



**MINISTRY OF SOCIAL  
DEVELOPMENT**  
TE MANATŪ WHAKAHIATO ORA

3 October 2023

Tēnā koe

On 5 September 2023, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information:

*The schedules, regulations or Social Security Appeal Authority (or High Court) rulings that are used for job seeker income assessments.*

*In particular:*

- the list of allowed expenses for sole-trader income; and*
  - the list of allowed expenses for rental income*
- as used by the income assessment team.*

When Ministry staff are making decisions about a person's eligibility and entitlement to financial assistance, they use our Manuals and Procedures website (Map). Map provides detailed guidelines on how to operationalise policy and legislation. These guidelines enable staff to make accurate and sound decisions, ensuring clients receive their full and correct entitlement. You can access the public version of Map here: [www.workandincome.govt.nz/map/](http://www.workandincome.govt.nz/map/)

I will now provide you with information specific to income assessments for the Jobseeker Support benefit.

Jobseeker Support is a temporary benefit paid for up to 52 weeks while clients look for work, are in training for work or unable to work due to a health condition, injury, or disability.

If clients still require Jobseeker Support after 52 weeks, they must complete the 52-week reapplication process.

To read more about the eligibility qualifications for Jobseeker Support, please see the following link:

[www.workandincome.govt.nz/map/income-support/main-benefits/jobseeker-support/qualifications.html](http://www.workandincome.govt.nz/map/income-support/main-benefits/jobseeker-support/qualifications.html).

A client for the Jobseeker Support must have no income or, if they have income, it must not reduce the rate of Jobseeker Support to zero.

You can read more about the income criteria for Jobseeker Support at the following Map link:

[www.workandincome.govt.nz/map/income-support/main-benefits/jobseeker-support/charging-income-01.html](http://www.workandincome.govt.nz/map/income-support/main-benefits/jobseeker-support/charging-income-01.html).

Please refer to the following links to find out more about the relevant legislation:

- Schedule 5 of the Social Security Act 2018 is used for Jobseeker Support income assessments. You can find this schedule at the following link: [www.legislation.govt.nz/act/public/2018/0032/latest/DLM6784890.html](http://www.legislation.govt.nz/act/public/2018/0032/latest/DLM6784890.html)
- Section 15 of the Social Security Act 2018 contains rules which determine income of people engaged in business or trade. [www.legislation.govt.nz/act/public/2018/0032/latest/DLM6784835.html](http://www.legislation.govt.nz/act/public/2018/0032/latest/DLM6784835.html)
- Section 24 of the Social Security Act 2018 states that a person has no or minimum income or income of less than the amount that would reduce the applicable rate of jobseeker support to zero. [www.legislation.govt.nz/act/public/2018/0032/latest/DLM6784835.html](http://www.legislation.govt.nz/act/public/2018/0032/latest/DLM6784835.html)

I will now provide you with an explanation of how the Ministry assesses sole trader income, depreciation, home office costs and rental income for benefit purposes. Please note that the majority of examples regarding these types of income are assessed on a case-by-case basis.

### **Sole trader income**

Depending on the nature and needs of each business, the expenses that may be acceptable for one client's business may not be for another. Due to the range of business scenarios, the Ministry is flexible in its adding back of expenses. For example, a real estate agent claiming home office expenses seldom incurs greater household outgoings, however, a plumber operating from home may have purchased or rented a home of extra size to house a workshop or vehicles. Overall, the Ministry generally does not allow for the inclusion of common expenses such as depreciation and home office costs.

## Depreciation

The Ministry's approach is that depreciation is not recognised as an expense for benefit purposes. The Ministry's practice is informed by the comments of the High Court and further decisions by the Social Security Appeal Authority. The Ministry endeavours to follow the guidance that these authorities provide and acknowledge that not all cases are the same and in some cases a level of flexibility may be required.

## Home Office

In most cases this is an apportionment of costs that would ordinarily be incurred by any homeowner, such as rates, insurance, mortgage and so on (or a percentage of rent). For taxation purposes, it is normally calculated by measuring up the area of the 'home office' which may be a spare bedroom, lounge etc and using this area as a percentage of the total home that is apportioned as a business expense. In most situations this is not considered an eligible expense.

However, if the client can show that this is an expense that has been incurred by the business directly (i.e., it only exists because of the business – and would cease to exist if the business ceased) then it may be considered.

On occasions where a staff member decides to allow the inclusion of such costs, the next step is to confirm what the total expenses are and ensures that whatever is claimed on the business is not also claimed as costs for financial assistance granted by the Ministry (for example, if rent was \$200 per week and \$50 was claimed as home office and it is accepted – only \$150 rent is claimable for Accommodation Supplement).

It is important to note that income for benefit purposes does not follow income rules under the Income Tax Act 2007. Income for benefit purposes under Schedule 3, Part 2 of the Social Security Act 2018 includes money received, or interests acquired, and the Social Security Act 2018 does not provide direction on offsetting money received from money spent.

However, the Ministry makes allowances for business type situations and may allow expenses that were necessarily incurred in generating the income.

Please see the Map links below provided as a resource for staff when defining income:

- [www.workandincome.govt.nz/map/income-support/core-policy/income/index.html](http://www.workandincome.govt.nz/map/income-support/core-policy/income/index.html)
- [www.workandincome.govt.nz/map/income-support/core-policy/income/definition-of-income/introduction.html](http://www.workandincome.govt.nz/map/income-support/core-policy/income/definition-of-income/introduction.html)

You can find relevant legislation applied for the assessment of income for benefit purposes as advised above at the following links:

- [www.legislation.govt.nz/act/public/2018/0032/latest/DLM6784817.html](http://www.legislation.govt.nz/act/public/2018/0032/latest/DLM6784817.html)
- [www.legislation.govt.nz/act/public/2018/0032/latest/DLM6784812.html](http://www.legislation.govt.nz/act/public/2018/0032/latest/DLM6784812.html)

## **Rental Income**

When someone receives income from a rental property, the Ministry considers the assessable income from the property as income for benefit purposes. Generally, assessable income is the difference between the actual rent received by the person and the total amount of allowable expenses paid in respect of the property.

Allowable expenses are limited to the following:

- Interest payments on money borrowed for the purchase of the rental property, but not capital instalments for the reduction of mortgage
- Rates
- House insurance
- Agent fees and commission, if a property manager or agent is used
- Repairs and maintenance
- Other fees, for example, bank administration fees for the mortgage, tenancy agreement costs, and valuation required for mortgage purposes, accounting fees.

Verification of the above expenses is required.

For more information regarding rental income, see:

- [workandincome.govt.nz/map/income-support/core-policy/income/definition-of-income/introduction.html](http://workandincome.govt.nz/map/income-support/core-policy/income/definition-of-income/introduction.html)
- [workandincome.govt.nz/map/income-support/core-policy/income/types-of-income/rental-property-income.html](http://workandincome.govt.nz/map/income-support/core-policy/income/types-of-income/rental-property-income.html)
- [workandincome.govt.nz/map/income-support/core-policy/income/types-of-income/rental-income-when-part-of-property-is-rented-out-01.html](http://workandincome.govt.nz/map/income-support/core-policy/income/types-of-income/rental-income-when-part-of-property-is-rented-out-01.html)

This is supported by the following part of the Social Security Act: [www.legislation.govt.nz/act/public/2018/0032/latest/DLM6784816.html#DLM6784816](http://www.legislation.govt.nz/act/public/2018/0032/latest/DLM6784816.html#DLM6784816)

Social Security Appeal Authority decisions are publicly available at the following link: [www.nzlii.org/](http://www.nzlii.org/).

The principles and purposes of the Official Information Act 1982 under which you made your request are:

- to create greater openness and transparency about the plans, work and activities of the Government,
- to increase the ability of the public to participate in the making and administration of our laws and policies and
- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter and any attached documents available to the wider public. The Ministry will do this by publishing this letter on the Ministry's website. Your personal details will be deleted, and the Ministry will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact [OIA\\_Requests@msd.govt.nz](mailto:OIA_Requests@msd.govt.nz).

If you are not satisfied with this response regarding income assessments, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or 0800 802 602.

Ngā mihi nui

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke at the end.

George Van Ooyen  
**Group General Manager**  
**Client Service Support**