



Information Sheet

This information sheet explains the current policy proposal included in Budget 2026. The proposal may change as the legislation moves through the parliamentary process. The information is up to date as at 28 May 2026.

Working for Families

Family scheme income

What are the proposed changes?

The calculation of family scheme income would be simplified so that families would no longer need to consider certain income types that are unlikely to apply to them.

Several income adjustments that are infrequently used and pose a low integrity risk would be removed from the calculation of family scheme income. These amounts would no longer affect a person's net income when determining Working for Families entitlements.

The "other payments" adjustment would continue to apply, but the de minimis would increase from \$5,000 to \$8,000. Families who receive up to \$8,000 a year in payments to support day-to-day living costs would no longer need to include these amounts when calculating their family scheme income. An example of other payments could include help from family members with groceries.

If certain adjustments pose a higher integrity risk in the future, they could be added back to the rules from the beginning of the following tax year through an Order in Council.

When would these changes apply from?

The changes would apply from 1 April 2027 to family scheme income used to calculate Working for Families entitlements for the 2027–28 and later tax years. The new family scheme income rules would be reflected in notice of entitlements issued ahead of the 2027–28 tax year. Families who have previously declared these adjustments may see that they do not appear in their new notice of entitlement. Families registering or re-estimating their income would have fewer adjustments to consider.

Why is this change needed?

The current rules for calculating family scheme income are complex, making it difficult for many families to understand and apply correctly. All families applying for Working for Families are required to consider a wide range of income adjustments, even though many of these adjustments do not apply to their circumstances.

Misunderstanding the requirements often results in income being incorrectly declared or not declared at all, leading to overpayments and debt for families. The complexity of the rules also increases compliance costs for tax agents and intermediaries working with families as well as administrative costs for Inland Revenue.

Where can customers find more information?

Inland Revenue will provide guidance to help families understand which income adjustments apply and what information must be reported. This information will be published on the Inland Revenue website before notice of entitlements for the 2027–28 tax year are sent out in early 2027.

Residence requirements

What are the proposed changes?

The current Working for Families residence requirements are linked to tax residence, with different requirements for the principal caregiver and the dependent child. Under the proposed new rules, tax residence would no longer be looked at.

The proposed new requirements are:

- rather than using tax residence, which is not always easy to understand, instead, both the principal caregiver and dependent child simply need to be physically present and ordinarily reside in New Zealand, and
- either the principal caregiver or the dependent child must be a New Zealand citizen or hold a residence class visa (not a temporary entry class visa).

Families would be able to travel overseas for up to six weeks (42 days) at a time without losing eligibility for Working for Families. Families would not be required to notify Inland Revenue or apply for an exemption for these short trips.

Families who are overseas for more than six weeks would continue to be eligible for payments in specified situations, including school trips, family emergencies, or if travel has been delayed because of a natural disaster or similar crisis event. They would need to notify and provide Inland Revenue with evidence that they qualify for one of the exemptions. More information about these exemptions will be published on the Inland Revenue website.

When would these changes apply from?

The new rules would apply from 1 April 2027. If someone living in New Zealand travels overseas before 1 April 2027, the 42 days would start counting from 1 April 2027.

Why is this change needed?

The current Working for Families residence requirements are complex and can create inconsistent outcomes for families in similar circumstances. This can lead to overpayments and debt for families.

The proposal would simplify the residence requirements for Working for Families, making it easier for families to understand and for Inland Revenue to administer.

For more information

Inland Revenue will provide guidance to ensure families understand when they need to inform Inland Revenue of any overseas travel and how exemptions from the six-week rule will operate, including what evidence may be needed. This information will be published on the Inland Revenue website.

If families receive their Working for Families payments from the Ministry of Social Development, their Working for Families payments would only continue while their benefit is being paid. The rules around travel depend on the type of benefit they receive. For information on the rules around travel while on a benefit, check with the Ministry of Social Development.