

Income Charging Phase 2: Savings from further policy decisions**Initiative Sponsors: Ministry of Social Development****Description:**

This initiative expands on the Budget 2025 initiative *Income Charging Phase 2*, which is a critical enabler for MSD's Services for the Future work programme.

Income Charging Phase 2 relies on PAYE salary and wages income information, shared by Inland Revenue and used by MSD, to automatically charge as income against income-tested financial assistance which clients receive from July 2028.

This initiative includes additional savings from moving all clients to weekly income charging and extending information sharing and income charging rules to some Accident Compensation Corporation (ACC) payments. It also includes transitional costs relating to the income charging initiative, as a whole, as well as a cost neutral change to charge non-PAYE income forwards from the point it is received by clients.

The removal of annual assessments will come into effect from mid-2027. The other provisions will come into effect from 3 July 2028, in line with other income charging changes. The reason for the earlier commencement of the removal of weekly income assessments calculated over 52 weeks is both to prevent overlap between current state income charging rules and those commencing on 3 July 2028 and to allow clients to complete their current 52-week income period.

Financial Impact:**Vote Social Development Opex:**

(\$m)	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Costs	0	0	7.261	0	0	7.261
Savings	0	0	0	(29.772)	(29.941)	(59.713)
Total	0	0	7.261	(29.772)	(29.941)	(52.452)

Will these changes make it easier for MSD to pay clients the right amount?

Yes – it's often challenging for MSD to correctly assess client income under the current system. This change will provide more information to MSD to enable them to calculate the right payment more quickly, with less effort from the benefit recipient.

What if the information received from Inland Revenue is incorrect?

Clients will still be able to get in touch with MSD to discuss any information they feel isn't correct. MSD will put rules and processes in place to ensure clients can dispute income information that clients believe is wrong.

What if people are worse off under these changes, and receive less money?

While the removal of the annual assessment means that some people will no longer receive an arrears payment at the end of the year (and may therefore receive less financial assistance over the year as a whole), it also means there is less risk of overpayments and debt because the payments are more accurate during the year. Therefore, these changes will reduce complexity as all clients will be assessed on a weekly basis and will also reduce the chances of clients ending up in debt.

What does the ACC and non-PAYE change mean for clients?

This change means ACC weekly compensation payments and non-PAYE income will be charged in the same way as PAYE income from July 2028. This will make MSD's processes more consistent and less complicated.

Back-dated ACC payments will continue to be charged against the period they are paid out for, as they are currently.

What's the purpose of the transitional change?

This transitional provision means income earned in the week before 3 July 2028 will not be charged for benefits. This provision is temporary and will prevent most clients being charged twice by declaring income before the change and having that same income automatically charged again after the change.