

Discussion document

# Enabling the Ministry of Social Development (MSD) to use PAYE income information as soon as Inland Revenue shares this with MSD

April 2026



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



**Inland Revenue**  
Te Tari Taake

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# Overview

## Introduction

Financial assistance administered by the Ministry of Social Development (MSD), such as most main benefits, can be income-tested. How much income a person receives can impact how much assistance they are entitled to be paid. The process of assessing and adjusting the rate of assistance is referred to as charging income.

As part of Budget 2025, the Government agreed for MSD to change the way it charges income using information shared by Inland Revenue (IR) with MSD. IR will continue to share PAYE (Pay As You Earn) income information (primarily salary and wages) with MSD regularly and on request. This will support changes which means that, from July 2028:

- MSD will use that income information to determine whether an MSD client both is and remains eligible<sup>1</sup> to receive income-tested benefit payments, and to calculate the rate of those payments.
- MSD will use automation and Automated Decision-Making in the process to calculate and pay the rate of benefit, in compliance with MSD's Automated Decision Making Standard.
- MSD will calculate and assess the rate of benefit forwards from the week clients are paid their PAYE income.

The intended benefits of these changes for MSD clients are to:

- minimise opportunities for overpayment debt to be established.
- improve the accuracy of benefit payments.
- reduce the burden on clients to have to declare their PAYE income to MSD each week.

These changes are intended to come into force from July 2028 and will only apply to PAYE income which is recorded by IR in their system.

In order to enable these intended outcomes, the Approved Information Sharing Agreement (AISA) between IR and MSD needs to be amended. The proposed amendment would waive the requirement for MSD to provide 10 working days' notice (the notice period requirement) for a client to dispute the accuracy of their personal information, when an adverse action (such as a client's benefit being reduced or stopped) is based on shared information.

Removing the notice period requirement will mean MSD can charge clients' PAYE income<sup>2</sup> as close as possible to when they are received by clients. If MSD cannot use clients' PAYE income information in a timely way when it is received from IR, then the changes to income charging will result in overpayment debt being established for MSD's clients.

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1 While specific agreement has not been made by Government for MSD to use PAYE income information from IR to determine benefit or subsidy eligibility, the settings of the current AISA will allow MSD to do this.

2 This includes salary and wage income but also covers things which are technically defined separately in the Income Tax Act 2007, such as paid parental leave.

We are also seeking to address an existing problem that stems from an oversight when similar changes were made in 2023 to how child support income is charged. The way child support income is currently charged against subsidies causes overpayment debt to be established. MSD has found a way to resolve this via an amendment to the AISA to waive the notice period for this purpose.

## We are seeking your feedback on removing the notice period for three purposes

MSD is proposing to remove the notice period requirement in three different situations to make sure clients benefit as much as possible from the changes. We want to hear from you about what you think of these purposes.

### Two of our purposes would make changes from October 2026

We propose removing the notice period requirement for the following purposes from October 2026:

- **Purpose One:** Removing the notice period requirement after receiving **PAYE income information** from IR to allow MSD to assess and automatically charge income against clients' **benefits** when income charging changes.
- **Purpose Two:** Removing MSD's notice period requirement after receiving **child support income information** from IR to allow MSD to assess and manually adjust the rate of housing **subsidies** according to changes in child support income in a timely manner.

#### What is the difference between a benefit and a subsidy?

The AISA between IR and MSD defines a **benefit** as income-tested financial assistance administered by MSD under the Social Security Act 2018 but is not a subsidy, such as a Jobseeker Support payment, or an Accommodation Supplement.

A **subsidy** is assistance for MSD's clients for specific costs, and has a distinct definition in the AISA from a benefit<sup>3</sup>. One example of a subsidy is Income-Related Rent (IRR) for clients in social housing, which allows them to pay less rent if they earn less income.

If the notice period is removed for these purposes, MSD would be able to use information from IR to charge PAYE income against benefits and adjust the rate of subsidies according to child support income, in a more timely way which would also reduce overpayment debt.

Removing the notice period for these purposes is proposed to take effect from October 2026, prior to the substantive income charging changes which will be implemented from July 2028. The July 2028 changes will introduce automation, charging income forwards from when a client receives it, and applies to PAYE income in relation to benefit payments.

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<sup>3</sup> This includes salary and wage income but also covers things which are technically defined separately in the Income Tax Act 2007, such as paid parental leave.

Implementation of **Purpose One** would mean that MSD would not have to wait for 10 working days before being able to use the information shared to support existing integrity checks on PAYE income declared by clients against IR income information until July 2028 changes are in effect<sup>4</sup>.

Implementing **Purpose Two** in October 2026 would reduce hardship and overpayment debt sooner for MSD's clients receiving child support income that also pay Income-Related Rent. Further benefits for each Purpose are listed in the relevant sections of this document.

### **The third purpose would make changes in the future easier**

Purpose Three would remove the notice period requirement for charging PAYE income payments against subsidies. This would enable future Government decisions on whether shared income information could be used to improve the responsiveness of subsidies to PAYE income without needing to amend the AISA a further time.

Removal of the notice period requirement will be accompanied by the introduction of safeguards. These will protect clients' information and ensure that information is accurate and verifiably matched to the right client. Clients will retain the ability to dispute the accuracy of any shared information by IR about them, which is used by MSD to charge their benefit.

## **Consultation**

Public consultation is being undertaken for six weeks from 20 April to 29 May 2026.

This document provides background information and detail on the removal of the notice period requirement and is intended to help you provide feedback through a submission . You can review the questions in our consultation survey in **Appendix Three**.

## **How to provide feedback**

Submissions can be made by:

- **emailing:**  
[AISAConsultation@msd.govt.nz](mailto:AISAConsultation@msd.govt.nz) with "Submission on proposed AISA amendment" in the subject line
- **post to:**  
Ministry of Social Development  
PO Box 1556  
Wellington 6140  
New Zealand

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<sup>4</sup> The AISA defines subsidies as: Working for Families Tax Credits, Community Services Cards, Student Loans, Student Allowances, Child Support, Income-Related Rent and Social Housing under the relevant legislation referenced.

## Use and release of information

Information provided through this consultation will be summarised in advice to Ministers. Ministers will be required to have regard to all submissions in their decision-making, and this will help inform the direction of future work on our proposal to remove the notice period for three purposes.

It is important you understand that people can request access to submissions under the Official Information Act 1982. Please make it clear in the beginning of your submission if you don't want your submission to be released, which parts you don't want released and why. We may get in touch with you if there is an Official Information Act request. If you have any questions about this, please contact [OIA\\_Requests@msd.govt.nz](mailto:OIA_Requests@msd.govt.nz).

## Privacy information

The Privacy Act 2020 establishes certain principles with respect to the collection, use and disclosure of information about individuals by various agencies, including MSD and IR. Any personal information you supply to MSD and IR in the course of making a submission will only be used for the purpose of assisting in the development of advice in relation to this consultation, for contacting you about your submission, or to advise you of the outcome of the consultation, including any next steps. We may also use personal information you supply in the course of making a submission for other reasons permitted under the Privacy Act 2020 (e.g. with your consent, for a directly related purpose, or where the law permits or requires it). Please clearly indicate in your submission if you do not wish your name, or any other personal information, to be included in any summary of submissions that MSD and IR may publish.

We will only retain personal information as long as it is required for the purposes for which the information may lawfully be used. Where any information provided (which may include personal information) constitutes public records, it will be retained to the extent required by the Public Records Act 2005. We may also be required to disclose information under the Official Information Act 1982, to a Parliamentary Select Committee or Parliament in response to a Parliamentary Question. You have rights of access to and correction of your personal information which can be found on the MSD website at <https://consultations.msd.govt.nz/>.

# What's happening right now?

Clients are required to declare their income to MSD as part of an application for benefit. While receiving a benefit, clients also have an ongoing obligation to advise of weekly changes in income that may impact how much benefit is payable to them.

MSD clients find the current income declaration system challenging. For example, some clients do not know how much salary or wages income they will earn before they must declare it. These issues lead to inaccuracies in benefit payments resulting in either overpayment debt or arrears.

MSD and Inland Revenue have had an agreement in place since 2013 called an Approved Information Sharing Agreement (AISA). The AISA allows Inland Revenue and MSD to share information for specific purposes, such as charging PAYE income against clients' benefits and child support income against housing subsidies.

The Privacy Act 2020 requires MSD to provide its clients with 10 working days' notice (the notice period) before making any changes to their benefits as a result of information shared from IR<sup>5</sup>. This notice period requirement applies to all information shared under an AISA, unless the AISA specifies in which circumstances it does not apply. For example, there is currently an exception to the notice period requirement for when child support income information is shared by IR to MSD for charging against benefits.

## What happens with child support income?

Child Support Pass-On (CSPO) was implemented in 2023. This allowed IR to share the child support income information of MSD clients with MSD to automate the charging of that income against benefits. This was beneficial for clients, as it meant that they no longer had to tell MSD about the child support they received each month from IR.

As a part of CSPO, changes were made to the AISA to remove the notice period requirement for child support income information shared by IR with MSD, in order to enable child support to be taken into account as income for benefit purposes in a timely manner.

This change allowed MSD to use child support income data shared by IR to automatically calculate how much benefit the receiving parent should be paid, without having to wait 10 working days, which might have otherwise caused overpayment debt to be established for the client.

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<sup>5</sup> [Privacy Act 2020 No 31 \(as at 30 March 2025\), Public Act 153 When requirement to give notice of adverse action applies – New Zealand Legislation](#)

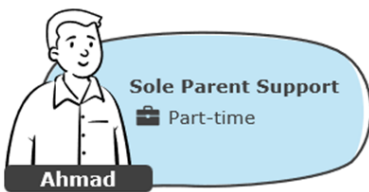
## Why are we making these changes now?

Making the income charging changes that the Government has agreed would reduce the burden on MSD clients to declare income. For example, because MSD will use PAYE income information shared by IR, clients would need to declare this income in fewer circumstances. It would also reduce the creation of benefit overpayment debt.

However, if the notice period is **not** removed before the changes to income charging are made, MSD will not be able to assess any client's rate of benefit payment before their weekly benefit is paid. This would result in an overpayment debt being established every time a client earned enough PAYE income to impact their rate of benefit, because MSD could not adjust the rate in time.

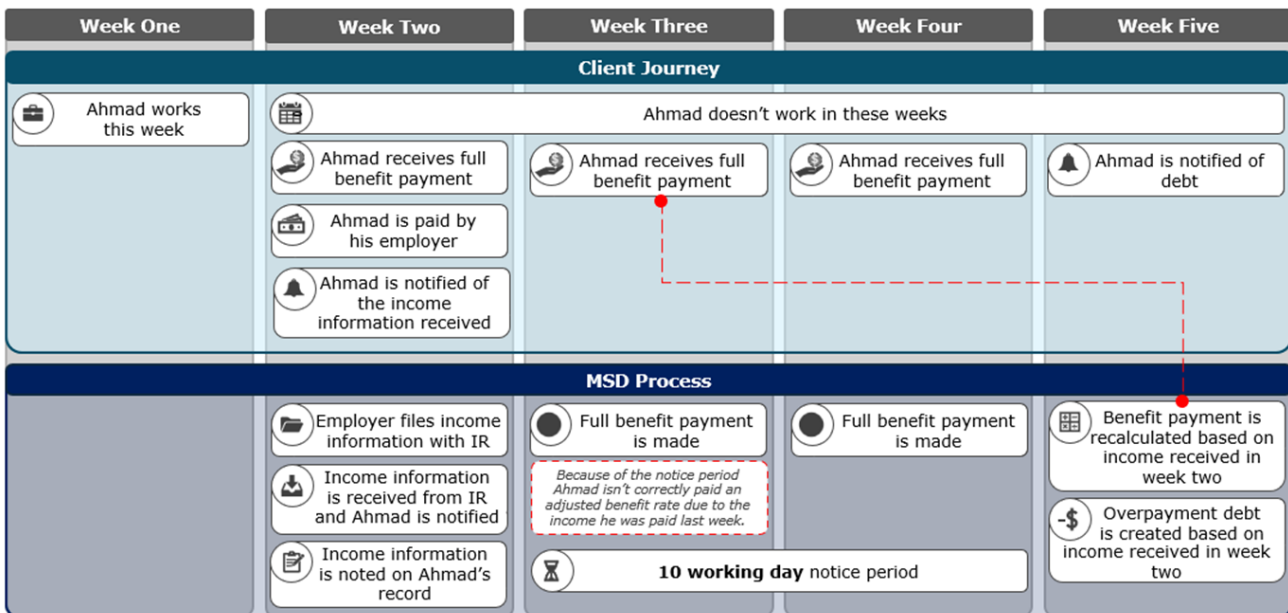
Considering how many of MSD's clients currently work and receive a benefit, it is projected that this would significantly increase overpayment debt established. Based on an assessment of IR and MSD data between 1 July 2023 and 30 June 2024, of all the clients receiving a main benefit, approximately 91,000 (around 24 percent of clients receiving a main benefit) received salary and wages income that impacted their rate of benefit.

**MSD needs to make changes to the AISA to make sure the change does not create a significant amount of overpayment debt for clients.**



### The 10 Working Day Notice Period

When paid by his employer, MSD notifies Ahmad of the total amount he has earned and provides him with 10 working days (two weeks) to dispute the information provided by Inland Revenue. Ahmad's benefit payment should be adjusted the week after he is paid. However, as MSD is currently required to provide 10 working day's notice before applying income, Ahmad's benefit payment cannot be adjusted before it is paid out to him, resulting in Ahmad being overpaid. Ahmad now needs to repay the overpayment debt.



**Image 1:** How agreed income charging changes would operate for clients from July 2028 if the notice period requirement is not removed.

# What would change?

We are proposing to remove the notice period requirement for MSD for three different purposes. Two of those purposes will take effect from October 2026:

- **Purpose One:** Removing the notice period to allow MSD to determine benefit payment rates after receiving PAYE income payment information from IR.
- **Purpose Two:** Removing the notice period to allow MSD to determine housing subsidy rates after receiving child support income information from IR.

**Purpose Three** would remove the notice period requirement for charging PAYE income against subsidies from July 2028. This would mean that if the Government decides to improve the responsiveness of subsidies to this sort of income, it can be achieved without needing to run another amendment process.

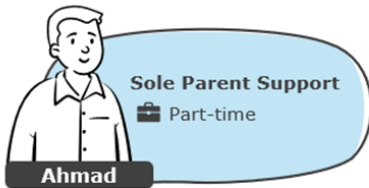
MSD will implement appropriate safeguards should the notice period be removed. These will ensure that MSD uses its clients' PAYE income payment information safely, and that information received from IR by MSD is both accurate and matched to the right client. More details on these safeguards can be found on pages 16-17.

Clients will also still be able to dispute the accuracy of any information about them whether it is held by IR or MSD. MSD will implement specific pathways for clients to dispute the accuracy of their PAYE income information as part of the July 2028 changes. These pathways will include clients being able to provide information to support their disputes.

## Purpose One will allow MSD to charge PAYE income against clients' benefits in a more timely way.

Removing the notice period requirement will enable MSD to use PAYE income payment data from IR as soon as it is shared. This will allow MSD to use the PAYE income information from that data to assess clients' benefit eligibility, and calculate their correct rate of benefit payment in advance of any benefits being paid. This will reduce the establishment of overpayment debt.

The following illustration shows how the income charging changes would work from July 2028 with the removal of the notice period.



### Removing the 10 Working Day Notice Period

When paid by his employer, Inland Revenue provides this information to MSD and MSD notifies Ahmad of the total amount he has earned and that his benefit payment will be reduced accordingly in the following week. As the Ministry can adjust Ahmed's benefit payment without having to wait for 10 days, there is no overpayment debt established.

Week One	Week Two	Week Three	Week Four	Week Five
<b>Client Journey</b>				
Ahmad works this week	Ahmad doesn't work in these weeks			
	Ahmad receives full benefit payment	Ahmad receives a partial, or no benefit payment based on the income paid in week two	Ahmad receives full benefit payment	Ahmad receives full benefit payment
	Ahmad is paid by his employer			
	Ahmad is notified of the income information received			
<b>MSD Process</b>				
	Employer files income information with IR	Partial or no benefit payment is made	Full benefit payment is made	Full benefit payment is made
	Income information is received from IR			
	Benefit payment is recalculated based on income received			
	<i>No debt will be created as Ahmad's benefit can be adjusted right away.</i>			

**Image 2:** How agreed income charging changes would operate for clients from July 2028 if the notice period requirement is removed.

### Why is it proposed to implement Purpose One prior to 2028?

As agreed in Budget 2025, MSD has increased resourcing for the existing integrity checks MSD does on income declared by MSD clients. This is to ensure that until the July 2028 changes come into effect MSD can ensure those receiving MSD payments are eligible and paid what they are entitled to. MSD already receives PAYE income information from IR to support this process but must wait 10 working days before this income can be charged against the client's benefit, which can result in more overpayment debt being established for these clients to repay. Removing the notice period early for this purpose would help address some of the overpayment debt that might otherwise be established for clients. More information on this process can be found in **Appendix Two**.

## Benefits of Purpose One

### From October 2026

Removing the notice period requirement before 2028 will allow for less overpayment debt to be generated during the information sharing process. It will also allow MSD to further improve efficiencies in this process, in the lead up to the changes to income charging being completed in 2028. Once income charging changes occur in 2028, it is anticipated that substantially less overpayment debt will be generated using the new income charging process.

Removing the notice period will not remove the ability for clients to challenge the accuracy of information MSD receives about them from IR. If a challenge is upheld, clients can also review any decision MSD staff have made on the basis of information shared with MSD by IR.

### From July 2028

When the improvements to income charging are fully implemented in 2028, the projected benefits of removing the notice period for PAYE income charging for benefits (i.e. Purpose One) are as follows:

- **Will substantially reduce overpayments:** MSD would not have to wait 10 working days before being able to automatically assess clients' benefits. This would greatly reduce overpayments of benefits, compared to how many would likely be established if the notice period was not removed.
- **Reduce the burden on clients:** Clients will be less likely to need to declare this PAYE income or get a debt from a benefit overpayment. This will also reduce how often clients need to be in touch with MSD, more generally.
- **Improve the integrity of the system:** MSD will be able to pay clients their benefit at payment rates which more accurately reflect their current circumstances, by being able to act on client information in a timely manner.
- **Create administrative efficiencies:** MSD will be able to act to charge PAYE income for benefits much more quickly than before.

1. Do you think the 10 working days' notice period should be waived for Purpose One? If not, why not?
2. For Purpose One, would waiving the 10 working days' notice period make a difference for you or anyone else? If so, how?
3. If Purpose One is agreed to, do you think there would be any situations in which the 10 working days' notice period should not be waived? If so, what are they?

## **Purpose Two will allow MSD to charge child support income for housing subsidies in a more timely way**

MSD previously engaged in public consultation on removing the notice period requirement for CSPO (refer page 7). However, at that time, MSD only consulted on removing the notice period for the purpose of assessing benefits, not subsidies.

We are now consulting on applying those changes to housing subsidies, in particular. “Housing subsidies” include the Income-Related Rent subsidy, as well as a client’s Public Housing eligibility and their priority on the Public Housing Register.

If these changes are made, it will mean that MSD can use child support income information from IR to assess an MSD client’s eligibility for housing subsidies, and therefore calculate their rate of Income-Related Rent subsidy in a more timely way – though calculation will still need be done manually by staff.

We want to make these changes because the notice period currently still applies for housing subsidies. This means that Income-Related Rent is less responsive than benefits to changes in child support income, which can result in hardship if clients have to wait 10 working days after their income has reduced before their Income-Related Rent subsidy can be increased. It also means MSD staff have to review those clients twice, at the beginning and the end of the notice period.

### **An example of the current impact of the 10 working days’ notice period – what happens with income-related rent**

When a client lives in social housing, they pay Income-Related Rent (IRR), a type of subsidy.

How much a client pays in IRR depends on how much income they have. Child support is considered by MSD to be income. So, if a client’s child support income decreases, they may also pay less IRR.

Right now, when a client’s child support income decreases, the notice period means that clients must wait 10 working days for their IRR to also be reduced. While waiting for the notice period to end, the client could be experiencing financial hardship through having to pay more rent.

In other words, the 10 working days’ delay before the assessment of a client’s IRR can mean that clients, through no fault of their own, have had to pay more IRR than they should.

If the notice period is removed, then MSD staff would be able to recalculate a client’s IRR sooner after IR sends MSD a client’s updated child support information, which would prevent those clients from having to pay too much IRR.

## Benefits of Purpose Two

The projected benefits of removing the notice period for child support income charging for housing subsidies (i.e. **Purpose Two**) from October 2026 are as follows:

- **Reduce compliance burdens on clients:** MSD will be able to use PAYE income shared by IR as soon as IR shares that information with MSD.
- **Improve the integrity of the system:** Clients will have their Income-Related Rent set at payment rates which more accurately reflect their current child support income, by being able to act on client information in a timely manner.
- **Create administrative efficiencies:** MSD will be able to act to charge child support income for the purpose of recalculating housing subsidies much more quickly than before.

4. Do you think the 10 working days' notice period should be waived for Purpose Two? If not, why not?
5. For Purpose Two, would waiving the 10 working days' notice period make a difference for you or anyone else? If so, how?
6. If Purpose Two is agreed to, do you think there would be any situations in which the 10 working days' notice period should not be waived? If so, what are they?

## Purpose Three will allow MSD to more easily make changes to charging PAYE income against clients' subsidies

Purpose Three would remove the notice period requirement for charging PAYE income payments against subsidies. This would enable future government decisions on whether shared income information could be used to improve the responsiveness of subsidies to PAYE income without needing to amend the AISA a further time.

MSD considers that any risks from implementing this purpose will be well-managed. This is because using PAYE income payment information from IR to determine subsidy payment rates, in the same automated way as proposed for benefits from July 2028, would require changes to legislation. These changes would require scrutiny through the legislative process before they could be approved, meaning anyone who would be affected by them could engage with proposed changes through the select committee process. In other words, removing the notice period for subsidies would not mean that MSD would then be able to use information from IR to use automation to charge PAYE income payments against subsidies, without substantial legislative changes. The Government has agreed that MSD will only use automation to charge income against benefits, not subsidies, supported by accurate income information shared by IR.

If this purpose is agreed to, the current rules for income charging for each subsidy will not change. But consulting now on removing the notice period for subsidies means that if the Government does decide in the future, from July 2028 or later, to use shared PAYE income payment information from IR to assess subsidies such as Income-Related Rent, then MSD would not need to amend the AISA again.

### Benefits of Purpose Three

Depending on which subsidies it applies to, **Purpose Three** could carry the same benefits as **Purpose One** and/or **Purpose Two**. The benefits for **Purpose Three** would only be realised if the Government makes a decision in the future to allow MSD to use information shared from IR to charge income against subsidies.

7. Do you think the 10 working days' notice period should be waived for Purpose Three? If not, why not?
8. For Purpose Three, would waiving the 10 working days' notice period make a difference for you or anyone else? If so, how?
9. If Purpose Three is agreed to, do you think there would be any situations in which the 10 working days' notice period should not be waived? If so, what are they?

## What happens if none of the purposes are agreed to?

If the notice period is not removed as has been proposed through **Purposes One, Two and Three**, then **none** of the above benefits will be realised once the agreed-upon changes to income charging are implemented. Overpayment debt will be much likelier to be established, both in the near future and after July 2028.

For an example of this, refer back to page 8 to see the kind of negative impacts which will occur in July 2028 if **Purpose One** isn't agreed to.

10. Do you have any suggestions on other options, apart from what we have proposed, that could help MSD take its clients' income into account in a timely manner and not create debt for them?

## Will there be benefits of removing the notice period for particular population groups?

Our analysis below considers how removing the 10 working days' notice period within each of our purposes might affect different groups of people. This analysis is based on what we know of the make-up of the general beneficiary population.

### Māori

As at March 2025 Māori made up approximately 37% of people on a main benefit. In the 2023 census, Māori made up approximately 17.8% of the total population of Aotearoa New Zealand. Through removing the 10 working days' notice, Māori who receive benefits from MSD will be less likely to incur an overpayment debt as MSD will be able to act on their PAYE income payment or child support income information right away to make sure they are paid their correct benefit.

### Pacific peoples

As at March 2025 Pacific peoples made up approximately 12% of people on a main benefit. In the 2023 census Pacific peoples made up approximately 8.9% of the total population. The benefits of removing the 10 working days' notice for Māori, described above, will also apply to Pacific peoples. Through removing the 10 working days' notice, Pacific peoples who receive benefits from MSD will be less likely to incur an overpayment debt as MSD will be able to act on their PAYE income payment or child support income information right away to make sure they are paid their correct benefit.

### Disabled people

Approximately 47% of main beneficiary recipients receive a benefit on the basis of having a health condition, illness, or disability (as at March 2025). People in this group can have additional costs to work due to their health condition, illness, or disability. Removing the 10 working days' notice will mean avoiding an additional cost burden of having to pay back overpayment debt, since MSD will not have to wait 10 working days before being able to act on their PAYE income payment or child support income information.

## What safeguards will MSD introduce to ensure it is using PAYE income information safely and accurately?

If the notice period requirement is removed from the AISA, then safeguards will be introduced which will help protect clients' information, and ensure any information used for decisions by MSD is accurate. This includes verifying that information from IR is correctly matched to each client.

### **The following safeguards will be introduced to mitigate the risk of error from information matching and charging PAYE income in real time:**

- MSD can only use shared information from IR to charge benefits for clients when MSD's records and IR's records have a specific number of identifiers that match (e.g. as is currently the case for using child support information from IR, identifiers such as a client's IRD number must match in a child support income record before MSD can automatically use child support income information from IR). An MSD staff member must also manually process the record in cases where not enough identifiers are matched, so if fewer identifiers are matched then risk is mitigated as staff will need to apply greater scrutiny to matching client records.
- The accuracy of the matching process will be enhanced through improvements MSD is making around the collection and verification of clients' IRD numbers, which will be a key identifier during record-matching.
  - From 8 September 2025, MSD staff who interact with clients and their partners have been instructed to check and validate their IRD numbers in MSD's systems.
  - As at 20 October 2025, approximately 99% of clients on an income-tested benefit had been matched to a valid IRD number.
- Prior to removing the notice period, system testing will be undertaken to test the income charging process, and to help support better data matching between MSD and IR.
- Personal information received from IR will be restricted to MSD staff who require access to it for the purposes for which it is shared.

**The following safeguards will be introduced to ensure MSD clients have an opportunity to question a benefit change that is a result of PAYE income information being shared from IR to MSD:**

- MSD will notify clients electronically of the amount of salary or wage income that has been charged against their benefit, and the calculated rate of their benefit. A physical letter will be sent to those who prefer that channel of communication.
- If a client disagrees with a decision we have made based on shared PAYE income information from IR, they will keep the right to review any decision made by staff through the Review of Decision process<sup>6</sup>, and have the right to request a review within three months of being told about that decision<sup>7</sup>.
- More specific policies are currently being developed around how MSD would handle client challenges in cases where information received from IR is believed to be incorrect.

- 11.** What more could MSD and IR do to give you confidence that your information will be accurate, up to date, complete, secure, and relevant?
- 12.** What are your thoughts on your ability to review decisions MSD makes as a result of getting information about you from IR, and your ability to dispute the accuracy of your information?

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<sup>6</sup> <https://www.workandincome.govt.nz/about-work-and-income/complaints/review-of-decisions.html>

<sup>7</sup> When a client has applied for a hearing outside the 3-month time limit, the Benefits Review Committee must decide whether or not to accept the application before it considers the decision under review.

# Specific changes needed to remove the notice period

Detailed below are the specific changes that would be required to the AISA to reflect the removal of the notice period requirement. The amendments are highlighted.

## Draft proposed amendments to the AISA between IR and MSD

It is proposed the following amendments are made:

- to amend subclause 6A to add references to subsidies to remove the notice period for child support income in relation to subsidies
- to add a new subclause 6B to remove the notice period for PAYE income payments in relation to benefits and subsidies.

The paragraph would be included under clause 6 of the AISA – Adverse Actions after public consultation:

### **6A. Procedure for adverse actions by Ministry of Social Development in relation to child support payments**

- a) This clause applies to Adverse Actions in respect of benefits and subsidies (for example, a decision to reduce or suspend a benefit or subsidy).
- b) The Parties agree that MSD may dispense with notice requirements under section 152 in respect of any Adverse Actions specified in Schedule 2 that may be taken by MSD in relation to child support payments.
- c) Before taking any of those Adverse Actions against an individual as a result of sharing Personal Information under this Agreement, MSD must comply with—
  - i) all applicable internal policies and guidelines of MSD; and
  - ii) the Solicitor-General’s Prosecution Guidelines (as applicable).
- d) MSD must, immediately after any decision to reduce or suspend a benefit or subsidy, take reasonable steps to notify the individual of—
  - i) the details of their benefit or subsidy change; and
  - ii) their right to review and appeal MSD’s decision.

The final wording of this as a new sub-clause 6B will be agreed after public consultation:

## **6B. Procedure for adverse actions by Ministry of Social Development in relation to PAYE income payments**

- a)** This clause applies to Adverse Actions in respect of benefits and subsidies (for example, a decision to reduce or suspend a benefit or subsidy).
- b)** The Parties agree that MSD may dispense with notice requirements under section 152 in respect of any Adverse Actions specified in Schedule 2 that may be taken by MSD in relation to PAYE income payments.
- c)** Before taking any of those Adverse Actions against an individual as a result of sharing Personal Information under this Agreement, MSD must comply with—
  - i) all applicable internal policies and guidelines of MSD; and
  - ii) the Solicitor-General’s Prosecution Guidelines (as applicable).
- d)** MSD must, immediately after any decision to reduce or suspend a benefit or subsidy, take reasonable steps to notify the individual of—
  - i) the details of their benefit or subsidy change; and
  - ii) their right to review and appeal MSD’s decision.

## **Next steps**

Following consultation, the findings will be summarised in a report to the Minister for Social Development and Employment and Minister of Revenue to determine next steps and whether the AISA will be amended.

- 13.** Is there any other feedback you’d like to give around the information MSD is getting from IR?
- 14.** Is there any other feedback you’d like to give around waiving the 10 working days’ notice period?
- 15.** Is there any other feedback you’d like to give around the ability for clients to challenge whether the information MSD is getting from IR is accurate?

# Appendix 1: Glossary

This section provides a glossary of some of the technical terms used throughout the body of this guidance document.

Term	Meaning
<b>Adverse action</b>	Any action taken by a government agency which could lead to a negative outcome for a person, based on information shared between government agencies under an AISA, e.g. A loss of income, a drop in benefit payment, a loss of benefit eligibility, etc.
<b>Approved Information Sharing Agreement (AISA)</b>	An agreement between two government agencies to share specific information with one another for specific purposes.
<b>Automation</b>	The use of systems or components of systems to replace repeatable processes in order to reduce dependency on manual actions or interventions.
<b>Automated Decision Making</b>	A decision within an automated process, between two or more possible actions, where there is no substantial human involvement in making the decision.
<b>Benefits</b>	Refers to all income-tested financial assistance administered by MSD under the Social Security Act 2018. This includes main benefits (e.g. Jobseeker Support, Supported Living Payment etc.), supplementary assistance (e.g. Accommodation Support, Disability Allowance etc.), and hardship assistance (e.g. Temporary Additional Support, Special Needs Grants etc.).
<b>Income charging</b>	The assessment process of determining the rate and entitlement of benefits, based on income clients receive.
<b>Overpayment debt</b>	This is debt that is incurred by clients when they do not advise MSD on time about the full amount they have earned. A debt is incurred because those clients are subsequently overpaid their benefit, and they are required to pay this back to MSD.

Term	Meaning
<b>PAYE</b>	“Pay As You Earn”. This is a combination of income tax and ACC earners’ levy deducted from an employee’s salary or wages by an employer and paid to IR.
<b>PAYE income payments</b>	This refers to all income payment types defined under the Income Tax Act 2007, including salary and wage income.
<b>Salary and wage income</b>	Payments, earned from salaried or waged employment, made to employees by an employer. These are declared to IR by an employer and have PAYE (refer above) deducted from them. It can also include income from ACC which is paid in compensation for lost salary or wages, or which is paid out to people employed by ACC.
<b>Subsidies</b>	<p data-bbox="517 1055 1382 1126">Refers to additional assistance for MSD’s clients aside from benefits. This can include:</p> <ul data-bbox="541 1160 1406 1637" style="list-style-type: none"> <li data-bbox="541 1160 1362 1229">• Working for Families tax credits payable under Income Tax Act 2007 and the Tax Administration Act 1994</li> <li data-bbox="541 1256 1402 1326">• Community services cards available under the Social Security Act 2018</li> <li data-bbox="541 1352 1318 1422">• Student loans payable under the “student loan scheme” as defined in the Student Loan Scheme Act 2011</li> <li data-bbox="541 1449 1310 1478">• Student allowances payable under the Education Act 1989</li> <li data-bbox="541 1505 1286 1534">• Child support payable under the Child Support Act 1991<sup>8</sup></li> <li data-bbox="541 1561 1406 1637">• Income-Related Rent payable, and social housing available under the Housing Restructuring and Tenancy Matters Act 1992.</li> </ul>

8 Note that while child support is included in the definition of a “subsidy” within the AISA, it isn’t a payment made by the Government or MSD and is not impacted by any changes to a client’s salary or wages.

# Appendix 2: Further information on income charging changes

## What about income that is not PAYE income?

The changes will not apply to types of income that are not PAYE income payments, e.g. salary and wages. For example, rental income that a client is paid by someone letting a property from them is not included under the definition of a “PAYE income payment”, so these will still have to be declared to MSD by clients manually.

## Why are we making these changes?

### We have an opportunity to make income charging much more accurate and easier for clients

MSD’s current income declaration settings for benefits are manual. They rely on clients declaring their own income within the week it was earned, before a deadline of 10pm on Friday of that same week.

MSD has found that clients find the current system of declaring their income challenging. For example, some clients do not know how much of their PAYE income they will earn before 10pm on Friday, because they work varying hours over the weekend.

Using IR’s PAYE income payment information will allow MSD to calculate benefits payable to clients more accurately. The most effective way to utilise this income data is to fully automate income charging, and charge income forwards from the week it is received by the client.

This will reduce the ongoing burden on clients to regularly declare their income and allow MSD to more accurately assess and pay what clients are entitled to receive.

### The income information currently shared by IR isn’t used as well as it could be by MSD

Since March 2013, IR has provided MSD with information each month on clients who receive PAYE income payments and are also receiving a benefit. The purpose of doing so is to assess client eligibility and entitlement to benefits.

MSD does what it can to make sure benefit payments are accurate using this shared information. However, the existing process is not currently able to account for all of MSD’s clients’ income or prevent the establishment of overpayment debt. This is because:

- MSD receives a large amount of PAYE income payment information from IR each month and cannot act on all of it. This is because the assessment of benefits using that information has to be done manually. This process is time- and work-intensive and means that not every client whose benefit should be assessed is put through an assessment.
- The PAYE income payment information from IR is around 6 to 8 weeks old by the time MSD gets it. This means that debt establishment during assessments is unavoidable because, when MSD makes changes to clients’ benefits based on what that information says, those changes are made after those benefits have already been paid.

A better process, which would be able to do assessments for more clients and more quickly, is needed. That is why the Government has agreed to changes to improve the way MSD charges PAYE salary and wage income.

This agreement was made with the understanding that MSD's notice period requirement would be removed so that MSD would be able to assess benefits after receiving PAYE income information from IR in a timely manner.

## What will these changes mean?

Using IR's PAYE income payment information in a timely manner will allow MSD to more accurately assess the benefits payable to its clients.

This is because MSD will be able to pay the right amount of benefit at the right time much more often, using more accurate income information, and will be charging income forwards so there will be fewer changes needed to benefits after they have already been paid.

This change will also reduce the ongoing burden on clients to regularly declare their income and enable MSD to more accurately assess and pay their benefits. This is because MSD will be using data already provided to the government by employers.

It is estimated that MSD using PAYE income information from IR to more accurately charge income will result in \$381 million of savings annually from implementation in July 2028.

Automation and automated decision-making will be needed to administer the process due to the significant increase in PAYE income payment information MSD receives.

## How does income charging currently work?

The amount of income a client receives can impact whether that client is eligible for assistance from MSD, and what rate of assistance they are entitled to be paid. Much of the assistance MSD administers is subject to an income test. This includes most benefits.

Currently, any client who receives PAYE income payments (such as salary or wages), and is either applying for or receiving a benefit from MSD, needs to declare their income information to MSD (along with any other income that doesn't fall under the definition of PAYE income). This information is used to assess their eligibility for a benefit, and/or entitlement to the rate of benefit payable to them.

If a client who receives a benefit has a salary, wage, or other income change in one week, their benefit payment may be assessed for the week after that. For example, if a client had earned less money in the current week, they might get more benefit next week; or, if they earned more, they may get less benefit next week.

# Appendix 3: Consultation Questions

1. Do you think the 10 working days' notice period should be waived for Purpose One? If not, why not?

2. For Purpose One, would waiving the 10 working days' notice period make a difference for you or anyone else? If so, how?

3. If Purpose One is agreed to, do you think there would be any situations in which the 10 working days' notice period should not be waived? If so, what are they?

4. Do you think the 10 working days' notice period should be waived for Purpose Two? If not, why not?

5. For Purpose Two, would waiving the 10 working days' notice period make a difference for you or anyone else? If so, how?

6. If Purpose Two is agreed to, do you think there would be any situations in which the 10 working days' notice period should not be waived? If so, what are they?

7. Do you think the 10 working days' notice period should be waived for Purpose Three? If not, why not?

8. For Purpose Three, would waiving the 10 working days' notice period make a difference for you or anyone else? If so, how?

9. If Purpose Three is agreed to, do you think there would be any situations in which the 10 working days' notice period should not be waived? If so, what are they?

10. Do you have any suggestions on other options, apart from what we have proposed, that could help MSD take its clients' income into account in a timely manner and not create debt for them?

11. What more could MSD and IR do to give you confidence that your information will be accurate, up to date, complete, secure, and relevant?

12. What are your thoughts on your ability to review decisions MSD makes as a result of getting information about you from IR, and your ability to dispute the accuracy of your information?

13. Is there any other feedback you'd like to give around the information MSD is getting from IR?

14. Is there any other feedback you'd like to give around waiving the 10 working days' notice period?

15. Is there any other feedback you'd like to give around the ability for clients to challenge whether the information MSD is getting from IR is accurate?



**MINISTRY OF SOCIAL  
DEVELOPMENT**  
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**Inland Revenue**  
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