



**MINISTRY OF SOCIAL  
DEVELOPMENT**

TE MANATŪ WHAKAHIATO ORA

12 MAR 2021

MRM

[fyi-request-14736-b5bce9c2@requests.fyi.org.nz](mailto:fyi-request-14736-b5bce9c2@requests.fyi.org.nz)

Tēnā koe MRM

Thank you for your email dated 23 February 2021, asking about increases to benefit levels. I am responding to your enquiry on behalf of the Chief Executive of the Ministry of Social Development (the Ministry).

I appreciate that relying solely on a benefit can be very challenging for many people.

The overhaul of the welfare system has seen a number of changes to improve incomes and reduce inequality, including:

- the Families Package
- the indexing of main benefits to the increase in wages
- increasing income abatement thresholds
- removing section 192 of the Social Security Act 2018, which had penalised sole parents who did not name their child's other parent
- increasing main benefits by \$25 and doubling the Winter Energy Payment (for 2020).

Further information about the welfare overhaul and medium to long term plan can be found on our website here:

[www.msd.govt.nz/about-msd-and-our-work/publications-resources/information-releases/welfare-overhaul-update-on-progress-and-long-term-plan.html](http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/information-releases/welfare-overhaul-update-on-progress-and-long-term-plan.html).

I understand the concern you raise about the rising cost of council rates.

You may be eligible for a rates rebate through your local council if you do not already receive one. Lower-income homeowners are able to apply for a rates rebate of up to \$655 through their local council. I encourage you to contact your local council if you would like to enquire further. More information can also be found online here:

[www.govt.nz/browse/housing-and-property/getting-help-with-housing/getting-a-rates-rebate/](http://www.govt.nz/browse/housing-and-property/getting-help-with-housing/getting-a-rates-rebate/).

If you need further assistance to cover unexpected costs, I encourage you to contact the Work and Income freephone on 0800 559 009, as there may be supplementary assistance and hardship assistance available. You can also check your eligibility to assistance online here: <https://check.msd.govt.nz/>.

I appreciate you writing to share your suggestion that tax could be removed from the Ministry's basic grants.

It may interest you to know that the first benefits paid in New Zealand were not taxable. However, having non-taxable benefits led to inequities between the annual tax obligations of people who claimed a benefit for part of the tax year, and those who earned similar amounts working throughout the tax year.

Unemployment benefits were subject to income tax from 1979, but to resolve the tax inequities, all benefits became subject to income tax in 1986. At that time the decision was made to continue to maintain the practice of setting benefit rates in "in the hand" terms and to pay the tax obligation on behalf of beneficiaries. This approach meant that the change to the tax status of benefit payments did not affect the level of payment to a beneficiary at the time.

Second and third tier assistance payments, such as Accommodation Supplement or a hardship grant, are not subject to tax and do not cause inequities as these forms of assistance are available on much the same basis to both beneficiaries and to low income people in paid work.

Thank you again for taking the time to write. I hope this information is helpful.

Nāku noa, nā

A handwritten signature in blue ink, consisting of a stylized 'K' followed by a long horizontal line that ends in a small arrowhead.

Kate Satterthwaite  
General Manager  
Ministerial and Executive Services