Submission on the IRD Policy Advice Division consultation: An income splitting tax credit for families with children (February 2010)

Contact details:

Lucy Sandford-Reed, Chief Executive
ANZASW
Unit C, 375 Main South Road
Hornby
Christchurch

Tel: 03 349 0190
Email: Lucy Sandford-Reed@anzasw.org.nz

The Aotearoa New Zealand Association of Social Workers (ANZASW) is the professional body for Social Workers in Aotearoa New Zealand. It was formed in 1964 and currently has approximately 4000 members. Its members work across the spectrum of social work workplaces.

The ANZASW operates under a bicultural model in accordance with Te Tiriti o Waitangi. Some components of this include: the Tangata Whenua Takawaenga o Aotearoa (Māori caucus), a parallel Niho Taniwha (kaupapa Māori model) competency assessment tool and process, and principles of partnership, participation and protection of rights woven into and throughout the organisational structure. Through this, ANZASW is unique amongst professional bodies in its ability to provide specialist support to Māori members.

Aotearoa New Zealand Association of Social Workers Inc

Comment

ANZASW welcomes the opportunity to comment on the IRD consultation document.

Whilst acknowledging that this is a consultation on how a income splitting tax credit may work, the Association wishes to take to opportunity to voice its concern about the introduction of the proposed tax credit in that it is discriminatory and does little to benefit those most in need within our society.

Along with many other social commentators, the Association is of the view that, in its current form, the proposal has the potential to further exacerbate the existing income and poverty inequalities within New Zealand, failing to support and address the social needs of a large section of financially vulnerable families.

The proposed tax credit will have the greatest benefit for families on highest income, not those families who are in most need of government assistance. The disproportionate benefit from the tax credit for middle and high income families compared to low income groups is unhelpful in alleviating issues such as New Zealand's high rate of child poverty and marginalizing further the income and hardship position of the poorest families and single parent families. As the recent NZ Living Standards Survey 2008 (MSD, January 2010) reported the hardship rate for sole parent families was around 4 times that for those in two parent families (39% and 11% respectively). Beneficiary families with dependent children had a hardship rate of around 5 times that for working families with children (51% and 11% respectively).

The Association believes that an alternative, more comprehensive and better targeted scheme needs to be established. The Association would strongly support a realistic increase to the current level of the minimum wage so ensuring a livable wage.

Comments on the scheme itself

Age of child included within the scheme

The proposed tax credit should apply to families with children up to the age of 18. Supporting families with children within this range provides an opportunity to provide safe and secure environment which may have a positive impact on future offending rates within this age range. To limit the scheme to 6 years creates, and possibly maintains, the situation where much of the second income is used to meet after school and holiday care for children and adolescents.

Eligibility

The acknowledgement of the contribution of parents who give up work/ work part-time to care for their children provided by this proposal is to be commended.

However, in terms of the definition of "family" for eligibility purposes, the current definition is thought limited and fails to accommodate for other family situations, such as Maori Kinship structures, same sex couples who may choose not to be in a civil union. It is also unclear whether working grandparents, with formal or informal custody arrangements, are eligible to register for the tax credit. Greater clarification regarding eligibility for these circumstances is therefore required.

We would support the tax credit being widened beyond families with children. Currently, it does not make provision for families where one adult, usually the female, opts to stop working to care for an elderly parent or disabled adult family member. The ability to work is effectively taken away due to their caring role which in most cases will increase over time rather than the care receiver becoming more independent. Ironically, if they were paid for their caring support as community support workers are, they would be eligible for the proposed tax credit. From this perspective, the policy appears to be discriminatory.

It is unclear from the proposal how the proposed income splitting tax credit would interface with the Working for Family tax credit system.

Calculation and payment of the income splitting tax credit

Any tax credit scheme should be available be on a voluntary basis, and systems be in place to ensure registration for such schemes are not solely via the internet.

Payment of the tax credits should be designated by the family unit, not automatically assigned to one party.

Contact

The Association would be happy to be contacted regarding this submission. The contact details for Lucy Sandford-Reed, Chief Executive, can be found on the front page of this submission.

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