

# CHiLD POVERTY ACTION GROUP

## *Landmark legal case challenges discriminatory In-Work Tax Credit*

Child Poverty Action Group is bringing a legal case alleging the In-Work Tax Credit discriminates against many of New Zealand's poorest children.

The In-Work Tax Credit (IWTC, formerly the In-Work Payment) is part of a package of family assistance policies called Working for Families Tax Credits. The IWTC is worth \$60 or more per week but is only paid for children in low-income families where parents are in paid work for a minimum number of hours per week. Children whose parents are on a benefit, or cannot work this number of hours, are not eligible for this payment.

By 2006, the incomes of New Zealand's poorest families had been falling relative to average incomes for many years. In April that year the In-Work Payment was introduced. This extra payment was desperately needed by all children in low-income families, but denied to the poorest children where parents did not work the necessary hours.

Child Poverty Action Group (CPAG) states this policy discriminates against children on the basis of their parents' work status. CPAG argues the discrimination is unacceptable as it leaves approximately 150,000 children in poverty. While there is no question that work is an important source of well-being for families, CPAG believes child benefit payments should not be used as a work incentive.

There are other, much better, ways to make work pay. All children deserve support, no matter where their family's income comes from, and government policies should treat all children from low income families the same. To reduce child poverty rates, family assistance policy should be directed at a child's needs, not used for a different purpose. CPAG's case was finally heard in mid-2008, after a six-year struggle.

**Hearings were held** at the Human Rights Review Tribunal in Wellington, from June 3 - July 21 2008. The Tribunal has returned its decision, finding "real and substantive", but justifiable, discrimination. CPAG is considering appealing the decision and continues to present cost-effective ways for government to remove the discrimination and avoid the need for the case at all.

There were also three legal decisions, on preliminary issues pursued by the Crown in 2005-06. All confirmed CPAG's right to bring the case and also affirmed the right of similar groups to challenge discrimination in government policy.

Note: The original subject of this case was the Child Tax Credit, introduced in 1996. This policy has now been almost completely replaced by the In-Work Tax Credit. The case challenges both policies.

For case updates visit [http://www.cpag.org.nz/campaigns/Child\\_Tax\\_Credit\\_IWP.html](http://www.cpag.org.nz/campaigns/Child_Tax_Credit_IWP.html)