

*Examined and certified:*

*Clerk of the House of Representatives*

*In the name and on behalf of Her Majesty Queen Elizabeth  
the Second I hereby assent to this Act this 3rd day  
of June 2004*

*Governor-General.*

## **Taxation (Working for Families) Act 2004**

Public Act 2004 No 52

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**The Parliament of New Zealand enacts as follows:**

**1 Title**

This Act is the Taxation (Working for Families) Act 2004.

**2 Commencement**

- (1) Sections 5(1) and (2), 7(1), 8(1), 9(1), 11(1)–(11), 12(1), 18(1), 19(1)–(4), 23(1), 24(1)–(4), 25(1), 26(1), and 27(1) come into force respectively as provided in sections 5(3), 7(2), 8(2), 9(2), 11(12), 12(2), 18(2), 19(5), 23(2), 24(5), 25(2), 26(2), and 27(2).
- (2) The rest of this Act comes into force on the day after the date on which it receives the Royal assent.

**3 Purpose**

The purpose of this Act is to amend the Income Tax Act 2004, the Child Support Act 1991, the Housing Restructuring Act 1992, the Privacy Act 1993, and the Tax Administration Act 1994.

*Amendments to Income Tax Act 2004 coming into force on 1 April 2005 or applying in respect of 2005–06 and subsequent income years*

**4 Calculation of subpart KD credit**

- (1) Section KD 2(3) is replaced by the following:
- “(3) The amount of the family support credit for an eligible period is given by the following formula:

$$\text{amount} \times \frac{\text{days}}{365}$$

“where—

“**amount** is the sum of,—

- “(a) for the eldest dependent child for whom the person is a principal caregiver during the period, 1 of the following:
- “(i) \$3,744, if the child is under 16 years of age:
  - “(ii) \$4,420, if the child is 16 years of age or older:
  - “(iii) a weighted average of the amounts in subparagraphs (i) and (ii) that reflects the proportion of the period for which those subparagraphs apply to the child, if the child turns 16 years of age during the period; and
- “(b) for each dependent child for whom the person is a principal caregiver during the period, other than the eldest dependent child, 1 of the following:
- “(i) \$2,444, if the child is under 13 years of age:
  - “(ii) \$2,860, if the child is 13, 14, or 15 years of age:
  - “(iii) \$3,900, if the child is 16 years of age or older:
  - “(iv) a weighted average of the amounts in subparagraphs (i) and (ii) that reflects the proportion of the period for which those subparagraphs apply to the child, if the child turns 13 years of age during the period:
  - “(v) a weighted average of the amounts in subparagraphs (ii) and (iii) that reflects the proportion of the period for which those subparagraphs apply to the child, if the child turns 16 years of age during the period

“**days** is the number of days in the eligible period.”

(2) Section KD 2(6) is replaced by the following:

“(6) The amount of the family credit abatement for an eligible period is calculated by the following formula:

$$\text{full-year abatement} \times \frac{\text{NRFES}}{365}$$

“where—

“**full-year abatement** is,—

- “(a) if the person has no spouse during the eligible period and—
- “(i) the person’s specified income for a specified period containing the eligible period is not more than \$20,356, nil:

- “(ii) the person’s specified income for a specified period containing the eligible period is more than \$20,356 but is not more than \$27,481, 18 cents for each complete dollar of the excess:
  - “(iii) the person’s specified income for a specified period containing the eligible period is more than \$27,481, the amount of \$1,282.50, increased by 30 cents for each complete dollar of the excess:
- “(b) if a person has a spouse during the eligible period, and—
- “(i) the person’s specified income, their spouse’s specified income, or the sum of those specified incomes, as the case may be, for a specified period containing the eligible period is not more than \$20,356, nil:
  - “(ii) the person’s specified income, their spouse’s specified income, or the sum of those specified incomes, as the case may be, for a specified period containing the eligible period is more than \$20,356 but not more than \$27,481, 18 cents for each complete dollar of the excess:
  - “(iii) the person’s specified income, their spouse’s specified income, or the sum of those specified incomes, as the case may be, for a specified period containing the eligible period is more than \$27,481, the amount of \$1,282.50 increased by 30 cents for each complete dollar of the excess

“**NRFFS** is the number of days in the eligible period, not including calendar months in which the person is a ring-fenced family support recipient.

- “(6B) For the purpose of subsection (6), a **ring-fenced family support recipient** for a calendar month in an eligible period is a person who, in the calendar month,—
- “(a) has no spouse, receives an income-tested benefit and derives annualised specified income that is less than the amount specified in section KD 2(6)(a)(i):
  - “(b) has a spouse, receives an income-tested benefit and derives annualised specified income that together with the annualised specified income of the person’s spouse

is less in total than the amount specified in section KD 2(6)(b)(i).

“(6C) In calculating the annualised specified income under subsection (6B),—

“(a) section KD 1(3)(a) and (b) does not apply; and

“(b) no regard may be had to income from employment that is derived in the calendar month as a result of an extra pay period that occurs in that month; and

“(c) for a person who derives, for part of an income year, income to which section OB 2(2) applies, or income from a business, the assessable income and any expenditure incurred in deriving that income that is allowed as a deduction are to be treated as derived and incurred, respectively, at a uniform daily rate throughout that part of the income year.”

(3) Subsections (1) and (2) apply in respect of the 2005–06 and subsequent income years.

## 5 Calculation of family tax credit

(1) In section KD 3(3), the definition of the item **amount** is replaced by the following:

“**amount** is \$15,080 or a greater amount prescribed by the Governor-General by Order in Council under section KD 5C”.

(2) In section KD 3(5), the definition of the item **amount** is replaced by the following:

“**amount** is \$15,080 or a greater amount prescribed by the Governor-General by Order in Council under section KD 5C”.

(3) Subsections (1) and (2) come into force on 1 April 2005.

## 6 Credit of tax by instalments

(1) Section KD 5(2) is replaced by the following:

“(2) An application under subsection (1) or (1A) must—

“(a) be in the prescribed form; and

“(b) be signed by the person and any other person who, at the time at which the application is made, expects to be, in the elected period, a spouse in relation to the person; and

“(c) give, for each signatory to the application, a complete statement of—

- “(i) the net income that is expected to be attributable to the tax year referred to in subsection (1) or (1A); and
  - “(ii) the net income that is expected to be attributable to the elected period; and
  - “(d) elect whether the interim instalments should be paid weekly or fortnightly; and
  - “(e) contain such other information as the Commissioner may require; and
  - “(f) be accompanied by the information required by subsection (2AAA).
- “(2AAA) An application under subsection (1) or (1A) must be accompanied by the following:
- “(a) for a signatory who expects to derive income from employment, evidence of the amount of income from employment (if any) derived by the signatory in the period of one month immediately preceding the date on which the application is made:
  - “(b) for a signatory who expects to derive income from a business,—
    - “(i) a copy of the annual accounts of the business for the tax year (or the accounting year that, under this Act, corresponds with the tax year) immediately preceding the tax year that contains the elected period; or
    - “(ii) if the Commissioner is satisfied that the annual accounts referred to in subparagraph (i) have not been completed, a copy of the annual accounts for the business for the tax year (or the accounting year that, under this Act, corresponds with the tax year) that precedes the year immediately preceding the tax year that contains the elected period; or
    - “(iii) a set of budgeted accounts of the business for the tax year (or the accounting year that, under this Act, corresponds with the tax year) that contains the elected period; or
    - “(iv) other evidence that is acceptable to the Commissioner in relation to the business for the tax year (or the accounting year that, under this Act, corresponds with the tax year) that contains the elected period:

- “(c) unless paragraph (d) applies, the tax file number of each child in relation to whom a credit of tax is claimed:  
“(d) in the case of a child that has died or is given up for adoption, a birth certificate or other evidence acceptable to the Commissioner verifying the birth or existence of the child for whom a credit of tax is claimed.”
- (2) In section KD 5(2AA), “subsection (2)(a)” is replaced by “subsection (2AAA)(a)”.
- (3) In section KD 5(2AB), “subsection (2)(d)” is replaced by “subsection (2AAA)(d)”.
- (4) In section KD 5(4)(b) and in section KD 5(4)(c)(i) to (iv), in each place where it appears, “fortnightly” is omitted.
- (5) In section KD 5(6), “under subsection (4)” is replaced by “for the purpose of subsection (4)”.
- (6) In section KD 5(6A)(b)(ii), “section KD 5B” is replaced by “sections KD 2 and KD 3”.
- (7) Section KD 5(10)(c) is replaced by the following:  
“(c) is advised by the chief executive of the department currently responsible for administering the Social Security Act 1964, under sections 84 or 85G of the Tax Administration Act 1994, that the person is also receiving a credit of tax from the chief executive or will receive a credit of tax from the chief executive,—”.
- (8) Subsections (1) to (7) apply in respect of the 2005–06 and subsequent income years.

## **7 Section KD 5B repealed**

- (1) Section KD 5B is repealed.
- (2) Subsection (1) comes into force on 1 April 2005.

## **8 New section KD 5C inserted**

- (1) Before section KD 6, the following is inserted:

**“KD 5C Order in Council to increase amount of family tax credit**

The Governor-General may, by Order in Council, increase the figure in the definition of the item **amount** in—

- “(a) section KD 3(3):  
“(b) section KD 3(5).”

- (2) Subsection (1) comes into force on 1 April 2005.

**9 Chief executive to deliver credit of tax**

- (1) In section KD 6(1A)(b), “section KD 5B” is replaced by “section KD 2”.
- (2) Subsection (1) comes into force on 1 April 2005.

**10 Commissioner to deliver credit of tax by instalments**

- (1) In section KD 7(1), “fortnightly” is omitted.
- (2) After section KD 7(2A), the following is inserted:

“(2B) If the Commissioner considers, on the basis of information provided under section 85G of the Tax Administration Act 1994 by the chief executive of the department currently responsible for administering the Social Security Act 1964, that a person is entitled to a family support credit, the Commissioner must make payments by way of interim instalments without abatement of the credit to the person for the period that—

  - “(a) commences on the day following the day that the chief executive specifies as being the last day for which the person is entitled to the specified benefit, or as the case may be, a subpart KD credit paid under section KD 6(1); and
  - “(b) ends on the earlier of—
    - “(i) the day preceding the first day specified in a certificate of entitlement subsequently issued under section KD 5;
    - “(ii) a period of not more than 8 weeks, commencing on the first day referred to in paragraph (a).

“(2C) If under section KD 6(1B) a credit payable under subsection (2B) is paid for part of the 8 week period referred to in subsection (2B)(b)(ii) by the chief executive of the department currently responsible for administering the Social Security Act 1964, the 8 week period is reduced by the period in respect of which payments were made by the chief executive of that department.”
- (3) Subsections (1) and (2) apply in respect of the 2005–06 and subsequent income years.

**11 Definitions**

- (1) This section amends section OB 1.
- (2) The definition of **child tax credit** is replaced by the following:



- “**child tax credit**, means the component of the subpart KD credit calculated under section KD 2(4) (Calculation of subpart KD credit)”.
- (3) In the definition of **eligible period**, in paragraph (d), “day” is replaced by “day; and”.
- (4) In the definition of **eligible period**, after paragraph (d), the following is added:
- “(e) the composition of a subpart KD credit changes, other than on the first, or as applicable, the last day”.
- (5) The definition of **family credit abatement** is replaced by the following:
- “**family credit abatement**, means the component of the subpart KD credit calculated under section KD 2(6) (Calculation of subpart KD credit)”.
- (6) The definition of **family support credit** is replaced by the following:
- “**family support credit**, means the component of the subpart KD credit calculated under section KD 2(3) (Calculation of subpart KD credit)”.
- (7) The definition of **family tax credit** is replaced by the following:
- “**family tax credit**, means a credit allowed by section KD 3 (Calculation of family tax credit)”.
- (8) In the definition of **income-tested benefit**, paragraphs (b) and (c) are omitted.
- (9) After the definition of **interest**, the following is inserted:
- “**interim instalment** means the weekly or fortnightly interim instalment elected in an application made in accordance with section KD 5(2) (Credit of tax by instalments)”.
- (10) The definition of **parental tax credit** is replaced by the following:
- “**parental tax credit**, in subpart KD, means the component of the subpart KD credit calculated under section KD 2(5) (Calculation of subpart KD credit)”.
- (11) After the definition of **specified base cost for 1983 income year property**, the following is inserted:
- “**specified benefit**, in section KD 7(2B), means an income-tested benefit, or an orphan’s benefit, or an unsupported

child's benefit paid or payable under the Social Security Act 1964”.

- (12) Subsections (1) to (11) come into force on 1 April 2005.

*Amendments to Income Tax Act 2004 coming into force on 1 April 2006 or applying in respect of 2006–07 and subsequent income years*

**12 Family support and family plus**

- (1) Section KD 1A(2) is replaced by the following:
- “(2) Family plus consists of the in-work payment, or the child tax credit continued under section KD 2AAAB, the parental tax credit and the family tax credit.”
- (2) Subsection (1) comes into force on 1 April 2006.

**13 Calculation of subpart KD credit**

- (1) The formula in section KD 2(2) is replaced by the following:
- “FSC + IWP or CTC + PTC – FCA”.
- (2) In section KD 2(2), the definition of item **CTC** is replaced by the following:
- “**IWP** or **CTC** is the amount of—
- “(a) the in-work payment for the eligible period calculated under section KD 2AAA, if the person is entitled to the in-work payment for the eligible period:
- “(b) the child tax credit for the eligible period calculated under subsection (4), if the person—
- “(i) is not entitled to the in-work payment for the eligible period; and
- “(ii) is entitled to the child tax credit for the eligible period under section KD 2AAAB”.
- (3) In section KD 2(3), in paragraphs (a)(i) and (ii) and in paragraphs (b)(i) to (iii) of the item **amount**, “or such greater amount as may be prescribed by the Governor-General by Order in Council under section KD 5C” is inserted after the amount provided in each paragraph.
- (4) In section KD 2(5), in the item **amount**, “or such greater amount as may be prescribed by the Governor-General by Order in Council under section KD 5C” is inserted after “\$1,200”.

- (5) In section KD 2(6), in the definition of the item **full-year abatement**, paragraphs (a) and (b) are replaced by the following paragraphs:
- “(a) if the person has no spouse during the eligible period and the person’s specified income for a specified period containing the eligible period is more than \$27,500 or such greater amount as may be prescribed by the Governor-General by Order in Council under section KD 5C, 30 cents for each complete dollar of the excess:
  - “(b) if the person has a spouse during the eligible period and the person’s specified income, their spouse’s specified income, or the sum of those specified incomes, as the case may be, for a specified period containing the eligible period is more than \$27,500 or such greater amount as may be prescribed by the Governor-General by Order in Council under section KD 5C, 30 cents for each complete dollar of the excess:”.
- (6) In section KD 2(6B)(a), “section KD 2(6)(a)(i)” is replaced by “section KD 2(6)(a)”, and in section KD 2(6B)(b), “section KD 2(6)(b)(i)” is replaced by “section KD 2(6)(b)”.
- (7) Subsections (1) to (6) apply in respect of the 2006–07 and subsequent income years.

#### **14 New sections KD 2AAA and KD 2AAAB inserted**

- (1) After section KD 2, the following is inserted:

##### **“KD 2AAA In-work payment**

- “(1) A principal caregiver is entitled to the in-work payment for an eligible period in relation to a child if, for the eligible period,—
- “(a) the principal caregiver is aged 16 years or over; and
  - “(b) the principal caregiver cares for the child—
    - “(i) whose care is primarily the responsibility of the principal caregiver; and
    - “(ii) who is being maintained as a member of the principal caregiver’s family; and
    - “(iii) who is financially dependent on the principal caregiver and includes a child for whom payments are made under section 363 of the Children, Young Persons, and Their Families Act 1989 or a child for whom a benefit is paid under

section 28 or 29 of the Social Security Act 1964;  
and

- “(c) either the principal caregiver satisfies the residence requirements of subsection (3) or the child satisfies the residence requirements of subsection (4); and
  - “(d) either or both of the principal caregiver and the principal caregiver’s spouse is a person to whom subsection (7) refers, or—
    - “(i) has, from an activity, income that satisfies the requirements of subsection (5) for 1 or more periods of a week in the eligible period, subject to subsection (6) or (7) or paragraphs (c), (d), (e), (f), or (g) of the definition **full-time earner**; and
    - “(ii) is a full-time earner, or would normally be a full-time earner, engaged in employment if the income referred to in subparagraph (i) were treated as satisfying the requirements of paragraph (d) of the definition of **employment**; and
  - “(e) neither the principal caregiver nor the principal caregiver’s spouse receives an income-tested benefit, or a payment of the kind described in paragraph (xi) of the definition of **salary or wages**, or a parent’s allowance under section 32(2) of the War Pensions Act 1954.
- “(2) The amount of the in-work payment for a principal caregiver for an eligible period is calculated using the formula:

$$(\text{amount A} + (\text{amount B} \times (\text{children} - 3))) \times \frac{\text{weeks}}{52}$$

“where—

“**amount A** is \$3,120 or such greater amount as may be prescribed by the Governor-General by Order in Council under section KD 5C

“**amount B** is \$780 or such greater amount as may be prescribed by the Governor-General by Order in Council under section KD 5C

“**weeks** is the number of 1 week periods in the eligible period for which the principal caregiver or the principal caregiver’s spouse has, from the activity, income to which subsection (1)(d)(i) and (ii) refers

“**children** is the greater of—

- “(a) 3:

- “(b) the number of children in relation to whom the principal caregiver is entitled to the in-work payment.
- “(3) A principal caregiver satisfies subsection (1)(c) if—
- “(a) the principal caregiver has been both resident and present in New Zealand for a continuous period of 12 months at any time; and
- “(b) on the date on which a credit of tax is claimed under section KD 2, the principal caregiver is a tax resident and resident in New Zealand.
- “(4) A child satisfies subsection (1)(c) if the child is both resident and present in New Zealand for the eligible period.
- “(5) Income from an activity satisfies this subsection if the income is—
- “(a) a source deduction payment that is not—
- “(i) described in paragraph (b)(v), (viii), (ix), (x), (xi), (xii), (xiii), (xiv), (xv), and (xvi) of the definition of **salary or wages**;
- “(ii) a withholding payment of the kind specified in Part E of the Income Tax (Withholding Payments) Regulations 1979;
- “(b) income to which section OB 2(2) applies;
- “(c) income from a business carried on for profit.
- “(6) A person who satisfies the requirements of subsection (1)(d)(ii) but who in a 1 week period is not engaged in an activity related to their employment and who is on leave from that employment because of the birth of a child and who is eligible to receive the parental tax credit in respect of the child is treated for the purpose of subsection (1)(d)(ii), and for the period for which the parental tax credit is paid to the person, as being engaged in the week in the activity for the number of hours in respect of which the Commissioner is satisfied that the person would have been engaged but for the birth of the child.
- “(7) A person who satisfies the requirements of subsection (1)(d)(ii) but who in a 1 week period is engaged in employment for less than the number of hours required to satisfy subsection (1)(d)(ii) because of the birth of a child and who is eligible to receive the parental tax credit in respect of the child is treated for the purpose of subsection (1)(d)(ii), and for the period for which the parental tax credit is paid to the person, as being engaged in the week in the activity for the

number of hours in respect of which the Commissioner is satisfied that the person would have been engaged but for the birth of the child.

- “(8) A person is treated as satisfying subsection (1)(d) if—
- “(a) the person is receiving a child tax credit for an eligible period ending on 31 March 2006; and
  - “(b) the person or the person’s spouse, on or after 1 January 2006, suffered an incapacity due to personal injury by accident within the meaning of section 26 of the Injury Prevention, Rehabilitation, and Compensation Act 2001; and
  - “(c) weekly compensation within the meaning of section 6 of the Injury Prevention, Rehabilitation, and Compensation Act 2001, is being paid in respect of the incapacity or will be paid in respect of the incapacity; and
  - “(d) the person or their spouse would have satisfied the requirements of subsection (1)(d)(i) and (ii) and been eligible for the credit of tax calculated under this section at the time of the incapacity if this section had come into force before the date of the incapacity.

**“KD 2AAAB Continuation of child tax credit payments**

A person is entitled to continue to receive a child tax credit calculated under section KD 2(4) for an eligible period if—

- “(a) the person is eligible for a child tax credit in relation to a child for an eligible period ending on 31 March 2006; and
  - “(b) the person is not eligible for an in-work payment under section KD 2AAA; and
  - “(c) the person continues to be eligible for a child tax credit in relation to a child at all times after 31 March 2006.”
- (2) Subsection (1) applies in respect of the 2006–07 and subsequent income years.

**15 Rules for subpart KD credit**

- (1) Section KD 2AA(1) is replaced by the following:
- “(1) This section applies for the purposes of sections KD 2, KD 2AAA, and KD 2AAAB.”
- (2) After section KD 2AA(2), the following is inserted:

- “(2B) A person is a principal caregiver of a child for an eligible period under section KD 2AAA(1) if the person lives apart from another qualifying person for that dependent child and has the child in his or her exclusive care for periods totalling at least one-third of the tax year, whether or not those periods coincide with the eligible period.
- “(2C) When subsection (2B) applies, section KD 2AAA(1)(b) is to be read as applying to the periods during which the principal caregiver has exclusive care of the child.
- “(2D) A person who is a principal caregiver under subsection (2) or (2B) must inform the Commissioner forthwith upon the occurrence of a change in the arrangements for the care of the child which has, or will have, the effect of ending the person’s status as a principal caregiver.”
- (3) In section KD 2AA(3), “A subpart KD credit” is replaced by “A family support credit or a parental tax credit”.
- (4) After section KD 2AA(3), the following is inserted:
- “(3A) If 2 persons are eligible for a child tax credit or an in-work payment in relation to a child for an eligible period, the amount of the credit of tax to which each is entitled is not affected by the eligibility of the other person for a credit of tax.”
- (5) Subsections (1) to (4) apply in respect of the 2006–07 and subsequent income years.

## **16 Calculating net contributions to family support credit, child tax credit, and parental tax credit**

- (1) In the heading for section KD 2A, “**in-work payment**,” is inserted after “**family support credit**,”.
- (2) In section KD 2A,—
- (a) in the words before paragraph (a), “in-work payment,” is inserted after “family support credit,”:
- (b) in paragraph (a), “in-work payment,” is inserted after “family support credit,”:
- (c) paragraph (c)(ii) is replaced by the following:
- “(ii) secondly, to reduce the amount of the in-work payment or, as the case may be, the child tax credit corresponding to the period; and”.
- (3) Subsections (1) and (2) apply in respect of the 2006–07 and subsequent income years.

**17 Credit of tax by instalments**

- (1) In section KD 5(4)(c) after subparagraph (ii), the following is inserted:

“(iib) the amount of credit (if any) after abatement contributed by the in-work payment to the interim instalment:”.

- (2) Subsection (1) applies in respect of the 2006–07 and subsequent income years.

**18 Section KD 5C replaced**

- (1) Section KD 5C is replaced by the following:

**“KD 5C Adjustment of family support amounts, abatement threshold amounts, amounts of in-work payment and parental tax credit, and amount of family tax credit**

- “(1) The Governor-General may from time to time, by Order in Council,—

“(a) increase the amount of the family support credits specified in section KD 2(3) and the specified income threshold in section KD 2(6) by amounts that—

“(i) correspond to the movement in the quarterly all groups index number of the New Zealand Consumers Price Index:

“(ii) are rounded up to the nearest whole dollar, without affecting the calculation of later increases made under this paragraph:

“(b) increase the amount of the parental tax credit specified in section KD 2(5):

“(c) increase the amount of the in-work payment specified in section KD 2AAA:

“(d) increase the amount of the family tax credit in sections KD 3(3) and KD 3(5):

“(e) replace Schedule 12.

- “(2) An Order in Council under subsection (1)(a),—

“(a) in the case of the first Order in Council made under subsection (1)(a), must be made when the total percentage increase in the movements in the quarterly all groups index number of the New Zealand Consumers Price Index measured from that applying on 1 April 2007 is 5% or more:



- “(b) in the case of a subsequent Order in Council under subsection (1)(a), must be made when the total percentage increase in the movements in the quarterly all groups index number of the New Zealand Consumers Price Index measured from that applying on the date when the requirement to make the immediately preceding adjustment arose is 5% or more.
- “(3) An Order in Council made under this section must be made no later than 1 December in each year and must apply from 1 April following that date.
- “(4) The Minister responsible for the Inland Revenue Department, in consultation with the Minister responsible for the department currently responsible for administering the Social Security Act 1964, must cause a review to be undertaken of the amounts of the in-work payment and the parental tax credit allowable under this subpart.
- “(5) A review undertaken under subsection (4) must occur,—
- “(a) in the case of the first review, not later than 30 June 2008; and
- “(b) in the case of subsequent reviews, not later than 30 June in the third year after each preceding review.”
- (2) Subsection (1) comes into force on 1 April 2006.

## 19 Definitions

- (1) This section amends section OB 1.
- (2) In the definition of **family plus**, paragraph (a) is replaced by the following:
- “(a) the amount for an eligible period, after abatement (if any) under section KD 2(6) (Calculation of subpart KD credit), of whichever is appropriate of—
- “(i) the in-work payment calculated under section KD 2AAA (In-work payment):
- “(ii) the child tax credit calculated under section KD 2(4); and”.
- (3) After the definition of **investor**, the following is inserted:
- “**in-work payment**, means the component of the subpart KD credit given by section KD 2AAA (In-work payment)”.
- (4) In the definition of **subpart KD credit**, “and calculated” is omitted.

- (5) Subsections (1) to (4) come into force on 1 April 2006.

**20 Schedule 12—Amount that, for purposes of section KD 5(6), is deemed to be equivalent of annual amount**

- (1) Schedule 12 is replaced by the Schedule 12 in the Schedule of this Act.
- (2) Subsection (1) applies in respect of the 2006–07 and subsequent income years.

*Amendment to Income Tax Act 2004 applying in respect of 2007–08 and subsequent income years*

**21 Calculation of subpart KD credit**

- (1) Section KD 2(3) is replaced by the following:
- “(3) The amount of the family support credit for an eligible period is given by the following formula:

$$\text{amount} \times \frac{\text{days}}{365}$$

“where—

“**amount** is the sum,—

“(a) for the eldest dependent child for whom the person is a principal caregiver during the period, 1 of the following:

“(i) \$4,264, or such greater amount as may be prescribed by the Governor-General by Order in Council under section KD 5C, if the child is under 16 years of age:

“(ii) \$4,940, or such greater amount as may be prescribed by the Governor-General by Order in Council under section KD 5C, if the child is 16 years of age or older:

“(iii) a weighted average of the amounts in subparagraphs (i) and (ii) that reflects the proportion of the period for which those subparagraphs apply to the child, if the child turns 16 years of age during the period; and

“(b) for each dependent child for whom the person is a principal caregiver during the period, other than the eldest dependent child, 1 of the following:

- “(i) \$2,964, or such greater amount as may be prescribed by the Governor-General by Order in Council under section KD 5C, if the child is under 13 years of age:
  - “(ii) \$3,380, or such greater amount as may be prescribed by the Governor-General by Order in Council under section KD 5C, if the child is 13, 14, or 15 years of age:
  - “(iii) \$4,420, or such greater amount as may be prescribed by the Governor-General by Order in Council under section KD 5C, if the child is 16 years of age or older:
  - “(iv) a weighted average of the amounts in subparagraphs (i) and (ii) that reflects the proportion of the period for which those subparagraphs apply to the child, if the child turns 13 years of age during the period:
  - “(v) a weighted average of the amounts in subparagraphs (ii) and (iii) that reflects the proportion of the period for which those subparagraphs apply to the child, if the child turns 16 years of age during the period
- “**days** is the number of days in the eligible period.”
- (2) Subsection (1) applies in respect of the 2007–08 and subsequent income years.

*Amendment to Child Support Act 1991*

**22 Meaning of term living allowance**

- (1) Section 30(4) is replaced by the following:
- “(4) A liable parent who has one or more dependent children is entitled to a living allowance for the child support year of an amount equal to the aggregate of—
- “(a) an amount equal to the gross married rate of invalid’s benefit in force on 1 January in the immediately preceding child support year; and
  - “(b) in relation to not more than the eldest 4 such children, the sum of the amounts provided in subsection (4A) adjusted in the manner required by subsection (4B).
- “(4A) For the child support year commencing on 1 April 2005, the living allowance allowed under subsection (4) is \$2,444 in respect of each dependent child.

- “(4B) The living allowance for the child support years commencing on and after 1 April 2006 is \$2,444, inflated by the inflation percentage (as defined in section 29(1)) for that child support year.”
- (2) In section 30(5), in the definition of **gross married rate of unemployment benefit**, “(1)(h)” is replaced by “(1)(e)”.
  - (3) Subsections (1) and (2) apply in respect of the 2005–06 and subsequent child support years.

*Amendment to Housing Restructuring Act 1992*

**23 Schedule 2 amended**

- (1) In clause 10(a)(ii), “or child tax credit” is replaced by “, child tax credit, or in-work payment”.
- (2) Subsection (1) comes into force on 1 April 2006.

*Amendments to Privacy Act 1993*

**24 Notice of adverse action proposed**

- (1) In section 103(1), in the words preceding paragraph (a), “subsections (1A) and (2)” is replaced by “subsections (1A), (1B), and (2)”.
- (2) After section 103(1A), the following is inserted:
 

“(1B) Nothing in subsection (1) prevents the Commissioner of Inland Revenue from immediately suspending payment to an individual of all or part of an interim instalment of a credit of tax under subpart KD of the Income Tax Act 2004 when a discrepancy is identified in information supplied to the Commissioner under section 85G of the Tax Administration Act 1994 if, before or immediately after the decision to suspend, the Commissioner gives a written notice to the individual that—

  - “(a) provides details of the discrepancy and the suspension of payment of the credit of tax and any other adverse action which the Commissioner proposes to take; and
  - “(b) states that the individual has 5 working days from the receipt of the notice to show cause why payment of the credit of tax ought not to have been suspended or why the adverse action should not be taken, or both—

and the other adverse action must not be taken until expiration of those 5 working days.”

- (3) In section 103(2), “or subsection (1B)” is inserted after “subsection (1A)”.
- (4) In section 103(3), in the words preceding paragraph (a), “or subsection (1B)” is inserted after “subsection (1A)”.
- (5) Subsections (1) to (4) come into force on 1 April 2005.

## **25 Schedule 3 amended**

- (1) In Schedule 3 of the Privacy Act 1993, in the item “Tax Administration Act 1994”, “and 85E” is replaced by “, 85E and 85G”.
- (2) Subsection (1) comes into force on 1 April 2005.

### *Amendments to Tax Administration Act 1994*

## **26 Disclosure of information for family support double payment identification**

- (1) In the definition of **qualifying person** in section 84(6), “section KD 3(3)” is replaced by “section KD 2AAA or KD 3”.
- (2) Subsection (1) comes into force on 1 April 2006.

## **27 New section 85G inserted**

- (1) After section 85F, the following is inserted:

### **“85G Disclosure of information in relation to family income assistance**

- “(1) The purpose of this section is to facilitate the exchange of information between the Inland Revenue Department and the department currently responsible for administering the Social Security Act 1964 for the purpose of providing to the Commissioner information that the chief executive of that department considers necessary to enable the Commissioner to—
  - “(a) commence paying family support credit payments to a qualifying person who has ceased to be entitled to a specified benefit, or as the case may be, ceased to be entitled to be paid a subpart KD credit under section KD 6(1) of the Income Tax Act 2004:
  - “(b) contact a person in order to invite the person to—
    - “(i) apply for a credit of tax under section KD 2 or sections KD 2 and KD 3 of that Act; or
    - “(ii) provide additional information so that the Commissioner may calculate the credit of tax:

- “(c) withdraw or replace a certificate of entitlement under section KD 5(10) of that Act.
- “(2) For the purpose of subsection (1), any authorised officer may from time to time supply to the Commissioner all or any beneficiary information that is held by the department currently responsible for administering the Social Security Act 1964 in relation to a beneficiary and a spouse (if any) of the beneficiary.
- “(3) If information is supplied under subsection (2), the Commissioner may compare that information with any qualifying person information held by the Commissioner.
- “(4) The Commissioner may take action under subpart KD of the Income Tax Act 2004 if the results of a comparison under subsection (3) indicate that—
- “(a) the qualifying person will be in receipt of a subpart KD credit from both of the Commissioner and the chief executive of the department currently responsible for administering the Social Security Act 1964:
- “(b) the Commissioner may be required to commence paying a subpart KD credit to a qualifying person.
- “(5) The provisions of this section apply notwithstanding any other provisions of this Act.
- “(6) In this section, unless the context otherwise requires,—
- “**authorised officer**, in relation to the department currently responsible for administering the Social Security Act 1964, means any officer, employee, or agent of that department who is authorised by the chief executive of that department to supply information to the Commissioner under this section
- “**beneficiary** means any person who is or was in receipt of any benefit
- “**beneficiary information**, in relation to a beneficiary, means information that identifies the beneficiary, the beneficiary’s spouse (if any) and any dependent child of that beneficiary (including their dates of birth and tax file numbers), and any other information of a kind specified by the Minister by notice published in the *Gazette*, being information that may assist the Commissioner to achieve the purpose in subsection (1)
- “**qualifying person** has the same meaning as in paragraph (a) of the definition of that term in section OB 1 of the Income

Tax Act 2004, and includes a person allowed a credit of tax under section KD 2AAA or KD 3 of that Act

“**specified benefit** has the same meaning as in the definition of the term in section OB 1 of the Income Tax Act 2004

“**subpart KD credit** means an interim instalment of a subpart KD credit, as that term is defined in section OB 1 of the Income Tax Act 2004.”

- (2) Subsection (1) comes into force on 1 April 2005.
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s 20

**Schedule**  
**New Schedule 12 of Income Tax Act 2004**

s KD 5(6)

**Schedule 12**  
**Amount that, for purposes of section KD 5(6), is**  
**deemed to be equivalent of an annual amount**

*Column 1**Column 2*

Amount that, in relation to any application for a certificate of entitlement to a credit of tax, is the annual amount

Amount that, for the purposes of section KD 5, is treated as being equivalent to the annual amount

Amount does not exceed \$27,500	\$27,500
Amount exceeds \$27,500 but does not exceed \$29,000	\$29,000
Amount exceeds \$29,000 but does not exceed \$30,500	\$30,500
Amount exceeds \$30,500 but does not exceed \$32,000	\$32,000
Amount exceeds \$32,000 but does not exceed \$33,500	\$33,500
Amount exceeds \$33,500 but does not exceed \$35,000	\$35,000
Amount exceeds \$35,000 but does not exceed \$36,500	\$36,500
Amount exceeds \$36,500 but does not exceed \$38,000	\$38,000
Amount exceeds \$38,000 but does not exceed \$39,500	\$39,500
Amount exceeds \$39,500 but does not exceed \$41,000	\$41,000
Amount exceeds \$41,000 but does not exceed \$42,500	\$42,500
Amount exceeds \$42,500 but does not exceed \$44,000	\$44,000
Amount exceeds \$44,000 but does not exceed \$45,500	\$45,500
Amount exceeds \$45,500 but does not exceed \$47,000	\$47,000
Amount exceeds \$47,000 but does not exceed \$48,500	\$48,500
Amount exceeds \$48,500 but does not exceed \$50,000	\$50,000
Amount exceeds \$50,000 but does not exceed \$51,500	\$51,500
Amount exceeds \$51,500 but does not exceed \$53,000	\$53,000
Amount exceeds \$53,000 but does not exceed \$54,500	\$54,500
Amount exceeds \$54,500 but does not exceed \$56,000	\$56,000
Amount exceeds \$56,000 but does not exceed \$57,500	\$57,500
Amount exceeds \$57,500 but does not exceed \$59,000	\$59,000
Amount exceeds \$59,000 but does not exceed \$60,500	\$60,500
Amount exceeds \$60,500 but does not exceed \$62,000	\$62,000
Amount exceeds \$62,000 but does not exceed \$63,500	\$63,500
Amount exceeds \$63,500 but does not exceed \$65,000	\$65,000
Amount exceeds \$65,000 but does not exceed \$66,500	\$66,500
Amount exceeds \$66,500 but does not exceed \$68,000	\$68,000
Amount exceeds \$68,000 but does not exceed \$69,500	\$69,500
Amount exceeds \$69,500 but does not exceed \$71,000	\$71,000
Amount exceeds \$71,000 but does not exceed \$72,500	\$72,500
Amount exceeds \$72,500 but does not exceed \$74,000	\$74,000
Amount exceeds \$74,000 but does not exceed \$75,500	\$75,500
Amount exceeds \$75,500 but does not exceed \$77,000	\$77,000
Amount exceeds \$77,000 but does not exceed \$78,500	\$78,500
Amount exceeds \$78,500 but does not exceed \$80,000	\$80,000



**Schedule 12**—continued

<i>Column 1</i>	<i>Column 2</i>
Amount that, in relation to any application for a certificate of entitlement to a credit of tax, is the annual amount	Amount that, for the purposes of section KD 5, is treated as being equivalent to the annual amount
Amount exceeds \$80,000 but does not exceed \$81,500	\$81,500
Amount exceeds \$81,500 but does not exceed \$83,000	\$83,000
Amount exceeds \$83,000 but does not exceed \$84,500	\$84,500
Amount exceeds \$84,500	the number of complete dollars comprised in the annual amount

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**Legislative history**

27 May 2004

Divided from Future Directions (Working for Families) Bill (Bill 146-1), third reading

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