Fact sheet: Working for families

Working for Families is a package designed to help make it easier for you to work and raise a family.

Types of assistance

There are four types of assistance available:

Family Tax Credit	**In-work Tax Credit**	**Minimum Family Tax Credit**	**Best Start Tax Credit ***
Paid to families…			
with children aged 18 years or younger	who are in paid work	with children aged 18 or younger, to ensure a minimum income	with children aged one to 3 years
To receive this assistance…			
your main family income is from:	you must have some income from paid work each week	at least one parent in the family must be working for salary or wages	• you're the main carer
• salaries or wages, or self-employed earnings		Note: The net income level guaranteed by the minimum family tax credit is	• your child is aged from new-born to 3
• a student allowance, or		• $34,216 for the 2023–24 tax year	• you're a NZ citizen or permanent resident, or you care for a child who is a resident and present in NZ.
• NZ Super or Veteran's Pension			AND you and/or your partner do NOT receive the paid parental leave, a parent's allowance, or a children's pension payable under the Veteran's Affairs Act 2014

* Best Start replaced the Parental Tax Credit from 1 July 2018. When the child turns 3, your entitlement to Best Start ends.

Different criteria apply to each of these types of assistance.

Calculating your family income for Working for Families Tax Credits

Inland Revenue needs to know if you receive income from a range of income sources such as with income from interest, dividends, rents, royalties, estates, trusts, and Māori authorities. For more information and examples, see the table at the end of this guide.

Joint custody arrangements

When the parents of a dependent child live apart, the eligibility of each parent to receive Working for Families tax credits depends on each parent's ability to qualify as a principal caregiver. For a separated person to qualify as a principal caregiver, that person must have exclusive care of the dependent child for at least one-third of:

- a four-month period
- the tax year, or
- the entitlement period, in the case of a best start tax credit

For example, if a parent has the child for only two days a week, he or she will not qualify as a principal caregiver.

When a separated person is entitled to a Working for Families tax credit, only the family tax credit or the best start tax credit is apportioned based on the time that a dependent child spends with another qualifying person during the entitlement period. If two people are eligible for an in-work tax credit in relation to a child, the amount of the credit that one person is entitled to is not affected by the other person's eligibility.

If the arrangements for the care of your child change and this change ends or will end your status as a principal caregiver, you must inform the Commissioner immediately of the changes.

Child support arrangements

When the parents of a dependent child live apart, they may have a child support arrangement in place administered through Inland Revenue and Work and Income. Both parents' income is included in the formula calculation, so the cost of the child's care is shared between both parents. If you're a non-parent carer (this means you are looking after a child that is not yours), your income is not used in the child support calculation.

Have your circumstances changed?

If you're receiving the in-work tax credit

Keep Inland Revenue up to date with changes to your family income and circumstances.

If you have agreed with your employer to reduce your hours of work on a permanent basis, you need to advise Inland Revenue of this change.

If you have stopped working for other reasons or started getting an income-tested benefit or student allowance, you no longer meet the criteria to get the in-work tax credit. Update your details through myIR.

If you're receiving the minimum family tax credit

If you're working reduced hours or have stopped working due to COVID-19 but continue to be paid for the required 20 or 30 hours a week, you will still get the minimum family tax credit.

The wage subsidy your employer paid to you during the year is income for minimum family tax credit purposes.

Keep in mind

It can sometimes be complicated to work out your entitlements. Please contact us if:

- you wish to check your entitlement to Working for Families tax credits
- your arrangements for the care of your children changes during the year
- you would just like more information or to discuss your situation further

Family income for Working for Families Tax Credits (WfFTC)

Inland Revenue needs to know if you receive income from these sources:

Income	**Examples**
Attributable fringe benefits	Jack and Diane are married with three children. Together they have a 100% voting interest in a plumbing company and are both employed by the business. They each receive a salary of $35,000. The company provides each of them with a work vehicle which they can also use for private use. The value of the private use of the vehicle plus the FBT payable by the company is $8,000 for Jack and $6,000 for Diane for the tax year. Jack has a student loan and he and Diane receive WfFTC. Jack will need to include $8,000 for the calculation of WfFTC and his student loan. Diane will need to include $6,000 as income for the calculation of her WfFTC entitlement.
Non-locked-in PIE income	George receives an inheritance of $400,000 and invests it in a cash PIE that is not a superannuation fund or retirement savings scheme. He receives an annual income of $20,000 on that investment. George has used the correct prescribed investor rate (PIR) so he has not included the PIE income in his IR3.

	George will have to include the PIE income of $20,000 as part of his income for WfFTC and student loans.
Passive income of children	Curtis is a child in the care of his mother Kim. Kim receives WfFTC for him. Curtis is gifted $15,000 from his grandmother in April. This money is invested in term deposits. At the end of the tax year Curtis receives a letter from the bank showing he earned $600 interest. As the total interest earned by him is over $500, Kim will need to include the amount over $500 (i.e., $100) as part of the family income for WfFTC purposes.
Income of non-resident spouse or partner	Christine lives in New Zealand with her children and receives WfFTC. Her de facto partner Al works overseas. Al is not a tax resident in New Zealand. For the tax year he receives an income which is equal to NZ $80,000. Christine will need to include Al's income, of NZ $80,000 as family income for WfFTC.
Tax exempt salary or wages	Joseph is a New Zealand tax resident and works for the Organisation for Economic Co-operation and Development (OECD). Although Joseph's income is exempt from income tax, he will need to include his salary as part of his income for WfFTC and student loans.
Pensions and annuities	Before David retired, he had been paying into a private superannuation plan run by his employer. Now that he has retired he receives weekly pension payments which total $20,000 each year. David will have to include 50% of the annual value of these payments ($10,000) as part of his income for WfFTC and student loans.
Other income	Olivia's parents give her $100 a week which she puts towards the mortgage payments. The total amount she received over the year is $5,200. Olivia will need to include the total amount of $5,200 as part of her income for WfFTC purposes because it is more than $5,000.
Income equalisation scheme deposits	Sarah and Kevin receive WfFTC payments for their two children and Kevin has a student loan. Kevin makes a deposit of $50,000 into the income equalisation scheme on 1 June 2022. He can claim a deduction in his income tax return for the period 1 April 2022 to 31 March 2023 of the amount of the deposit. For the 2023 tax year Kevin earns $80,000. His deduction from the income equalisation deposit of $50,000 makes his taxable income $30,000. Kevin is required to add back into his income the $50,000 for WfFTC and student loans.
Salary exchanged for private use of an employer-provided motor vehicle	When Erin started work, her employer offered her a: • $50,000 salary and the private use of the work car, or • $58,000 salary without private use of the work car Erin decided to use the employer-provided car instead of the $8,000 in additional salary. Erin must include the $8,000 as income for WfFTC and student loans.
Vouchers and other short-term charge facilities	George is employed by a local clothes shop as a store assistant. The shop often pays their staff with grocery vouchers. In addition to his pay of $200 George is given a $25 grocery voucher each week. This gives George an annual wage of $10,400 and vouchers worth $1,300. The threshold that applies to George is 5% of his wages, which is $520 ($10,400 × 5%). As the value of the vouchers is more than $520, George will need to include the value ($1,300) plus any FBT his employer has paid on the vouchers, in his income for WfFTC and student loans.
Distributions from retirement savings schemes	Te Rūnanga o Ngāi Tahu makes contributions to John's retirement savings scheme account of $1,200 (before deducting RSCT) for the year. Te Rūnanga makes a distribution to John of $1,200. John has not yet retired or become eligible for NZ Super. John needs to include the $1,200 as part of his income for WfFTC and student loans.
Distributions from superannuation schemes	Over the year Denise's employer contributes $10,000 to Denise's superannuation scheme. Denise herself contributes $15,000 to the scheme. In that same year, Denise receives a distribution from her scheme of the $25,000 that she and her employer contributed in that year, which earned $250 in interest. Denise still works for the same employer. Denise needs to include the $10,000 contributed by her employer and the $250 in interest as part of her income for WfFTC and student loans. She doesn't need to include the $15,000 which she had contributed toward the distribution.

Tax-exempt overseas pensions	Cory receives a $10,000 UK pension that is like NZ Super. He doesn't pay his UK pension to Work and Income. The full entitlement to NZ Super is $14,000 (example only). He receives $4,000 NZ Super less tax and keeps his $10,000 UK pension. To ensure Cory receives the same net amount as a person on full NZ Super, Cory's UK pension is tax exempt. Cory needs to include the $10,000 overseas pension as part of his income for WfFTC and student loans. The $4,000 he receives in NZ Super will be automatically included.
Losses	Frank has self-employed income from two unrelated businesses, a plastering business, and a shoe shop. The plastering business made a profit of $30,000, while the shoe shop made a loss of $10,000. Frank puts the profit of $20,000 in the self-employed income box in his IR3. **Note that losses from other businesses/investments/rental properties no longer reduce income for the purposes of working out the Working for Families tax credits entitlement.** Frank's student loan repayment obligation and WfFTC entitlement will be based on $30,000 of income from the plastering business.
Major shareholder in a close company attributed income	Jasmine is receiving WfFTC for her two children and holds 60,000 of the 100,000 voting interests in the company. Her two children hold the other 40,000. The company made a profit of $90,000 and didn't pay any dividends. Jasmine's attributed income calculation for her shares $\frac{60,000}{100,000} \times (\$90,000 - \$0) = \$54,000$ Jasmine's attributed income calculation for her dependent children's shares $\frac{40,000}{100,000} \times (\$90,000 - \$0) = \$36,000$
Distributions from a trust that are not beneficiary income	Matt is the beneficiary of a family trust that has a cash PIE investment. The income was taxed at the 28% notified prescribed investor rate (PIR). This means that when the trust pays this income on to Matt, he does not need to include it in his tax return. The trust does not have any other taxable income so any distributions it makes to Matt are not treated as beneficiary income. The trust distributes $2,000 income from the PIE investment to Matt. He does not include the income in his tax return, but the distribution is part of his income for Working for Families and student loans and he needs to let Inland Revenue know how much he received.
Non-resident borrowers overseas income	Sarah has a $50,000 student loan and is working overseas under a voluntary service abroad approved program with a salary of $27,000 (in NZ dollars) for the year. Inland Revenue have approved her application to be treated as physically present in New Zealand. Sarah has no other income so will only need to tell Inland Revenue about her overseas salary of $27,000. Inland Revenue will apply the student loan repayment threshold of $21,268 (applicable for the 2023 income tax year) when assessing her student loan repayment.
Settlor's attributable trustee income (for 2015 tax year onwards)	Gavin and Stacey receive Working for Families payments for their 3 children and Gavin has a student loan. They are also the only settlors of the "A Family Trust" trust. The trust has a voting interest of 67% in a building company. Both Gavin and Stacey work for the company. The building company has net income of $200,000 and paid dividends of $40,000. The trust also received $4,500 interest that was treated as trustee income. **Calculation** Trustee income is $4,500 Company income is: (6,700 ÷ 10,000) × ($200,000 − $40,000) = $107,200 ($4,500 + $107,200) = $111,700 ÷ 2 Attributed trustee income is $55,850. Gavin and Stacey will have to include attributable trustee income of a total of $111,700 ($55,850 each) as part of their family income for Working for Families Tax Credits. Gavin's

	$55,850 will also be included as income for calculating his student loan repayment obligation.

The following items can be excluded from the income calculated for Working for Families Tax Credits if they have been already included in your IR3 or Personal Tax Summary:

Income	**Examples**
Retirement scheme contributions	Trevor has provided Te Runanga o Ngai Tahu with a tax rate lower than his correct retirement scheme contribution tax (RSCT) rate so the $550 contribution made to his account is taxable income. Trevor includes it in his IR3. Trevor can exclude the $550 from his income for the calculation of WfFTC and will need to let Inland Revenue know about the adjustment.
Income from a retirement savings or superannuation scheme PIE	Peter receives WfFTC payments for his two children and also has a student loan. He has an investment in a KiwiSaver scheme that is a PIE. The PIE attributes $700 income to Peter's investment account. Peter provided a PIR lower than his correct rate so is required to include the income in his IR3. Peter doesn't have access to the funds (they're locked-in) so he can exclude the $700 from his income for WfFTC and student loans.
Income equalisation scheme refunds	Jasmine receives Working for Families payments for her 2 children and she also has a student loan. She is a major shareholder in a company which owns a farm. Jasmine's company has a net income of $88,000 and also received a refund of $50,000 plus interest of $2,000 from the company's main income equalisation scheme account on 15 August 2022. At the end of tax year the company's taxable income will be $140,000 ($88,000 + $2,000 + $50,000). However, when Jasmine goes to calculate her attributed company income for box 24 of the IR215 she will leave out the amount originally deposited into the main income equalisation scheme of $50,000. Instead, she will use a net income of $90,000 ($88,000 + $2,000).
Depreciation recovered on sale of a building	Depreciation on buildings for 2003 and earlier income years was not allowed as a deduction from income for WfFTC purposes (and accordingly any depreciation recovered on the sale which related to this depreciation was not required to be included as Working for Families income). However, depreciation claimed from 2004 to 2011 was allowed as a deduction from income for Working for Families purposes and accordingly any recovery of this depreciation must be included as income for the Working for Families entitlement calculation. Depreciation arising from the reintroduction of availability of depreciation from the 2020 income year must also be included in depreciation recovery income. Ben has a commercial rental property that he decides to sell. His taxable income for the 2023 year is $250,000. The total depreciation recovered from the sale is $100,000. Ben claimed depreciation of $60,000 in the 2003 and earlier tax years and $40,000 in the 2004 to 2011 tax years. Ben should reduce his income for WfFTC for the year ending 31 March 2022 by $60,000.

Please note that payments made between 26 January 2023 to 31 August 2023 to relieve the adverse effects of the January flood and Cyclone Gabrielle do not need to be included in a person's family scheme income under s MB 13(1).

s MB 13 of the Income Tax Act 2007

Last reviewed on 9 March 2023