



25 June 2025

[Redacted]  
[Redacted]  
[Redacted]

Dear [Redacted]

Thank you for your request made under the Official Information Act 1982 (OIA), partially transferred from the Treasury to Inland Revenue on 26 May 2025. You requested the following documents:

*Inland Revenue Report IR2025/008: Debt to government framework - response to FinCap report*

*Inland Revenue Briefing Note BN2025/184: FamilyBoost numbers*

### Information being released

The documents requested are attached. Some information is withheld under the following sections of the OIA, as applicable:

- 9(2)(a)- to protect the privacy of natural persons, and
- 9(2)(f)(iv) - to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials.

Item	Date	Document	Decision
1.	07/04/2025	Debt to government framework – response to FinCap report	Partially released with some redactions under section 9(2)(a).
2.	22/04/2025	FamilyBoost numbers	Partially released with some redactions under section 9(2)(a) and 9(2)(f)(iv).

As required by section 9(1) of the OIA, I have considered whether the grounds for withholding the information requested is outweighed by the public interest. In this instance, I do not consider that to be the case.

### Information publicly available

The attachments to Item 1, as detailed on the following page, are refused under section 18(d) of the OIA, as the information is publicly available:

Appendix	Document	Website address
1.	Social Investment Agency A3 on Debt to government Summary of Findings	<a href="#">Debt-research-overview-A3-v3.pdf</a>
2.	FinCap's submission during consultation on the draft framework	<a href="#">Information release - Submissions received on the Policy Framework for Debt to Government</a>
3.	A framework for debt to government	<a href="#">policy-framework-for-debt-to-government.pdf</a>
4.	IR's OIA response to FinCap's request (October 2024)	<a href="#">2024-10-08-debt-to-government-guidelines-financial-hardship-and-training-on-vulnerable-customers.pdf</a>

### Right of review

If you disagree with my decision on your OIA request, you have the right to ask the Ombudsman to investigate and review my decision under section 28(3) of the OIA. You can contact the office of the Ombudsman by email at: [info@ombudsman.parliament.nz](mailto:info@ombudsman.parliament.nz).

### Publishing of OIA response

We intend to publish our response to your request on Inland Revenue's website ([ird.govt.nz](http://ird.govt.nz)) as this information may be of interest to other members of the public. This letter, with your personal details removed, may be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you again for your request.

Yours sincerely



Maraina Hak

**Policy Lead, Families and Individuals**

## Item 1



### POLICY

**Tax policy report:**      **Debt to government framework – response to FinCap report**

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<b>Date:</b>	7 April 2025	<b>Priority:</b>	Low
<b>Security level:</b>	In Confidence	<b>Report number:</b>	IR2025/008

### Action sought

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	Action sought	Deadline
Minister of Finance	<b>Note</b> the contents of this report <b>Refer</b> report to Minister of Housing, Minister of Justice, and Minister for Social Development and Employment	-
Minister of Revenue	<b>Note</b> the contents of this report	-

### Contact for telephone discussion (if required)

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Name	Position	Telephone	Suggested first contact
Samantha Aldridge	Acting Policy Lead	s 9(2)(a)	<input type="checkbox"/>
Kathleen Littlejohn	Senior Policy Advisor	s 9(2)(a)	<input checked="" type="checkbox"/>

7 April 2025

Minister of Finance  
Minister of Revenue

## **Debt to government framework – response to FinCap report**

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### **Summary**

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1. This report provides background information on the debt to government project, which was referenced in a report FinCap sent to the Minister of Finance's office in November 2024.
2. The debt to government project has been paused, but a report back to Cabinet will occur in July 2026 evaluating the 'all of government debt framework' produced in 2023 as part of the project.

### **Purpose**

3. The Minister of Finance's office received a report from FinCap outlining their findings following a series of Official Information Act requests about the debt to government project. The requests were sent to the Ministry of Social Development, the Ministry of Justice, Inland Revenue, Kāinga Ora, and the Ministry of Foreign Affairs and Trade.
4. This report briefs you on the background to the debt to government project, FinCap's involvement, and their report and its recommendations.

### **Background**

5. The debt to government project was established by the previous government following recommendations by the Tax Working Group and the Welfare Expert Advisory Group to establish a cross-government approach to managing debt owed by individuals to government agencies.
6. Social Investment Agency research from September 2020 showed that approximately 566,600 low-income New Zealanders collectively owed \$3.5 billion of debt to Inland Revenue, the Ministry of Social Development and the Ministry of Justice. Of this debt, over \$2.5 billion was owed by people in households with children. Many people also had a high incidence of private debt as well, and there is a high level of debt persistence<sup>1</sup> [Refer *Appendix 1: Debt to government: summary of findings* for more detail].
7. The final report of the Tax Working Group in 2019 recommended the establishment of a single centralised Crown debt collection agency, to achieve economies of scale and more equitable outcomes across all Crown debtors. However, officials recommended greater alignment of agency policies on debt prevention and collection as a better way of achieving these objectives [TSY T2021/780 refers].

### **The debt to government project's work programme**

8. A work programme was jointly led by the Ministers of Revenue, Child Poverty Reduction, Revenue, Justice and the Minister for Social Development and

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<sup>1</sup> <https://www.sia.govt.nz/assets/Debt-research-overview-A3-v4.pdf>

Employment It was not focused exclusively on Inland Revenue debt but rather on reducing hardship arising from debt owed to government by low-income individuals and households. The objectives of the programme were to:

- 8.1 Ensure debt recovery is fair, effective and avoids exacerbating hardship; and
  - 8.2 Prevent debt from occurring so that it does not create future problems for those in hardship.
9. The Department of the Prime Minister and Cabinet, Inland Revenue, the Ministry of Social Development, Kāinga Ora, and the Ministry of Justice collaborated and progressed a work programme over several years. In Budget 2022, the work programme resulted in the removal of interest from legal aid debt and an expansion of the non-recoverable entitlement in the Ministry of Social Development's hardship grants for dental treatment. Pilot programmes have also been undertaken to see where improvements could be achieved, including the Ministry of Social Development and Inland Revenue working jointly on debt collection from common customers<sup>2</sup>.
10. When the last Cabinet paper was considered in July 2023 there were several initiatives still under way, but most were longer-running pieces of work. Two of these initiatives, which aimed to support the work programme and align existing policy better with the debt framework, were exploring:
- 10.1 removing interest and penalties from Working for Families overpayment debt, and
  - 10.2 targeted write-offs of debts owed to the Ministry of Social Development.
11. Inland Revenue's work relating to Working for Families overpayment debt, including its interest and penalties regime, has been continued within the remit of the Working for Families tax credits stewardship programme.
12. The Ministry of Social Development's work relating to targeted write-offs has been paused due to changing ministerial priorities.

### **The policy framework for debt to government**

13. The key deliverable resulting from the debt to government work programme was the document "*A framework for debt to government: Guidelines for agencies managing personal debt owed to government*".
14. In July 2023, Cabinet agreed to adopt the framework [SWC-23-MIN-0092 refers]. It was then published in September 2023 for all government agencies to use to guide debt policy and practice. Inland Revenue drafted the framework with input and consultation from other government agencies, not-for-profit agencies and iwi.
15. The purpose of the framework was to achieve a more principled and consistent approach to debt policy and practice across government, recognising that individuals may have debt to multiple agencies or complex personal circumstances which make it difficult for them to become free of debt.
16. Retrospective changes to the debt policies or practices of government agencies were *not required* as part of Cabinet adopting the framework. However, future changes for debt-related policy and practice that are brought to Cabinet should be assessed against the framework, noting where they do or do not align with its guidance.

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<sup>2</sup> [Proactive Release - Reducing impact of debt to government - 3 February 2022 - Department of the Prime Minister and Cabinet](#)

17. The framework is linked on the Department of the Prime Minister and Cabinet's guide for consultation on cross-government issues. When a policy proposal is brought to Cabinet and there are implications for debt or potential debt, the relevant agency should refer to the framework and its principles (or explain their policy rationale for not doing so) in relation to their proposal.
18. The previous Cabinet required a report back in July 2024 that included a review of Inland Revenue, the Ministry of Social Development and the Ministry of Justice's existing debt policies and operations against the framework.
19. In March 2024, the wider work programme on other debt-related work was paused, and the planned July 2024 report back to Cabinet was cancelled [*IR2024/053: Debt to government programme – post-election advice*].
20. Cabinet invited joint Ministers to report back to Cabinet by 31 July 2026 with an evaluation for Ministers to decide whether to retain the framework or consider alternative approaches [*SWC-23-MIN-0092 refers*]. This three-year report back, intended to evaluate the framework and decide whether to keep or replace it, remains in place. The following table provides a timeline of the project to date:

Date	Event
2019	Joint ministerial work programme established to examine the issue of debt to government following Tax Working Group and Welfare Expert Advisory Group recommendations
2021	The Department of the Prime Minister and Cabinet, Inland Revenue, the Ministry of Social Development, Kāinga Ora, and the Ministry of Justice formed a group to work on where alignment can be achieved without setting up a Crown debt collection agency.
2022	The Social Wellbeing Agency published several reports relating to debt to government, using data from Stats NZ's Integrated Data Infrastructure.
Late 2022 to April 2023	Two-phase consultation on the draft framework <sup>3</sup> <ul style="list-style-type: none"> <li>Phase 1: government agencies</li> <li>Phase 2: external groups including FinCap, other community and advocacy groups, and Ngaphui iwi.</li> </ul>
July 2023	Cabinet agreed on the next steps for the debt to government work programme, including report backs requested by Cabinet in mid-2024 and 2026.
September 2023	The finalised document "A framework for debt to government: Guidelines for agencies managing personal debt owed to government" was published. Proactive release of Cabinet paper. Public submissions on the framework were published.
March 2024	Post-election briefing [ <i>IR2024/053 refers</i> ]. The debt to government work programme was paused, cancelling the 2024 report back to Cabinet but retaining the 2026 report and evaluation.
September 2024	OIA request from FinCap received.
October 2024	OIA response from IR.
December 2024	FinCap report on OIA findings is sent to the Minister of Finance.
July 2026	<i>Report due to Cabinet to evaluate the effectiveness of the framework and whether to keep, remove or replace it.</i>

<sup>3</sup> [SWC-23-SUB-0092 - Information release: Policy framework for debt to government \(September 2023\)](#)

## FinCap's November report

21. The National Building Financial Capability Charitable Trust (FinCap) is the national entity that supports the Building Financial Capability sector. FinCap provides support functions to Building Financial Capability providers and others and is a sector voice to communicate advice and insights to government and others. The organisation supports 190 local, free financial mentoring services across New Zealand, and has been contracted by the Ministry of Social Development from 1 July 2022 for five years<sup>4</sup>.
22. As part of the second phase of consultation on the draft framework, Inland Revenue reached out to a range of organisations, including FinCap, for their feedback. FinCap responded on 5 April 2023 with a comprehensive submission including recommendations.
23. Their November 2024 report summarises the responses received from the five government departments who they requested information from. It compares the agencies across topics such as writeoff provisions, debt relief, the application of penalties and interest, the way agencies assess hardship and related issues.
24. The report puts emphasis on hardship assessments, which form a key part of the framework, noting: "The guidance on hardship assessments, and actual processes and practices involved, vary immensely between agencies. There is no evidence of a holistic, comprehensive hardship assessment being undertaken by any agency, at least to the extent that this process was described in any response to the OIA." FinCap also expresses concern at MFAT's approach, which effectively outsources the hardship assessment to a debt collection agency where needed.
25. Another key recommendation is that there should be some form of common hardship assessment, taking financial and other circumstances into account, which could then be shared to relevant agencies. Work on a common definition of hardship was originally begun as part of the debt to government work programme, but the differences in how the concept of hardship fits into different agencies' work was difficult to resolve. For example, agencies such as the Ministry of Social Development use hardship to determine a person's entitlement to assistance, while others use hardship in relation to determining debt relief (such as Inland Revenue). Inland Revenue can assess any customer against hardship criteria, and its customer base is far broader than that of the Ministry of Social Development. This makes a common definition complex to achieve in any practical way. The decision was made not to progress with a single all-of-government hardship assessment test<sup>5</sup> [SWC-23-MIN-0092 refers].
26. FinCap also expressed particular interest in the parts of the framework that seek to address the complex issue of family violence and how this can be reflected in debt issues. The report notes that "[a] gap in our OIA approach was asking, specifically, if family harm considerations were taken into hardship assessments surrounding debt. The capacity to sensitively and appropriately deal with clients who are experiencing family harm is very important, however it is also important that agencies have policy in place to assess if family harm is playing a role in the accumulation of any debt, or financial hardship limiting repayment of debt"<sup>6</sup>.
27. In terms of content relating directly to Inland Revenue, the report is a fair reflection of Inland Revenue's progress to date on alignment with the framework. As no specific deliverables have been required since the publication of the framework, there has been little tangible progress in changing legislation or policy.

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<sup>4</sup><https://www.msd.govt.nz/what-we-can-do/providers/building-financial-capability/national-entity.html#MSDr'scontractwithFinCap2>

<sup>5</sup> SWC-23-SUB-0092 - Information release: Policy framework for debt to government (September 2023)

<sup>6</sup> FinCap: Policy alignment with the Debt to Government framework report page 36



28. The report discusses the student loan scheme, but it should be noted that the student loan scheme is specifically excluded from the debt to government framework<sup>7</sup>. In our response, Inland Revenue provided *SPS20/05 Student loan repayment – options for relief* to FinCap to explain Inland Revenue's current response to student loan debt.
29. FinCap make particular note of overpayment debt owed to the Ministry of Social Development, which is at a high level and reflects their experiences as financial mentors where clients are trying, but unable to, avoid getting into debt: "Financial mentors have told FinCap of many examples about debts arising in this way despite debtors' best efforts to avoid overpayment debt".

### ***Has Inland Revenue used the framework?***

30. The framework was considered and referred to in relation to the debt settings for the new FamilyBoost tax credit [*IR2024/259 refers*]. FamilyBoost was designed to be a largely 'full and final' payment based on retrospective circumstances, avoiding the estimation, square-up, and under/over-payment cycle which exists for Working for Families tax credits. Officials revisited the issue of applying penalties to FamilyBoost following initial implementation and concluded it was unreasonably punitive to impose late payment penalties on customers who were overpaid their FamilyBoost. The penalty approach was aligned with the framework.
31. Inland Revenue is considering how the framework aligns with the Inland Revenue Working for Families stewardship project currently underway.

### ***Has the Ministry of Social Development used the framework?***

32. In their response to FinCap's request, the Ministry of Social Development states: "Whilst not explicitly included as rationale in written advice to Ministers, the framework was considered by officials when developing the Emergency Housing Grants Programme, specifically when formulating and justifying our advised settings change to remove the ability to make grants recoverable. The Ministry advised that recoverable grants were intended to be used as a consequence for an applicant not meeting their responsibilities, but they were rarely used as they were ineffective in changing behaviour and increased applicant debt to the Crown. As a result, the Ministry recommended removing the ability to make grants recoverable, which Ministers agreed to."<sup>8</sup>

### ***FinCap's recommendations in their November report***

33. The report makes recommendations under three headings:
- 33.1 Recommendations for "**monitoring and progressing alignment with the policy framework for debt to Government**":
- FinCap recommends some form of centralised oversight of debt policy and practice alignment.
  - We note that a Cabinet requirement is for proposals to be assessed according to the framework. However, there is no requirement for existing policy and practice to be assessed against the framework. We

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<sup>7</sup> SWC-23-MIN-0092 noted that the Student Loan Scheme will sit outside the framework, as its own framework contains several features designed to manage lending, provide for manageable repayments, and alleviate hardship for borrowers.

<sup>8</sup> [17102024-information-relating-to-the-debt-to-government-policy-framework.pdf](#)



note that assessment of existing policy and practice would require reallocation of agency resources.

33.2 Recommendations for “**alleviating the harm caused while alignment is progressed**”:

- Fincap recommends a high trust approach be adopted by agencies for helping families who are in or close to hardship while agencies work to align more closely with the framework.
- From Inland Revenue’s perspective, it is difficult to see how this could be achieved, other than a reminder to agencies to ensure frontline staff are familiar with options to assist customers struggling with debt and to actively provide information and support families to take up these options.

33.3 Recommendations for “**future research into debt to government**”:

- FinCap highlights the variation across agencies’ debt processes and how the client experience of these processes is not commonly understood across government.
- We agree that research into the customer and financial mentor experience could be useful to highlight practical policy and process improvements for agencies. Ministers could consider whether to commission research into this area, and whether the Social Investment Agency could have a role in this.
- Inland Revenue’s stewardship programme on Working for Families tax credits includes work to better understand overpayments and debt and to propose some alternative approaches to administration which may help reduce these negative impacts.

## **Next steps**

34. You may wish to meet with FinCap to discuss the recommendations they have outlined in their report. Officials can provide further materials to support this meeting if needed.
35. If no further action is requested by Ministers, the next step for this work is for Inland Revenue to coordinate the cross-agency report back to Cabinet in July 2026. The issues raised by FinCap would be considered as part of this report back.

## Recommended action

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We recommend that you:

1. **note** the contents of this report

**Noted**

*Minister of Finance*

**Noted**

*Minister of Revenue*

2. **refer** a copy of this report to the Minister of Housing, the Minister of Justice and the Minister for Social Development and Employment for their information.

**Referred**

s 9(2)(a)

**Samantha Aldridge**

Acting Policy Lead

Policy

**Hon Nicola Willis**

Minister of Finance

/ /2025

**Hon Simon Watts**

Minister of Revenue

/ /2025

**Appendix 1: Social Investment Agency A3 on Debt to government Summary of Findings**

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**Appendix 2: FinCap's submission during consultation on the draft framework**

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**Appendix 3: A framework for debt to government**

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**Appendix 4: IR's OIA response to FinCap's request (October 2024)**

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**Appendix 5: FinCap's November memo analysing the OIA response**

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# Policy alignment with the Debt to Government framework

Analysis on five OIA responses from government agencies

Report by Fraser Williams for FinCap

22 November 2024



## Executive Summary

This report analyses the responses given by five government agencies to OIA requests made by FinCap. The requests were prepared by Janeka Rutherford-Busck and asked about the progress these agencies had made towards aligning their policy and practice with the debt to government framework. These agencies were the Ministry of Social Development (**MSD**), the Ministry of Justice (**MOJ**), Inland Revenue (**IR**), Kāinga Ora (**KO**), and the Ministry of Foreign Affairs and Trade (**MFAT**).

Within FinCap's OIA requests, particular attention was given to how the principles of the framework were followed during debt creation, debt relief and write-off due to financial hardship, the treatment of debt created through system error, and policy around recognising and responding to family harm within the experience of a client's circumstances.

Agencies varied in their reports of how much progress had been made towards alignment with the framework. While many reported that they had considered or consulted the framework, MSD and IR essentially said the framework had not been formally considered in any policies currently in place. In the case of MSD, this is particularly concerning, as at March 2024 they were owed \$2.61 billion by 621,541 people collectively.

While many policies demonstrated aspects that were aligned with the framework, all responses also demonstrated numerous shortcomings. This exercise also demonstrated that debt creation and management processes across all of these agencies vary considerably in their structure (including what regulatory documents they are governed by), level of detail, and options for relief.

Overall, the findings illustrate that while progress is underway for some agencies, more needs to be done to ensure that policies across government agencies are reviewed and made consistent with both the debt to government framework, and each other. A central monitoring organisation could be one effective way to promote uptake and hold agencies accountable. Other recommendations for furthering the adoption of the debt to government framework are given.

In light of these findings, this report presents recommendations for future research into this issue, including an inquiry into the experience of clients and financial mentors who have navigated the debt management and relief processes of government agencies, and whether or not the principles of the framework are evident in that end-user experience. Topics for future OIA requests that have emerged out of gaps within these responses are also presented, which may be useful in further understanding the mechanisms that agencies use to establish and manage debt.

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## Background

### The debt to government framework

The debt to government framework was developed in 2023 by Inland Revenue, the Ministry of Social Development, the Ministry of Justice and the Department of the Prime Minister and Cabinet in response to recommendations from the Welfare Expert Advisory and Tax Working Groups. This framework was established to address the growing issue of debt owed to government agencies by individuals, much of which is preventable. In September 2020, Inland Revenue (IR) stated that \$3.5 billion was owed to government agencies by individuals, while the Ministry of Social Development (MSD) found that in March 2024, 621,541 people collectively owed \$2.61 billion to that agency alone.<sup>1</sup>

While this framework has not dictated any immediate changes, all future policy or legislative changes that relate in any way to debt to government will need to be considered against this framework.

The debt to government framework consists of three parts which inform a ‘best practice’ approach for how government agencies should consider debt and debt creation.<sup>2</sup> These are:

1. Overarching principles for creating and managing debt:
  - Minimising hardship
  - Fairness
  - Consistency with Treaty obligations
  - Accounting for behavioural responses
  - Public value
  - Transparency
2. A ‘purpose-centred’ approach which categorises different types of debt according to underlying policy objectives, and how these objectives inform what appropriate debt management looks like
3. A ‘person-centred’ approach which outlines how agencies “might” take into account an individual’s personal circumstances, including debt already owed to other government agencies, and their ability to repay debt.

The framework states that “The policy-centred approach and the person-centred approach are intended to work together, with both having an influence over the outcome,” and that hardship provisions for

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<sup>1</sup> RNZ (2024), *The benefit system that holds the poor in poverty*. <https://www.rnz.co.nz/programmes/the-detail/story/2018943380/the-benefit-system-that-holds-the-poor-in-poverty>

<sup>2</sup> Inland Revenue (2023), *A framework for debt to government: Guidelines for agencies managing personal debt owed to government*, pp. 3-7. <https://www.ird.govt.nz/-/media/project/ir/home/documents/about-us/publications/policy-framework-for-debt-to-government.pdf?modified=20230822225535&modified=20230822225535>



managing debt may need to be applied flexibly depending on both personal circumstances and the purpose of the debt.<sup>3</sup>

FinCap has the 'resolving of issues with the creation and collection of debt to government' as a proactive policy reform priority. Through targeted consultation opportunities from IR, FinCap shared many insights and recommendations for the final framework for debt to government which were based on the experiences of debtors and the financial mentors who support them. Many of the recommendations were adopted and FinCap is now focused on seeing the framework implemented to deliver greater financial wellbeing across communities.

This memo will assess the OIA responses for evidence of these agencies adopting the debt to government framework, using the principles of the framework as a guiding tool.

## Our OIA process

FinCap initially chose four government agencies to respond under OIA processes given financial mentors' regular work with their mutual clients. These agencies were:

- The Ministry of Social Development (MSD)
- The Ministry of Justice (MOJ)
- Inland Revenue (IR)
- Kāinga Ora (KO)

Following this, the Ministry of Foreign Affairs and Trade (MFAT) contacted the MoneyTalks service to enquire about appropriate ways to refer. This indicated use of the framework for debt to government in the review of operation policy so an OIA request was also sent to MFAT to provide a point of comparison.

## Discussion - do we see evidence of the framework principles?

Across the five agencies discussed here, policy and practice alignment with the debt to government framework varies, and not always according to the progress that each agency reports to have made.

There are numerous positive aspects to the debt processes of some of these agencies. Generally, it is good to see:

- Most agencies have interest removed as a penalty for appropriate kinds of debt as a default;
- Many agencies have processes in place for considering numerous kinds of debt relief;
- Some agencies have established alternatives to creating debt where possible;

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<sup>3</sup> Inland Revenue (2023), *A framework for debt to government: Guidelines for agencies managing personal debt owed to government*, p. 14. <https://www.ird.govt.nz/-/media/project/ir/home/documents/about-us/publications/policy-framework-for-debt-to-government.pdf?modified=20230822225535&modified=20230822225535>

- write-off or reversal systems in place for debt created due to system error.

However, many gaps in framework alignment also exist, and processes of debt creation and management appear to function quite differently across agencies.

While MFAT, MOJ and KO all reported that their settings aligned to the debt to government framework either following review or simply as a matter of course, MSD and IR acknowledged that they had made little to no progress. MSD and IR, however, have much more complex debt functions and procedures than the other three agencies. It therefore makes sense that they have more work to do, but it is also important to note that this is some of the more urgent and expansive debt to address. Even though MFAT, MOJ and KO demonstrate alignment with the debt to government framework in many ways, there are other aspects that do not align, or were not reported on in the OIA responses.

MSD, MOJ and IR have particularly prescriptive and clear-cut processes for creating and managing debt, including repayments, penalties and relief. However, these are usually outlined within Acts or internal policy documents. Sometimes, components of one agency's policy and practice are outlined across multiple documents. We did not see evidence within the OIA responses that summaries of these processes and how to navigate them exist in a format that is accessible to clients and financial mentors. This also presents an issue for transparency.

Having prescriptive debt creation and management settings outlined in Acts and Regulations, as these three agencies do, provides clear directives to base policy and practice from, even if it is not always followed. However, it also means that change to align policy and practice with the debt to government framework therefore means legislative change or amendment.

All of these differences speak to the wider problem of a lack of standardisation, which in and of itself poses a challenge for maintaining fairness across debt types.

### **Comparison of relief and write-off policies**

These OIA responses demonstrated a wide disparity between both MSD and KO and the other agencies for options surrounding debt relief, including write-off.

MSD stated that they had the ability to review rate and method of repayment if financial hardship was reported, although no further detail was given on this, and write-off settings revolve solely around whether or not relatively small amounts of debt are uneconomic to recover or insolvency. This has not changed since 2014, which is when the last Ministerial Directions were given on the topic by Paula Bennett.

KO similarly stated that they primarily refer tenants to other financial services rather than making adjustments on debt settings due to hardship.

The other three agencies have far more debt relief options outlined, with write-off clearly available in instances of severe hardship for similar debt types such as loans. While the accessibility and consistency

of these policies differs between agencies, they appear to be more person-centered. As discussed, IR has a particularly detailed outline of what relief is available under what circumstances, with the factors that need to be considered in each case clearly outlined. It is also good to see that there is the capacity, within IR's hardship assessment, for the Commissioner to exercise discernment and consider other factors that they see are relevant.

### **Comparison of hardship assessments**

All agencies except KO are deploying hardship assessments of some sort when they establish rates and methods of repayment, however these are not as comprehensive as what the debt to government framework recommends. In the case of some, such as MSD, it is not clear if or when such an assessment is undertaken when reviewing an application for relief due to financial hardship. KO also clearly stated they do not undertake a hardship assessment.

The hardship assessments that exist vary in their level of detail, particularly in terms of how the components are operationalised. MOJ is the most detailed when it comes to assessing the economic or financial components of an individual's circumstances, while others state that these are assessed, but do not describe how. Most agencies indicate that they consider factors beyond finances, but it would be best to see hardship assessments move in the holistic direction outlined by the debt to government framework with detailed considerations for economic, social and cultural factors. Very little appears to have been done on integrating family harm recognition into hardship assessments.

It is concerning to see MFAT's reliance on external debt collection agencies to assess financial hardship. It also raises the question of whether or not other government agencies are employing debt collection agencies for any stages of their debt assessment or collection processes.

## Recommendations

### For monitoring and progressing alignment with the policy framework for debt to government:

While IR did tell us that an evaluation of the framework is due to be reported back to Cabinet in mid-2026, there was little evidence that alignment is currently ‘front of mind’ across government.

It is clear that **a central monitoring organisation needs to oversee the development of new guidelines across agencies for the debt to government framework to be taken up consistently across all government agencies**. The agency should have the authority to create timelines for alignment and resourcing to support alignment as well as facilitating better practice.

This could become a function of the Social Investment Agency, as they are mandated to set “the standards for social investment practice to ensure there is consistency across government agencies and contracted providers.”<sup>4</sup> Appropriate relief from unaffordable debt that undermines the purpose behind the government creating that debt in the first place should be seen as an investment. The Agency has also previously provided detailed analysis that informed the framework.

**Some agencies will need legislative amendments** to change their debt creation and management processes. A central agency could advise on such opportunities.

**As MSD’s most recent Ministerial Directions for managing debt were given in 2014, an update to these that better reflects the debt to government framework would bring alignment.**

There is also a need for **agencies to update their hardship assessments to the holistic model recommended in the debt to government framework, with the aim of an overall reduction in hardship for clients**. This should include a component asking whether family harm and coercion may have played a role in debt creation or financial hardship.

### For alleviating the harm caused while alignment is progressed:

Alignment to the Policy Framework for Debt to Government will likely take some time given the pace of alignment so far. In the interim, many whānau could not receive the support intended by the framework. To counter this, **a ‘high trust’ approach from agencies in their support of those who say**

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<sup>4</sup> Social investment agency (2024), *Social investment approach* <https://sia.govt.nz/social-investment>

**they need assistance to avoid hardship should be the default approach** to interactions that could lead to harm from debt to government until better practice is the norm.

Where FinCap has the resources, some of the information received from the Official Information Act request responses could also be turned into **flow charts to help financial mentors or other community workers to navigate the current settings**.

## **For future research into debt to government:**

The existing variation between government agency debt processes, and the way in which agencies have varying adapted components to align with the debt to government framework, highlights the way in which the actual client experience of navigating these systems is not commonly understood across government in a way that has uniformly influenced policy and practice. This is something that the debt to government framework seeks to resolve with its 'person-centered' component. **It would be useful for FinCap, other NGOs or government agencies such as the Social Investment Agency to undertake qualitative research into both the debtor/client and financial mentor experience of navigating government debt systems and seeking relief due to financial hardship**, with the aim of the findings further informing policy and practice reviews.

Further points of interest for existing debt processes and settings have also emerged from these OIA responses. Following these, useful topics for future OIA requests have been identified as:

- What is KO's new 2024 debt management policy?
- How does KO determine the rate of repayment for rent arrears?
- How are agencies adapting hardship assessment processes to involve more of the factors described in the debt to government framework, such as the role that family harm may be playing in the debt or hardship?
- Do agencies engage with or utilise the services of debt collection agencies, and if so, which ones (including MFAT, who have stated they do utilize debt collection agencies)?
- How does MSD operationalise their hardship assessment, particularly the components:
  - The ability of the debtor to meet his or her needs and the needs of his or her dependants:
  - the circumstances of the debtor and his or her dependents?
- How often does MSD write off debt under each threshold of their 'uneconomic to recover' framework?
- How does IR decide whether or not to refund student loan repayments?
- Do other agencies refund repayments that are deemed to be unaffordable?

At this point in time, it does not appear that the process of making OIA requests further spurred government agencies in aligning policies and practices with the debt to government framework. The

agencies we made requests to agencies either brushed up their existing policies, or told us outright they hadn't done any work. However, if expectations (possibly in the form of benchmarks or timelines) for alignment and consistency were to be established by a central monitoring agency, OIA requests on these matters would be a useful tool for holding agencies to greater account, and could further inform the work of the monitoring agency.

## What these agencies told us

### How do these agencies create debt?

These agencies create and manage debt through monetary loans, repayments for services, arrears in rent and tax payments, and overpayment of benefits. While loans are the most common type of debt, this is not an indication that most of the debt held is loan debt.

MFAT reported that they create and manage debt through the granting of consular loans to New Zealanders in distress overseas.<sup>5</sup>

Based on their interpretation of the debt to government framework, MOJ stated that they solely administer legal aid debt. Their OIA response did not include “information on fines debt established by the judiciary, as the judiciary is a separate branch of government, and court-imposed debts are not subject to the framework as a result.”<sup>6</sup>

IR administers tax debt, student loan debt and Small Business Cashflow (Loan) Scheme debt. In their OIA response, IR included information on how they manage Small Business Cashflow Scheme debt when it is held by individuals.<sup>7</sup>

MSD administers debt in the form of both Hardship Assistance (consisting of Special Needs Grants, some of which are recoverable, and Advance Payments of Benefits and Recoverable Assistance Payments, which are always recoverable) and benefit overpayments.<sup>8</sup> In our OIA request, we also asked whether or not the debt to government framework was consulted during the development of the Traffic Light System<sup>9</sup> used to outline the obligations for those receiving benefits. MSD responded that the Traffic Light System has not introduced any new obligations or changed the nature of financial sanctions, but rather exists as “a resource to assist beneficiaries in comprehending and adhering to their current obligations, enabling them to prevent sanctions and the related consequences.”<sup>10</sup>

KO solely manages debt in the form of rental arrears.<sup>11</sup>

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<sup>5</sup> Ministry of Foreign Affairs and Trade, *OIA 29658 response* (7 October, 2024), p. 2.

<sup>6</sup> Ministry of Justice, *OIA 115546 response* (4 October 2024), p. 2.

<sup>7</sup> Inland Revenue, *OIA 25OIA1265 response* (8 October, 2024), p. 1.

<sup>8</sup> Ministry of Social Development (n.d.), excerpt from *Debt to Government: Comparing approaches to writing off income support payment debt* (REP/22/6/553), p. 7. Included in OIA response.

<sup>9</sup> Work and Income (n.d.), *Traffic Light System* <https://www.workandincome.govt.nz/on-a-benefit/obligations/traffic-light-system/index.html>

<sup>10</sup> Ministry of Social Development, *OIA response* (17 October 2024), p. 3.

<sup>11</sup> Kāinga Ora, *OIA response* (30 October, 2024), p. 1.



## What work do agencies say they have done to bring policy and practice in line with the debt to government framework?

In their OIA responses, MFAT, IR, KO and MOJ claimed to have at least consulted the debt to government framework in recent policy discussions and reviews.

MFAT stated that consultation occurred in 2023 during a refresh of the staff guidelines that govern consular loans.<sup>12</sup>

IR told us that they “have used the framework to guide recent policy discussions on debt, but these policies have not yet been considered by Cabinet.”<sup>13</sup>

KO stated that since August 2023, they have reviewed their policy approach to rental arrears according to the debt to government framework, which “included both policy settings to prevent and manage future rent debt from occurring, as well as managing current debt levels.”<sup>14</sup> In August 2024, the KO Board “agreed a new Rent Debt Policy and an approach to managing current debt, and are now in the planning stage for implementation,” which will include developing consistent processes and guidance for staff.<sup>15</sup>

MOJ said that “the Ministry’s already existing debt policies and operations relating to legal aid debt that have been in place since the introduction of the Framework in August 2023 already met the recommendations outlined in the Framework for the debt type.”<sup>16</sup> They also highlighted that an investment for Legal Aid Services in Budget 2022 “allowed the Ministry to implement a 16.5% increase to the debt repayment thresholds on 1 January 2023, which has meant that more recipients of legal aid now receive lower or no repayment requirements on their grants of aid.” This investment further provided for three annual increases of this threshold by 1.9%, taking place on 1 July 2023, 1 July 2024, and a final future increase for 1 July 2025. As of 1 January 2023, interest on legal aid debt was also removed,<sup>17</sup> which is a good instance of adaptation to principles of the debt to government framework - particularly around the suitability of applying interest to financial assistance debt that is likely to be held by lower-income households.

MSD told us that “No progress has been made to date” on bringing policy and practice in line with the debt to government framework, but that it “has been published as guidance for staff on the Ministry’s internal database.”<sup>18</sup>

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<sup>12</sup> Ministry of Foreign Affairs and Trade, *OIA 29658 response* (7 October, 2024), p. 2.

<sup>13</sup> Inland Revenue, *OIA 250IA1265 response* (8 October, 2024), p. 1.

<sup>14</sup> Kāinga Ora, *OIA response* (30 October, 2024), p. 1.

<sup>15</sup> Kāinga Ora, *OIA response* (30 October, 2024), p. 1.

<sup>16</sup> Ministry of Justice, *OIA 115546 response* (4 October 2024), p. 2.

<sup>17</sup> Ministry of Justice, *OIA 115546 response* (4 October 2024), p. 2.

<sup>18</sup> Ministry of Social Development, *OIA response* (17 October 2024), p. 2.

As will be seen throughout the rest of this memo, the extent to which existing debt creation and management processes align with the debt to government framework varies greatly between agencies, and demonstrates the need for a consistency across governing policies and legislation.

## **Creating debt and establishing rates and methods of recovery**

The debt to government framework discusses how, while debt plays an important role in the day-to-day finances of individuals and households, the creation of debt “should not place people into hardship or exacerbate existing hardship.”<sup>19</sup> As such, agencies should seek to “administer debt in a way that is appropriate for the individual’s circumstances as a whole”, which includes considerations around whether or not the creation of debt is appropriate for the individual to begin with, and if so, what the method and rate of repayment should be.<sup>20</sup>

## **Assessing hardship when establishing debt and repayment settings**

Assessing the level of pre-existing level financial hardship of an individual or household is essential to the process of deciding whether or not they should be granted a loan by a government agency, and if so, how they should pay it back. Debtors can often be going without essentials and their creditors have no visibility of this hardship unless they assess each unique set of circumstances in sufficient detail. The debt to government framework prescribes a comprehensive assessment which covers multiple aspects of an individual’s financial wellbeing, including:

- Can the person afford basic living expenses for themselves and any dependants?  
Are dependants at risk of being placed into hardship?
- Does the person have other unavoidable and necessary costs (for example, children’s education costs, medical treatment for self or dependants, necessary vehicle repairs for a vehicle used for work or to enable the care of dependents etc.)?
- Has the person experienced unforeseeable costs (for example, unexpected medical costs)?
- Given the private and government debt that the person owes, is their debt position sustainable or is debt growing in an unmanageable fashion?
- What would be the financial impact on the household or wider whānau of any decisions made in relation to the debt owed by the person, including possible opportunity costs?
- What cultural expectations are present for the individual in terms of supporting

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<sup>19</sup> Inland Revenue (2023), *A framework for debt to government: Guidelines for agencies managing personal debt owed to government*, p. 6. <https://www.ird.govt.nz/-/media/project/ir/home/documents/about-us/publications/policy-framework-for-debt-to-government.pdf?modified=20230822225535&modified=20230822225535>

<sup>20</sup> Inland Revenue (2023), *A framework for debt to government: Guidelines for agencies managing personal debt owed to government*, p. 6. <https://www.ird.govt.nz/-/media/project/ir/home/documents/about-us/publications/policy-framework-for-debt-to-government.pdf?modified=20230822225535&modified=20230822225535>

wider whānau, or contributing to religious or cultural obligations?<sup>21</sup>

In their OIA responses, no agency demonstrated that their hardship assessments were as detailed or comprehensive as this, although most featured a component that considered the circumstances of the debtor and their dependants, and whether or not debt (and method and rate of recovery) would cause hardship. It is worth noting here that FinCap is concerned that while some responses indicated that some agencies are quick to waive debt, this still appears to rely on disclosure of difficulties by the debtor that are not visible otherwise. The hardship assessments in the framework would bring greater consistency.

### Ministry of Social Development

MSD told us that their means of devising rates and methods of debt recovery are provided in a Ministerial Direction from 2014. This is available on Work and Income's website.<sup>22</sup> Clause 4 of the Direction states:

- (1) In determining the rate of recovery, or the method of recovery, or both, in respect of a debt under regulation 209(1), MSD must give consideration to the following matters:
  - (a) the amount of the debt;
  - (b) the ability of the debtor to meet his or her needs and the needs of his or her dependants;
  - (c) the circumstances of the debtor and his or her dependants;
  - (d) whether the rate or method of recovery would cause undue hardship to the debtor or any of his or her dependants;
  - (e) the effect that the rate and method of recovery will have on the ability of the debtor to-
    - (i) support himself or herself;
    - (ii) fulfil any other obligations that he or she has under the Act;
  - (f) the cost of recovery.<sup>23</sup>

It is good to see numerous aspects of an individual's circumstances considered here, however more insight into how these are operationalised would be useful.

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<sup>21</sup> Inland Revenue (2023), *A framework for debt to government: Guidelines for agencies managing personal debt owed to government*, p. 15. <https://www.ird.govt.nz/-/media/project/ir/home/documents/about-us/publications/policy-framework-for-debt-to-government.pdf?modified=20230822225535&modified=20230822225535>

<sup>22</sup> Work and Income (2014), *Ministerial Direction on Debt Recovery* [www.workandincome.govt.nz/map/legislation/ministerial-directions/debt-recovery-direction/ministerial-direction-on-debt-recovery.html](http://www.workandincome.govt.nz/map/legislation/ministerial-directions/debt-recovery-direction/ministerial-direction-on-debt-recovery.html).

<sup>23</sup> Work and Income (2014), *Ministerial Direction on Debt Recovery - Clause 4 rate and method of recovery* <https://www.workandincome.govt.nz/map/legislation/ministerial-directions/debt-recovery-direction/clause-4-rate-and-method-of-recovery.html>

## Ministry of Foreign Affairs and Trade

MFAT staff operate under the guidance that loan durations should be for short periods, ideally no more than thirty days. However, they also state that “in very limited situations, a repayment period of up to three years can be agreed.”<sup>24</sup> There is some flexibility in payment arrangement, which can be in the form of a lump sum or a series of smaller payments.<sup>25</sup> It is not clear what level of hardship assessment goes into informing these decisions, although MFAT did state that “Consular loans are only extended in exceptional circumstances where a New Zealander requires financial resources to ensure their immediate safety and well-being or requires assistance for emergency departure or return to New Zealand, and they have no alternative way to obtain finance or ameliorate their situation.”<sup>26</sup> As such, MFAT views consular loans as a last resort for those already in hardship and who would be worse off without the loan.

## Ministry of Justice

MOJ told us that legal aid debt “is established in accordance with settings and thresholds in the Act and are calculated according to the customer’s ability to pay largely based on how much the applicant earns and/or their assets.”<sup>27</sup> The ‘settings and thresholds’ in the Legal Service Act 2011 largely revolve around determining the amount repayable to the Commissioner based on the prescribed repayment amount proceeds of proceedings (the amount of money received from the legal case), and the cost of the services.<sup>28</sup> The Legal Services Regulations 2011 define prescribed repayment amount as the total of

- (a) the maximum amount payable based on capital determined under regulation 11; and
- (b) the maximum amount payable based on income determined under regulation 12.<sup>29</sup>

These regulations rely on tables to prescribe the maximum amount payable for various bracket incomes. Figures 1 and 2 below demonstrate how this is calculated for capital and income (within the years 1 July 2023-1 July 2025), respectively:

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<sup>24</sup> Ministry of Foreign Affairs and Trade, *OIA 29658 response* (7 October, 2024), p. 3.

<sup>25</sup> Ministry of Foreign Affairs and Trade, *OIA 29658 response* (7 October, 2024), p. 3.

<sup>26</sup> Ministry of Foreign Affairs and Trade, *OIA 29658 response* (7 October, 2024), p. 3.

<sup>27</sup> Ministry of Justice, *OIA 115546 response* (4 October 2024), p. 3.

<sup>28</sup> Legal Services Act 2011, section 21 <https://www.legislation.govt.nz/act/public/2011/0004/latest/whole.html#DLM3142836>

<sup>29</sup> Legal Services Regulations 2011, section 10  
<https://legislation.govt.nz/regulation/public/2011/0144/latest/DLM3743622.html>

## Schedule 1

### Maximum amount payable based on capital

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Maximum amount payable based on capital (\$)	Capital thresholds for single applicants without children (\$)	Capital thresholds for all other applicants (\$)
0	0–1,500	0–2,000
50	1,501–1,900	2,001–2,400
145	1,901–2,300	2,401–2,800
270	2,301–2,700	2,801–3,200
430	2,701–3,100	3,201–3,600
625	3,101–3,500	3,601–4,000
850	3,501–3,900	4,001–4,400
1,090	3,901–4,300	4,401–4,800
1,270	4,301–4,500	4,801–5,000

Figure 1: Table used to calculate maximum amount payable based on capital under the Legal Services Regulations 2011.<sup>30</sup>

<sup>30</sup> Legal Services Regulations 2011, schedule 1

<https://legislation.govt.nz/regulation/public/2011/0144/latest/DLM3743639.html#DLM3743639>

**Table 2—Maximum amount payable for repayments determined on or after 1 July 2023 and before close of 30 June 2024**

Maximum amount payable based on income (\$)	Income thresholds				
	No children (\$)	1 child (\$)	2 children (\$)	3 children (\$)	4+ children (\$)
0	0–27,309	0–31,796	0–34,361	0–36,925	0–39,361
1,300	27,310–34,104	31,797–39,745	34,362–42,951	36,926–46,156	39,362–49,233
2,860	34,105–36,925	39,746–42,438	42,952–45,643	46,157–48,848	49,234–51,925
4,420	36,926–39,617	42,439–45,259	45,644–48,336	48,849–51,541	51,926–54,618
5,980	39,618–42,438	45,260–47,951	48,337–51,028	51,542–54,233	54,619–57,310
7,540	42,439–45,130	47,952–50,643	51,029–53,720	54,234–56,926	57,311–60,003
10,000	45,131–46,797	50,644–51,541	53,721–58,849	56,927–66,028	60,004–73,336

**Table 3—Maximum amount payable for repayments determined on or after 1 July 2024 and before close of 30 June 2025**

Maximum amount payable based on income (\$)	Income thresholds				
	No children (\$)	1 child (\$)	2 children (\$)	3 children (\$)	4+ children (\$)
0	0–27,828	0–32,401	0–35,013	0–37,626	0–40,109
1,300	27,829–34,752	32,402–40,501	35,014–43,767	37,627–47,033	40,110–50,168
2,860	34,753–37,626	40,502–43,244	43,768–46,510	47,034–49,777	50,169–52,912
4,420	37,627–40,370	43,245–46,118	46,511–49,254	49,778–52,520	52,913–55,656
5,980	40,371–43,244	46,119–48,862	49,255–51,998	52,521–55,264	55,657–58,399
7,540	43,245–45,988	48,863–51,606	51,999–54,741	55,265–58,007	58,400–61,143
10,000	45,989–47,686	51,607–52,520	54,742–59,967	58,008–67,283	61,144–74,730

Figure 2: Sample of tables used to calculate maximum amount payable for an applicant with a spouse or partner based on income under the Legal Services Regulations 2011.<sup>31</sup>

The Legal Services Regulations 2011 has these tables updated with new figures as the old ones become outdated. The maximum amount payable is then used alongside other figures in the following way to determine how much an individual has to repay:

- (2) The repayment payable if the proceeds of proceedings are less than the cost of services is determined by—
  - (a) adding the proceeds of proceedings and the prescribed repayment amount; and
  - (b) subtracting from the amount obtained under paragraph (a)—
    - (i) the amount (if any) by which it exceeds the cost of services; and
    - (ii) any interim repayment paid by the aided person; and
    - (iii) any deductions allowed by the Commissioner in accordance with this Act or the regulations.<sup>32</sup>

<sup>31</sup> Legal Services Regulations 2011, schedule 2

<https://legislation.govt.nz/regulation/public/2011/0144/latest/DLM3743641.html#DLM3743641>

<sup>32</sup> Legal Services Act 2011, section 21 <https://www.legislation.govt.nz/act/public/2011/0004/latest/whole.html#DLM3142836>

As such, the amount that an individual can be loaned, and then subsequently charged, is highly determinable and directly tied to their financial capacity (both in terms of income and surplus wealth, and assets that can be liquidated). The rate and method of repayment is then influenced by other factors, such as the time that MOJ seeks full repayment within (as soon as possible, but within 5-7 years),<sup>33</sup> and the amount of investment into Legal Aid Services in the Budget which determines the minimum repayment possible. Although most of this detailed information can only be found within the Act and Regulations, it is probably the most prescriptive and publicly transparent means of assessing rate and method of repayment out of all of the agencies we sent OIA requests to. It is clear enough, for example, for Community Law to inform people inquiring about legal aid that “Usually, your repayments will be set at a starting out rate of roughly \$10 per week.”<sup>34</sup>

While this does not constitute a comprehensive hardship assessment as laid out in the debt to government framework, it clearly employs some of the principles of the framework, including minimising hardship, fairness, and transparency. MOJ also stated in their OIA response that during this process “Consideration is also given to the seriousness of the charges, any dependent children, amount of debt or any other exceptional circumstances when the repayment amount is set.”<sup>35</sup>

## Inland Revenue

IR did not provide us with information on how they assess a client’s circumstances before establishing debt, or how this informs repayment settings. However, with student loan debt, information on the 12% PAYE deduction repayment rate and threshold is easily accessible online.<sup>36</sup> Eligibility for student loans is also very clear-cut, with some criteria for not being able to access this debt if experiencing some forms of hardship (bankruptcy or Student Loan repayment arrears of \$500 or more and overdue on repaying any of this amount by a year or more<sup>37</sup>).

Similarly, information on the eligibility criteria<sup>38</sup> and repayment settings<sup>39</sup> for the Small Business Cashflow Scheme are available online. Repayments are not required for the first 2 years, however after 2 years, monthly payments and an interest rate of 3% begin. If a loan is defaulted on, the loan and any interest on it are required to be repaid in full immediately.<sup>40</sup>

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<sup>33</sup> Ministry of Justice, *OIA 115546 response* (4 October 2024), p. 4.

<sup>34</sup> Community Law (2024), *Repaying Legal Aid* <https://communitylaw.org.nz/community-law-manual/test/family-civil-legal-aid-for-non-criminal-cases/repaying-legal-aid/>

<sup>35</sup> Ministry of Justice, *OIA 115546 response* (4 October 2024), p. 3.

<sup>36</sup> Inland Revenue (2024), *Repaying my student loan when I earn salary or wages* <https://www.ird.govt.nz/student-loans/living-in-new-zealand-with-a-student-loan/repaying-my-student-loan-when-i-earn-salary-or-wages>

<sup>37</sup> Studylink, *Student Loan* <https://www.studylink.govt.nz/products/a-z-products/student-loan/index.html>

<sup>38</sup> Inland Revenue (2023), *Eligibility for the Small Business Cashflow Scheme (SBCS)* <https://www.ird.govt.nz/covid-19/business-and-organisations/sbcs/eligibility>

<sup>39</sup> Inland Revenue (2023), *Repaying the Small Business Cashflow Scheme (SBCS) loan* <https://www.ird.govt.nz/covid-19/business-and-organisations/sbcs/repay>

<sup>40</sup> Inland Revenue (2023), *Repaying the Small Business Cashflow Scheme (SBCS) loan* <https://www.ird.govt.nz/covid-19/business-and-organisations/sbcs/repay>



IR also told us that in regard to tax debt, “Customers who do not meet their tax obligations by the due date enter an automated billing cycle.” These customers are sent reminders “to encourage payment of debt or to request engagement with IR to resolve their debt.” However, if customers do not make contact with IR, “proactive debt collection begins,” which “consists of a range of interventions including outbound calling, letters, SMS messages, deductions on wages or bank accounts or a combination of these interventions.” Following this, “as a last resort, the commencement of legal action (e.g., bankruptcy or liquidation) may also be initiated.”<sup>41</sup> From what is discussed further on debt relief measures, it seems that more flexible payment plans are possible if an individual contacts IR and is assessed for hardship.

## **Kāinga Ora**

Debt to KO is effectively created when a customer falls behind on rent; as such, there is no role that KO plays in establishing the debt. Regarding repayment settings, KO told us that these are essentially created on a case by case basis - no standardised settings or thresholds were mentioned:

When a customer falls behind on their rent, we contact them early and work closely with them to develop a plan that will support them as they work through rent-related issues. This includes seeking to understand the underlying causes that led to the debt, their ability to make ongoing rent payments and working with them to agree additional, sustainable payments to reduce their rent arrears amount. We currently determine the rate of repayment based on what is sustainable for the customer, taking into account their available income and other financial commitments. This process has not changed since August 2023.<sup>42</sup>

From this statement, KO’s approach appears to consider the circumstances of their customers in a holistic way, although more detail on how these are determined would be useful for future work.

## **Alternatives to debt creation**

The debt to government framework recommends that when households are already experiencing serious hardship and require financial assistance from government agencies, non-recoverable alternatives to loans could be considered when appropriate. Our OIA did not specifically ask about non-recoverable alternatives offered by agencies following a hardship assessment, which is a gap that could be filled through a future OIA. However, it is worth noting that MSD and MOJ were the only agencies who noted that they provide (sometimes) non-recoverable forms of assistance - Special Needs Grants in the case of MSD, and protection orders and compulsory mental health treatment order (among others not mentioned) in the case of MOJ. The criteria for eligibility and means of applying for a Special Needs Grant are clearly laid out on Work and Income’s website.<sup>43</sup>

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<sup>41</sup> Inland Revenue, *OIA 25OIA1265 response* (8 October, 2024), p. 2.

<sup>42</sup> Kāinga Ora, *OIA response* (30 October, 2024), p. 2.

<sup>43</sup> Work and Income, *Special Needs Grants* <https://www.workandincome.govt.nz/products/a-z-benefits/special-needs-grant.html>

MFAT and IR offer similar assistance-focused loans to meet needs of varying degrees of urgency and necessity, but did not indicate that they have non-recoverable alternatives for those in severe hardship. MFAT did however state that before offering a consular loan, they will assist individuals in contacting their other support networks including “friends and family, their bank, credit card provider, savings, assets, employer, or insurance company” to facilitate a transfer of funds for hardship relief.<sup>44</sup>

## Interest and penalties on unpaid debt

The debt to government framework discusses the suitability of applying interest to the various types of debts that can be owed to government, and makes recommendations for how accrued interest as a debt should itself be treated. It recognises that interest can, and sometimes should, be applied for three reasons:

- To compensate for the lost time value of money on overdue payments to government agencies.
- Fairness to other people who pay debt on time.
- Ensuring there is no behavioural incentive to delay payment.<sup>45</sup>

Given the varying purposes of different kinds of debt and the circumstances of those who hold debt, whether or not these reasons are relevant often comes down to individual situations and what the overall aim of the debt is (ie. recovering government revenue, or alleviating hardship).

Out of the types of debt discussed by agencies within these OIA responses, interest was generally not charged on loans as a penalty, with the exception of those provided by IR (Student Loans and Small Business Cashflow Scheme Loan).

## Ministry of Foreign Affairs and Trade

MFAT told us that “interest is not charged on consular loans.”<sup>46</sup>

## Kāinga Ora

KO did not tell us whether or not they applied interest to rental arrears.

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<sup>44</sup> Ministry of Foreign Affairs and Trade, *OIA 29658 response* (7 October, 2024), p. 3.

<sup>45</sup> Inland Revenue (2023), *A framework for debt to government: Guidelines for agencies managing personal debt owed to government*, p. 11. <https://www.ird.govt.nz/-/media/project/ir/home/documents/about-us/publications/policy-framework-for-debt-to-government.pdf?modified=20230822225535&modified=20230822225535>

<sup>46</sup> Ministry of Foreign Affairs and Trade, *OIA 29658 response* (7 October, 2024), p. 2.

## Ministry of Justice

In their OIA response, MOJ told us that “Changes were also made to remove the charge of interest on legal aid debt from 1 January 2023.”<sup>47</sup>

IR

IR did not discuss interest directly in their OIA response. However, in Standard Practice Statement 18/04, interest-based penalties are discussed for late payments on tax debt:

When a payment is not made by the date it is due, late payment penalties may be payable and consist of the following components:

- an initial late payment penalty (firstly, a 1% penalty is applied the day after the payment was due, and secondly a 4% penalty is applied 7 days after the payment was due); and
- an incremental late payment penalty of 1% which is applied every month<sup>48</sup>

However, these penalties only apply in specific situations based around when a taxpayer makes contact with IR to notify them of financial hardship and request relief. The following table is provided to demonstrate when these penalties apply:

	<b>1% initial late payment penalty; one-off</b>	<b>4% initial late payment penalty; one-off</b>	<b>1% incremental late payment penalty; monthly</b>
<b>Taxpayer applies for financial relief before due date<sup>7</sup>, and relief is granted</b>	✓ (s 139BA(1))	X (s 139BA(1))	X (s 139BA(2))
<b>Taxpayer applies for financial relief on or after due date, and relief is granted</b>	✓ (s 139B(2)(a)(i))	✓ (s 139B(2)(a)(ii))	X (s 139BA(2))
<b>Taxpayer applies for financial relief at any time, and relief is declined</b>	✓ (s 139BA(6))	✓ (s 139BA(6))	✓ (s 139BA(6))
<b>Instalment arrangement entered into</b>	✓ (s 139BA(1))	X If relief was requested before the due date (s 139BA(1))  ✓ If relief was requested after the due date (s 139B(2)(a)(ii))	X Not applied if the taxpayer complies with the instalment arrangement  (s 139BA(4))

<sup>7</sup> A payment is due on either: the due date, or if the amount has a new due date set under section 142A, then the collection date. Section 142A applies where the Commissioner makes a new or amended assessment of tax and requires that the Commissioner fix a new date for the payment of tax. The new date must be at least 30 days after the new assessment or reassessment is issued.

<sup>8</sup> As noted above, due date can mean either the date it is due, or if the amount has a new due date set under section 142A, then the collection date.

<sup>47</sup> Ministry of Justice, *OIA 115546 response* (4 October 2024), p. 2.

<sup>48</sup> Inland Revenue (2018), *Standard Practice Statement 18/04*, p. 9. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps18-04.pdf?la=en>

Figure 3: Table from Standard Practice Statement 18/04 which shows when various interest penalties apply to late tax payments.<sup>49</sup>

Similarly, while student loans are interest free, section 134 of the Student Loan Scheme Act 2011 outlines how interest is applied to overseas-based borrowers for every day that they are based overseas,<sup>50</sup> and section 139 outlines how interest is also applied for late payments if the unpaid amount is \$334 or more.<sup>51</sup>

### Ministry of Social Development

MSD does not enforce penalties on debt except in cases of fraud, but this is only used in a small number of circumstances.<sup>52</sup>

## Policies and processes for debt relief due to hardship

The debt to government framework outlines the ways in which different forms of debt relief should be considered in the case of financial hardship across all types of debt created and managed by government agencies.<sup>53</sup> The measures recommended depend on both the type and purpose of the debt, and the way in which they typically impact those experiencing financial and other hardship, with the intent that the government debt does not add to that hardship unless entirely necessary (such as in the case of intentional non-compliance<sup>54</sup>). This section outlines how the agencies included in our OIA described their debt relief measures, and means of assessing financial hardship.

## Writing off debt and other relief measures

Debt write-off is a key tool recommended by the debt to government framework to provide relief for financial hardship. The framework highlights this as an appropriate response for several types of debt in some instances, including Crown revenue, overpayment of government support, loans for services

<sup>49</sup> Inland Revenue (2018), *Standard Practice Statement 18/04*, p. 9. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps18-04.pdf?la=en>

<sup>50</sup> Student Loan Scheme Act 2011, section 134  
<https://www.legislation.govt.nz/act/public/2011/0062/latest/whole.html#DLM3818801>

<sup>51</sup> Student Loan Scheme Act 2011, section 139  
<https://www.legislation.govt.nz/act/public/2011/0062/latest/whole.html#DLM3885565>

<sup>52</sup> Ministry of Social Development (n.d.), excerpt from *Debt to Government: Comparing approaches to writing off income support payment debt* (REP/22/6/553), p. 8. Included in OIA response.

<sup>53</sup> Inland Revenue (2023), *A framework for debt to government: Guidelines for agencies managing personal debt owed to government*. <https://www.ird.govt.nz/-/media/project/ir/home/documents/about-us/publications/policy-framework-for-debt-to-government.pdf?modified=20230822225535&modified=20230822225535>

<sup>54</sup> Inland Revenue (2023), *A framework for debt to government: Guidelines for agencies managing personal debt owed to government*, p. 13. <https://www.ird.govt.nz/-/media/project/ir/home/documents/about-us/publications/policy-framework-for-debt-to-government.pdf?modified=20230822225535&modified=20230822225535>

provided by the Crown, and interest accrued on unpaid debt.<sup>55</sup> Most of the agencies included in this OIA hold provisions for debt write-off in cases of financial hardship. Processes for agencies to write off debt are dictated to varying degrees by legislative and policy mechanisms, and sometimes a combination of the two. While there are similarities across agencies, the OIA responses demonstrate that all agencies are obligated to manage debt according to their own governing legislation and associated policies, and subsequently there is no standard approach.

### **Ministry of Social Development**

MSD has the most complex set of regulations governing debt write-off. As described in the report excerpt accompanying their OIA response, MSD's debt recovery obligations are outlined in the Social Security Act 2018, which "imposes a legislative duty on MSD to take all reasonably practicable steps to recover debt and empowers MSD to recover debts to the Crown."<sup>56</sup> This act provides the capacity for exceptions to this duty to be outlined in both the associated Social Security Regulations 2018 and Ministerial Directions. These currently include:

- If the debt was caused by error;
- If exceptions are provided for in the Social Security Regulations 2018;
- If the debt is uneconomic to recover;
- If the Ministers of Finance and Social Development and Employment have agreed to exceptions for public finance reasons.<sup>57</sup>

Debt write-off due to system error will be covered below.

A set of exceptions have been authorised by the Ministers of Finance and Social Development and Employment, with the authority to write off debts under such circumstances delegated to the Chief Executive of MSD. These include:

- The proceeds of the sale of assets seized by Court order are paid to the Crown;
- The debt or identity of the debtor cannot be proven;
- The debtor is insolvent;
- The agent is insolvent;
- The debtor is deceased;
- The debt is due to foreign exchange balances (due to agreement of payment amount in foreign currency and fluctuations of exchange rates);
- All economic avenues of collection have been exhausted and the debt is \$50 or less;

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<sup>55</sup> Inland Revenue (2023), *A framework for debt to government: Guidelines for agencies managing personal debt owed to government*, p. 15. <https://www.ird.govt.nz/-/media/project/ir/home/documents/about-us/publications/policy-framework-for-debt-to-government.pdf?modified=20230822225535&modified=20230822225535>

<sup>56</sup> Regulation 206 of the Social Security Regulations, as cited in Ministry of Social Development (n.d.), excerpt from *Debt to Government: Comparing approaches to writing off income support payment debt* (REP/22/6/553), p. 7. Included in OIA response.

<sup>57</sup> Ministry of Social Development (n.d.), excerpt from *Debt to Government: Comparing approaches to writing off income support payment debt* (REP/22/6/553), p. 8. Included in OIA response.

- The debt cannot be recovered due to estoppel in accordance with the Property Act 2007 (this is in relation to student debt);
- The debtor is a participant in a Witness Protection or Relocation Programme;
- The debt cannot be proven to the Court's satisfaction; or
- The debt established cannot be recovered in accordance with debts caused wholly or partly by errors to which debtors did not intentionally contribute (regulation 208 of the Social Security Regulations).<sup>58</sup>

Debt being written off due to insolvency is one instance of hardship-related write-off. However, relief measures could exist prior to insolvency processes. FinCap recognises that while insolvency can be a very important tool for helping people resolve financial hardship, currently, insolvency also risks ongoing financial exclusion. This appears to be the only situation in which debt can be written off due to hardship by MSD - guidance that they provided to us demonstrated that the main way to determine whether debt can be written off relies on whether or not it was established wholly or in part through error.<sup>59</sup>

MSD defines debt that is uneconomic to recover to be when the cost of recovery outweighs the expected return of debt. MSD has a specific threshold for this, established in 2015, as \$50, based on analysis that showed the average cost of collection to be \$59.80 per debt. Debts of higher amounts can also be assessed for appropriateness of recovery if they meet other thresholds:

- The debt is less than \$200 and there have been no repayments during the previous six months;
- The debt is less than \$1000 and there have been no repayments during the previous 12 months;
- The debt is less than \$2000 and there have been no repayments during the last 2 years;
- The debt is more than \$2000 but less than \$20,000 and there has been no ability to gain repayment or communicate with the debtor for at least six years.<sup>60</sup>

However, debt written off under these grounds can actually be reactivated if the client accesses social security again, including superannuation, as this is deemed to signify that recovery is now possible again.<sup>61</sup> This reflects MSD's duty to recover debt.<sup>62</sup>

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<sup>58</sup> Ministry of Social Development (n.d.), excerpt from *Debt to Government: Comparing approaches to writing off income support payment debt* (REP/22/6/553), p. 9. Included in OIA response.

<sup>59</sup> Work and Income, *Process for debt write-off flowchart*  
<https://www.workandincome.govt.nz/map/income-support/core-policy/current-client-debt/process-for-debt-write-off-flowchart-01.html>

<sup>60</sup> Ministry of Social Development (n.d.), excerpt from *Debt to Government: Comparing approaches to writing off income support payment debt* (REP/22/6/553), pp. 9-10. Included in OIA response.

<sup>61</sup> Ministry of Social Development (n.d.), excerpt from *Debt to Government: Comparing approaches to writing off income support payment debt* (REP/22/6/553), p. 10. Included in OIA response.

<sup>62</sup> Ministry of Social Development (n.d.), excerpt from *Debt to Government: Comparing approaches to writing off income support payment debt* (REP/22/6/553), p. 10. Included in OIA response.

These thresholds employ somewhat arbitrary settings which are based on the amount of effort required to extract repayments from an individual who is either unable to pay, or is avoiding payment, for whatever reason. While the purpose of assessing whether debt is uneconomic to recover does not necessarily have to take hardship into consideration, this write-off method may be functioning as a de facto method of determining whether or not an individual who previously received income support is able to pay their debt. The provided report excerpt states that MSD has discretion over the rate and method of debt recovery, including the option to defer and suspend recovery, and that these can be amended according to the changing circumstances that clients face.<sup>63</sup> As discussed above, a form of hardship assessment, provided within the 2014 Ministerial Directions is employed to make this decision.<sup>64</sup>

However, there was no mention within the material given to us of how MSD's means for assessing financial hardship were deployed in assessing requests for financial relief due to hardship, and what kind of outcomes or options for financial relief might be available for various situations. This is especially indicated by the capacity that MSD has to re-establish debt when clients renew their access to income support, which would possibly indicate continued financial hardship.

The Social Security Act permits changes to debt write-off settings, but no changes have been made since 2014. When making new regulations for debt write-off methods, or amending existing ones, the Minister for Social Development and Employment must be satisfied that the changes are likely to:

- Prevent accumulation of debt by any category of beneficiary and assist those beneficiaries to reduce their levels of debt while on a benefit;
- Assist any category of beneficiary to move from dependence on a benefit to self-support through employment by ensuring that those beneficiaries do not face increasing benefit debt repayments when they enter the workforce;
- Provide a positive incentive for beneficiaries to enter employment or stay in employment;
- or
- Achieve more than one of these objectives.<sup>65</sup>

These requirements appear to positively address the creation of unnecessary debt, and incentivise positive behavioural outcomes through ensuring that beneficiaries are not worse off, due to increased repayments, when they move into employment and their income increases. Such considerations are in line with the debt to government framework.

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<sup>63</sup> Ministry of Social Development (n.d.), excerpt from *Debt to Government: Comparing approaches to writing off income support payment debt* (REP/22/6/553), p. 8. Included in OIA response.

<sup>64</sup> Work and Income (2014), *Ministerial Direction on Debt Recovery - Clause 4 rate and method of recovery* <https://www.workandincome.govt.nz/map/legislation/ministerial-directions/debt-recovery-direction/clause-4-rate-and-method-of-recovery.html>

<sup>65</sup> Ministry of Social Development (n.d.), excerpt from *Debt to Government: Comparing approaches to writing off income support payment debt* (REP/22/6/553), p. 10. Included in OIA response.



## Ministry of Justice

MOJ told us that “If a participant believes they meet the criteria under financial hardship or, under just and equitable grounds, they can apply for a write off under serious financial hardship grounds and/or just and equitable ground.”<sup>66</sup> Under the Legal Services Act 2011, The Legal Services Commissioner at MOJ can decide not to recover debt, or write off amounts payable, if:

- The enforcement of the debt would cause serious hardship to the aided person;
- the cost to the LSC of enforcing the debt is likely to exceed the amount of the debt that is likely to be repaid;
- the LSC considers that it would be just and equitable not to recover the debt.<sup>67</sup>

MOJ outlined the factors assessed when considering a write off on the grounds of hardship, which are discussed below with other hardship assessments.

MOJ also stated that they can offer debt relief through extending the time an applicant has to pay off their debt (ie. changing the rate of debt recovery), either through deferring payment or creating alternative time to pay arrangements. An indication of hardship assessment is also applied here, as “consideration will be given to how much the participant can afford to pay, and the timeframe it would take for them to pay off the debt.” In such instances, the debt amount is still “ideally paid off as soon as possible, and preferably within 5-7 years as outlined in section 34 of the Legal Services Act 2011.”<sup>68</sup>

## Inland Revenue

IR told us that their “debt relief measures are guided by [...] standard practice statements. These statements guide the way in which Inland Revenue approaches a range of debt relief provisions available to the Commissioner on a case-by-case basis.”<sup>69</sup> These Standard Practice Statements are operational guidance for principles laid down in relevant Acts.

The first of these discussed, Standard Practice Statement 18/04, sets out the parameters for the Commissioner of Inland Revenue when considering options for removing or deferring the obligation to pay tax, interest, and/or penalties under the Tax Administration Act 1994 (the Act).<sup>70</sup> Section 176 of the Act allows the Commissioner to not recover outstanding amounts if it would place a person in serious hardship. This standard practice statement excludes child support or student loan obligations.

Standard Practice Statement 18/04 states that while “Taxpayers are required to pay their tax in full and on time” and may be charged interest on unpaid taxes as a penalty and compensation for the Commissioner, “In certain situations [...] the Commissioner may be able to provide assistance to

<sup>66</sup> Ministry of Justice, *OIA 115546 response* (4 October 2024), p. 3.

<sup>67</sup> Ministry of Justice, *OIA 115546 response* (4 October 2024), p. 2.

<sup>68</sup> Ministry of Justice, *OIA 115546 response* (4 October 2024), p. 4.

<sup>69</sup> Inland Revenue, *OIA 25OIA1265 response* (8 October, 2024), p. 2.

<sup>70</sup> Inland Revenue (2018), *Standard Practice Statement 18/04*, p. 3. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps18-04.pdf?la=en>

taxpayers if they are not able to pay on time, or if the imposition of penalties and/or interest is not appropriate.”<sup>71</sup> This can take the form of a write-off or payment through an installment arrangement, rather than immediate payment. Taxpayers can apply for relief, but it is not a right, and discretion over relief rests with the Commissioner who may also choose to either wait for what they see as the right time to apply relief, and use a combination of the options available, depending on the circumstances of the taxpayer.<sup>72</sup>

Various grounds for relief have different options available, under different sections of the Tax Administrative Act 1994. Many of these appear to be aligned with the debt to government framework’s recommended treatment for Crown revenue debt.<sup>73</sup> These are summarised below in a table from Standard Practice Statement 18/04:

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<sup>71</sup> Inland Revenue (2018), *Standard Practice Statement 18/04*, p. 3. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps18-04.pdf?la=en>

<sup>72</sup> Inland Revenue (2018), *Standard Practice Statement 18/04*, p. 3. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps18-04.pdf?la=en>

<sup>73</sup> Inland Revenue (2023), *A framework for debt to government: Guidelines for agencies managing personal debt owed to government*, p. 9. <https://www.ird.govt.nz/-/media/project/ir/home/documents/about-us/publications/policy-framework-for-debt-to-government.pdf?modified=20230822225535&modified=20230822225535>

Grounds for relief	Obligation that can be subject to relief	Form of relief	Relevant factors (discussed in paragraph 82)	Legislative authority (sections of the Act)
Financial relief – unable to make immediate payment	Tax, interest and/or penalties	Instalment arrangement (delayed payment)	A – I (all)	Sections 177, 177A, 177B
Financial relief – serious hardship	Tax, interest and/or penalties	Write-off (no payment required)	A – I (all)	Sections 177, 177A, 177C
Unrecoverable amount	Tax, interest and/or penalties	Write-off (no payment required)	A – F	Section 177C(1)
Inefficient use of Commissioner's resources	Tax, interest and/or penalties	Write-off (no payment required)	A – E, G, H	Section 176
Bankruptcy, liquidation or the distribution of an estate	Tax, interest and/or penalties	Write-off (no payment required)	None – no discretion	Section 177C(2) and (4)
Small amounts of refunds or tax payable	Tax, interest and/or penalties	Write-off (no payment required)	C – E	Section 174AA
Event/circumstance beyond the taxpayer's control	Penalties	Remission (no payment required)	C, E – H	Section 183A
Declared emergency event	Interest	Remission (no payment required)	C, E, F	Section 183ABA
Promote compliance and collect the highest net revenue	Penalties and/or interest	Remission (no payment required)	C, E – I	Section 183D

Figure 4: A table from Standard Practice Statement 18/04 showing grounds and targets for relief, methods of providing relief, and what sections of the Tax Administrative Act 1994 give IR legislative authority to provide relief.<sup>74</sup>

<sup>74</sup> Inland Revenue (2018), *Standard Practice Statement 18/04*, p. 5. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps18-04.pdf?la=en>

Once a taxpayer has made a request for financial relief due to hardship, the Commissioner must follow a 2-step process to determine whether relief should be offered. The first step is to ask “Is there serious hardship?”,<sup>75</sup> where serious hardship is defined in the Act as:

- (a) the taxpayer or their dependant has a serious illness:
- (b) the taxpayer would likely be unable to meet—
  - (i) minimum living expenses estimated according to normal community standards of cost and quality:
  - (ii) the cost of medical treatment for an illness or injury of the taxpayer, or of their dependant:
  - (iii) the cost of education for their dependant:
- (c) other factors that the Commissioner thinks relevant would likely arise.<sup>76</sup>

If the answer to this test is yes, then the second step can be undertaken. If the answer is no, then relief on the grounds of hardship cannot be offered, however relief on different grounds as provided in Figure 3 above may be considered.<sup>77</sup>

The second step is to ask “What relief, if any, should be granted?” At this stage,

The options are to write off the outstanding debt (in full or in part), or allow the debt to remain and take steps to bankrupt the taxpayer. At step 2, the Commissioner will have regard to how the debt originally arose, and the person’s compliance with tax obligations as that is clearly material to whether the Commissioner should grant relief.<sup>78</sup>

To do so, relevant factors must be considered; these are laid out later in Standard Practice Statement 18/04, but referenced in column 4 of Figure 4 above:

- A) Taxpayer’s financial position
- B) Options available to Commissioner
- C) Integrity of the tax system
- D) Resources available to the Commissioner
- E) Importance of promoting compliance
- F) Taxpayer’s reasons for failure to pay
- G) Taxpayer’s compliance history
- H) The taxpayer’s co-operation

<sup>75</sup> Inland Revenue (2018), *Standard Practice Statement 18/04*, p. 7. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps18-04.pdf?la=en>

<sup>76</sup> Tax Administration Act 1994, section 177A(2) <https://www.legislation.govt.nz/act/public/1994/0166/latest/DLM358350.html>

<sup>77</sup> Inland Revenue (2018), *Standard Practice Statement 18/04*, p. 8. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps18-04.pdf?la=en>

<sup>78</sup> Inland Revenue (2018), *Standard Practice Statement 18/04*, p. 8. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps18-04.pdf?la=en>

I) Steps taken to avoid similar situation in the future<sup>79</sup>

This is the basic overview of how tax debt relief measures are assessed by IR. Standard Practice Statement 18/04 is a detailed and complex document, and all of the different mechanisms and considerations here are expanded upon in-depth.

Additionally, Standard Practice Statement 20/05 sets out relief options relating to student loans. IR's OIA response stated that "While temporary relief or reduced payments may be granted, the Student Loan Scheme Act does not allow IR to write-off a student loan balance, other than late payment interest."<sup>80</sup>

Standard Practice Statement 20/05 states that a request for financial relief of student loan debt "will be considered based on a borrower's current or future ability to meet their student loan repayment obligation. In considering a request, the Commissioner will look at all options available to a borrower to enable them to meet their loan repayment obligations."<sup>81</sup> Options available to the Commissioner include:

- refrain from issuing a notice of assessment, and may write off a student loan repayment obligation not more than \$20;
- refrain from the collection of any student loan repayment obligation payable that is more than \$20 but less than \$334 (excluding late payment interest);
- reduce any amount that must be paid by a borrower for the current tax year, or the next tax year;
- reduce a repayment obligation for a previous tax year (the amount not collected is capitalised and will remain on their loan);
- agree to an instalment arrangement to repay an unpaid amount;
- refund any amount paid for the previous or current tax year;
- cancel some or all the late payment interest if it would be equitable to do so.<sup>82</sup>

Standard Practice Statement 20/05 expands on all of these options and criteria that affect them. It is also worth noting that this Statement outlines that under serious financial hardship, the Commissioner may:

- refund any amount that was paid that is considered more than a borrower can afford to pay without causing hardship; and/or

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<sup>79</sup> Inland Revenue (2018), *Standard Practice Statement 18/04*, pp. 23-24. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps18-04.pdf?la=en>

<sup>80</sup> Inland Revenue, *OIA 25OIA1265 response* (8 October, 2024), p. 2.

<sup>81</sup> Inland Revenue (2020), *Standard Practice Statement 20/05*, p. 3. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps-20-05.pdf?modified=20211126015641&modified=20211126015641>

<sup>82</sup> Inland Revenue (2020), *Standard Practice Statement 20/05*, p. 3. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps-20-05.pdf?modified=20211126015641&modified=20211126015641>

- adjust the repayment obligation amount to what the borrower can afford without causing serious hardship.<sup>83</sup>

The first option appears to be unique to student loans, as no other agency discussed refunds of debt repayments based on hardship. This is an option that could be considered by other agencies.

### **Ministry of Foreign Affairs and Trade**

MFAT told us that their capacity for writing off consular loans followed the Treasury guidelines for the Management of Crown assets.<sup>84</sup> This means that they can “only consider writing off a consular loan if all avenues for recovery of the debt have been exhausted or the expected costs of recovering the debt outweigh the expected return.”<sup>85</sup> The other option that MFAT has in cases of hardship is “negotiating alternative arrangements for repayment, such as extending the duration of the loan.”<sup>86</sup> As will be discussed below, however, the process that MFAT uses to assess hardship in order to activate these measures involves a debt collection agency, and not the Ministry itself.

### **Kāinga Ora**

KO stated that “As a social housing landlord,” it is not their role “to determine if a customer is in financial hardship” when owing rental arrears debt. They added that when they “become aware that a customer needs additional support, we refer them to other agencies and support services who can support them.”<sup>87</sup> Debt can be adjusted in a limited number of circumstances, “such as the death of a sole tenant, or in the case of bankruptcy or No Asset Procedure. In other situations, if a former tenant has debt to Kāinga Ora, this can be recovered but is written off after seven years.”<sup>88</sup>

As such, it appears there is very little in place at KO itself that specifically helps customers manage their debt, including the adjustment of settings, when they experience financial hardship. It is good to see that referrals to financial support services are made, however if more assistance was provided by KO before a referral was necessary, it might prevent avoidable strain on financial mentors' capacity.

## **Assessing whether a client is in financial hardship in order to provide debt relief**

As can be seen above, assessing whether or not an individual is experiencing financial hardship is the key step that allows an agency to justify writing off debt, or provide other ways of reducing the demand of

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<sup>83</sup> Inland Revenue (2020), *Standard Practice Statement 20/05*, pp. 6-7. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps-20-05.pdf?modified=20211126015641&modified=20211126015641>

<sup>84</sup> The Treasury (2024), *Treasury Instructions 2024*, p. 83 [www.treasury.govt.nz/publications/instructions/treasury-instructions-2024](http://www.treasury.govt.nz/publications/instructions/treasury-instructions-2024)

<sup>85</sup> Ministry of Foreign Affairs and Trade, *OIA 29658 response* (7 October, 2024), p. 2.

<sup>86</sup> Ministry of Foreign Affairs and Trade, *OIA 29658 response* (7 October, 2024), p. 2.

<sup>87</sup> Kāinga Ora, *OIA response* (30 October, 2024), p. 1.

<sup>88</sup> Kāinga Ora, *OIA response* (30 October, 2024), p. 1.

debt repayment. In discussing the person-centred approach to managing debt, the debt to government framework recommends that agencies should undertake comprehensive hardship assessments for individuals. These assessments

should include taking into account other debts that might already exist, which might require considering whether to enter into information sharing agreements with other agencies. It should also involve careful consideration of all relevant information a department holds for the individual, such as debts relating to other products or services.<sup>89</sup>

The guidance on hardship assessments, and actual processes and practices involved, vary immensely between agencies. There is no evidence of a holistic, comprehensive hardship assessment being undertaken by any agency, at least to the extent that this process was described in any response to the OIA.

### **Ministry of Justice**

MOJ stated that:

When considering a write off on the grounds of hardship, consideration is given to the following:

- The aided person's ability to meet minimum living expenses according to normal community standards;
- the cost of medical treatment of an illness or injury of the aided person or their dependent;
- a serious illness suffered by the aided person or their dependent.<sup>90</sup>

This consideration forms a hardship assessment, however not one that is as comprehensive as recommended by the debt to government framework.

### **Ministry Social Development**

The only information provided to us by MSD on how they assess for hardship was with their means of devising rates and methods of debt recovery provided in a Ministerial Direction from 2014 (as discussed above in the section 'Assessing hardship when establishing debt and repayment settings').<sup>91</sup> It is not entirely clear how or when this is deployed in the process of providing relief for hardship after a debt has been established.

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<sup>89</sup> Inland Revenue (2023), *A framework for debt to government: Guidelines for agencies managing personal debt owed to government*, p. 14. <https://www.ird.govt.nz/-/media/project/ir/home/documents/about-us/publications/policy-framework-for-debt-to-government.pdf?modified=20230822225535&modified=20230822225535>

<sup>90</sup> Ministry of Justice, *OIA 115546 response* (4 October 2024), p. 2.

<sup>91</sup> Work and Income (2014), *Ministerial Direction on Debt Recovery - Clause 4 rate and method of recovery* <https://www.workandincome.govt.nz/map/legislation/ministerial-directions/debt-recovery-direction/clause-4-rate-and-method-of-recovery.html>

## Inland Revenue

As described above, for financial relief of tax debt due to serious hardship, IR undertakes a test of hardship as defined in the Tax Administration Act 177A(2),<sup>92</sup> using the following criteria:

- (a) the taxpayer or their dependant has a serious illness:
- (b) the taxpayer would likely be unable to meet—
  - (i) minimum living expenses estimated according to normal community standards of cost and quality:
  - (ii) the cost of medical treatment for an illness or injury of the taxpayer, or of their dependant:
  - (iii) the cost of education for their dependant:
- (c) other factors that the Commissioner thinks relevant would likely arise.<sup>93</sup>

Serious hardship in the case of student loan debt relief is also assessed using the same test.<sup>94</sup>

## Ministry of Foreign Affairs and Trade

MFAT does not undertake any financial hardship assessment, but rather will engage debt collection agencies if debtors are struggling to repay consular loans. The debt collection agency will then undertake an assessment of the debtor's ability to repay the loan, and if it is "satisfied with the evidence that the debtor is unable to repay the debt without incurring financial hardship, it will share that information with the Ministry."<sup>95</sup> This is a concerning approach on the grounds of transparency, as the means of hardship assessment employed by a debt collection agency is unclear and not as publicly accessible as that which would be undertaken by a government agency. FinCap is also prioritising work towards stronger requirements for fair collection of private debt and has noted many examples of concerning conduct from debt collectors. There was no discussion in the OIA response about what specific debt collection agencies were engaged.

## Kāinga Ora

As stated above, KO told us that they do not perform hardship assessments for customers with rent arrears debt who are struggling to pay.<sup>96</sup>

<sup>92</sup> Inland Revenue (2018), *Standard Practice Statement 18/04*, pp. 7-8. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps18-04.pdf?la=en>

<sup>93</sup> Tax Administration Act 1994, section 177A(2) <https://www.legislation.govt.nz/act/public/1994/0166/latest/DLM358350.html>

<sup>94</sup> Inland Revenue (2020), *Standard Practice Statement 20/05*, p. 7. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps-20-05.pdf?modified=20211126015641&modified=20211126015641>

<sup>95</sup> Ministry of Foreign Affairs and Trade, *OIA 29658 response* (7 October, 2024), p. 2.

<sup>96</sup> Kāinga Ora, *OIA response* (30 October, 2024), p. 1.



## Writing off debt that was created through agency error

The creation of personal debt through staff or system error is largely only an issue that affects MSD and IR.<sup>97</sup> This is due to the fact that a large portion of MSD's debt creation is through overpayment of benefits, some of which occurs by staff error, and likewise with IR and tax that has been charged incorrectly.

### Ministry of Social Development

MSD said that they follow a test to determine if an overpayment was created through system error, late notice of change in client circumstances, or intentional non-compliance. When an overpayment is established, it is checked against the test criteria, and if these criteria are met, the debt will be considered an error and written off. This test is outlined under regulation 208 of the Social Security Regulations 2018 (SSR), and was provided to us in a report excerpt as part of the OIA response:

Social Security Regulations provide for new debts, including recoverable assistance and overpayment debts, to be tested to determine if that debt was created by MSD error to establish whether it should be recovered.

Debt caused by MSD error must meet all of the following five criteria to be considered non-recoverable:

- The debt is a result of an error by MSD;
- The client did not intentionally contribute to the error - i.e., whether the client intentionally or deliberately took some action, or failed to take an action, or delayed action which resulted in an overpayment;
- The client changed their position - i.e., when a client makes different financial decisions with the overpayment received than they would have without that additional money;
- The client received the money in good faith - i.e., the client received the money without any knowledge of their lack of entitlement to it; and
- It would be inequitable to recover the debt - this requires full consideration of their current circumstances, including their financial position, whether they have the resources to repay the debt, and the degree of any error made by Work and Income.<sup>98</sup>

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<sup>97</sup> MFAT stated that "To date [debt created through staff error] has not been applicable to consular loans," (Ministry of Foreign Affairs and Trade, *OIA 29658 response*, p. 2), and MOJ stated that repayment errors for legal aid debt would result in a repayment amount being recalculated and any debt established in error written off (Ministry of Justice, *OIA 115546 response*, p. 2).

<sup>98</sup> Ministry of Social Development (n.d.), excerpt from *Debt to Government: Comparing approaches to writing off income support payment debt* (REP/22/6/553), p. 8. Included in OIA response.

These criteria are expanded upon on MSD's website.<sup>99</sup> Of note are how the criteria of intentional contribution and the client changing their position are assessed. The guidance for establishing intentional contribution states:

Intent can be difficult to decide. You need to determine whether the client deliberately or intentionally took some action, failed to take some action or delayed a course of action which resulted in an overpayment. For example:

- the client entered into a marriage or civil union type relationship and did not inform Work and Income knowing that they had an obligation to do so
- the client started work and didn't advise Work and Income for 2 weeks knowing that their earnings may affect their entitlement to benefit

Note the benefit of the doubt must always be given to the client.<sup>100</sup>

In this regard, much of the discernment of intent comes down to assessing the knowledge and truthfulness of the client, which is essentially the same question as receiving the money in good faith. Similarly, the guidance for assessing a change of position comes down to both discerning whether or not a client knew about their lack of entitlement to the overpayment, and exploring whether or not they made exceptional purchases:

It needs to be established that the client has made a different decision to that which they would otherwise have made based on the genuine belief that they were entitled to the payment they received.

The change in position may be subtle and therefore not immediately obvious.

When determining whether a change in position has occurred, the focus needs to be on actions and decisions beyond simply using the payment for daily living expenses.

Where the money from the payment is still in the client's bank account it generally cannot be said they have changed their position, unless for example, the client has entered into commitments on the basis of having that money.

Where the client has spent the money knowing that they were not entitled to it, we should take recovery action.<sup>101</sup>

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<sup>99</sup> Work and Income (n.d.), *Process for debt write-off decision*, <https://www.workandincome.govt.nz/map/income-support/core-policy/current-client-debt/process-for-debt-write-off-decision-01.html>

<sup>100</sup> Work and Income (n.d.), *Did not intentionally contribute*, <https://www.workandincome.govt.nz/map/income-support/core-policy/current-client-debt/did-not-intentionally-contribute-01.html>

<sup>101</sup> Work and Income (n.d.), *Changed their position*, <https://www.workandincome.govt.nz/map/income-support/core-policy/current-client-debt/changed-their-position-01.html>

The consideration of whether or not it would be inequitable to recover the debt is a good indication that some hardship assessment takes place, although this process for this context is not expanded upon in detail in any of the sources provided to us. It still follows, though, that all other conditions of the debt write off due to system error could be met, however if it is deemed that the client's finances can withstand the recovery of the debt, this will occur. FinCap also notes that it receives regular reports from financial mentors of MSD processes not being followed consistently and this can extend into issues like these errors.

MSD noted that "overpayment debt also occurs when the Ministry receives late notice of a change in client circumstances. This is not considered as intentional non-compliance or an error debt."<sup>102</sup> This debt, therefore, is not held to the same considerations as are discussed here, and presumably can only be written off under the broader debt write-off settings that MSD uses. Financial mentors have told FinCap of many examples about debts arising in this way despite debtors' best efforts to avoid overpayment debt.

### **Inland Revenue**

Paragraph 7 of Standard Practice Statement 18/04 states that "Where amounts [of tax, penalty or interest] were incorrectly charged (for example, resulting from an error by Inland Revenue), they will be reversed rather than remitted or written off."<sup>103</sup>

## **Policy addressing the role that family harm can have in creating debt to government**

A key component of the debt to government framework's recommendations around hardship assessment involved asking:

Is the debt caused by a partner, ex-partner, family member or caregiver who has coercive control over the person's finances? Is the person able to make independent and autonomous decisions about their finances? Is the debt adding to entrapment for someone experiencing family violence or abuse?<sup>104</sup>

To this end, our OIA asked agencies whether or not they had developed, or planned to develop, training for staff to recognise and respond to client cases of family harm, and if there were processes or planned processes to limit clients having to repeatedly disclose experiences of family harm and circumstances surrounding those experiences.

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<sup>102</sup> Ministry of Social Development, *OIA response* (17 October 2024), p. 2.

<sup>103</sup> Inland Revenue (2018), *Standard Practice Statement 18/04*, p. 4. <https://www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/standard-practice-statements/returns-and-debt-collection/sps18-04.pdf?la=en>

<sup>104</sup> Inland Revenue (2023), *A framework for debt to government: Guidelines for agencies managing personal debt owed to government*, p. 15. <https://www.ird.govt.nz/-/media/project/ir/home/documents/about-us/publications/policy-framework-for-debt-to-government.pdf?modified=20230822225535&modified=20230822225535>

All agencies stated that they had training or guidance in place to recognise and deal with clients who disclosed family harm. There were varied responses, however, to the question about limiting requirements for clients to repeatedly disclose family harm. MFAT, MSD and IR all stated that they had processes in place to reduce the need for repeated disclosure of family harm,<sup>105</sup> while MOJ and KO said that they have no such processes in place or plans for them.<sup>106</sup>

A gap in our OIA approach was asking, specifically, if family harm considerations were taken into hardship assessments surrounding debt. The capacity to sensitively and appropriately deal with clients who are experiencing family harm is very important, however it is also important that agencies have policy in place to assess if family harm is playing a role in the accumulation of any debt, or financial hardship limiting repayment of debt.

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<sup>105</sup> Ministry of Foreign Affairs and Trade, *OIA 29658 response* (7 October, 2024), pp. 3-4; Ministry of Social Development, *OIA response* (17 October 2024), p. 2; Inland Revenue, *OIA 25OIA1265 response* (8 October, 2024), pp. 2-3.

<sup>106</sup> Ministry of Justice, *OIA 115546 response* (4 October 2024), p. 4; Kāinga Ora, *OIA response* (30 October, 2024), p. 2.

## Appendix 1: OIA draft template

Kia ora,

The content of this Official Information Request relates to the policy framework for debt to government document titled: *A framework for debt to government: guidelines for agencies managing personal debt owed to government*.

Please supply the following information:

What progress has been made since August 2023 to improve internal policies and processes in line with the debt to government framework at [agency]?

What are the current processes for writing-off a debt owed to [agency] in the case of the debtor being in financial hardship?

How does [agency] assess whether a client is in financial hardship when considering writing off a loan?

What are the processes for writing off a debt owed to [agency] in the case of an error caused wholly or in part by [agency] staff?

How does [agency] practice the principles of the debt to government framework, of minimising hardship, fairness, consistency with Treaty obligations, accounting for behavioral responses, public value and transparency, when creating and collecting debts owed to [agency]?

What process does [agency] use for distinguishing between an overpayment debt that is created due to intentional non-compliance versus an error on either the client's or [agency]'s behalf?

What process do [agency] staff use to determine the rate and method for debt recovery and has this process changed since August 2023?

The below questions relate to the purpose-centred approach section of the debt to government framework:

Has [agency] introduced, or does it plan to develop, training for staff to recognise and respond to client cases of family violence?

Have there or are there plans to introduce processes to limit clients having to repeatedly disclose their circumstances and experience of family violence?

[For MSD, we also asked the following questions:]

1. What consideration was given to the debt to government framework throughout the development of the Traffic Light System and the introduction of sanctions?
2. What advice did the Minister receive about recovering debts owed to MSD when developing the Traffic Light System and the introduction of sanctions?
3. What advice did the Minister receive about recovering the emergency housing contribution?
4. Was there any consideration of the debt to government framework while developing the Emergency Housing Grants Programme?

If you need any more information from me please let me know as soon as possible.



## Briefing note

Reference: BN2025/184

Date: 22 April 2025

To: Revenue Advisor, Minister of Revenue – Angela Graham  
Private Secretary, Minister of Revenue – Helen Kuy  
Revenue Advisor, Minister of Finance – Emma Grigg

From: Murray Shadbolt

Subject: **FamilyBoost numbers**

### Purpose of note

1. This note summarises key FamilyBoost numbers, following media enquiries into how many people are receiving FamilyBoost. In particular, a query asking how many people received the full \$975 a quarter compared to original forecasts.
2. A number of written Parliamentary Questions have been asked on a regular basis tracking FamilyBoost numbers. These are publicly available and currently up to 2 April 2025. The numbers vary depending on the date the questions were asked and answered. The numbers are detailed and cover registrations, applications, payments and distributions by income bands. Not all families who register apply, not all applications are approved and paid.
3. The Minister of Revenue is currently considering further responses to written parliamentary questions with data up to 16 April 2025. You also recently received a briefing note on FamilyBoost regional data which also refers to original forecasts [BN2025/159 refers].

### Numbers receiving FamilyBoost

4. The table below sets out the numbers receiving Family Boost as at 16 April 2025. Numbers are at this point in time and can change daily.

	Jul-Sept 2024 (Q3 24)	Oct to Dec 2024 (Q4 24)	Jan to March 2025* (Q1 25)	Total year to date
Households Paid	45,928	43,054	34,367	56,433
Amount paid	\$17,251,540	\$15,370,897	\$12,956,895	\$45,579,332
Households paid full \$975	1,634 in this quarter	1,181 in this quarter	1,096 in this quarter	304 across all three quarters

\* Applications for this quarter opened 1 April. To date, 5,434 claims are still being assessed.

5. Households may apply for one or more quarters and might not put in an approved claim in every quarter. Across all three quarters to date there have been 56,433 unique households paid, with 304 households receiving the full \$975 payment in each and every quarter.
6. Some applications have been declined. Up to and including 16 April 2025, Inland Revenue have declined 3,739 claims for the latest quarter (Q1 2025). Since FamilyBoost began, 25,331 claims have been declined.
7. Overall, around 70% of claims were declined were due to income being over the quarterly threshold. The remainder were declined for a range of reasons including issues related to the invoice or due to an income return not being filed. As people become more familiar with the process, fewer are declined due to issues with invoices, and high income becomes a higher percentage of declines.

### **Original forecasts**

8. Leading up to March 2024, Inland Revenue made forecasts of the numbers of families who were expected to receive FamilyBoost over the first fiscal year, based on what limited information Inland Revenue was able to obtain at the time.
9. Inland Revenue forecast that about 100,000 families (consisting of around 140,000 children) would be eligible to be paid FamilyBoost over the year.
  - This does not mean 100,000 families would be eligible in each quarter as circumstances can change over time. Some families who may qualify and be paid in one quarter may not qualify in another. Change in circumstances can include fluctuations in household income within the year and number and age of children.
  - People have up to four years to put in a claim for a FamilyBoost payment. Some self-employed people may wish to determine their annual income fully before making a claim, or decide to put in claims for several quarters in one go.
  - Some families will have children that start early childhood education part way through the year, or leave part way through the year, meaning they do not have children enrolled in every quarter of the fiscal year.
10. Inland Revenue also forecast that 21,000 families would likely have fees for a quarter over \$3,900 (approximately \$300 a week) and an annual household income of less than \$140,000. They would qualify for the full \$975 per quarter assuming their income was earned uniformly throughout the year.
  - If household income is above \$35,000 a quarter, the maximum amount they can claim is abated down until it reaches zero at \$45,000 a quarter, meaning they can never receive the full \$975 a quarter.
  - People can only receive the full \$975 if they submit claims for at least \$3,900 a quarter, so some families who have high weekly fees but only enrol near the end of a quarter would also not receive the full amount.
11. The forecast appropriation for FamilyBoost in Budget 2024 was:

Vote Revenue Minister of Revenue	\$ million increase / (decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
FamilyBoost	-	174.000	171.000	167.000	165.000

\*The amount declines in outyears to reflect wage growth pushing more families about the income thresholds.

### ***Why do the forecast appear to be incorrect?***

12. The degree to which the forecasts were incorrect is yet to be established as a full year of claims has not yet occurred. There will be some seasonality with lagged claims awaiting certainty of family incomes before entitlement can be calculated. Annual incomes (for self-employed) are for the tax year to end of March and are due to be filed by early July, or later if they have a tax agent. An added factor is that people have up to four years to make their claims.
13. All forecasts have a degree of uncertainty. The key missing information for FamilyBoost was use of early childhood education broken down by distribution of family income, together with how much families actually pay in early childhood education fees after other subsidies have been taken into account. Moreover, how many eligible families were likely to take-up FamilyBoost payments was also unknown.
14. As the main purpose of the forecasts was to set the initial appropriation funding, Inland Revenue assumed a 100% take-up rate. Revised take-up assumptions would be reviewed after the scheme had been in place long enough to settle into a regular seasonal pattern and actual application numbers across quarters could be considered. It is possible that some families who would only receive a small amount of FamilyBoost decide not to apply. They would qualify for a small amount if, for example, their remaining unsubsidised fees were very low, or their income was close to \$45,000 a quarter with FamilyBoost mostly abated away.


### **Consultation**

15. The Treasury and the Ministry of Education were not informed about this briefing note.

### **Next Steps**

16. Because of uncertainties over timing of applications, forecasts of FamilyBoost spending have been left unchanged for Budget 2025 but will be updated for HYEPU 2025 once the seasonal pattern of applications is better understood. Some seasonality is anticipated because eligibility requires knowledge of family incomes which for some people are established annually, particularly for the self-employed.
17. The FamilyBoost marketing and outreach campaign continues through to June 2025. This includes marketing in some targeted regions where applications seem lower than expected. Inland Revenue will continue to advertise to families between July 2025 and June 2026, with activity boosted at the start of each quarter to encourage claims for the previous quarter.
18. Continuing to investigate policy and delivery improvements to FamilyBoost is on the Tax and Social Policy Work Programme on the Inland Revenue website.<sup>1</sup> A report will be prepared after work on Budget priorities concludes looking at a range of possible areas including:

s 9(2)(f)(iv)




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<sup>1</sup> [Government Tax and Social Policy work programme 2024/25](#)



19. Inland Revenue will also be supporting the Ministerial Advisory Group to be set up after Budget to consider the wider government funding of early childhood education. The terms of reference for the review has not been publicly announced as yet. Potential changes to how other education subsidies are paid and the level of subsidy will have flow-on implications for FamilyBoost, as FamilyBoost is based on remaining fees after other subsidies have been taken into account.

s 9(2)(f)(iv)



Murray Shadbolt

**Principal Policy Advisor**

s 9(2)(a)

