

**DESCRIPTION OF  
SOCIAL ASSISTANCE BENEFITS  
IN NEW ZEALAND**

**PREPARED BY THE MINISTRY OF SOCIAL DEVELOPMENT**

**FOR THE WELFARE WORKING GROUP**

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## INTRODUCTION

- 1 This paper provides background for the Welfare Working Group on social assistance benefits in New Zealand.
- 2 Benefit rules are described as at 1 April 2010.

## THE SOCIAL ASSISTANCE SYSTEM

- 3 For the purposes of this paper, the social assistance system is defined as consisting of:
  - income support benefits, tax credits and other payments to support people to meet their family care commitments, to cope with adverse circumstances and to assist them to move into financial independence, generally through paid work
  - active employment assistance and related education and training
  - administrative systems that support the delivery of benefits, tax credits, and employment assistance.
- 4 A key rationale for the provision of social assistance by government is that in the absence of provision by the state, many individuals and children would be forced into poverty by circumstances such as unemployment, sickness or sole parenthood. Much of the early motivation for the development of a welfare state was because markets (both insurance and credit markets), communities (for example charities) and families were unable to provide comprehensive protection against poverty for many groups (Royal Commission on Social Policy (1972)).
- 5 The two key objectives of the social assistance system can be described as:
  - poverty alleviation – direct financial aid for those who cannot support themselves and their children because of unemployment, ill health, childcare responsibilities, disability or low incomes
  - facilitating employment – where appropriate, people are encouraged to enter or return to paid employment.
- 6 The origins of the structure of benefits can be traced to the Social Security Act 1938. The legislators of the time set out what they were trying to achieve in the preamble to the legislation. The aim was temporary poverty alleviation, and to:

‘provide for the payment of superannuation benefits and of other benefits designed to safeguard the people of New Zealand from disabilities, arising from age, sickness, widowhood, orphanhood, unemployment or other exceptional circumstances.’
- 7 The broad philosophical aim behind this approach was to ensure that the incomes of all people in the population were protected against adverse risks such as unemployment and ill health.
- 8 The purpose and principal sections in the current legislation reflect the aims of the social assistance system of emphasising sustainable employment and providing social and financial support to people for whom work is not appropriate, or who for some reason are not able to work for a time. These sections were inserted by the Social Security Amendment Act 2007 and were effective from 24 September 2007.

9 The purpose statement in section 1A of the Social Security Act 1964 states:

“The purpose of this Act is:

- (a) to enable the provision of financial and other support as appropriate:
  - (i) to help people to support themselves and their dependants while not in paid employment; and
  - (ii) to help people to find or retain paid employment; and
  - (iii) to help people for whom work may not currently be appropriate because of sickness, injury, disability, or caring responsibilities, to support themselves and their dependants;
- (b) to enable in certain circumstances the provision of financial support to people to help alleviate hardship
- (c) to ensure that the financial support referred to in paragraphs s.1a(a) and s.1a(b) is provided to people taking into account:
  - (i) that where appropriate they should use the resources available to them before seeking financial support under this Act; and
  - (ii) any financial support that they are eligible for or already receive, otherwise than under this Act, from publicly funded sources:
- (d) to impose administrative and, where appropriate, work-related requirements on people seeking or receiving financial support under this Act.”

10 The principles section of the Social Security Act states:

“1B Principles

Every person exercising or performing a function, duty or power under this Act must have regard to the following general principles:

- (e) work in paid employment offers the best opportunity for people to achieve social and economic well-being:
- (f) the priority for people of working age should be to find and retain work:
- (g) people for whom work may not currently be an appropriate outcome should be assisted to plan for work in the future and develop employment-focused skills:
- (h) people for whom work is not appropriate should be supported in accordance with this Act.”

11 These sections emphasise the importance of work. They also make it clear that the fundamental purpose of the state providing financial assistance is to support those families who for some reason are unable to provide for themselves.

12 The statutory rules defining social assistance benefits are set out in the Social Security Act 1964 and the Income Tax Act 2004.

13 The social assistance system is based on an assumption that main benefits plus family tax credit provide the minimum level of income required to meet a family’s basic needs.

## ***Tiers of Assistance***

14 Benefits fit into three broad categories: first, second or third tier assistance.

15 First tier assistance refers to main benefits, such as the Domestic Purposes Benefit (DPB) and the Unemployment Benefit (UB). The main benefits are expected to meet basic living costs and are subject to income tax. Extra help is available to meet additional costs, assist people in

particular circumstances and alleviate hardship. The extra financial help, comprising second and third tier assistance, is not taxed.

- 16 The second tier of assistance refers to additional assistance to people in particular situations and/or for specific ongoing costs, such as accommodation, disability and childcare. People may be eligible for second-tier assistance whether or not they are receiving a main benefit. The additional assistance may be in the form of a subsidy rather than covering the additional costs completely. Second-tier assistance is mostly income tested, and may be cash asset tested.
- 17 Third-tier assistance is tightly income and asset tested and provided generally in relation to hardship. Hardship is established by a formula-based assessment where essential costs cannot be met within the applicant's current income and assets. This tier is usually provided for relatively short periods or as one-off rather than ongoing payments. While some of this assistance, for example special needs grants for food, is not required to be repaid, some is provided in the form of an advance of the benefit payment (sometimes advancing several weeks worth of payment) and is recovered from future benefit payments or directly from the person when they leave the benefit system.
- 18 In addition to these tiers of assistance, Work and Income provides a range of employment-related assistance measures. Tax credits are also available to families with dependent children.

### ***Main benefits (first tier assistance)***

- 19 To be eligible for a main benefit a person must meet a New Zealand residence test (two years continuous residence).

### **Categorical approach to determining reason for not being in work**

- 20 The main benefits rely on identifying and verifying the main reason for a person being without full-time paid work. The initial categorisation determines both the level of assistance available and the ongoing requirements to remain eligible. In the main these requirements relate to finding and returning to paid work and may involve planning and preparing for paid work for people who are not immediately able to undertake full-time employment. There is also a general obligation for all people who are receiving a benefit to notify Work and Income if they have a change in circumstances that may affect their eligibility.
- 21 Working-age people seeking a benefit are categorised into the main benefit system in the following way:
- unemployed and seeking work – Unemployment Benefit
  - sick/have a disability (certified by medical practitioner) – Sickness or Invalid's Benefit
  - have caring responsibilities (mainly for sole parents) – Domestic Purposes Benefit
  - in financial hardship and not qualifying for any benefit (for example refugees who are not yet qualified residentially) – Emergency Benefit.
- 22 In the case of a couple, the categorisation occurs for the prime income earner and both partners usually receive half of the benefit. The combined income of the couple affects their combined benefit rate. The partner (who is included in the partner's benefit) is work-tested (taking into account illness/disability or presence of dependent children) and their earnings will affect the unemployment benefit rate.

### **Benefit rates**

- 23 The working age benefit rates are set out in the schedules to the Social Security Act (see Annex 1 for a link to rates as at 1 April 2010).

24 The main benefit system provides a basic income to replace income that would generally be obtained through paid employment. Benefits are funded through general taxes. The initial rate of benefit varies according to the benefit type and whether the person is single, partnered or a sole parent. The rate of payment does not relate to the person's previous income from employment; rather, it is intended to provide an adequate income to meet basic living costs, within a context that includes the availability of second and third tier assistance. The current rates have been arrived at by a series of historical decisions. There is no legislative formula to derive "correct" rates of benefit, rather judgements have been made balancing a number of competing objectives and issues, including whether the rates:

- provide an adequate income to allow *participation and belonging*<sup>1</sup> in society
- are fiscally sustainable (both the rate paid and the number of people supported by benefits affect their affordability)
- maintain incentives to work
- maintain incentives to study (particularly in the case of younger people)
- are publicly accepted (generally perceived as not too high and not too low and are consistent with broad assumptions about the needs of the particular benefit group – for example the assumption that a person receiving unemployment benefit will return as quickly as possible to paid work)
- achieve broadly equivalent living standards<sup>2</sup> for different household types receiving the same benefit.

25 By convention, the purchasing power of benefit rates is preserved by an adjustment on 1 April each year reflecting any increase in the cost of living as measured by the movement in the Consumers Price Index. The Social Assistance (Worktest and Other Changes) Amendment Bill contains provision to make this adjustment mechanism a legislative requirement. Unlike New Zealand Superannuation rates, main benefit rates are not linked to any wage measure. Hence, under the current adjustment mechanism, benefit levels will rise relative to wages at times when prices move faster than wages, and fall relative to wages when wages move faster than prices.

26 Within each working age benefit type, different rates apply for people who are couples, sole parents or single (this rate also varies according to the age of the person).

27 Additional basic income support for dependent children is paid through the family tax credit. The rate of benefit paid for couples with children is the same as the rate paid to couples without children. All of the working-age benefits contain a sole parent rate of payment, which is higher than the single rate. This means that a sole parent can have his or her family circumstances recognised through any of the main benefits. The sole parent rate is the same regardless of the number of dependent children. New Zealand Superannuation is not a working-age benefit and has a different rate structure for single people and couples.

### **Work and benefit abatement**

28 The benefit abatement regime gradually reduces the benefit rate as other income is received in order to target the benefits payments to people who are not able to fully support themselves through paid work.

29 Abatement for people who are unemployed or sick is designed to keep the focus on return to full-time work – income up to \$80 a week does not affect the benefit but any additional income

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<sup>1</sup> The principle that adequate benefit rates would allow people to belong and participate in society was argued by the Royal Commission of Inquiry into Social Security (1972 Report).

<sup>2</sup> New Zealand benefit rates relativities have been generally based on the Jensen Revised Equivalence Scale, which is in the mid-range of the widely used overseas equivalence scales. Nonetheless, because research in New Zealand has consistently found sole parents experiencing financial difficulty, the sole parent rate is higher than the rate that is obtained by applying equivalence scales.

rapidly reduces the benefit rate. People who have permanent and severe illness or disability or terminal illness and people with caring responsibilities have a more generous<sup>3</sup> benefit abatement regime which is designed to encourage some part-time work. Families with income above the cut-out point (where their benefit is fully abated) that applies to their circumstances cannot receive a main benefit.

## ***Types of first tier (main) benefits***

### **Domestic Purposes Benefit**

- 30 The Domestic Purposes Benefit (DPB) is primarily designed for people who are caring for others. Consequently, unlike the rules for other working-age people's benefits, people can continue to receive DPB regardless of their hours of work.<sup>4</sup>
- 31 Income reduces the rate of benefit paid by 30 cents for each \$1.00 of income earned between \$80 and \$180 per week, and by 70 cents for every \$1.00 for income above that.<sup>5</sup> Up to \$20 per week of childcare costs can be offset from the level of income, effectively increasing the amount of income that can be earned before benefit abatement starts.
- 32 Slightly different forms of the DPB are in place for sole parents (DPB-SP), women alone (DPB-WA) and people caring for the sick or infirm (DPB-CSI).
- 33 DPB-SP provides income support for sole parents with dependent children.<sup>6</sup> Rather than a full-time work test, the person must have primary responsibility for one or more dependent children and be one of the following:
  - a woman living apart from her partner
  - a woman who is divorced
  - a woman who is single (never had a partner)
  - a woman whose partner has been imprisoned
  - a man whose partner is deceased or for any other reason the children in his care are not being cared for by their mother.
- 34 DPB-WA provides income support for women with no dependent children who have lost the support of their partner or have finished caring for a sick relative or for children after turning 50 years old. Eligibility for DPB-WA can depend on the length of the relationship, the time spent caring for dependants, and age.
- 35 DPB-CSI is available for people aged 16 and over who are caring full-time for someone other than their partner, including children who would be in hospital if not for this care. The rates for DPB-CSI are higher than for other forms of DPB and equivalent to the single Invalid's Benefit rates.

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<sup>3</sup> Each dollar of gross income in excess of \$80 and up to \$180 a week reduces the net benefit by 30 cents rather than the 70 cent reduction that applies to other benefits for this income range and for income in excess of \$180 for all benefits. The Social Assistance (Worktest and Other Changes) Amendment Bill will increase the \$80 threshold to \$100 and the \$180 threshold to \$200.

<sup>4</sup> The Social Assistance (Worktest and Other Changes) Amendment Bill will introduce a requirement for sole parents on DPB to seek and accept part-time work (15 hours per week or more) once their youngest child is six years of age or older.

<sup>5</sup> These amounts can be averaged over a longer period up to a year, resulting in income test thresholds of \$4,160 and \$9,360 per year. The Social Assistance (Worktest and Other Changes) Amendment Bill will increase these thresholds to \$5,120 per year (\$100 per week) and \$10,400 per year (\$200 per week).

<sup>6</sup> Under 18 years old, unless financially independent and aged 16 or 17.

## **Unemployment Benefit**

- 36 The eligibility conditions for the Unemployment Benefit (UB) include being available for and actively seeking work. If a UB recipient refuses to take up work then their benefit may be reduced, suspended or cancelled.
- 37 A person does not qualify for the UB if they work an average of 30 hours or more per week, as after that point they are deemed to be in full-time employment. If the person who has commenced full-time employment is the partner, then the UB can continue with the partner's earnings being charged as income against the benefit.
- 38 To be eligible for the UB, a person must be aged 18 years or over, unless they are 16 or over and married or in a civil union or de facto relationship, and have one or more dependent children.
- 39 Each dollar (before tax) of other income above \$80 gross a week received by the primary client or their partner (combined income in the case of a couple) reduces the after-tax benefit rate by 70 cents.

## **Sickness Benefit**

- 40 The Sickness Benefit (SB) provides income support to those who cannot work, or have reduced capacity to work (can only work part-time), due to sickness, injury, disability or pregnancy. The benefit rates are equivalent to UB rates, as is the abatement regime.
- 41 The SB is available for people when a medical practitioner certifies they are not able to undertake full time work. A person in full-time employment does not qualify for SB.
- 42 To be eligible for the SB, a person must be aged 18 years or over, unless they are 16 or over and married or in a civil union or de facto relationship, and have one or more dependent children.

## **Invalid's Benefit**

- 43 The Invalid's Benefit (IB) provides income support for people who are not able to work because they are permanently and severely restricted in their capacity to work. The rates are higher than equivalent DPB (except for DPB-CSI, paid at the same rate as IB), SB or UB rates.
- 44 To receive an IB, a client must be aged 16 or over and be permanently and severely restricted in their capacity for work because of sickness, injury or disability or be totally blind.<sup>7</sup> They must have lived continuously in New Zealand for two years or more at any one time since becoming a New Zealand Citizen or Permanent Resident and be ordinarily resident in New Zealand when they first apply for benefit.
- 45 Income earned by the client and their partner is charged against the IB at a rate of 30 cents in the dollar for amounts earned above \$4,160 per year and 70 cents for amounts earned above \$9,360.<sup>8</sup> In addition, the first \$20 per week of income earned by the beneficiary's own effort is exempted from the income test. All personal earnings of a totally blind person are also exempted from the income test.
- 46 As the IB is paid at a higher rate and abatement is lower than for UB and SB, the incentive to work for people able to claim IB is lower. Further, once a person demonstrates their ability to consistently work 15 hours or more per week they cease to qualify for IB, which can discourage IB claimants from attempting to work full time. To address this problem, Section 44A of the

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<sup>7</sup> As at the end of December 2007 there were 881 people who claimed IB because they are totally blind.

<sup>8</sup> The Social Assistance (Worktest and Other Changes) Amendment Bill includes provision to increase the \$4,160 threshold to \$5,120 and the \$9,360 threshold to \$10,400 from October 2010.

Social Security Act allows IB recipients to undertake an employment trial to test their ability to work without fear of losing their benefit eligibility. The employment trial allows IB recipients to try working 15 hours or more per week for up to six months without this work effort affecting their fundamental eligibility to IB.

### **Widow's Benefit**

47 Widow's Benefit (WB) provides income support for a woman whose partner has died, whether or not she has dependent children. If she does not have dependent children then her eligibility may depend on the length of time she spent caring for dependent children, her age at the time of her husband's death and duration of the marriage. The single rate of WB, paid to a widow who is no longer caring for dependent children, is higher than the single rate of UB and SB. Widows who are still caring for children are paid sole parent rates equivalent to the DPB. Work test and abatement rules are the same as for the DPB.

### **Emergency and Hardship Benefits**

48 Emergency and Hardship Benefits are generally payable to people who cannot receive any other benefit, who are suffering hardship and are unable to earn enough income for themselves and their family. For example, a recently arrived refugee family can claim an emergency benefit that reflects the family situation (UB, SB, DPB or IB), despite not meeting the eligibility criterion of two years' New Zealand residence. Rates and criteria are usually analogous to the relevant core main benefits.

### **Independent Youth Benefit**

49 The Independent Youth Benefit (IYB) provides income support for 16 and 17 year olds who, generally because of a family breakdown, are not supported by their parents and who are either at school, looking for work or in training for work, or who can't work due to illness, injury, disability or pregnancy.

### **Orphan's Benefits and Unsupported Child's Benefits**

50 Orphan's Benefits and Unsupported Child's Benefits provide income support to the caregiver of a child whose parents can't support them. The caregiver must be aged 18 or older, not be the child's natural or adoptive parent, be likely to have the child for at least a year and not be paid to care for the child as a Child, Youth and Family caregiver. The rates are higher than family tax credit rates.

51 The Unsupported Child's Benefit and Orphan's Benefit are tested on the child's income rather than the carers.

### ***Second-tier benefits***

52 Supplementary or second-tier benefits are generally paid subject to income tests and sometimes asset tests. The aim of second-tier benefits is to assist in particular circumstances or with particular costs that are ongoing.

### **Accommodation Supplement**

53 Accommodation Supplement (AS) is a non-taxable benefit that provides assistance towards accommodation costs for beneficiaries and low and middle-income earners. Clients must meet a cash asset test, an income test and have 'high' accommodation costs. AS is not available to people who pay rent to Housing New Zealand.

54 The AS rate subsidises 70% of accommodation costs above a threshold, based on the applicable benefit rate, and cannot exceed a maximum which is set according to the person's

family circumstances and the area in which the accommodation costs are incurred. The maximum rates of AS are set to reflect the median rental costs for the size of accommodation required by the individual or family in each area. For example, higher maxima apply for families in Auckland urban zones compared to the maxima for single people in rural areas.

- 55 The thresholds and maxima for AS (for beneficiaries, superannuitants and non-beneficiaries) are shown in table 5 of Annex 1 to this paper.
- 56 AS is not abated for people receiving a main benefit unless earnings preclude payment of the main benefit. AS is reduced at a rate of 25 cents for every dollar above the cut-out point for the relevant unemployment benefit rate.
- 57 Both beneficiaries and non-beneficiaries can receive AS. Statistics as at the end of February 2010 for groups claiming AS are set out in the table below. 41% of AS recipients have children and 18% of AS recipients are non-beneficiaries.

Table 1: Accommodation Supplement Clients by benefit group

<b>Accommodation Supplement clients as at end of February 2010</b>	
<b>Benefit Group</b>	<b>Number</b>
DPB related	80,441
Emergency Benefit	4,965
Invalids Benefit	43,811
Independent Youth Benefit	1,367
Sickness Benefit related	43,594
Unemployment Benefit related	49,420
UB Training related	4,208
UH Students	3,162
Widows Benefit	2,453
NZ Superannuation Veterans Pension	26,216
Non Beneficiary	56,351
<b>Total</b>	<b>315,988</b>

### **Disability Allowance**

- 58 A Disability Allowance (DA) is available to both beneficiaries and non-beneficiaries who have a disability and have on-going additional costs because of that disability. The amount paid is based on actual costs and is payable up to a maximum rate of \$56.98 per week (as at 1 April 2010). In families, up to this limit may be claimed for each family member with disability costs.
- 59 Beneficiaries are automatically eligible on income grounds for the DA, but those in receipt of New Zealand superannuation or a Veteran's pension, and non-beneficiaries must have income below set levels.

### **Child Disability Allowance**

- 60 A child disability allowance (CDA) of \$42.94 a week (as at 1 April 2010) is available to the principal caregiver of a dependent child who has a serious disability and who requires extra care. Unlike the DA, CDA has no income or asset test. CDA and DA can be paid in respect of the same child.

### **Childcare Assistance**

- 61 Childcare Assistance (CCA) consists of the Childcare Subsidy (CCS) for pre-school children and Out of School Care and Recreational Subsidy (OSCAR) for school aged children. As at the end

of February 2010 childcare assistance was being paid for 43,738 children, with the majority (35,273) receiving CCS.

- 62 CCA is paid directly to the provider at one of three hourly payment rates depending on the parent's income and number of children. Access to more than nine hours CCA is available only to people who are undertaking paid employment, training, ill or disabled or caring for someone who is severely disabled and available only to those who do not have a partner (who is not sick or disabled) who is able to provide childcare. Beneficiaries are able to access up to nine hours 'respite' care regardless of whether they satisfy the activity test.
- 63 Different subsidy levels are available according to income levels and numbers of children as set out in Table 4 of Annex 1 to this paper.

### ***Third-tier assistance***

- 64 Third-tier assistance provides additional support for people whose costs are outside the scope of second-tier assistance and who meet hardship criteria.

### **Special Benefit**

- 65 The Special Benefit (SpB) continues for people who were receiving it on 1 April 2006 and continue to qualify under grandparenting arrangements. SpB is a discretionary benefit, which aims to provide assistance to clients whose essential ongoing costs are causing them hardship. It is paid to help clients meet their essential living costs while they reduce their ongoing costs so they can live within their usual income. The general expectation is that costs will be managed down within six months and that special benefit will not be required in the long term.
- 66 SpB is subject to a cash asset test and has no maximum rate payable. SpB is highly discretionary but generally clients must have an ongoing and reasonably substantial deficiency of income over expenditure and commitments, have unavoidable expenses and no other means of financial assistance. Applications are considered on a case-by case basis considering all the client's circumstances. A client does not need to be receiving an income-tested benefit to receive SpB but the majority of the recipients are beneficiaries.

### **Temporary Additional Support (TAS)**

- 67 Temporary Additional Support (TAS) replaced SpB for new applicants on 1 April 2006. TAS provides financial assistance for up to 13 weeks as a last resort for people in financial hardship who cannot meet their essential costs from their income or other sources.
- 68 In contrast to the highly discretionary SpB, the provisions for TAS are set out in the Social Security Act, with additional criteria set out in regulations. A cash asset test applies and a formula is used to assess eligibility. The formula compares costs (some common household costs are standardised and not all costs are allowed) with disposable income. A weekly deficit of at least \$1.00 must be found in order for a person to be eligible for TAS. The rate paid is the actual deficit or 30% of the main benefit rate, whichever is less, except in situations where the client may qualify for a disability exception amount.
- 69 A disability exception amount is available when the client has a weekly deficit greater than the upper limit for TAS and a member of the family is receiving the maximum disability allowance and has excess disability costs. The rate of TAS then can be increased by 30% of the total excess disability costs.

### **Advance Payment of Benefit (Advance)**

- 70 An Advance Payment of Benefit is discretionary and may be available to a client receiving a main benefit who requires assistance to meet a particular immediate need for an essential item.

To receive an Advance a client must be receiving a benefit or pension, meet an income and asset test and have an immediate and essential need.

### **Recoverable Assistance Payment**

71 A Recoverable Assistance Payment (RAP) provides interest-free, recoverable financial assistance to non-beneficiaries to meet essential and immediate needs for specific items or services. The amount of RAP paid depends on the size of the immediate need, but the maximum amount of recoverable assistance debt a client may have is equal to six weeks of Invalid's Benefit.

### **Special Needs Grant**

72 Special Needs Grants (SNG) are generally one-off payments for people who need financial assistance to meet immediate and essential needs and emergency needs. It covers payments for people in specific circumstances such as including special assistance for the rural sector at times of drought. A person does not have to be receiving a benefit to qualify for a SNG, but must meet the income and asset criteria.

### **Funeral Grant**

73 A Funeral Grant is a non-taxable, lump sum payment to help with the funeral costs of a partner or child or parent who has died. It can also be paid to people who are arranging the funeral for someone with no family. The amount of the funeral grant is calculated taking into account the cost of the funeral, the estate of the deceased person and the assets of the partner/child/parent. Up to a maximum of \$1,855.75 (as at 1 April 2010) may be paid.

### ***Relationship between ACC compensation and benefits.***

74 A person receiving an income-related payment from ACC may also be eligible for a main benefit or other payments if they meet the eligibility criteria. People who were receiving benefit payments prior to an injury may continue to receive those payments provided they continue to meet the eligibility criteria.

75 Main benefits are reduced by a dollar for each dollar of weekly compensation from ACC. Consequently there is no benefit paid when the rate of weekly compensation exceeds the rate of benefit a person is eligible for. The weekly compensation may be included in the income assessment for other forms of assistance for non-beneficiaries.

76 Whether or not a person is already receiving a main benefit from Work and Income, or weekly compensation from ACC, they may also be eligible for any of the other forms of assistance offered by MSD, provided they meet the eligibility criteria.

77 A person receiving other payments from Work and Income may continue to be eligible for them, unless an ACC payment is made to cover exactly the same circumstance. For example, a person may have been eligible for Disability Allowance to cover asthma costs, and continue to receive it for that purpose. Disability Allowance may be used to meet, or partially meet, the cost of ACC co-payments (the amount remaining for a person to pay once ACC have paid their contribution).

78 Until an employed person who has made an ACC claim for weekly (earnings-related) compensation has their claim accepted by ACC, they may be eligible for income support (a main benefit) and or other payments from Work and Income if they are unable to work or have additional costs because of their injury. However the benefit will be retrospectively reviewed if weekly compensation is backdated.

## **Relationship between benefits and tax credits**

79 A description of the Working for Families Tax Credits, including current rates, is attached as Annex 2. A benefit, together with the family tax credit, is expected to provide a modest but adequate income for families with children.

80 The in-work tax credit, together with the minimum tax credit, aims to ensure that people are better off in full-time paid work and off benefit.

## **Number of people receiving benefits**

81 At the end of December 2009, 345,000 working age people were receiving main social security benefits. This compares with 320,000 in December 2004 and 286,000 in December 2008. The number of working age people receiving main benefits increased by 59,000 (21 percent) in the 12 months ended December 2009, and by 26,000 (8 percent) in the five years ended December 2009.

Table 2: Numbers of working age people receiving main benefits December 1999-2009

<b>End of quarter</b>	<b>Unemployment Benefits</b>	<b>Domestic Purposes Benefits</b>	<b>Sickness Benefits</b>	<b>Invalid's Benefits</b>	<b>Other main benefits<sup>2</sup></b>	<b>All main benefits</b>
December 1999	161,128	110,285	32,870	52,195	44,937	401,415
December 2000	146,692	109,663	33,560	56,711	45,681	392,307
December 2001	133,732	109,047	36,191	61,369	41,095	381,434
December 2002	118,139	109,290	39,426	65,779	34,825	367,459
December 2003	94,348	111,065	42,357	69,588	31,489	348,847
December 2004	65,969	109,339	45,648	72,543	26,200	319,699
December 2005	51,426	106,302	46,862	74,500	22,993	302,083
December 2006	38,796	100,309	48,650	76,816	22,070	286,641
December 2007	22,748	98,154	49,093	80,082	19,655	269,732
December 2008	30,508	100,282	50,896	83,501	20,989	286,176
December 2009	66,328	109,289	59,158	85,038	25,663	345,476

1 Working-age clients are aged 18 - 64 years.

2 Comprises Emergency Benefits, IYB, UB Training, UB Hardship Training, UB Student Hardship, Widow's Benefits, and (until April 2004) Transitional Retirement Benefits.

82 See Annex 3 for a link to fact sheets showing further information about the numbers of people on each type of benefit and their characteristics.

## **Expenditure on benefits**

83 The following table shows the 2010 forecast for expenditure on social assistance benefits.

Table 3: Forecast expenditure on social assistance benefits

<b>Transfer Payments</b>	<b>2010 Forecast (\$m)</b>
Domestic Purposes Benefit	1,647
Unemployment Benefit	1,078
Invalids Benefit	1,297
Sickness Benefit	692
Accommodation Supplement	1,166
Disability Allowances	417
Childcare Assistance	178
Family Tax Credit	2,158

Numbers sourced from: Budget Economic and Fiscal Update 2009, Notes to the Financial Statements, Table 4.2, Published on Treasury website.

**RATES OF  
INCOME TESTED BENEFITS AND ALLOWANCES  
SUPPLEMENTARY ASSISTANCE  
AND  
ASSESSMENT THRESHOLDS**

**FROM 1 April 2010**

**AVAILABLE ONLINE AT:**

**<http://www.workandincome.govt.nz/documents/benefit-rates-april-2010.pdf>**

## WORKING FOR FAMILIES TAX CREDITS

- 1 There are five tax credits for families with children delivered mainly through the tax system.
- 2 The five tax credits are:
  - family tax credit (FTC)
  - in-work tax credit (IWTC)
  - minimum family tax credit (MFTC)
  - parental tax credit (PTC)
  - child tax credit - grandparented (CTC).

### Rates of the Working for Families Tax Credits<sup>1</sup>

Family tax credit	
Age of the Child or Children	Weekly Rate
<b>For the Eldest Child</b>	
Aged 0 - 15 years	<b>\$86.29</b>
Aged 16 - 18 years	<b>\$99.96</b>
<b>For Each Additional Child</b>	
Aged 0 - 12 years	<b>\$59.98</b>
Aged 13 - 15 years	<b>\$68.40</b>
Aged 16 - 18 years	<b>\$89.44</b>

In-work tax credit (IWTC)	Up to \$60.00 per week per family with one two or three children, with up to an extra \$15 per child for the fourth and subsequent children
Minimum family tax credit (MFTC)	This is an extra payment to ensure that a family's after-tax income does not fall below \$20,800.00 per year before tax (\$400.00 per week before tax)
Parental tax credit	Up to \$150.00 per week for first 8 weeks following the birth of a child (maximum \$1,200.00 per year)

- 3 The tax credits can be paid out as interim payments (weekly or fortnightly) based on estimated annual income, or at the end of the year as a lump sum. Some 40% of families receiving the tax credits receive them as weekly or fortnightly instalments from Inland Revenue. An end of year square-up is required from these families, with any overpayment repayable and any underpayment refundable. 17% of families receive their credits from Inland Revenue as a lump sum after the end of the tax year. The remainder receive their family tax credit in weekly instalments from Work and Income along with an income-tested benefit.

### How income affects the credits

- 4 The MFTC is not subject to abatement – you either get topped up to the prescribed amount, or you don't need to be if your earned income exceeds it.

<sup>1</sup> To compensate for the rise in GST, from 1 October 2010 the rates of family tax credit and minimum family tax credit will increase by 2.02 per cent.

- 5 The other tax credits are abated at the rate of 20 cents for every dollar earned above \$36,827 per annum. The abatement first reduces FTC. When FTC is extinguished the IWTC or CTC is abated and after that the PTC. The level of income at which entitlement is fully abated (the income limit) depends on how many of the tax credits are claimed and the age and number of children in the family.
- 6 Budget 2010 foreshadowed changes that will take effect from 1 April 2011 so that people will no longer be able to use investment losses to reduce their income so they can claim Working for Families payments.

### **Family tax credit**

- 7 The FTC assists families with the costs of raising children. It is available to families regardless of the source of the family's income. If a family receives an income-tested benefit, FTC may be paid by Work and Income, but otherwise FTC is paid by Inland Revenue. FTC is paid to the principal caregiver.

### **In-work tax credit**

- 8 The IWTC aims to provide an incentive for families to move into paid work and, if already there, to remain in work. The IWTC is paid at \$60 per week for families with one – three children with \$15 added for each subsequent child.
- 9 IWTC is available to families:
  - in paid work (including self-employed) for at least 30 hours (in total) per week for couple families and at least 20 hours per week for single parent families
  - provided they do not receive a student allowance, a parent's allowance under the War Pensions Act 1954, or an income-tested benefit

### **Child tax credit**

- 10 The CTC is available only to those persons who are ineligible for the IWTC (generally because they do not meet the work hours requirement) but who were eligible for the CTC immediately prior to the IWTC coming into force on 1 April 2006. The CTC is a maximum of \$780 per child per year that is paid at \$15 per child per week to those families who elect to receive weekly payments.

### **Parental tax credit**

- 11 The PTC assists with the extra costs following the birth of a child. The PTC is paid to families for 56 days after the birth of a child depending on the family's income source<sup>2</sup> and provided the family is not receiving paid parental leave under the Parental Leave and Employment Protection Act 1987.

### **Minimum family tax credit**

- 12 The MFTC guarantees a minimum level of after-tax family income to working families with dependent children. To qualify, families must meet the working hours requirement of at least 30 hours per week for couple families and 20 hours for single parent families and must not be receiving an income-tested benefit, New Zealand Superannuation, Student Allowance or a Veteran's Pension.

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<sup>2</sup> The PTC is not available to families who receive income-tested benefits, Veteran's Pensions, NZ Superannuation, Student Allowances, or have been receiving earnings-related ACC for more than 3 months.

**Benefit factsheets are published quarterly on the Ministry of Social Development website. Click on hyperlink below**

**[National Benefit Factsheets 2010 - Ministry of Social Development](http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/2010-national-benefit-factsheets.html)**

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