



20 December 2022

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 22 November 2022. You requested:

- 1) *What is total WFF payments annually*
- 2) *Total bad debts – current balance and annual amount of new debt*
- 3) *Bad debt clearance rate / write off %*
- 4) *Details of interest and penalties added / included in the above*
- 5) *What % of WFF is paid through the PAYE system as reduced PAYE? How is the balance paid?*
- 6) *How do overpayments arise? – Family member starts working*

Question 1: Total annual Working for Families payments

The total Working for Families (WFF) payments made for the 2021 and 2022 financial years (ending 30 June) are provided to you in Table 1 below. We have provided both the accrual and cash amounts, as this may be helpful to you.

At a high level, the accrual measure is the amount entitled plus any interest and penalties. The cash measure is the amount paid out net of any recoveries. The difference between the two measures is either a timing mismatch or debt. To the extent that debt is subsequently written off, the write off is included in a separate expense appropriation and does not affect the WFF accrual measure. The remainder of the difference represents either a timing mismatch or changes in debt.

Table 1

Financial year	WFF payments (\$m)	
	Accrual amount (\$m)	Cash amount (\$m)
2021	\$2,958	\$3,023
2022	\$2,844	\$2,918

Question 2: The current total WFF debt and the annual amount of new debt

The current total WFF debt for the 2021 and 2022 financial years is provided to you in Table 2. We have also provided the amounts of penalties and interest included in the debt.

Table 2

Financial year	Total WFF debt			
	Core debt (\$m)	Penalties (\$m)	Interest (\$m)	Total debt balance (\$m)
2021	\$146	\$29	\$24	\$199
2022	\$185	\$35	\$31	\$251

The new WFF debt for the 2021 and 2022 financial years is shown in Table 3, with details of the penalties and interest included in the total. New debt is debt that was less than one year old at the end of the financial years ending 30 June 2021 and 30 June 2022.

Table 3

Financial year	New WFF debt		
	Total debt balance (\$m)	Penalties (\$m)	Interest (\$m)
2021	\$63	\$2.8	\$1.4
2022	\$75	\$3.3	\$1.6

Questions 3 and 4: The rate / percentage of debt that is written off, and the amounts of interest and penalties

The amount of WFF debt written off is in Table 4, with details of the penalties and interest included in the total.

Table 4

Financial year	WFF debt written off		
	Total written off (\$m)	Penalties (\$m)	Interest (\$m)
2021	\$40	\$3.6	\$3.2
2022	\$24	\$1.9	\$1.7

Inland Revenue does not record debt written off as a percentage. As the write-offs made in one year may relate to debts incurred over a number of years, creating the information would be a substantial task. This part of your request is therefore refused under section 18(e) of the OIA, as the document containing the information does not exist.

The money we received to pay overdue WFF debt is in Table 5.

Table 5

WFF payments collected	
Financial year	Total (\$m)
2021	\$35
2022	\$47

Question 5: The percentage of WFF paid through the PAYE system as reduced PAYE, and how the rest is paid

WFF entitlements are paid in weekly or fortnightly payments throughout the year, or as a lump sum at the end of the year. WFF is not paid as reduced PAYE, but paid directly into the primary caregiver’s bank account.

Question 6: How WFF overpayments occur

A family’s WFF entitlement is calculated during the year based on the estimated income for the family and on the information Inland Revenue holds about the children, partner and hours worked. If a customer’s income or family circumstances change, their WFF entitlement may also change.

WFF is abated as income levels rise. If a family’s estimated income is less than their actual income at the end of the year, the family is likely to have received too much WFF throughout the year, which creates a debt.

Overpayments can also occur if a customer does not inform us about changes that result in their WFF entitlement reducing. This can include not informing us about:

- a change to income, or receiving additional income such as overtime
- stopping work
- children coming in and out of care
- a child becomes financially independent
- changes in shared-care arrangements
- a relationship / partner change
- being paid by the Ministry of Social Development and Inland Revenue at the same time.

If we are informed about income or family changes too late, an overpayment may already have occurred. This is assessed as a debt when we calculate the customer's end-of-year assessment using their actual income and family circumstances. We have a range of options for customers to manage debt, from setting up instalment arrangements to hardship relief.

When we are informed of changes during the year, we calculate how much entitlement remains in the tax year and spread that equally across the remaining payments in the year. This aims to reduce the risk or amount of a WFF overpayment by reducing or stopping the WFF weekly or fortnightly payments.

If a customer earns less than they had estimated, they may be entitled to more WFF than we had calculated, so they may receive an extra WFF payment at the end of the year.

The Government is currently reviewing WFF to understand how it can be improved to be easier for customers and better meet the needs of families. The working group includes the Ministry of Social Development (MSD), Inland Revenue, the Treasury, and the Department of the Prime Minister and Cabinet. MSD is the lead agency for the review. You can read more about the review on MSD's website at: [Public Consultation on Working for Families Tax Credits - Ministry of Social Development \(msd.govt.nz\)](https://www.msd.govt.nz/public-consultation-on-working-for-families-tax-credits).

Rights of review

If you disagree with my decision on your OIA request, you can ask an Inland Revenue review officer to review my decision. To ask for an internal review, please email: CommissionersCorrespondence@ird.govt.nz.

Alternatively, under section 28(3) of the OIA, you have the right to ask the Ombudsman to investigate and review my decision. You can contact the office of the Ombudsman at: info@ombudsman.parliament.nz.

Publishing of OIA response

Please note that Inland Revenue regularly publishes responses to requests that may be of interest to the wider public on its website. We consider that this response is of public interest so will publish this response in due course. Your personal details, or any information that would identify you, will be removed before it is published.

Thank you for your request. I trust that the information provided is of assistance to you.

Yours sincerely



Sue Gillies
Customer Segment Lead – Families