Inland Revenue
Te Tari Taake

Regulatory Impact Statement: Working for Families – residence requirements

Decision sought	Final Cabinet decisions
Agency responsible	Inland Revenue
Proposing Ministers	Hon Simon Watts, Minister of Revenue
Date finalised	14 May 2026

This proposal aims to simplify the residence requirements used to determine whether a family is eligible to receive Working for Families, making it easier for customers to understand and Inland Revenue to administer. In conjunction with a separate proposal to automate information sharing between Inland Revenue and the New Zealand Customs Service (Customs), this will enhance the accuracy of Working for Families payments and reduce the risk of families being overpaid. The proposal would apply from 1 April 2027.

Summary: Problem definition and options

What is the policy problem?

Current Working for Families residence requirements are complex for customers to understand and Inland Revenue to administer, with different requirements for the principal caregiver or dependent child. For the most part, entry into the scheme is straightforward to determine. However, it can be difficult to determine when someone 'exits', particularly in terms of tax residence. By design, tax residence is difficult to lose and is dependent on the timing of several factors.

This complexity means that there can be different outcomes for families in similar situations, for example, some continue to get paid Working for Families when they are living overseas, and others end up with large overpayments and debt. This issue is further compounded if customers do not inform Inland Revenue when they move overseas, or if their travel plans change while overseas. In turn, any overpayments or debt that arise can be very difficult for Inland Revenue to recover.

Separate work is underway to introduce automated information sharing of border movement information between Customs and Inland Revenue. The aim is to use Customs information to stop payments as soon as families are no longer eligible to minimise the risk of being overpaid and getting into debt. The current residence requirements are not compatible with using Customs data in this way.

What is the policy objective?

The primary objective is to simplify the Working for Families residence requirements to make it straightforward to determine when a family is no longer eligible to receive payments. These rules should be able to be used in conjunction with border movement data and not result in overpayments for families who comply with them. Success would be measured by a reduction in the incidence and amounts of overpayments made to customers who no longer meet the residence requirements.

What policy options have been considered, including any alternatives to regulation?

Government intervention is required because residence rules directly determine eligibility for Working for Families payments. Families have limited ability to mitigate the risk of retrospective reassessment without clearer and more predictable policy settings. Non-regulatory options such as improved guidance or communication are unlikely to fully resolve the problem. There are no clear legislative markers under the status quo that would allow Inland Revenue to systematically stop payments using border movement information received from Customs without leading to underpayments.

The proposal does not involve a restriction on the use or exchange of private property.

The options under consideration include:

- Option 1: Status quo.
- Option 2: Remove tax residence rule and allow for a six-week travel period before payments stop as well as longer periods of absence for specified reasons **(preferred option)**.
- Option 3: Remove tax residence rule and require customers to apply for a 28-day travel period as well as any longer periods of absence.

The options assume the implementation of automated sharing of border movement information between Customs and Inland Revenue. The costs of implementing the information share have been included in the cost benefit analysis to provide a holistic view of the preferred option.

What external consultation has been undertaken?

The Government sought public feedback through a discussion document on a range of Working for Families proposals in mid-2025, including the proposal to simplify the residence requirements alongside improved information sharing between Inland Revenue and Customs. Most of the submissions received related to broader concerns with Working for Families, such as the complexity of the scheme and the impact of getting into debt. As part of the consultation process, officials held workshops with stakeholders and asked specifically about the residence proposal. While detailed comments were limited, broader themes from feedback (both written submissions and stakeholder workshops) were considered alongside earlier customer insights from Inland Revenue's stewardship review. Together these have influenced the problem definition and detailed design of the proposal. For example, the proposed list of exemptions for longer absences accounts for feedback about children going overseas for school exchanges and tournaments.

Is the preferred option in the Cabinet paper the same as preferred option in the RIS?

Yes

Summary: Minister’s preferred option in the Cabinet paper

Costs

The preferred option would have departmental costs of $3.661 million over the forecast period (to the end of the 2029/30 fiscal year) for both Inland Revenue and Customs to implement changes to residence requirements and information sharing. Some of the costs are directly related to the implementation of automated information sharing but are relevant to the preferred option, given the dependency of the proposal on the information sharing agreement being in place. This consists of $1.051 million for Customs and $2.61 million for Inland Revenue and includes upfront and ongoing implementation costs.

A small group of customers would have payments stop sooner than under the status quo. This primarily includes those who have permanently moved overseas, as well as a small number who travel overseas for more than six weeks at a time. This reduction in Working for Families payments is estimated to be $27.8 million over the forecast period.

It could also create some additional burden on customers to learn the new rules and, for a smaller group, to apply for any exemptions.

Benefits

The preferred option would result in operational fiscal savings of $27.8 million over the forecast period. This is because Inland Revenue would be paying less entitlement to families who travel overseas for longer than six weeks, as well as those who permanently relocate. It also includes savings from reduced impairment and debt write-off.

The changes would also result in additional non-monetary benefits by making the rules easier for Inland Revenue to administer and customers to understand, which could reduce the amount of customer contact and follow-up that is currently required under the status quo.

Balance of benefits and costs

Officials consider that the preferred option meets the policy objective while being relatively easy for customers to understand and Inland Revenue to administer. While there could be some additional compliance and administrative costs, for the most part these are short-term or outweighed by the overall gains. The relatively low integrity risk is mitigated through policy design and ongoing monitoring.

Implementation

The preferred option, if enacted, would come into force on 1 April 2027 to align with the start of the 2027–28 tax year. It requires changes to the Income Tax Act 2007.

The changes are intended to align with the proposed automated information sharing between Inland Revenue and Customs. This agreement would give Inland Revenue access to border movement data that it needs to administer the six-week rule and stop payments when necessary.

Inland Revenue will set up a process to ensure the exemption process can be administered to allow Working for Families payments to continue when border movement information shows that the person has been out of the country for more than six weeks. This will include reminding customers before their entitlements stop (under the proposed terms of the information-sharing agreement, this would need to occur ten working days beforehand).

Inland Revenue will communicate the changes to customers and staff, including through updates to its website, guidance, and internal channels.

Limitations and Constraints on Analysis

Limited data is available to quantify the costs and benefits associated with the proposal. This is because Inland Revenue does not have complete border movement information about Working for Families customers so it does not have accurate data about the number of families who may be overseas and ineligible to receive payments. There are certain indicators that may lead to Inland Revenue suspecting that someone is no longer living in New Zealand (for example, not responding to correspondence, not earning New Zealand income) and requesting border movement information from Customs. This means that the size of the problem may be understated because manual intervention is unlikely to have identified all Working for Families recipients who are not eligible.

As a proxy, officials have used various migration and travel statistics from Stats NZ to illustrate trends and potential impacts. The proxies may not be representative of the Working for Families population because the data includes retirees and those without school-age children. Given that Working for Families is targeted at low- to middle-income families, their travel habits may differ to high-income families or people without children or work commitments.

While work is underway to establish automated information sharing between Inland Revenue and Customs and this new data could provide further information on the scope of the issue, officials do not consider it would significantly impact the problem definition or options analysis.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager(s) signature:

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Paul Young
Acting Policy Lead
14 May 2026

Quality Assurance Statement

Reviewing Agency: Inland Revenue	QA rating: Meets

Panel Comment:

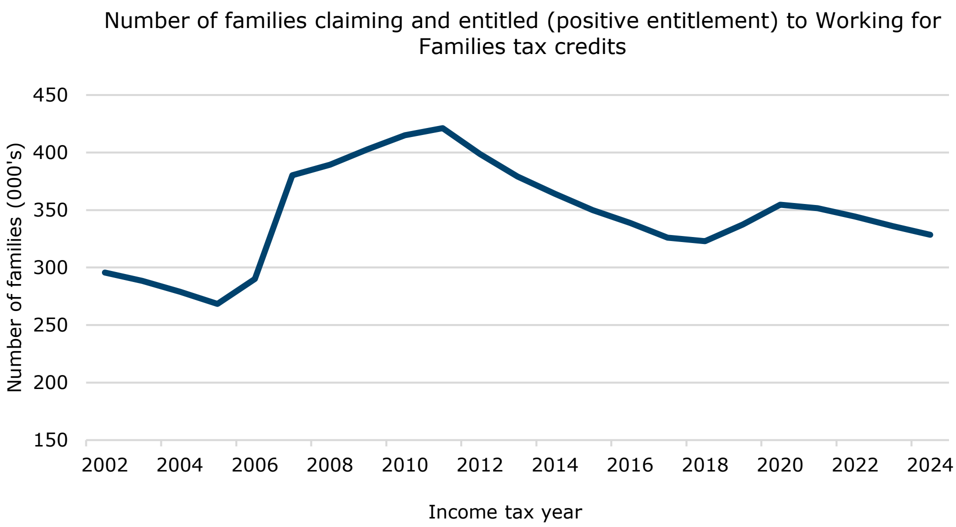
Inland Revenue’s internal quality assurance panel has reviewed the Regulatory Impact Statement (RIS) prepared by Inland Revenue on 13 May 2026. The panel considers that the information and analysis summarised in the RIS meets the quality assurance criteria.

Section 1: Diagnosing the policy problem

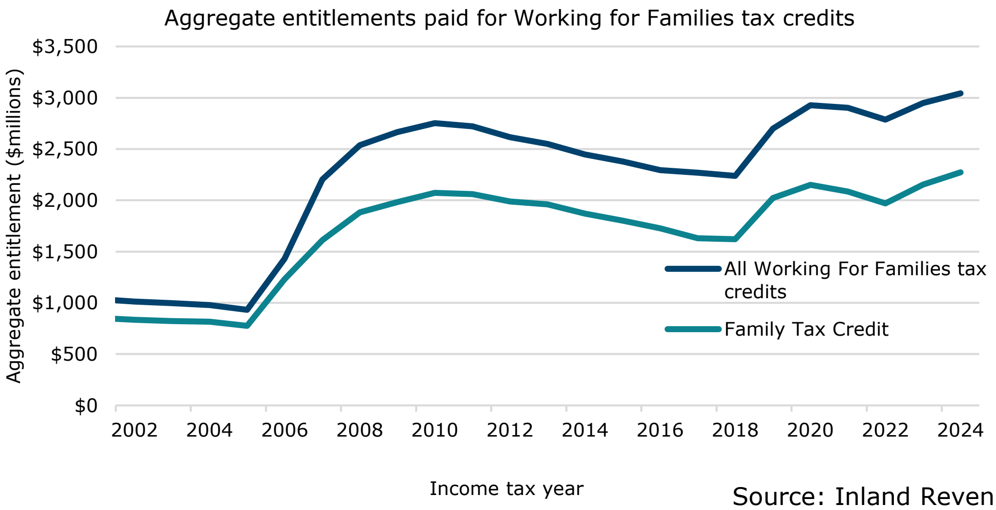
What is the context behind the policy problem and how is the status quo expected to develop?

1. The Working for Families scheme was introduced over a period between 2004 and 2007 and is designed to support low- and middle-income families with the costs of raising children in New Zealand. The key objectives of the scheme are to support work incentives (make work pay), ensure income adequacy for low- and middle-income families, and support people into work at a sustainable cost to the Government.

2. In the 2023–24 tax year (the period 1 April 2023 to 31 March 2024), 328,400 eligible families representing 656,500 children received a total of $3.043 billion from Working for Families, or an average of $9,269 per family.[1] This average payment has increased over time, despite wage growth and relatively static abatement rates and thresholds impacting the number of eligible families:



Source: Inland Revenue



Source: Inland Revenue

[1] Working for Families statistics dataset – Sept 2025. Available at https://www.ird.govt.nz/about-us/tax-statistics/social-policy/working-for-families-statistics/working-for-families-statistics-datasets

3. Working for Families is jointly administered by Inland Revenue (approximately 80% of recipients) and the Ministry of Social Development (approximately 20%). It comprises four different tax credits: the Family tax credit, In-work tax credit, Minimum family tax credit, and Best Start tax credit (introduced in 2018).

4. The Ministry of Social Development only pays the full amount of Family tax credit and Best Start tax credit as part of a family's total income support package while they also receive a main benefit. However, beneficiary families can choose to have their entitlements paid by Inland Revenue instead. Overall, the Ministry of Social Development pays entitlements to around half of main benefit recipients who also receive in-year Working for Families payments.

5. If someone earns above the Working for Families abatement threshold or has complex circumstances (for example, involving shared care or child support), the Ministry of Social Development directs them to receive their payments from Inland Revenue instead. If someone's main benefit is stopped, the Ministry of Social Development also stops their Working for Families payments even if they remained eligible during that period.

6. Payments are calculated according to a family's annual income in a given tax year. Families can opt for weekly or fortnightly payments (approximately 85% of families) or wait until the end of a tax year and receive their entitlement as a lump sum (approximately 15% of families). For weekly or fortnightly customers, Inland Revenue pays families based on their estimate of income for the year in advance. After the end of the tax year, Inland Revenue checks the family's income in the "end-of-year square-up" process, and will let them know if they received too little or too much. If they received too little, Inland Revenue will pay them the rest of their entitlement. If they have received too much, they will need to pay this back.

7. Families are required to inform their paying agency when their income or circumstances change to ensure their payments reflect what they are entitled to. If they do not do this in a timely manner, they may be overpaid and end up in debt (which can accrue penalties and interest). While Working for Families debt is repayable, not all of it will be ultimately collected. Families can apply to have their debt written off. They need to meet certain criteria for this, for example, if they are unable to afford to repay the debt.

Residence requirements

8. To qualify for Working for Families, a recipient must meet specific residence requirements on an ongoing basis. The requirements must be met by either the principal caregiver or dependent child, and the requirements differ between the two. The manual process for Inland Revenue staff is to check whether the child is resident first because it is generally easier to verify.

9. The table below outlines these differences:

Requirement	Principal caregiver	Dependent child
Visa status	Lawfully resident in New Zealand and not on a temporary entry class visa[2, 3]	
Living in New Zealand	Ordinarily resident in New Zealand	
Physical presence	Present in New Zealand for any continuous period of 12 months at any time	Present in New Zealand for the entitlement period
Tax residence	Tax resident in New Zealand for the days on which a tax credit arises	N/A

10. Overall, the requirements are designed to ensure payments are made only to those lawfully living in New Zealand. If neither the principal caregiver nor dependent child is a New Zealand citizen, permanent resident or resident (for example, they are in New Zealand on a student or visitor visa), they do not satisfy the residence requirements.[4]

11. 'Ordinarily resident' is not defined in the Income Tax Act, but guidance on the Inland Revenue website states that a person must normally live in New Zealand or intend to live in New Zealand.

12. Tax residence is defined in section YD 1 of the Income Tax Act and there are two ways in which someone can be considered a tax resident:

- being physically present in New Zealand for more than 183 days in any 12-month period, or
- having a permanent place of abode in New Zealand.

13. The permanent place of abode concept is unique to tax law and requires a qualitative assessment of a person's facts and circumstances, including their ties to New Zealand.

14. In line with other countries, New Zealand's tax residence test is designed to make it easy to become a tax resident and difficult to stop being one. Like most countries, New Zealand taxes its residents on their worldwide income, and making it hard to lose tax residence helps to ensure people cannot easily avoid paying tax in New Zealand.

15. An individual remains tax resident in New Zealand until they have been out of New Zealand for more than 325 days in a 12-month period, but they must not have a permanent place of abode in New Zealand during that 325-day period. Losing tax residence is backdated to the start of the 325-day period, but this cannot be any earlier than the day after the day someone stops having a permanent place of abode in New Zealand. This means that two people who effectively move overseas on the same day

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[2] Included in the definition of 'New Zealand resident' in section MA 8 of the Income Tax Act.

[3] If a principal caregiver receives an emergency benefit from the Ministry of Social Development, the residence requirements do not apply to them and, all else being equal, they automatically qualify for Working for Families.

[4] Under the Trans-Tasman Travel Arrangement, Australian citizens and permanent residents are generally granted a resident visa on arrival in New Zealand, meaning they will satisfy the visa status requirement automatically. However, they would also need to demonstrate the other residence requirements have been met, including that they have been physically present in New Zealand for a continuous 12-month period at some point during their life.

could lose their New Zealand tax residence at different times depending on their personal circumstances.

16. Owing to the complexity of tax residence and development of case law, Inland Revenue's Tax Counsel Office published an interpretation statement in 2025 on the issue, replacing an earlier one from 2016.[5] Interpretation statements are highly technical and lengthy documents.

Inland Revenue's operational process for overseas travel

17. Families are required to inform Inland Revenue when they are moving overseas, however they do not always do this in a timely manner, if at all. This means payments can continue for some time when a family is no longer eligible.

18. Inland Revenue does not have automated information sharing in place with Customs regarding Working for Families. If Inland Revenue suspects a family has moved overseas and is no longer eligible to receive Working for Families, it can identify prolonged absences through indicators such as a failure to file annual tax returns or a lack of New Zealand income. Manual intervention by an Inland Revenue staff member is required to stop payments. If they are unable to contact the family, they would request border movement data from Customs through the Tax Administration Act 1994 to confirm that the family is no longer in New Zealand.

19. Inland Revenue will stop payments if it is satisfied that the family no longer meets the residence requirements. Since the loss of tax residence is backdated, families will no longer be eligible for some of the payments they already received and will need to repay these. The family is then issued a letter notifying them that they have been overpaid and must repay by the due date.

20. Inland Revenue can check for possible deduction sources (for example, bank accounts), property and other assets, assess a customer's financial position before they left New Zealand, and attempt to contact them to request repayments. While New Zealand has tax recovery arrangements with some jurisdictions, it may not be able to use them to collect Working for Families overpayments and debt because it depends on whether the other jurisdiction has a regime equivalent to Working for Families.

21. An initial estimate as part of Inland Revenue's 2023–2025 regulatory stewardship review put the annual cost of Working for Families payments being made to families who have permanently left New Zealand to be between $12 million to $25 million per year.[6] However, this could be understated because the manual process outlined above will not necessarily identify everyone who no longer meets the residence requirements.

Comparison to the income support system

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[5] IS 25/16 Tax residence. Available at https://www.taxtechnical.ird.govt.nz/interpretation-statements/2025/is-25-16

[6] This estimate was made using 2022–23 tax year data. These estimates include a level of uncertainty because Inland Revenue does not have access to data to accurately determine emigrating families receiving Working for Families.

22. As part of the Ministry of Social Development's administration of Working for Families:

- when a main benefit is stopped (either temporarily or permanently), the Ministry of Social Development also stops the person's Working for Families payments even if that person remains entitled to receive those payments, and
- when a main benefit is suspended or cancelled because the client is absent from New Zealand, client information is transferred to Inland Revenue so it can assess any ongoing entitlements.

23. In relation to residence settings and main benefit payments when moving across the New Zealand border:

- To receive a main benefit, individuals must satisfy specified residence requirements set out in the Social Security Act 2018. Similarities with the Working for Families criteria include, for example, that they must be ordinarily resident in New Zealand and must be a New Zealand citizen or resident.[7] 'Ordinarily resident', like in the Working for Families rules, is largely defined via operational policy.[8, 9]
- There are some provisions that allow for payments to continue for a temporary absence from New Zealand for up to 28 days while someone is overseas. All clients getting a main benefit must advise of their travel before they leave New Zealand, otherwise their benefit will stop the day after they leave. Some clients need an approved travel reason[10] (for example, Jobseeker Support clients, irrespective of their obligations). If their reason for travel is not approved, the Ministry of Social Development will generally stop payments the day after they leave New Zealand. The Ministry of Social Development has an information-sharing agreement in place with Customs to support this.
- Some main benefits, most commonly the Supported Living Payment, can continue to be paid out if a client is living overseas and New Zealand has a social security agreement with that jurisdiction.

Inland Revenue's regulatory stewardship review of Working for Families

24. Inland Revenue undertook a regulatory stewardship review of the Working for Families scheme between 2023 and 2025. This was a 'first principles' review that looked at how Working for Families is currently delivered and how it could be improved in the future. It drew from a range of sources including administrative data and customer insights.

25. The review found that Working for Families has become more complex since it was introduced. This complexity leads to increased debt and uncertainty for some customers and creates administrative burden and inefficiencies for Inland Revenue and the Ministry

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[7] Refer to section 16 of the Social Security Act 2018. There are exceptions to this rule depending on whether New Zealand has a social security agreement with other countries, and what that agreement allows, that is, some residents of other countries may be able to receive a main benefit while in New Zealand, and some New Zealand citizens or residents may continue to receive a main benefit while in another country.

[8] Schedule 2 of the Social Security Act 2018 defines the term as excluding someone who is unlawfully resident in New Zealand.

[9] www.workandincome.govt.nz/map/income-support/core-policy/residence/ordinarily-resident-in-new-zealand.html

[10] Examples include going overseas for a job interview or having an important event for a family member (for example, a family member is seriously ill or there is a wedding or a funeral). The 28-day period can be extended for up to two years for approved vocational training, disability assistance dog training, or medical treatment not available in New Zealand. www.workandincome.govt.nz/on-a-benefit/overseas-travel/main-benefit/temporarily-overseas.html

of Social Development. Debt in particular causes stress for families and makes the scheme less affordable for the Government to run.

26. Data from the 2021–22 tax year showed that of those who received in-year payments and were squared-up after the end of the tax year, only 24% received the correct entitlement during the year, and 35% were overpaid:

- Total overpayments were $148 million and the average overpayment $1,793.
- Of the $148 million in overpayments, $23 million had been written off by 31 December 2024.
- At 31 March 2025, $48 million of Working for Families debt remained outstanding for the 2021–22 tax year.

27. This debt is a systematic issue and not unique to the 2021–22 tax year. As at 30 June 2025, Working for Families debt impacted more than 60,000 families:

	As at 30 June					
	2020	2021	2022	2023	2024	2025
Total overdue WfF debt	$167.2m	$198.5m	$250.8m	$245.6m	$273.5m	$295.2m
Number of customers	44,900	44,100	55,900	55,700	56,800	62,000
Average WfF debt per family	$3,724	$4,501	$4,487	$4,409	$4,815	$4,761

Source: Inland Revenue

28. The consistent upward trend in Working for Families debt levels suggests that the scheme's current settings make it difficult for families to avoid being overpaid. The most common factor for overpayments relates to the fact that in-year payments are an 'advance' across the whole tax year, and families are required to estimate their income for the year ahead. However, Inland Revenue also identified that the complexity of other system settings, including the residence requirements for Working for Families, also contributed to the total amount of overpayments and debt. The Government is now considering options to simplify the scheme and reduce debt, including through changes to the residence requirements.

What is the policy problem or opportunity?

29. The residence rules are designed to ensure that Working for Families is paid only to families living in New Zealand to help them with the costs of raising children. The residence requirements serve two main purposes: to determine initial eligibility (that is, entry into the scheme) and to determine if and when eligibility is lost (exit from the scheme).

30. For the most part, entry into the scheme is not difficult to determine and there is flexibility in how people are able to prove that they live in New Zealand.

31. The main policy problem this Regulatory Impact Statement (RIS) seeks to address relates to the complexity of the exit rules. The complexity of the current rules makes it difficult to determine if or when someone is no longer eligible to receive Working for Families payments while they are overseas.

32. Under the current rules with no information sharing, the complexity leads to systematic overpayments that families need to repay or Inland Revenue needs to write off. This creates stress for families and increases the fiscal cost of the Working for Families scheme.

33. As noted in paragraph 17 onwards, it can be administratively burdensome for Inland Revenue to determine whether someone still meets the residence requirements for Working for Families. This is partially driven by the manual process and qualitative assessment needed to determine whether a principal caregiver still meets the residence requirements while overseas.

34. It is then very difficult to recover any amount owed. While Inland Revenue has domestic debt recovery options and can again attempt to contact the customer for repayments, these methods have limited effectiveness, and it may not always be appropriate to try to recover overpayments given customers' financial positions. It is therefore more likely that any debt owed would be written off.

35. Under the proposed information-sharing agreement between Inland Revenue and Customs, Inland Revenue would have access to near real-time border movement information. However, the complexity of these exit rules means border movement information will not be able to reliably identify who is no longer eligible without having an adverse impact on those who remain eligible. This would limit the potential efficiency gains of having automated information sharing in place.

36. To maximise the potential benefits of information sharing with Customs, Inland Revenue would use the data received to stop payments when families are no longer eligible without inadvertently stopping payments for other families. However, the design of the current residence rules provides no clear legislative authority for Inland Revenue to stop payments. The 325-day rule under the tax residence rules could be used as an approximation, but given the backdating of tax non-residence this could result in almost a year's worth of overpayments for some families.

37. The policy problem is unique to families who receive weekly or fortnightly payments from Inland Revenue. As noted above in paragraphs 22 and 23, the Ministry of Social Development will stop someone's Working for Families payments before the person is ineligible because of the design of the rules used in the Social Security Act 2018.

Complexity of the exit rules and how they lead to overpayments

38. While families are expected to inform Inland Revenue when they move overseas, some may not do this in a timely manner, if at all. This may not be intentional – families may forget, they may not realise that they need to (for example, they may assume Inland

Revenue already gets travel information from Customs), or their travel plans may change while overseas (that is, their travel period extends longer than initially intended).

39. The different residence rules for the principal caregiver and the dependent child can create additional confusion for families with complex visa situations. It can make it difficult for people to know what they need to tell Inland Revenue and when because it is not clear how the rules work. For example, if a family proved their initial eligibility for Working for Families through the child's residence, they may not realise that if they go overseas and the child is no longer physically present in New Zealand, the principal caregiver may still satisfy the residence requirements in their own right.

40. In the Working for Families context, the lack of an ongoing physical presence test for the principal caregiver leads to uncertainty and overpayments when families travel or move overseas. This is because families can still be eligible for payments while not physically present in New Zealand. Families risk losing entitlement or having payments reassessed even when they try to do the right thing and inform Inland Revenue of their travel plans. This risk is difficult for families to mitigate.

41. The concepts of tax residence and being ordinarily resident in New Zealand both require qualitative assessments of a family's facts and circumstances. However, tax residence is the more complex of the two.

42. The qualitative nature of the permanent place of abode aspect of the tax residence test means it can be difficult to pinpoint the exact date a person is no longer tax resident or even whether they are in fact still a tax resident. While the day-count element can provide some certainty, the permanent place of abode overlay creates complexity when cross-border travel is involved. Those who are able to pay for tax advice can navigate some of the uncertainty, but for Working for Families customers this cost could be prohibitive.

43. The backdating of tax non-residence depends on when someone's permanent place of abode was lost, so Working for Families payments that were correct at the time of payment can be subsequently deemed to be overpayments. This risk of unexpected overpayments and debt can create additional hardship and stress.

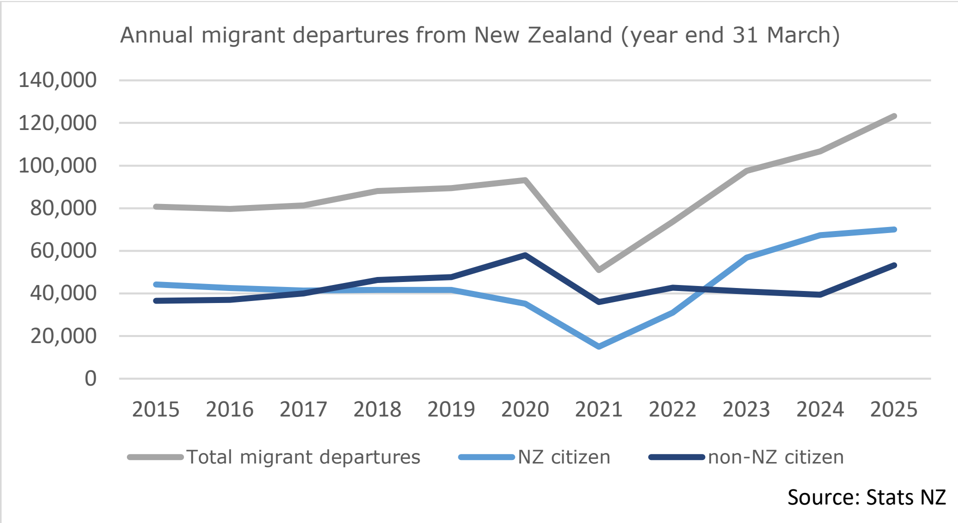
44. Families can experience different outcomes and lose Working for Families eligibility at different times depending on when they lose their permanent place of abode (if they had one). The earlier someone loses their permanent place of abode within the 325-day absence period, the greater the proportion of Working for Families payments that will be considered an overpayment. If someone loses their permanent place of abode after that period has elapsed, there is more certainty about their non-residence, meaning it is less likely that they have been overpaid if they have kept in contact with Inland Revenue.

Size of the problem

45. Data from Stats NZ outlined in paragraphs 115 onwards suggests that most families would not travel overseas in a given year and those that do are only overseas for a short period. This suggests that the complexity of the current rules only impacts a relatively small segment of the Working for Families customer base.

46. Inland Revenue holds limited data on the size and scale of the problem. As noted in paragraph 21, Inland Revenue's regulatory stewardship review estimated payments to people overseas to be between $12 million and $25 million per year.[11] Border movement data would provide a better indication of the scale of the problem but is unlikely to impact the overall problem definition.

47. Given recent trends in emigration, the issue of continued Working for Families eligibility, overpayments, and debt while someone is overseas will continue to arise. Since COVID-19, migrant departures have increased for both citizens and non-citizens every year. This graph shows the trend over the past ten years (noting that these numbers also include those not eligible for Working for Families, for example, because they do not hold a residence class visa nor have children):[12, 13]



48. Limited data is available specifically for families with children. However, proxies can be used to illustrate the scale. In the year to 31 March 2025, Stats NZ estimates that 21,000 children under the age of 18 left New Zealand.[14] Using an average of 1.4 children per family,[15] this is roughly equivalent to 15,000 families and is up from 12,300 and 13,800 in the years to March 2023 and 2024 using a similar calculation.

49. Not all these families would have received Working for Families. Using census information about the number of families with dependent children in New Zealand (569,253) and the number of families receiving Working for Families in the 2023–24 tax year (328,400), one rough estimate is that around 8,000 of these proxy "families" who left in the year to March 2025 may have been Working for Families customers.[16, 17] This figure

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[11] This estimate was made using 2022–23 tax year data. These estimates include a level of uncertainty because Inland Revenue does not have access to data to accurately determine emigrating families receiving Working for Families.
[12] A migrant departure is a New Zealand resident who departs New Zealand and cumulatively spends 12 out of the next 16 months out of New Zealand.
[13] International migration: March 2025 (Stats NZ): https://www.stats.govt.nz/information-releases/international-migration-march-2025/
[14] Estimated migration by direction, age group and sex, 12/16-month rule (Annual-Mar), ITM417AA, Stats NZ Infoshare
[15] As per the 2023 Census: https://www.stats.govt.nz/information-releases/families-households-and-housing-2023-census/
[16] www.stats.govt.nz/infographics/families-and-households-in-aotearoa-new-zealand/
[17] This calculation uses 2023–24 tax year data, because at the time of writing, data for the 2024–25 tax year was not complete due to filing deadlines.

is likely overstated because it does not account for the relationship between international travel and income.

50. In addition, most families try to do the right thing and inform Inland Revenue when their circumstances change, meaning only a small proportion of this number would have continued to be paid while living overseas and ineligible.

51. Inland Revenue does not have data on the actual cost of the back-end process because it forms part of the 'business as usual' administration of the scheme. However, the regulatory stewardship review identified that more broadly, Working for Families has become Inland Revenue's third most costly scheme to administer (similar to pay-as-you earn (PAYE), after income tax and goods and services tax) with costs more than doubling since 2015. The unit responsible for Working for Families administration saw its Working for Families costs increase by 115% while its other costs only increased by 20%.[18]

52. The administrative effort of identifying overseas customers and recovering overpayments highlights that non-regulatory options would have limited effectiveness. Further, under the current rules even the most proactive and compliant customer may not be able to mitigate the risk of being overpaid.

53. Given the above challenges and current migration trends, officials consider that the total amount of overpayments and debt write-offs would continue to increase without regulatory change.

What objectives are sought in relation to the policy problem?

54. The primary objective is to simplify the Working for Families residence requirements to make it straightforward to determine when a family is no longer eligible to receive payments.

55. Given the broader problem definition and how the current settings lead to overpayments and debt, specific objectives are that the residence rules should:

- not result in overpayments being retroactively assessed when families travel overseas for a short period but continue to live in New Zealand, and
- be able to be used in conjunction with border movement information to stop payments in a timely and accurate manner.

56. Success would be reducing the incidence and amount of overpayments made to customers who no longer meet residence requirements.

What consultation has been undertaken?

57. The development of the problem definition and the options analysis in this RIS were informed by the findings of Inland Revenue's stewardship review of the Working for Families scheme. This included 40 interviews with a representative sample of Working for

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[18] This growth exceeds public sector salary and wage growth in that period. According to the Labour Cost Index, the index for central government salary and wages rose from 1087 in 2015 Q1 to 1456 in 2025 Q4 or a cumulative increase of 33.9%.

Families customers and included Māori and Pasifika families. The findings of these interviews were then tested and validated through a qualitative survey of 1,945 Working for Families customers. The interviews and surveys focused on broader issues relating to Working for Families rather than specific issues with the residence requirements. However, the broad themes regarding the complexity of the rules as well as a desire for certainty of payments and debt avoidance support the analysis in this RIS.

58. The Government undertook public consultation on proposed changes to residence requirements in the discussion document "Empowering families: Increasing certainty and preventing debt in the Working for Families scheme". Public consultation ran from 22 May to 3 July 2025 and was promoted using targeted social media, search engine advertisements, and through direct contact with customers who had signed up to "IR Connection", an internally run customer survey panel.

59. The discussion document asked for feedback on the following proposed changes to residence requirements:

- either the principal caregiver or dependent child would need to satisfy the immigration status requirement
- both the principal caregiver and dependent child would need to satisfy a physical presence test, in which they would both be required to be ordinarily resident in New Zealand, and physically present in New Zealand, and
- allowance within the physically present test for short periods when a principal caregiver or dependent child is overseas and should still receive Working for Families payments, with some specific exceptions for longer periods overseas.

60. While officials received 42 written submissions and conducted 11 engagement sessions with key stakeholders on the discussion document, feedback on proposed changes to residence rules was limited. There were nine written submissions on the topic, and in consultation sessions, six stakeholders raised comments on this topic. Submissions and comments from these stakeholders highlighted that the current rules were confusing for customers. A summary of consultation is available on Inland Revenue's Tax Policy website.[19]

61. A professional body noted that the current framework has proven complex and difficult to administer. They supported the proposal to remove the tax residence test and introduce a unified physical presence test for both principal caregivers and dependent children. They stated this would improve clarity and equity by ensuring that eligibility is based on actual presence and connection to New Zealand, rather than technical tax definitions.

62. Other stakeholders also supported simplification, with the majority supporting a period in which recipients can travel overseas and continue to meet the residence requirements for Working for Families for a range of reasons (including holidays, cultural events, bereavement and caregiving). They also emphasised the importance of considering how requirements would apply during major disruptive events (such as natural disasters) that

[19] https://www.taxpolicy.ird.govt.nz/publications/2025/consultation-summary-empowering-families-wff

prevent people returning to New Zealand, as well as providing clear and consistent guidance.

63. While the example period of six weeks was broadly viewed as an appropriate length for someone to be physically absent from New Zealand before losing their eligibility for Working for Families, some stakeholders proposed longer periods (such as up to three months, to allow for travel to visit family).

64. Two stakeholders suggested that introducing a longer period would result in misalignment between Working for Families and residence requirements for other government support (such as income support). There were mixed views on whether Working for Families should adopt a shorter period (such as four weeks) to align with existing residence requirements, or if other agencies should consider amending residence requirements to allow for a greater period of time overseas.

65. The feedback received through consultation on the discussion document has informed the options considered in this RIS and their design features, for example, exemptions to a maximum overseas absence period and consideration whether there could be alignment with the income support system.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

66. The criteria that will be used to compare options are:

- **Income adequacy:** The impact on Working for Families payments and ensuring people receive the right amount at the right time, taking into account the likelihood of overpayments and debt as well as underpayments. Because debts accrue interest and penalties, an overpayment is seen as having a negative impact on overall income adequacy. Underpayments also have a negative impact on income adequacy because they reduce a family's ability to pay day-to-day living costs. This differs from other impact analysis for Working for Families where the income adequacy criterion may instead focus on a family's headline entitlement.

- **Equity:** Whether customers in similar circumstances are treated the same and have similar outcomes. This also considers the impact across customer groups with different resources.

- **Compliance costs:** The burden on customers to comply with requirements. It includes interaction with agencies through online and phone channels, as well as how straightforward it may be to provide proof that the residence requirements are met. It also includes the time it takes for families to understand the rules and what is required of them.

- **Administrative costs:** The overall cost for agencies to implement and administer the proposed changes. For Inland Revenue in particular, it considers the ability to determine ongoing ineligibility and contemporaneously stop payments using up-to-date information from Customs.

- **Integrity:** The estimated impact on integrity, specifically the risk of gaming the system and receiving payments while ineligible.

- **Fiscal cost:** The overall cost to the Government, including the cost of writing off debt/impairment expenditure.

What scope will options be considered within?

67. The scope of feasible options is limited to the 'exit' component of the Working for Families residence requirements because this is where the complexity and overpayment problem arises.

68. For the most part, 'entry' into the Working for Families scheme is straightforward to determine, so a full reconsideration of all residence requirements is not within scope of this RIS. The feasible options are not intended to have a significant impact on initial eligibility into the scheme.

69. All feasible options in this RIS assume retention of the visa status and ordinarily resident in New Zealand requirements, along with the previous 12-month continuous presence requirement for principal caregivers. The combination of the ordinarily resident in New Zealand and previous 12-month continuous presence requirements ensure that people with different nationalities are treated similarly and that the scheme is available only to those who live in New Zealand. Removing one or the other could impact the integrity of the scheme by expanding eligibility to those with a limited prior connection to New Zealand.

70. The feasible options also assume the preservation of existing deeming rules or exclusions specified in the Working for Families residence rules. This includes, for example, those relating to emergency benefits and transitional residents, along with the ways in which refugees can access Working for Families payments.

71. Options development (in particular, the design of Option 2) was primarily shaped by Inland Revenue's stewardship review of Working for Families and feedback received on the 2025 discussion document, which showed that the complexity of the scheme drove costs for Inland Revenue and created uncertainty and debt for customers.

72. Officials have drawn from comparative examples to inform the options analysis, including Australia's Family Tax Benefit[20] and New Zealand's income support system.

[20] Australia's Family Tax Benefit operates similarly to Working for Families. This benefit allows six weeks of overseas travels for both the parent and child before their residence eligibility get affected.

Information sharing between Inland Revenue and Customs

73. Officials from Inland Revenue and Customs are progressing work on an approved information-sharing agreement for the purpose of tracking Working for Families customers' border movements. All options assume that this agreement is in place.

74. The options therefore assume that Inland Revenue will have more comprehensive and near real-time data about the border movements of Working for Families customers. However, the proposed agreement would only check principal caregiver movements, not those of dependent children, largely due to potential privacy concerns. In most cases, dependent children travel overseas with their principal caregivers. When they do not travel together, it would be more likely for a caregiver to travel without their child than the other way around. Manual processes would continue to be used if border movement information is needed about specific dependent children.

Non-regulatory approaches

75. In terms of non-regulatory options, Inland Revenue could theoretically use proxies to stop payments using the automated border movement information received under the approved information-sharing agreement, but these are not generally considered feasible. This is because proxies would not reliably be able to determine who is no longer eligible given the complexity of the tax residence rules and would have the consequence of stopping payments for families who are eligible and rely on payments to meet their day-to-day living costs. In other words, a proxy may be able to reduce overpayments for some, but it would come at the cost of increasing underpayments for others.

76. For example, implementing a day-count test as an operational workaround (for example, two weeks) could involve shifting any weekly or fortnightly customers who have been overseas for more than two weeks to an end-of-year lump sum payment. While this would be an administratively efficient way to prevent overpayments and debt, it would increase underpayments for families and have a negative impact on day-to-day income adequacy for those who were only travelling for a short term by effectively cutting off their upfront payments. Choosing a longer period to minimise the negative impact on families who are eligible would reduce the ability to prevent overpayments for those who are no longer eligible. This approach could also raise questions about whether the scheme is being administered in accordance with the law.

77. Other non-regulatory approaches such as Inland Revenue doing more proactive eligibility checks, improving its guidance or increasing communications to customers would increase administrative costs without adequately addressing the policy problem. As noted in paragraph 52, these non-regulatory approaches have been the primary drivers behind the increase in Working for Families administration costs.

78. These non-regulatory options have not been analysed in further detail because they would not meet the objectives.

What options are being considered?

79. The feasible options analysed in this RIS are:

- Option 1: Maintain the status quo.
- Option 2: Remove tax residence rule and allow for a six-week travel period before payments stop as well as longer periods of absence for specified reasons.
- Option 3: Remove tax residence rule and require customers to apply for a 28-day travel period as well as any longer periods of absence.

Option 1: Maintain the status quo

80. Maintaining the status quo would involve keeping the current residence requirements. As previously noted, these rules are complex for both customers to understand and Inland Revenue to administer. Given current migration trends, overpayments and debt could increase over time. Collecting debt from people based overseas can be administratively burdensome or it may be written off, both of which increase the fiscal cost of the Working for Families scheme.

81. Even with any supplementary non-regulatory approaches, complexity would remain and any potential administrative efficiency gains from the approved information-sharing agreement with Customs would be low. There would be no clear legislative marker to determine who is ineligible to receive Working for Families payments using the border movement information received from Customs and stop payments accordingly. Additional follow-up work by Inland Revenue staff to locate and contact people to determine whether they are tax resident would continue to be required.

Option 2: Remove tax residence requirement, allow six-week travel period and longer periods of absence for specified reasons

82. This option would:

- retain an either/or test for visa status (that is, either the principal caregiver or dependent child must be lawfully resident in New Zealand and not on a temporary entry class visa)
- remove the tax residence requirement for principal caregivers and replace it with an ongoing physical presence requirement similar to that for dependent children (that is, they are in New Zealand for the days on which they receive Working for Families)
- require both the principal caregiver and dependent child to meet the physical presence and ordinarily resident requirements
- allow families to travel for up to six weeks at a time before losing eligibility on a prospective basis regardless of the reason for the travel
- allow payments to continue for longer periods in specified situations when delays are out of the family's control or reflect common reasons why people may be overseas but should still remain eligible.

83. This option is primarily based on the proposal in the 2025 discussion document and takes into account feedback received. Feedback received largely concentrated on the need for flexibility with rules around travel and has shaped the proposed list of exceptions for travel that exceeds six weeks.

84. Retaining the visa status requirement as an “either/or” for the principal caregiver or dependent child is intended to ensure access to Working for Families is not unduly restricted through the initial registration process. We expect that for many New Zealand-born children, citizenship is straightforward to verify via a birth certificate because the Department of Internal Affairs’ SmartStart portal is positioned as a one-stop shop for government services when a child is born. However, New Zealand-born principal caregivers may not have access to the necessary paperwork to verify their own status. This is more likely to be the case among low-income families and could introduce a barrier to accessing financial assistance, with a disproportionate impact on Māori and Pasifika families.

85. This option ensures Working for Families remains targeted at families living in New Zealand requiring both the principal caregiver and dependent child to be ordinarily resident in New Zealand. While this concept is a qualitative assessment, it is not as complex as the notion of tax residence.

86. Removing the tax residence requirement would significantly simplify the eligibility rules for Working for Families. This was supported by stakeholders who submitted on the discussion document. This would remove much of the complexity around determining whether someone has lost tax residence, when this applies, and its interaction with the ordinarily resident requirement. By no longer requiring Inland Revenue to make this assessment, we expect that staff time would refocus on other parts of Working for Families administration, thereby reducing overall administrative costs.

87. Removing the backdating of non-residence would be an effective way of reducing overpayments and debt to government that arises from the underlying design of the rules, and confusion and stress for families.

88. The ongoing physical presence requirement for both the principal caregiver and dependent child, combined with the automatic six-week travel exemption would make it straightforward to determine when a family is no longer eligible to receive payments. Inland Revenue would be able to use information received from Customs to determine when someone has been out of the country for longer than six weeks and stop payments from that date. Payments received within the six-week window would not be retroactively deemed to be overpayments if they are overseas for longer, provided they are still ordinarily resident in New Zealand.

89. Allowing the six-week exemption to apply automatically would permit the most efficient use of border movement information received from Customs to minimise the compliance burden impact on families and administrative costs for Inland Revenue. It would provide flexibility and certainty to families regardless of their reason for travel.

90. Families would not be required to inform Inland Revenue of trips shorter than six weeks. For temporary absences longer than six weeks, families would only need to contact Inland Revenue if they are eligible for an exemption and want payments to continue while they are overseas.[21] If payments are inadvertently stopped, missed payments can be paid out as part of the end-of-year square-up process.

91. If families move overseas (and are therefore no longer ordinarily resident), they would still be expected to inform Inland Revenue of their plans, and payments should stop as soon as they leave the country because they would no longer meet the ordinarily resident requirement. Families may not remember to inform Inland Revenue due to the logistics involved in planning and then moving overseas. This option would limit how much is inadvertently paid to families living overseas and would go some way to reduce fiscal costs by preventing ongoing overpayments and debt from arising due to unforeseen absences.

92. The proposed six-week period was broadly viewed by stakeholders and submitters on the discussion document as an appropriate length for someone to be physically absent from New Zealand before losing their eligibility for Working for Families, however some stakeholders proposed longer periods (such as up to three months, to allow for travel to visit family). Stakeholders expressed that the exemption period and other exemptions should be flexible enough for life's complexities.

93. Working for Families payments are made for children up to the age of 18, so officials consider that a six-week period would align with the length of end-of-year school holidays. This would be long enough to ensure that families who travel overseas during the end-of-year summer school holidays are not penalised relative to those who only travel during the term holidays. Due to the cost of international travel, some families may prefer to travel for longer at the end of the year to make the most of the cost. This six-week period is similar to Australia's approach for the Family Tax Benefit.[22]

94. While this option may reduce entitlements for some families who travel for longer periods and receive payments under the status quo, officials consider six weeks to be a reasonable limit given the core objective is to help low- to middle-income families with the costs of raising children in New Zealand.

95. To address stakeholder concerns that six weeks is not long enough, this option allows families to remain eligible for Working for Families when they are overseas for longer periods in specific circumstances. This would include:

- retaining the existing exemption for those in service of the New Zealand Government (for example, the New Zealand Defence Force)
- extensions when return travel is delayed because of a significant event that stops people from travelling such as a natural disaster (for example, a volcanic eruption or

[21] The terms of the proposed approved information-sharing agreement between Inland Revenue and Customs would provide how much notice Inland Revenue would need to provide to customers before payments can be stopped.
[22] Family Tax Benefit is a payment that helps eligible families with the cost of raising children in Australia.

severe flooding), other events that close a country's borders (for example, during COVID-19), war and political unrest

- longer periods for some common reasons for family travel including seeking medical treatment overseas, death or serious illness of a family member, and for a child, travel that is related to their primary or secondary schooling (such as a school exchange).

96. The burden of proof would be on the customer to show that an exemption applies. This could be applied for upfront to allow them to continue to receive payments while overseas or applied for later with any missed payments paid as part of the end-of-year square-up process.

97. There is no current application process for exemptions under the status quo, so introducing this process would increase administrative costs for Inland Revenue and compliance costs for customers compared with the status quo. However, it would address some stakeholder concerns that the absence period would not be long enough for some families in certain circumstances. In addition, it would not be mandatory to apply for exemptions upfront.

98. There may be other situations when the principal caregiver travels without other members of their family. If they are overseas for a prolonged period while their spouse remains in New Zealand with their child (for example a six-month work secondment), this should not in theory prevent the family from qualifying for payments even if the principal caregiver does not qualify for one of the exemptions. We expect that in this situation, the other caregiver would take over the role of principal caregiver for Working for Families purposes.

99. For customers who receive Working for Families from the Ministry of Social Development, the day-to-day impact should not be tangentially different from the status quo. The end-of-year square-up process would continue to be available when there are missed payments.

100. Overall, this option reduces the integrity risk relative to the status quo due to payments cutting off at six weeks, the high cost of international travel limiting the risk of gaming, and proposed rules for exemptions and repeated travel. Border movement data would also help to mitigate any remaining risk because Inland Revenue would be able identify and investigate any families who travel more frequently to determine whether they are in fact still meeting the ordinarily resident requirement.

Option 3: Remove tax residence requirement, and require customers to apply for 28-days travel as well as any longer periods of absence

101. This option has the same base requirements as Option 2 but has a shorter travel exemption period and would require all families to apply for an exemption for all travel. This option would:

- require families to apply for payments to continue for all travel up to 28 days (that is, four weeks) at a time before losing eligibility, and

- stop payments to families who travel without approval.

102. Like Option 2, families would be able to apply to have payments continue for longer periods in specified situations when delays are out of the family's control or reflect common reasons why people may be overseas but should still remain eligible. However, exemptions available under this option would be more closely aligned to those used by the Ministry of Social Development for main benefits.

103. The main advantage of this approach is that it makes the rules more consistent for beneficiary families (particularly Jobseeker Support clients) regardless of which agency pays their Working for Families. Alignment between agencies had some support by submitters on the discussion document, but this was generally geared at relaxing the income support rules.

104. Approximately 40% of Working for Families customers also receive a main benefit at some point during a given year. Around half receive their Working for Families payments from Inland Revenue and the other half from the Ministry of Social Development. Some families switch between agencies during the year. This option would:

    - provide clarity to Inland Revenue recipients as to when they need to inform Inland Revenue of travel plans because it will align with their Ministry of Social Development obligations
    - reduce the likelihood of missed Working for Families payments for Ministry of Social Development recipients
    - ensure all Working for Families customers are subject to the same requirements around international travel regardless of who pays their entitlement.

105. This option could generate greater fiscal savings than Option 2 on the basis that Inland Revenue would be able to stop payments earlier – either after 28 days if a family had an approved absence or as soon as they left the country if they did not. This option would also reduce overpayments and debt.

106. As with Option 2, this option can be used in conjunction with border movement data to reliably identify when payments should stop. The approval process would also reduce integrity risk because any unapproved absences would raise red flags and allow Inland Revenue to stop payments immediately. This option effectively removes the risk of overpayments being made to those who move overseas.

107. Implementing this option would require additional effort for Inland Revenue to administer and impose a higher compliance burden on the 60% of Working for Families recipients who do not need to seek permission to travel overseas under the status quo. While a more thorough approach may be suitable for Jobseeker Support recipients (as entitlement is tied to obligations to look for work), other Working for Families recipients do not have the same obligations, and so Inland Revenue's current 'light touch' approach (focused on self-service) is reflective of this. Requiring Inland Revenue to assess each family's unique circumstances and approve their travel applications would therefore be a substantial shift from the status quo.

How do the options compare to the status quo/counterfactual?

	Option 1: Status quo	Option 2: Remove tax residence requirement and allow six-week overseas travel period (preferred option)	Option 3: Remove tax residence requirement and require customers to apply for all travel up to 28 days
Income adequacy	0	++ Reduced overpayment and debt. Six-week cut-off may reduce expected entitlements for some families. Slight risk of underpayments when longer absences are justified, but this is mitigated by the exemption process and end-of-year square-ups.	+ Reduced overpayment and debt. However, immediate cut-off for any short-term unapproved travel may reduce expected payments for more families than under Option 2.
Equity	0	+ Same rules apply to customers in similar circumstances who leave New Zealand at the same time. While some beneficiary families paid by the Ministry of Social Development may have slightly different outcomes, this is the same as the status quo and can be mitigated by the end-of-year square-up process.	+ Same rules apply to customers in similar circumstances who leave New Zealand at the same time, as well as for beneficiaries and non-beneficiaries paid Working for Families by Inland Revenue or the Ministry of Social Development. However, a shorter exemption period leads to different outcomes for families who travel for a longer period at the end of the school year.
Compliance costs	0	+/0 Reduced complexity from clearer rules. Small number of families who would need to apply for exemptions for longer travel may face additional compliance costs.	-- Reduced complexity from clearer rules. However, all customers would need to apply for payments to continue for all travel (short trips as well as exemptions for longer trips) and would face additional compliance costs.
Administrative costs	0	+ Simple for Inland Revenue to administer and understand. Some costs to administer exemption process. This is offset by a reduction in manual intervention for suspected absences and confirm ineligibility.	-- Reduced complexity through removing tax residence rule. However, additional administrative costs for Inland Revenue to assess and process all travel applications. Due to timing of school holidays, this could lead to bottlenecks and impact Inland Revenue's ability to administer the tax system.
Integrity	0	+ Families who have left New Zealand cannot access Working for Families after a defined period of absence. Low integrity risk due to policy design, cost of international travel and ongoing monitoring.	++ Reduces integrity risk because families need to apply for all travel. Payments cut off immediately if travel has not been approved, meaning there is very low risk of payments being made to those who have moved overseas. Rated as better than Option 2, but additional benefit may be small due to likely travel patterns.
Fiscal impact	0	+ Entitlements stop sooner, reducing debt write-off/impairment.	++ Entitlements stop sooner, reducing debt write-off/impairment.
Overall assessment	0	++	+

Key for qualitative judgements:

++ much better than doing nothing/the status quo/counterfactual
\+ better than doing nothing/the status quo/counterfactual
0 about the same as doing nothing/the status quo/counterfactual
\- worse than doing nothing/the status quo/counterfactual
-- much worse than doing nothing/the status quo/counterfactual

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

108. Officials consider Option 2 would best address the problem and meet the policy objectives, while being easier than Option 3 for customers to understand and comply with and for Inland Revenue to administer.

109. While Option 3 could deliver additional integrity benefits and fiscal savings beyond Option 2, it would also impose additional costs, including:

- Compliance costs on all Working for Families recipients travelling overseas for short periods. This compliance burden would likely be fixed per trip regardless of how long someone travels for, so someone who travels several times a year (for example, for work) would face a significant compliance burden across the full year.
- Higher ongoing administrative costs for Inland Revenue because of the need to approve all overseas travel exemptions. Given the relevance of school holidays for families' travel plans, the administrative impact would not be spread evenly over the course of the year. This could lead to bottlenecks and impact Inland Revenue's ability to administer other parts of the tax system.

110. The key assumption underpinning this analysis is that automated information sharing between Inland Revenue and Customs will be in place to support the administration of the proposed changes. Having access to up-to-date border movement information would allow payments to be stopped with minimal manual intervention required by Inland Revenue staff. Without this information, a greater degree of manual intervention would be required, increasing administrative costs for Inland Revenue and reducing the fiscal savings of the proposal because manual intervention is unlikely to be able to identify all relevant absences on its own.

Fiscal and administrative impacts

111. Option 2 would generate operating fiscal savings of $27.8 million over the forecast period. This differs from the initial estimate calculated during Inland Revenue's regulatory stewardship review due to different data and the application of costing assumptions. The fiscal impact is based on historical data of a subset of customers scaled up to reflect the overall Working for Families population. This was then applied to the 2024–25 tax year. Averages were then multiplied to project the fiscal impact over the forecast period. These costings assume uptake of Working for Families will continue its current downward trend (-2.5% per year), and accounts for the Budget 2025 change to income test the first year of the Best Start tax credit from 1 April 2026 in line with the second and third years. The costings also exclude customers paid by the Ministry of Social Development and some minor policy design elements, for example, exemptions to the six-week grace period.

112. The fiscal savings associated with Option 3 have not been calculated but would be higher than Option 2 due to the shorter exemption period and the possibility that not all families would contact Inland Revenue prior to travelling.

113. Option 2 is estimated to have an administrative impact of $3.661 million in upfront and ongoing implementation costs for Inland Revenue and Customs ($1.051 million for Customs and $2.61 million for Inland Revenue), covering both the residence requirement changes and new information-sharing arrangements. The administrative costings assume that the change to residence requirements will introduce new processes for exemptions and role reversals (that is, principal caregiver role changes due to overseas travel) and see increased costs during the first year of implementation. However, this is expected to balance out over the forecast period with the reduction in manual effort for both Inland Revenue and customers.

114. The administrative costs associated with Option 3 have not been estimated, but would be higher than Option 2 because it would require Working for Families customers to contact Inland Revenue for all travel regardless of length.

Customer impacts

115. Limited data is available to quantify the number of Working for Families customers who would be impacted by the preferred option and therefore the extent of the compliance burden. Available statistics published by Stats NZ relate to all New Zealand residents and includes those without school or work commitments (for example, school attendance requirements, annual leave entitlements) who can travel more frequently and for longer periods. The data also includes those with higher incomes who may have more discretionary income to spend on overseas travel.

116. This means these numbers are not directly transferrable to the Working for Families population and could overstate the proportion of customers likely to travel in a given year and their average length of absence. What is available suggests that most customers do not travel overseas in a given year, and for those that do, most absences would be within the six-week travel exemption under Option 2.

117. We expect that border movement data will improve evidence quality and knowledge of customer impacts going forward, including the travel patterns of principal caregivers (for example when they travel and how long for).

Proportion of families who travel

118. In the year to March 2025, Stats NZ estimates that New Zealand residents averaged 57 international trips per 100 people living in New Zealand. Income is positively correlated with overseas travel (that is, the higher your income the more you are likely to spend on overseas travel), so regions with lower average income levels may provide a slightly more relevant proxy for Working for Families. The West Coast average was 30 trips per 100 residents and for Gisborne, 31 trips.[23] Given that Working for Families is targeted at low- to middle-income families and many families receive a main benefit with travel

[23]Source: https://www.stats.govt.nz/news/new-zealanders-take-3-million-overseas-trips/

restrictions, the rate of international travel among customers is likely lower than these averages.

Length of travel

119. Stats NZ data shows that in the year to March 2025, the median overseas trip length for all New Zealand residents was 11 days. For those who went on holiday, the median was 10 days and for those who went overseas to visit family and friends, the median was 15 days.[24, 25] Stats NZ data also shows that 93.4% of all trips by New Zealand-resident travellers in the same period were for less than two months, and 80% were for less than four weeks.[26] For holidays, these proportions were 97.2% and 87.7% respectively. For overseas trips to visit friends and family, the proportions were 93% and 74%. This dataset does not specify the proportion of overseas travel that is less than six weeks, but based on these figures, it could be around 85% to 90%. Inland Revenue's limited data on a sample of Working for Families customers supports this.

120. We expect that the six-week period, which intends to cover school holidays, would also be relevant for most Working for Families customers. Inland Revenue data shows that around 65% of the dependent children of registered customers are five years old or older. This data includes customers who do not receive any entitlements, which could artificially inflate the number of children under the age of five.[27]

121. Based on this collective data, officials consider that the six-week rule under Option 2 would cover most Working for Families customer circumstances and that the number of customers who would apply for exemptions is small.

Is Ministers' preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

122. Ministers' preferred option (Option 2) presented in the Cabinet paper is Inland Revenue's preferred option.

[24] NZ-resident traveller arrivals by main destination, purpose & length of absence (Annual-Mar), Stats NZ Infoshare.
[25] New Zealand-resident travellers are "People who live in New Zealand and are travelling overseas for less than 12 months or arriving back after an absence of less than 12 months." Source: https://datainfoplus.stats.govt.nz/item/nz.govt.stats/5675a69d-7112-48f5-8d0f-560870263d71
[26] NZ-resident traveller arrivals by main destination, purpose & length of absence (Annual-Mar), Stats NZ Infoshare.
[27] For example, someone who received the Best Start tax credit for the first year of their child's life in the last tax year but is not eligible this year because of the income limits.

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups	Comment	Impact	Evidence certainty
Additional costs of the preferred option compared to taking no action			
Working for Families customers	Some families who travel overseas for longer than six weeks at a time would have payments stopped sooner, including families moving overseas. This includes a reduction in overpayments for families who are not entitled to receive payments under current settings.	A reduction in Working for Families payments of up to $27.8m over the forecast period, including a reduction in write-offs/ impairment.	Low, based on a small subset of customers and includes a number of assumptions.
	Initially, there would be a small increase in compliance costs for customers travelling overseas who will need to learn and comply with the new rules. For a small number of trips, we anticipate there would be some increase in effort for those who need to apply for exemptions or change principal caregiver.	Low	Medium, based on experience of administering staff and customer contacts.
Inland Revenue and Customs	Upfront and ongoing costs (capital and operating) for Inland Revenue and Customs to implement the changes to the residence requirements as well as the information-sharing agreement. The cost of implementing the proposed information-sharing agreement has been included due to the dependence of the preferred option on having the information share in place.	$3.661m cost over forecast period ($1.051 million for Customs and $2.61 million for Inland Revenue).	Medium, based on experience of administering staff and customer contacts.
Total monetised costs	Upfront and ongoing administrative cost to Inland Revenue and Customs, and reduction in payments to customers (including payments not entitled to under current settings).	$31.461m cost over forecast period.	Medium
Non-monetised costs	Increased short-term compliance effort, and ongoing but ad hoc effort for exemptions and principal caregiver changes.	Low	Medium
Additional benefits of the preferred option compared to taking no action			
Working for Families customers	Increased certainty for customers who travel overseas for short periods that they continue to be eligible for payments (approximately 85% to 90% of trips based on Stats NZ proxies), as they would not need to do anything to have payments continue while overseas for less than six weeks.	Medium for this specific group	Low, based on assumptions derived from Stats NZ data on international travel.
	For customers moving overseas, there is a reduced risk of large overpayments and debt, particularly if they do not inform Inland Revenue of their move. There would also be increased certainty about and reduced compliance effort to determine when eligibility	Medium for this specific group	Low, based on assumptions derived from Stats NZ data on international travel and feedback from consultation.

Affected groups	Comment	Impact	Evidence certainty
	ceases due to the removal of the tax residence requirement.		
	The reduced risk and perception that ineligible people can receive payments while overseas would improve the overall integrity of the rules.	Medium	Medium, based on Inland Revenue's experience with administration and feedback from consultation.
Inland Revenue	Reduced ongoing administration effort from simpler rules. This includes a reduction in effort required for manual intervention	Medium	Medium, based on experience of administering staff and customer contacts.
Government	Decrease in operating expenses from reduced payments, impairment and debt write-off.	$27.8m saving over forecast period.	Low, based on a small subset of customers and includes a number of assumptions.
Total monetised benefits	Decrease in operating expenses from reduced payments, impairment and debt write-off.	$27.8m saving over forecast period.	Low, based on a small subset of customers and includes a number of assumptions.
Non-monetised benefits	Improved certainty for Working for Families customers, reduced risk of overpayments, improved integrity and reduced ongoing administration effort.	Medium	Medium, based on experience of administering staff and customer contacts.

Section 3: Delivering an option

How will the proposal be implemented?

123. Changes to the Income Tax Act 2007 to implement the proposal would need to be enacted as part of Budget 2026 legislation so that they can apply from 1 April 2027, being the start of the 2027–28 tax year. This is to ensure that Inland Revenue has the legislative certainty it needs to begin implementation and communicate the changes to Working for Families recipients before the implementation date of 1 April 2027.

124. Inland Revenue needs to make system changes before Working for Families recipients receive a notice of entitlement in February 2027 for the upcoming 2027–28 tax year. Changes would go 'live' from 1 April 2027.

125. The 1 April 2027 implementation date is also intended to align with the proposed automated information sharing between Inland Revenue and Customs. If the new information-sharing arrangement with Customs is delayed or not progressed, it will be more difficult for Inland Revenue to detect absences and stop payments.

126. Inland Revenue will develop guidance for customers to ensure they 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 will be published

on the Inland Revenue website. Inland Revenue will also update internal guidance for staff who work with customers and administer the scheme.

127. Inland Revenue will send a reminder to overseas customers that entitlements will cease after six weeks, unless they have an exemption. If customers have not applied for an exemption upfront, and this is later approved, any missed payments would then be paid out as part of the end-of-year square-up process.

How will the proposal be monitored, evaluated, and reviewed?

128. If an information-sharing arrangement with Customs is in place, Inland Revenue will be able to automatically monitor the border movements of principal caregivers. This information will include when they depart from and arrive in New Zealand, as well as the frequency of travel.

129. For the most part, this information will be used in the day-to-day operation of the scheme to determine continued eligibility and when entitlement, and payments, should cease, including at the year-end square-up. If a principal caregiver ceases to be eligible for Working for Families, Inland Revenue will stop collecting information on them and remove their details from the information sharing with Customs. However, historical data may still be used for reporting purposes.

130. There will be monitoring of the volume of payments stopped using Customs data and customers applying for longer exemptions. This will likely occur more frequently when the proposed changes are first implemented to ensure operational processes are working as intended. This could also assist in identifying trends and pressure points for the relevant areas in Inland Revenue across the year to ensure manual processes are appropriately resourced.

131. Officials will also continue to test the effectiveness of the residence requirements in the context of further potential changes to the broader Working for Families scheme identified through Inland Revenue's regulatory stewardship review. While full simplification of the residence requirements was not in scope of this RIS, officials will monitor the 'entry rules' (which largely remain the same) and their complexity to determine whether further changes are needed.

132. This information and feedback could come through qualitative data collected by Inland Revenue on the impact of the proposed new requirements through staff feedback, customer channels including its "Voice of Customer" service (monitoring of and research based on customer feedback), as well as regular meetings between officials and intermediaries and other stakeholder representative groups. Some of the feedback may be unprompted, while in the context of regular meetings officials will work with internal representatives to include the topic on the agenda. In the case of issues requiring a legislative fix, Inland Revenue will be able to demonstrate how it has considered feedback through its public log of remedial legislative issues.

133. As part of the terms of the proposed information-sharing agreement, Inland Revenue will inform customers before payments stop. This will provide a window for families to contact Inland Revenue if there are any issues with the information or if they are eligible for an exemption. Any trends from this window could be used to refine operational processes and improve guidance for customers to ensure they are aware of relevant exemptions and how to ensure continuity of payments.

134. Additionally, border movement data on travel trends will help officials evaluate whether the six-week period is appropriate as part of the bedding-in process. For example, if the data shows that families are commonly travelling for seven or eight weeks at the end of the school year, officials may recommend adjusting the exemption period to minimise the disruption to payments for these families.