable, especially when you're on a benefit and things can change fast." – Individual

37. However, a responsive system could mean more frequent fluctuations in payments as income changes and entitlements are recalculated. This means that increased responsiveness can be frustrating for families who rely on income support through Working for Families and need to budget these payments. Stakeholders, especially advocacy groups and service providers, highlighted that responsiveness needs to balance accuracy with certainty and reliability.

"Regular recalculations, especially if done quarterly, could cause abrupt changes to income support, which can be disruptive for families trying to budget week to week. Sudden drops in entitlement, even when income rises slightly, can undermine the benefits of increased earnings and cause distrust in the system." – Service provider

Shorter periods may reduce the effectiveness of protected periods

38. A professional services firm was concerned that protected entitlements¹ would not be as effective if applied within a shorter period, as the shorter period approach would be likely to result in greater abatement of entitlements over a year and have adverse impacts on income adequacy.

Estimations could change for those earning non observable income

39. For families earning non-observable income², shorter periods could either retain or increase the burden of estimating income, depending on how shorter periods was designed. Some individuals noted support for providing families the option to choose between continuing annual estimations or moving to re-estimating income on a quarterly basis, especially if they are earning non observable income. A professional services firm raised that options for managing non observable income under a shorter period, like allowing families earning non observable income to allocate the income evenly across quarterly assessment periods, would raise concerns with horizontal equity as they would be less likely to experience a reduction in their total entitlements when compared to households deriving observable income like salary and wages.

What are the benefits and potential issues of looking at past actual income rather an estimate for the year ahead?

40. The proposed lagged entitlement was broadly seen as an improvement over the status quo since it would reduce the need for speculative income estimates, lower the risk of debt, and provide families with greater certainty and stability in their budgeting.

"What a relief to read that changes are in the mix for calculating working for families...It was incredibly frustrating and could have easily been avoided if the system just looked at our previous few months of income and paid us accordingly every quarter." – Individual

"Using actual recent income would likely lead to more accurate entitlements, reduce the risk of overpayments, and help families better understand what they are eligible for. It brings the system more in line with peoples lived experience and supports financial stability."

– Service provider

¹ Protected entitlements are when families receive the maximum amount of Family tax credit and Best Start tax credit if they receive a main benefit for some or all of a month, and their family income is less than the monthly abatement threshold of the Family tax credit. When Inland Revenue squares up their Working for Families, these periods are protected, at the maximum entitlement.

² Income that is not already reported to Inland Revenue and needs to be declared separately.

41. However, both stakeholders and written submitters, such as advocacy groups and professional services firms, noted that there were a range of possible issues that would need to be addressed when designing a test that looks at past actual income. Some advocacy groups suggested the addition of a square-up at the end of a quarter to mitigate any disadvantage faced by families who experienced a change in income over the period.

Low-income families could receive less support under a quarterly approach

42. Stakeholders in engagement sessions were concerned that low-income families who derive observable income in an uneven manner across quarters will have reduced entitlements, especially relative to their existing annual entitlements. These concerns were echoed in written submissions from a professional services firm, advocacy groups and umbrella organisations. These written submitters noted it was unclear from the discussion document how income spikes or shocks may be dealt with. The broad theme across these submissions was that the possibility of families receiving less support because of the proposal appears to be contrary to one of the original objectives of the Working for Families package (which is to ensure income adequacy for low- and middle- income families).
43. Through consultation, the following suggestions were raised for addressing these issues:
- Introduce some form of a wash-up payment, to ensure no one receives less in annual entitlements than under the status quo.
 - Exclude one-off payments and other forms of non-recurring income from assessments when under a threshold.
 - Allow families to elect to treat certain income types as annualised.
 - Spread lump sums over a longer period (i.e. multiple months).

“Within the next stages of design and consultation, we recommend that more emphasis is placed on targeting dynamics whereby weekly payments are eroded and full entitlement is not able to be accessed. These should encourage people to notify Inland Revenue of changes, incentivise people to move into work without the fear of losing income that whānau are entitled to and require for week-to-week living costs and prevent greater financial stress during periods of elevated hardship for whānau, such as the period following job loss.”

– Umbrella organisation

In what circumstances might this be easier or more difficult for a family's financial situation?

44. As noted earlier, a test based on past actual income would provide many families with greater certainty. However, there were concerns about the possibility that the quarterly approach would have adverse impacts for families relying on the income support system, or those with less stable circumstances.

Some may be worse off following job loss

45. The most common concern raised was where a past actual income test would make a family's financial situation more difficult when they suffered a job loss or an income shock. Submitters such as an umbrella organisation and a professional services firm highlighted these families would receive higher entitlements during periods of higher income, and lower entitlements during periods of lower income, so receiving less entitlements when they might need it most. These concerns referenced both families in work, and those on benefit.

Families with variable hours and irregular work may find a shorter period difficult

46. For families with less stable incomes and circumstances, entitlements are likely to fluctuate more. It is difficult to establish whether individual written submitters who, due to fluctuating circumstances and income noted frustration with Working for Families, believe that a shorter period will make this easier or more difficult for them to manage.

"Many low-income households (especially benefit dependent households looking to transition to work) do not work guaranteed hours and might only pick up only irregular or intermittent work. These households may be paid holiday pay on a 'pay-as-you-go' basis and receive 8% of their gross earnings on top of their pay (instead of 4 weeks annual paid holidays entitlement each year). Households in such circumstances will find it much more difficult to manage income fluctuations over quarterly assessment periods than comparable households earning regular salary incomes." – Professional services firm

What features of Working for Families payments are most crucial for different families?

47. A consistent theme emphasised by both written submitters and stakeholders was that different earners and families often value particular features of Working for Families differently. They view a one-size-fits-all model as risking creating inequity.
48. However, it is also worth noting that individuals and stakeholders, like umbrella organisations and service providers, highlighted their frustration with the complexity of Working for Families and the work needed to understand processes and entitlements. Providing flexibility to families to reflect the value they place on different Working for Families features would likely increase the complexity of Working for Families.

Regular and predictable payments

49. This was regularly highlighted by individuals, who expressed frustration around trying to budget with fluctuating entitlements.

"I think one of the hardest things for people trying to budget is when the amounts are constantly changing. I think payments need to be predictable and reliable. After losing my job I have found myself in many unique situations, as I have been working multiple jobs and hustling for work, most of it short term - but it makes things very complicated when trying to plan or figure out how each new job or short term contract will affect my weekly budget."

– Individual

Not easily leading to debt or underpayments

50. As noted in the summary of measures families take to avoid debt, some individuals weigh the stress of debt higher than maximising entitlement, and deliberately overestimate income to avoid debt even if it meant receiving less support. For families who cannot afford to take such measures, the possibility of debt is a significant stress.

"We try to be cautious and don't overestimate our income. But the system makes it hard—so many things can change during the year. Sometimes we consider asking for lump-sum payments to be safer." – Individual

Responsiveness to circumstances

51. There needs to be a balance between accommodating fluidity without imposing an onerous compliance burden. Responsiveness to changing circumstances (e.g. job loss, relationship changes) was important to advocacy groups and umbrella organisations. However, individuals expressed that responsiveness is important, but it should not compromise stability or involve intensive administrative requirements. Grace periods and income smoothing mechanisms were two features raised by written submitters and stakeholders as options to balance these trade-offs.
52. Responsiveness was raised as particularly important to families navigating frequent changes in their living and caregiving arrangements. A professional body noted that modern family structures, such as shared custody, blended households, and informal caregiving, do not fit neatly into rigid administrative frameworks. They recommended reflecting changes in circumstances in the next Working for Families payment cycle, as this would ensure that entitlements stay aligned with actual need and avoid the accumulation of debt due to outdated information.

Is there a different way Working for Families payments could be administered than the annual approach that would make the system easier for families to understand and manage their payments? Could we make changes to the current system that might work better for families than changing to a shorter period?

Improve information sharing between agencies

53. Individuals raised frustration with the administrative requirements under the current Working for Families system. Written submitters and stakeholders in engagement sessions regularly raised that overpayments could be reduced with more real-time income sharing. This would place the onus on government agencies to ensure accuracy of entitlements and would reduce administrative requirements for families.
54. An advocacy group recommended that if the Government opts for a shorter period of assessment, there should be consideration of real-time reporting to enable changes to be automatically made to entitlements, without the need for customers to report income unless errors transpire or their income has significantly changed.

"There is a large administrative burden - peoples lives are complex. Any additional paperwork is a massive hurdle for people. The more government can make this as seamless as possible the better." – Service provider

Debt forgiveness threshold

55. In written submissions, a service provider, an advocacy group, and an umbrella organisation raised the debt to government framework as relevant when assessing the potential hardship caused by the debt repayments and recovery. They viewed a debt forgiveness threshold (e.g. 5% of payments for the period) as an option that would be helpful, since it could reduce administrative overhead and stress on recipients at a low cost.

Grace periods and 'close enough' rules

56. Some individuals proposed using grace periods, on the basis that unpredictable payments can contribute to making budgeting harder. This suggestion was supported by an umbrella organisation and a service provider in both written submissions and stakeholder engagement sessions. These stakeholders noted that it would help families have some breathing room.

"Unpredictable payments make budgeting hard. Families need stability. Maybe use grace periods or "close enough" rules—so families don't get punished for small mistakes."
– Individual

Buffer tax credit

57. In written submissions, umbrella organisations, advocacy groups and Inland Revenue staff members raised exploring a buffer as it would give families greater certainty of the payment they would receive. An Inland Revenue staff member suggested that families may not notice the changes in payments since it would shift on a yearly basis. This could be considered an alternative approach to quarterly periods to reduce debt by the end of the year, with lower administrative costs. However, it is worth noting that this option would lead to increased underpayments.

Enable families to estimate income on a quarterly basis with a square up

58. Some written submitters thought that while the proposed option made sense, income estimation should remain available as an option for customers. An umbrella organisation suggested considering retaining income estimation with a quarterly assessment period rather than using the last quarter's income and lagging Working for Families payments accordingly.

Making work pay: Supporting transition from benefit to work

59. Chapter five of the discussion document focused on the transition between benefit and work for working families. Specifically, it asked what some of the barriers were that families faced in the transition, if there were specific areas that they could identify as being driven by government systems and processes, and where effort should be focused if changes were to be made to the administration of payments. There were a total of 22 written submissions relating to this chapter. During consultation sessions this emerged as a point of interest for six stakeholders.
60. We overwhelmingly heard that decisions to enter employment are complicated by low returns from work, and uncertainty regarding entitlement and payments. We also heard that moving between agencies is not seamless, and that communication and access to information needs to be improved. Our more detailed findings are below.

What are the problems experienced when moving from a benefit into work?

61. Written submitters and stakeholders in engagement sessions largely agreed that the problems faced when moving from a benefit into work were complex, and that dealing with multiple agencies made the transition more difficult to navigate.

The uncertainty of income, and entitlements when entering work

62. An overarching experience for working families is that work needs to pay. Some individuals raised that they do want to work, fear of a reduction in income discourages them from entering work. One umbrella organisation stressed that in some cases, there is certainty of income, and therefore security on the benefit that entering work cannot provide.

The perception of risk when leaving the benefit system

63. We heard that some clients may have had a negative experience with the Ministry of Social Development when coming back onto benefit after a period of work and thus are discouraged from exiting the system, for fear of having a gap in payments if they were to come back onto the benefit.
64. Umbrella organisations raised that the 90-day trial can be perceived as a real risk factor relative to the stability of receiving consistent income support through a benefit, especially for those with children. The families, in some cases, cannot 'risk' entering work – as stand-down periods and navigating the system can make getting back on a benefit challenging.

"The stress caused by unexpected income gaps, unclear entitlements, and poor coordination between agencies can undermine the confidence of individuals trying to move into work and disrupt their financial stability. For many, the transition from a benefit to employment is already a fragile time; without the right support in place, it can become a tipping point into further hardship." – Service provider

The (un)affordability of low-income work

65. Individuals noted that there are up-front costs to enter work. These costs, in addition to "punitive" effective marginal tax rates means that for some, work does not pay. These high effective marginal tax rates, and the abrupt loss of support (when starting work), can make work financially unrewarding.

"By moving off the benefit and part time employment, I ended up in just about the same weekly financial position once I had factored in extra transport and childcare costs. For me personally, I knew the future opportunities were worth it though but I can imagine this is difficult for people who aren't likely to be able to experience career progression or who don't earn enough to actually be in a better position." – Individual

66. The costs that written submitters and stakeholders in engagement sessions most frequently referenced as barriers to work were:
- Childcare. One submitter noted informal childcare arrangements were an unseen barrier to entering work, such as instances of taking care of extended family. Other submitters raised that there is a lack of childcare available outside of the standard Monday to Friday, 9am to 5pm schedule. Depending on location, there are also limited available childcare spaces, days and times.
 - Transport, including the cost of petrol, time spent dropping children off at childcare and driving to work in the other direction. The issue is exacerbated in some regions, where public transport does not run at hours of employment.
 - In-work costs such as suitable clothing, shoes, and tools relevant to the workplace.
67. One umbrella organisation noted that for some beneficiaries, 'choice' is limited as they are obliged to take a job if it is offered even if the work is unsuitable for their families.

What issues are there with government systems and settings?

68. Submitters identified several key issues with government systems and settings contributing to the issues identified above, which are outlined below.

The system of payments is overly complex

69. Individuals broadly raised that it is difficult to understand government settings and what support they would receive after leaving a benefit, especially as different payments can abate before their income rises. This comment was supported by stakeholders in engagement

sessions, who noted that awareness of certain payments is low which impacts uptake of support³.

70. Additionally, it is difficult for clients to understand when they need to declare changes of circumstances, or for clients in more complex situations such as shared care arrangements.
71. An umbrella organisation, who represent a number of organisations designed to support people to navigate government services, commented that it was alarming the amount of additional work required to be the mediator between people and the government. They noted it shows how complex it is to get the support to which you are entitled.

“Members observe that where people have a strong advocate they are more often successful in accessing entitlements, suggesting that people may not always feel equipped to advocate for themselves and the difficulty in understanding entitlements both for government the system users.” – Umbrella organisation

The dual agency model creates a fragmented service experience

72. Service providers, umbrella organisations and advocacy groups consistently raised that customers often experience confusion and delay due to poor coordination between agencies. For example, payments from one agency may cease before income from employment or other support begins, creating a financial gap.
73. Both Inland Revenue staff and a large advocacy organisation noted that customers often assume that updating changes of circumstances with the Ministry of Social Development is sufficient. However, changes in family details such as number of children, shared care, or changes in partner are not always updated through information sharing to Inland Revenue. It is unclear which agency holds responsibility for which changes.
74. Additionally, customers do not necessarily understand that they need to apply for Working for Families, as they assume they will automatically start once they leave benefit.

“There are so many things to manage and in a very stressful and unknown time when you want to put your best foot forward in your new job but you have this to worry about. In a time of uncertainty and new beginnings, it’s not an easy transfer process whatsoever.”
– Individual

³ One submitter raised that the Minimum Family tax credit is not discussed outside of government and needs to be reviewed.

75. Other issues raised with the transition process included:

- Many children do not have IRD numbers, and the Ministry of Social Development does not require children to have IRD numbers for families to receive Working for Families. This can contribute to a delay when customers commence payments through Inland Revenue. The Ministry of Social Development should work with Inland Revenue to provide IRD numbers to smooth transition.
- There is a risk of overpayments and debt creation if there is a double up in Working for Families payments from both agencies when families on the benefit begin to work and start earning over the abatement threshold.

Incomplete or inaccessible information

76. Individuals expressed that it is difficult and confusing to understand government settings and the support that is available before entering work. They highlighted the importance of having information on entitlements and how benefits, tax rates and tax credits interlink available before they enter work, so they can understand how to manage their finances from the start of a new job.
77. Information was noted as relatively inaccessible for the disabled community, and that it was not easy for people with vision impairments to inform the Ministry of Social Development of a change in information. Complexities in communicating with agencies were raised for people for whom English was their second language, or those with learning challenges.

“Navigating two systems with different criteria and processes can be overwhelming, particularly for people with limited digital literacy or language barriers.” – Service provider

78. Individuals noted information was difficult to obtain from staff and that it can be frustrating contacting the Ministry of Social Development in a timely manner. One individual raised that it is hard to go from a benefit into work, as it can involve sitting on the phone and either waiting for ages or requesting a call back that they cannot answer during work hours.
79. A service provider in a written submission noted that anecdotal evidence suggests that frontline staff deliver inconsistent support and advice to people calling.

How could things be improved to better support the transition between a benefit and work?

Improve access to information and transparency of payments

80. Several advocacy groups and umbrella organisations indicated it would be helpful if the government had a calculator, to help people navigate this complex system of payments.
81. With consideration for rates of digital exclusion, written submitters noted support for both Inland Revenue and the Ministry of Social Development to retain existing non-digital ways of engaging with disabled customers and consider expanding to other non-digital methods of

engagement. Recommendations included multiple ways to declare income, such as via phone, in person, through community outreach and hosting local clinics in communities.

“Families who are unable to access or confidently use myIR may struggle to update IR with changes to their income or household circumstances in a timely manner. This can result in underpayments, overpayments, or even the loss of entitlement altogether. The risk is particularly acute for families with fluctuating caregiving arrangements or informal shared custody, where timely updates are essential to ensure accurate payments.”

– Professional body

82. Other suggestions for improvement included:

- Develop clear, plain language and user-friendly resources that outline what support is available, when it applies and how to access it. This could involve mobile friendly tools that allow families to simulate how changes in income or work hours will affect their support, and simplified paper-based options.
- Develop online tools, printable step-by-step guides, or checklists for community providers to use when supporting clients.
- Work to record the needs of customers and how they prefer to be communicated with (since for many customers, how they need to be communicated with will not change throughout their lives).
- Partner with community organisations, libraries, and iwi providers to offer in-person digital support.

Refocus the system on income adequacy

83. We heard from advocacy groups and academics that the core purpose of Working for Families is to ensure income adequacy for low-and-middle income families. They view the existing design of Working for Families as prioritising work incentives over addressing child poverty.
84. These stakeholders raised that the settings of the In-work tax credit currently prioritise those in paid work, rather than supporting children. They proposed changing it to a universal Child tax credit, where all families are eligible (rather than limiting it to those in work and off benefit).
85. Some stakeholders and written submitters, including an advocacy group, and a service provider proposed:
- Raising the main Working for Families abatement threshold as payments start abating if you work 37 hours at minimum wage.
 - Phasing out payments at a slower rate as an effective way to improve the transition into paid work for people on lower incomes.
 - Adding a higher abatement rate for higher income families to help manage the additional cost to government of such changes.

"A better threshold for making working more financially beneficial, I want to work and I have a lot of skills, but with the current economy I am not finding work at the level I once was, hourly rates are much lower and I am working and getting less than I was when I was looking for work. WINZ & Working for families should be looking at what you are receiving when you are out of work and matching it when you get work. Making sure it is worth you taking a job." – Individual

Make steps towards agency systems working in tandem

86. There was clear support among both written submitters and stakeholders in engagement sessions for taking steps to make agency systems work in tandem to reduce delays in payments.
87. Specific suggestions for improvements included:
 - Joint case conferencing,
 - A unified digital portal where, regardless of which agency administers payments, families can view and manage all entitlements, report changes and receive guidance, and
 - Secure and automated data-sharing protocols to ensure benefit status and income information is up to date and consistent across agencies.
88. Individuals and stakeholders such as service providers noted the need for a more seamless transition in and out of work, to ensure families have security of income.
89. Support was also given for sole administration of payments. Inland Revenue staff expressed that Inland Revenue should solely pay or administer all Working for Families entitlements, as the current joint administration model contributes to overpayments, customer confusion and debt. They note that Inland Revenue has greater capabilities in determining and paying out customers entitlements, with detailed oversight of income information and the ability to split payments based on shared care.

"Why wouldn't we facilitate the issuing of all payments. It would greatly reduce the debt picture that we are tasked with collecting! Forward thinking, instead of the ambulance at the bottom of the hill." – Inland Revenue staff member

90. A professional body similarly provided support for Inland Revenue solely administering Working for Families, given Inland Revenue's access to real-time income data and more advanced digital infrastructure. They recommended the Ministry of Social Development retaining responsibility of case management and outreach, particularly for families with complex needs or those transitioning into or out of the benefit system. Their view was that this would eliminate duplication of effort between agencies, improve the timeliness and accuracy of entitlement calculations, and simplify the user experience for families.

91. An external reference group suggested that the cons broadly outweigh the pros for the Ministry of Social Development paying the Family tax credit. They noted that if Inland Revenue were the sole payer of Working for Families, benefit recipients would be able to see a clearer breakdown of their income in terms of main benefit component and the Working for Families component.

92. There were also some drawbacks noted with one advocacy group commenting:

“While there is an issue with agency crossover for those transitioning into and out of the paid workforce, in principle it makes sense for those already receiving income support from the Ministry of Social Development to receive Working for Families payments from the Ministry of Social Development. Changing to a single administration model would add a further set of government agency interactions for those people receiving payments such as Jobseeker and Sole Parent Support”

Provide support for people in work

93. Some written submitters, including individuals and service providers, raised that there needs to be more support for people moving into work. One advocacy group said that people are not told about in-work supports when they go off benefit and that there needs to be a shift in mindset that the Ministry of Social Development does provide support to people in work.

94. Several specific suggestions for transition payments or in-work supports were made such as:

- Add specific work-related incentives into the Working for Families scheme such as well targeted childcare support and transport cost supports.
- Provide interim top-ups or advance payments, in recognition of the financial strain during the first few weeks of new employment before the first pay cycle is completed. Payments could help cover immediate costs such as transport, childcare, uniforms, or lost income while waiting for entitlements to catch up.
- Introduce extension payments to cover people transitioning into work and off a benefit. This could look like a return-to-work version of the In-work tax credit.

What are the barriers for intermediaries supporting families to access and manage their Working for Families entitlements?

95. Intermediaries such as social service providers, tax agents, and community groups play a key role in helping families understand and manage their Working for Families entitlements. The discussion document notes that these groups can face challenges due to financial, regulatory and capability barriers. Written submitters, including Inland Revenue staff members, and service providers noted that they were encouraged to see the Government consult on the role of intermediaries and recommended a range of steps to enable intermediaries to support families in accessing and managing their Working for Families entitlements.

Dual-agency model creates a fragmented service experience for intermediaries

96. Under the current system, intermediaries navigate two separate systems with inconsistent access protocols and privacy rules, with duplicated effort and reduced responsiveness. A professional body proposed a unified digital consent mechanism that allows families to authorise intermediaries across multiple government agencies.

Community-based intermediaries do not have equivalent access to tax agents

97. Tax agents can use myIR with enhanced functionality, allowing them to manage multiple clients. In contrast, intermediaries like budgeting advisors, iwi providers, social workers, and wider family members, tend to rely on clients to log in themselves or provide printed documentation. This creates delays, increases administrative burden, and limits the ability of intermediaries to provide timely and accurate support. Additionally, non-tax intermediaries are not formally recognised in system design or policy frameworks.
98. This exclusion limits the Government's ability to leverage trusted community relationships to improve Working for Families delivery. This could be addressed through introducing a dedicated intermediary portal or enabling non-tax intermediaries to limited access to myIR and embedding intermediaries in system design through co-design processes and ongoing consultation.

No structured support or training on Working for Families:

99. Many intermediaries and tax agents operate without formal training on Working for Families eligibility, income definitions, or reporting obligations. This can lead to inconsistent advice and missed entitlements. According to an Inland Revenue staff member, tax agents commonly miss steps such as updating their client's details to include the In-work tax credit and making an IR215 adjustment. A professional body proposed:
- providing targeted training and plain-language guidance, and
 - establishing a funding stream to support intermediary organisations that assist families with Working for Families entitlements.

Definition of family scheme income

100. Chapter six of the discussion document asked for feedback on simplifying the definition of family scheme income. Most submitters did not comment on these proposals, with a total of nine written submissions relating to this chapter. In consultation sessions, eight stakeholders noted comments on this chapter. Submitters and stakeholders did not comment on the following questions:

- Do you think that simplifying the definition of family scheme income could cause unfairness between Working for Families recipients?
- For tax agents and intermediaries, what impact do you think this proposal could have on you?

101. However, there was broad support for simplifying the system, more generally, including the definition of income.

What are your views on simplifying the definition of family scheme income for Working for Families?

Submitters broadly supported changes to simplify the system

102. Written submitters noted that the proposed changes will reduce the administrative burden on families and intermediaries, align support more closely with actual disposable income and allow Inland Revenue to focus compliance efforts on higher risk areas. Whilst simplification is important, it should make the system easier to navigate, not harder for the most vulnerable.

"In our experience working with whānau, the current complexity in these areas contributes to widespread confusion, inconsistent entitlements, and an increased risk of both unintentional non-compliance and unnecessary administrative delays." – Service provider

103. For example, if income definitions are overly rigid, families with seasonal or irregular income may be penalised or excluded, despite having genuine financial need. Clear exceptions help ensure that support remains fair and inclusive for those on the margins of traditional employment structures.

However, the government must ensure any changes are clearly communicated.

104. If changes are made, stakeholders and written submitters recommended providing clear guidance and support to give families time to adjust and access the help they need to understand their entitlements.

105. A professional body recommended a post-implementation review to ensure that simplification does not inadvertently create new inequities or loopholes.

Some submitters commented on specific components of family scheme income, and risk associated with the changes

106. Written submitters and stakeholders generally supported simplification, following analysis on the usage and risk of each component. A professional body identified the following components as low risk:
- income from portfolio investment entities, and
 - passive income below a de minimis.
107. A professional body and an advocacy group identified some components as worth considering for removal. These included:
- depreciation recovered on the sale of buildings,
 - certain pensions and annuities,
 - retirement savings scheme contributions,
 - main income equalisation schemes, and
 - vouchers and other short-term change facilities.
108. There were contrasting views among written submitters on the risk and value of removing other income, and non-resident spouse or partner's income. One individual suggested that there is a risk with other income that some Working for Families customers may have access to gifts from family that raise their income level. However, other written submitters raised that other income should be removed, especially if whānau gift or loan money to support families in time of need. One individual suggested that both components should be retained, with further staff training to ensure consistent application.

When you leave New Zealand

109. Chapter seven looked at how Inland Revenue and the New Zealand Customs Service ('Customs') could improve information sharing processes to support the administration of Working for Families when families travel or move overseas, along with proposals that would simplify the residency rules. Submitters were less engaged on this topic, with a total of nine written submissions. In consultation sessions, six stakeholders raised comments on this topic. The following questions were not addressed by stakeholders or written submitters:

- How common is it for a child to travel for extended periods of time without their nominated Working for Families principal caregiver? In what circumstances might this happen?
- What safeguards do you think the tax residence test provides that are not covered by the physical presence and "ordinarily resident" requirements?
- What are your views on creating a definition of "ordinarily resident" specifically for Working for Families? What do you understand "ordinarily resident" in New Zealand to mean? What would you include in a definition?

110. However, there was broad support throughout submissions for targeted information sharing and clearer rules, to ensure payments are accurate without being overly punitive or complex.

Should automated information sharing between Inland Revenue and Customs include both principal caregivers who receive Working for Families and their dependent children?

111. The majority of written submitters and stakeholders who commented on this topic supported the proposed information sharing between Inland Revenue and Customs, as a proportionate and targeted measure to reduce the risk of overpayments.

112. Those who commented on this topic broadly highlighted the importance of limiting the purpose of the information sharing agreement to accurately assessing Working for Families entitlements, along with regular review and public reporting to ensure transparency, effectiveness, and responsiveness to any unintended consequences.

113. A professional body raised that in the next stages of developing the information sharing proposal, the threshold for triggering notification should be clearly defined and publicly consulted on, with consideration given to temporary absences for medical, caregiving, or bereavement reasons. This was supported by an umbrella organisation in an engagement session. They also viewed it as important to communicate these proposed changes in information sharing to affected individuals, such as children and young people.

What are some of the benefits and potential issues with including dependent children in this improved information sharing process?

114. There were mixed views on including dependent children. An Inland Revenue staff member highlighted that under the status quo it is difficult for Inland Revenue to identify if children have left without their parents to stay with family overseas. As the process would be automated, they view no clear costs or drawbacks to include children in the information sharing.
115. An advocacy group raised concerns with including dependent children, in part due to the limited data provided on the extent of overpayment to overseas Working for Families customers or the number of Working for Families customers overseas. They described the automated sharing of all Working for Families customers as an overreach and framed limiting the approved information sharing agreement to principal caregivers receiving Working for Families payments as 'essential protection.'
116. Alternatively, a professional body supported investigating the use of further information sharing to the movement of the children, particularly in cross-border custody arrangements.

What are your views on the usefulness of the tax residence test as part of the eligibility requirements for principal caregivers?

117. Both written submitters and stakeholders expressed support for the proposal to remove the tax residence test and introduce a physical presence test. A professional body noted that it would ensure that eligibility is based on actual presence and connection to New Zealand, rather than technical tax definitions such as the "permanent place of abode" or 183-day rule.

What is a reasonable period of time for someone to be physically absent from New Zealand before losing their eligibility for Working for Families?

118. The proposed period of 6 weeks was broadly viewed as an appropriate length for someone to be physically absent from New Zealand before losing their eligibility for Working for Families. However, written submitters raised the importance of this period being consistent with other residence requirements. A reference group noted that they were opposed to the length of the period, on the basis that if families were still in employment and paying tax, they should retain their entitlements.

Should there be exceptions for certain situations? If so, what are they?

119. The inclusion of flexibility for short absences and specific exceptions for longer periods overseas was particularly welcome by stakeholders and written submitters. A professional body noted that exceptions recognise the realities of modern family life, including short trips to visit family and attend cultural/sporting events, as well as temporary travel for caregiving, bereavement, or medical reasons. An Inland Revenue staff member highlighted the importance of exemptions being limited to ensure consistency in application by Inland Revenue.

Appendix – Names of stakeholders and written submitters

120. The following stakeholders were consulted through targeted engagement sessions:

- FinCap
- New Zealand Council of Christian Social Services
- Salvation Army
- Disabled Persons Organisation
- Max Rashbrooke
- Jobs for Mums
- Ministry of Social Development Pacific Reference Group
- Inland Revenue Māori Reference Group
- National Beneficiaries Advocacy Consultative Group

121. The following stakeholders made written submissions, noting that the names of individuals and Inland Revenue staff have largely been excluded from this list:

- FinCap
- New Zealand Council of Christian Social Services
- Salvation Army
- Tax Justice Aotearoa
- Child Poverty Action Group
- Good Shepherd
- Disabled Persons Assembly NZ
- Debtfix
- Ministry for Women
- Chartered Accountants Australia and New Zealand
- Full And Correct Entitlement
- Pensions and Intergenerational Equity Hub
- Eric Crampton