

Taxation (Budget 2021 and Remedial Measures) Bill

Government Bill

Explanatory note

General policy statement

Primarily, this Bill proposes to increase the Minimum Family Tax Credit threshold from 1 July 2021 as a consequence of increases to Social Welfare benefits. The Minimum Family Tax Credit is a tax credit aimed at providing financial support to low-income working families not receiving a main benefit.

This Bill also corrects a small drafting error made in the *Child Support Amendment Act 2021*, as to the timing of commencement for two of the late payment penalty changes. If not corrected, the drafting error would have sizeable system ramifications for Inland Revenue.

Departmental disclosure statement

Inland Revenue is required to prepare a disclosure statement to assist with the scrutiny of this Bill. The disclosure statement provides access to information about the policy development of the Bill and identifies any significant or unusual legislative features of the Bill.

A copy of the statement can be found at <http://legislation.govt.nz/disclosure.aspx?type=bill&subtype=government&year=2021&no=38>

Clause by clause analysis

Clause 1 gives the title of the Act.

Clause 2 gives the dates on which the provisions of the Act come into force.

Part 1

Adjustments to Minimum Family Tax Credit

Clause 3 provides that Part 1 amends the *Income Tax Act 2007*.

Clause 4 changes the prescribed amount for the *Minimum Family Tax Credit* to \$31,096, from 1 July 2021.

Clauses 5 and 6 provide, effectively, 2 part-year instalment rates for the *Minimum Family Tax Credit* (1 April to 30 June, 1 July to 31 March) for the tax year starting 1 April 2021.

Part 2

Remedial measures

Clause 7 provides that Part 2 amends the *Child Support Act 1991*.

Clauses 8 and 9 correct a small drafting error made in the *Child Support Amendment Act 2021*, as to the timing of commencement for two of the late payment penalty changes. If not corrected, the drafting error would have sizeable system ramifications for Inland Revenue.

Hon David Parker

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Contents

	Page
1 Title	2
2 Commencement	2
Part 1	
Adjustments to Minimum Family Tax Credit	
3 Income Tax Act 2007	2
4 Section ME 1 amended (Minimum family tax credit)	2
5 Sections MF 4F and MF 4G repealed	2
6 New sections MF 4H and MF 4I inserted	2
MF 4H Calculation of instalments: 1 April 2021 to 30 June 2021	2
MF 4I Calculation of instalments: 1 July 2021 to 31 March 2022	3
Part 2	
Remedial measures	
7 Child Support Act 1991	4
8 Section 134 amended (Penalties for late payment of financial support debts)	4
9 Schedule 1 amended (Application, transitional, and savings provisions relating to amendments to Act made on or after 1 April 2015)	4
Part 5	
Provisions relating to Taxation (Budget 2021 and Remedial Measures) Act 2021	
23 Amendments to section 134 (Penalties for late payment of financial support debts)	4

The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Taxation (Budget 2021 and Remedial Measures) Act **2021**.

2 Commencement

- (1) This Act comes into force on the date on which it receives the Royal assent, except as provided in this section. 5
- (2) **Sections 5, 6, 8(1) and (3), and 9(1)** come into force on 1 April 2021.
- (3) **Section 4** comes into force on 1 July 2021.
- (4) **Sections 8(2) and (4), and 9(2)** come into force on a date appointed by the Governor-General by Order in Council or, if not earlier brought into force, on 1 April 2022. 10

Part 1

Adjustments to Minimum Family Tax Credit

3 Income Tax Act 2007

Part 1 amends the Income Tax Act 2007. 15

4 Section ME 1 amended (Minimum family tax credit)

In section ME 1(3)(a), replace “\$30,576” with “\$31,096”.

5 Sections MF 4F and MF 4G repealed

Repeal sections MF 4F and MF 4G.

6 New sections MF 4H and MF 4I inserted 20

Before section MF 5, insert:

MF 4H Calculation of instalments: 1 April 2021 to 30 June 2021

When this section applies

- (1) This section applies for calculating the amount of an instalment by way of tax credit under section ME 1 (Minimum family tax credit) for the period starting on 1 April 2021 and finishing on 30 June 2021. 25

Minimum family tax credit formula: section ME 1

- (2) The instalments for the tax credit under section ME 1 are calculated using the formula— 30
- $$(\text{prescribed amount} - \text{net family scheme income}) \times \text{weekly periods} \div 52.$$

Definition of items in formula

- (3) In the formula,—
- (a) **prescribed amount** is \$30,576:

(b) **net family scheme income** is the net family scheme income, calculated using the formula in section ME 3 (Meaning of net family scheme income), for a relationship period containing the entitlement period, of—

- (i) the person; or
- (ii) their spouse, civil union partner, or de facto partner; or 5
- (iii) the person and their spouse, civil union partner, or de facto partner: 5

(c) **weekly periods** is the number of periods of 1 week in the entitlement period for which the person is a full-time earner. 10

Defined in this Act: amount, civil union partner, de facto partner, entitlement period, full-time earner, minimum family tax credit, net family scheme income, relationship period, spouse, tax credit 10

MF 4I Calculation of instalments: 1 July 2021 to 31 March 2022

When this section applies

- (1) This section applies for calculating the amount of an instalment by way of tax credit under section ME 1 (Minimum family tax credit) for the period starting on 1 July 2021 and finishing on 31 March 2022. 15

Minimum family tax credit formula: section ME 1

- (2) The instalments for the tax credit under section ME 1 are calculated using the formula— 20
- $$(\text{prescribed amount} - \text{net family scheme income}) \times \text{weekly periods} \div 52.$$

Definition of items in formula

- (3) In the formula,—
- (a) **prescribed amount** is \$31,096:
 - (b) **net family scheme income** is the net family scheme income, calculated using the formula in section ME 3 (Meaning of net family scheme income), for a relationship period containing the entitlement period, of— 25
 - (i) the person; or
 - (ii) their spouse, civil union partner, or de facto partner; or
 - (iii) the person and their spouse, civil union partner, or de facto partner: 30
 - (c) **weekly periods** is the number of periods of 1 week in the entitlement period for which the person is a full-time earner. 30

Defined in this Act: amount, civil union partner, de facto partner, entitlement period, full-time earner, minimum family tax credit, net family scheme income, relationship period, spouse, tax credit

Part 2 Remedial measures

7 Child Support Act 1991

Part 2 amends the Child Support Act 1991.

8 Section 134 amended (Penalties for late payment of financial support debts) 5

- (1) Replace section 134(2), other than the heading, with:
- (2) At the expiry of the due date, the penalty is the greater of the following amounts: 10
- (a) the amount of \$5; and
 - (b) an amount equal to 2% of the amount of financial support remaining unpaid at the expiry of the due date.
- (2) Replace section 134(2), other than the heading, as inserted by **subsection (1)**, with:
- (2) At the expiry of the due date, the penalty is an amount equal to 2% of the amount of financial support remaining unpaid at the expiry of the due date. 15
- (3) In section 134(3), replace “27th” with “seventh” in each place where it appears.
- (4) In section 134(3), as inserted by **subsection (3)**, replace “seventh” with “27th” in each place where it appears.

9 Schedule 1 amended (Application, transitional, and savings provisions relating to amendments to Act made on or after 1 April 2015) 20

- (1) Repeal schedule 1, part 4, clause 20.
- (2) After part 4, insert:

Part 5 Provisions relating to Taxation (Budget 2021 and Remedial Measures) Act 2021 25

23 Amendments to section 134 (Penalties for late payment of financial support debts)

The amendments to section 134 made by **section 8(2) and (4)** of the Taxation (Budget 2021 and Remedial Measures) Act **2021** apply to a financial support debt if the expiry of the seventh day after the due date falls on or after commencement of **section 8(2) and (4)** of that Act, but do not apply to a financial support debt if the expiry of the seventh day after the due date falls before commencement of those provisions. 30

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Wellington, New Zealand:

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