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News Release: Key parts of Family Assistance renamed in spite of Tax Bill 2006

In the course of making submissions on the Income Tax Bill 2006, Child Poverty Action Group (CPAG) discovered that, with little warning, the IRD are renaming key parts of the family assistance package. Some old names will 'move' and apply to other payments. Elsewhere, nearly identical names will be given to vastly different payments with separate eligibility criteria.

CPAG already has grave disquiet about the complexity of the family tax credits section of the tax bill and its administration by the Inland Revenue Department. Why is IRD rushing to change the key names on the 16th March?

CPAG Economics spokesperson Dr Susan St John says the terminological confusion is most concerning as many low-income families' wellbeing can be seriously affected when complexity reduces their chances of getting the correct entitlements to tax credits under the Act. "If the legislature goes to the effort to define terms then the onus must be on the Department administering the relevant Act to use those terms as defined. There is already a great deal of confusion in the community about family assistance entitlements," she says.

The Bill is supposedly designed to clarify tax policy, and sets out the definitions of the various complex family assistance credits in much detail. Yet the name changes are to be applied immediately after submissions on the Bill close and prior to its passing select committee scrutiny. This effectively makes the big rewrite of the Tax Act redundant before it even passes into law.

"We are especially concerned that 'Family Support' a per child per week payment for all low income children is to be given the same name as an existing but totally different measure the Family Tax Credit after the passing of this bill.

"The existing Family Tax Credit is a top-up payment to give a guaranteed income of around \$17,000 pa, has a 100% abatement rate, is not based on the numbers of children and is limited to those meeting the required hours worked. The potential for confusion is huge, along with making incomprehensible everything that has been written on Family Support and the Family Tax Credit by commentators in the past," St John states.

"The changing of the name Family Tax Credit to Minimum Family Tax Credit is also highly undesirable. The two new names Family Tax Credit and Minimum Family Tax Credit are very similar and suggest they are related in some way. But

they are totally different in structure, eligibility and aim: the latter cannot be described as some minimum of the former in any meaningful sense whatsoever,” says Dr St John. The name of the Family Tax Credit used to be called the Guaranteed Minimum Family Income (GMFI). The GMFI far more correctly describes this income top-up, she argues.

Many government and related documents refer to Family Support and the Family Tax Credit, including information on overseas sites. Even if the name changes made sense, the transition to fully changing every official mention of these terms is going to take years, the group believes. In the meantime adopting identical terms for completely different things is a recipe for chaos.

See <http://www.ird.govt.nz/wff-tax-credits/>
www.cpag.org.nz

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