

03 February 2009

S10.01

Submission to the Inland Revenue Department on “An Income-splitting tax credit for families with children”

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 50 nationally organised societies and national member bodies. NCWNZ has 26 branches throughout the country attended by representatives of those societies and some 150 other societies. The Council’s function is to serve women, families and the community through research, study, discussion and action.

Context

NCWNZ’s position on income-splitting is supported in principle by the following resolution passed in 2000:

4.7.1.5 That NCWNZ supports the proposition that all couples, married or de facto, should have the option of registering their partnership with the Inland Revenue Department, so that any income earned by either partner may be declared as partnership income, and each partner would pay tax on their own share of the income.

It should also be noted that in this context, NCWNZ also supports:

4.2.1 That NCWNZ request the Government to investigate the feasibility of introducing a universal basic income for all New Zealanders. 1996

The consultation on this issues paper was undertaken at a time when the majority of NCWNZ members were on holiday. The responses received reflect the continued polarity of this issue, those ardently in favour of income-splitting and those determinedly opposed. NCWNZ notes that the issues paper did not wish to examine the arguments for and against introducing such a credit, and it is with this in mind that the following is offered.

Comments

Registration: Those in favour of the overarching principle of income-splitting stated, that they supported the use of the existing Working for Families mechanism. They also noted that transitioning from Working for Families support to income splitting tax credits for higher income earners would be better facilitated. Availability of both online and hardcopy registration was requested.

Those opposed stated, that the registration proposed was an invasion of privacy already eroded by Working for Families and Work and Income requirements. Although it is proposed that this registration be done through the Working for Families system, it layers still more bureaucracy on the tax system.

Rules of eligibility: Those opposed did not support the rules of eligibility, as sectors of society would not be able to access the scheme, such as families without any employed parents, those trapped in welfare poverty.

Those in favour stated that the rules of eligibility could be generally supported as it created consistency with Working for Families.

Definition of Family: Those in support were in favour of the definition citing the value of consistency with the Working for Families definition.

Dependent child: Those in favour, agreed with the 18 years old age limit, although they also noted that students up to the age of 25 were still seen as dependent on their families for pecuniary support when seeking student loans.

Optional implementation of the provision: This was supported, as it provided parents with choice.

Annual declaration: Those in favour stated, that the same criteria should apply as for Working for Families, the onus being on the parents to notify the Department of any change of circumstances. Proportioning of income splitting tax credits was suggested as a means for dealing with dependents leaving home before the age of 18, or for relationships ending. Couples with shared care of a child should also be eligible for income splitting in proportion to the time allocated to care with a minimum of one third of the time.

Those in opposition to income-splitting felt the system would be a nightmare to administer given the “fluidity” of relationships today.

Conclusion

NCWNZ prides itself on being able to represent the middle ground, mainstream view on an issue. Consultation over the holiday period does not facilitate that within this organisation, instead polar opposite views are more likely to receive greater coverage. As this is the case, NCWNZ’s most substantive standpoint on the matter of income-splitting will be expressed once the matter passes through the first reading and is open to the public participatory process.

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