Summary report of consultation on ‘Enabling the Ministry of Social Development to use PAYE income information as soon as Inland Revenue shares this with MSD’

Findings from 2026 public consultation on the proposal to amend Inland Revenue and Ministry of Social Development’s Approved Information Sharing Agreement



MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Authors

Income Support Policy Team, Ministry of Social Development and Policy and Regulatory Stewardship, Inland Revenue.

Disclaimer

The analysis and summary of the feedback we received through targeted engagement is not the official position of the Ministry of Social Development or Inland Revenue.

Acknowledgements 4
Overview 4
Background information 4
Consultation approach 8
Summary of consultation feedback 8
Purpose One – implications for Phase 1 changes already underway 9
Purpose One – implications for Phase 2 changes from July 2028 9
Purpose Two implications – Child support and subsidies 13
Purpose Three implications – PAYE income and benefits 14
Out of scope 14
Next steps 14

Acknowledgements

We want to sincerely thank those who contributed to this consultation. We appreciate all those who took the time and effort to attend a session or made a submission.

Overview

1. This report summarises feedback from public consultation that ran from 20 April to 29 May 2026 on the proposal to amend the Inland Revenue and the Ministry of Social Development's (MSD) Approved Information Sharing Agreement (AISA).
2. The proposal to amend the AISA would remove the requirement for MSD to provide people 10 working days' notice (the notice period) before adjusting the rate of benefit[1] for a person, based on Pay As You Earn (PAYE) income information shared with MSD by Inland Revenue.

Background information

3. As part of Budget 2025, the Government agreed for MSD to use PAYE income[2] information (primarily salary and wages) shared by Inland Revenue to calculate how much benefit to pay people. This would replace the current approach that relies on self-declaration of income, with some checking against an information share with Inland Revenue.
4. This work is being implemented in two phases, with Phase 1 already in effect since July 2025. Phase 1 will run until Phase 2 is implemented. Phase 1 involves more MSD staff resourcing to check income declared by some people against income information shared by Inland Revenue.
5. Phase 2 will allow Inland Revenue to share PAYE income information with MSD more regularly and on request. This will support changes which will mean that, from July 2028, MSD will:
    5.1. use that income information to determine whether an MSD client is and remains eligible to receive income-tested benefit payments, and to calculate the rate of those payments

[1] Income-tested financial assistance administered by MSD under the Social Security Act 2018.
[2] This includes salary and wage income but also covers things which are technically defined separately in the Income Tax Act 2007, such as paid parental leave.

5.2. use automation and Automated Decision-Making in the process to calculate and pay the rate of benefit, in compliance with MSD's Automated Decision-Making Standard[3]

5.3. calculate and assess the rate of benefit from the week people are paid their PAYE income.

6. The intended benefits of these changes for people paid benefits are to:

6.1. minimise opportunities for overpayment debt to be established

6.2. improve the accuracy of benefit payments.

7. To enable these intended outcomes, the AISA between Inland Revenue and MSD needs to be amended. The proposed amendment would waive the requirement for MSD to provide a notice period for a client to dispute the accuracy of their personal information, when an adverse action (such as a client's benefit being reduced or stopped) would be taken based on shared information. This is a requirement under the Privacy Act 2020, but an AISA can be amended to state in which circumstances the notice period does not apply.

How the notice period impacts income currently declared by people

8. Currently, MSD must wait for 10 working-days before MSD can use shared income information when:

8.1. MSD checks income declared by people against income information shared by Inland Revenue

8.2. child support income shared by Inland Revenue shows there has been a decrease in income which should be reflected in a decrease in the amount of Income-Related Rent a client pays.

Maintaining the notice period requirement would regularly create debt

9. The notice period requirement is intended to be a safeguard protecting people from adverse actions. However, retaining the notice period would disadvantage people paid benefits by regularly creating debt from when the Phase 2 changes are implemented in July 2028. The notice period would:

9.1. delay when PAYE income can be used to adjust a person's rate of benefit by two weeks after the person is paid their income, instead of being treated as income as close as possible to when the client is paid this income

9.2. require MSD to retrospectively adjust the rate of benefit payments paid during the notice period, which could create debts for people.

[3] MSD's Automated Decision-Making Standard available at: www.msd.govt.nz/about-msd-and-our-work/work-programmes/initiatives/phrae/adm-standard.html

10. Removing the notice period requirement would mean MSD can use peoples' PAYE income as close as possible to when income is received by those people. MSD can also realise the benefits of the Phase 2 changes listed above.
11. MSD and Inland Revenue recommend amending the AISA to waive the requirement to provide people with the notice period of a proposed adverse action, when the action is taken based on shared PAYE income information.

Removing the notice period requirement would support three purposes

12. MSD and Inland Revenue recommend amending the AISA to waive the requirement to provide people with the notice period of a proposed adverse action, when the action is taken based on shared PAYE income information. The three purposes for removing the notice period are outlined in Table One.

Table One: Description and benefits of proposed purposes for removing the notice period

Purpose	Description and benefits	Timing
Purpose One	**For manual use in Phase 1:** Phase 1 involves existing processes with monthly checks by MSD staff of income declared by people compared against income information shared by Inland Revenue. This is to confirm people are receiving the correct rate of benefit payments. Since July 2025 more resourcing has been provided to this monthly checking process. Removing the notice period in this case would reduce some of the debt established through this process until Phase 2 introduces the automated changes in July 2028.	October 2026 – Phase 1
	For automated use in Phase 2: Phase 2 involves sharing PAYE income information daily and automatically applying that information to calculate how much benefit to pay people. This change would minimise opportunities for overpayment debt to be established, improve accuracy of payments and reduce the burden on people to declare salary and wage information to MSD each week. Removing the notice period is necessary to mitigate debt that would otherwise be established every time their PAYE income	July 2028 – Phase 2

Purpose	Description and benefits	Timing
	would impact their rate of benefit. It would also enable MSD to charge peoples' PAYE income as close as possible to when they are received.	
Purpose Two	**Purpose Two** will address an existing issue stemming from changes in 2023 that unintentionally limited how immediately Income-Related Rent (a subsidy[4]) could be reduced to reflect decreases in the child support income of people. If the notice period is not removed people could continue to experience hardship over the following 10 working days before this information could be used to reduce their Income-Related Rent. The waiver would also be extended using shared PAYE income information for determining eligibility to Public Housing and priority on the Public Housing Register.	October 2026
Purpose Three	Removing the notice period for **Purpose Three** would enable the government to decide in the future whether PAYE income information could be used in the same way as either **Purpose Two** or **Purpose One** in relation to specific subsidies without needing to amend the AISA again. However, other legislative changes would be necessary to give effect to those decisions and would be subject to the scrutiny involved in legislative changes.	July 2028

13. MSD and Inland Revenue also propose a number of safeguards to ensure MSD would be acting on accurate information; and that when an error does occur, there is a process to resolve it. Appendix One details the proposed

[4] The AISA defines subsidies as: Working for Families Tax Credits, Community Services Cards, Student Loans, Student Allowances, Child Support, Income-Related Rent and Social Housing under the relevant legislation referenced.

safeguards, such as system testing to be undertaken to test the income charging process, and to help support better data matching between MSD and Inland Revenue.

Requirement to consult

14. The Privacy Act 2020 requires that agencies proposing an amendment to an AISA must consult with affected parties or people/organisations that represent the interests of affected parties.

Consultation approach

15. MSD and Inland Revenue ran consultation from 20 April to 29 May 2026. The public consultation facilitated input and feedback from a broad range of stakeholders.
16. Consultation involved engagement sessions with key stakeholders and partners as well as the option to provide written submissions.
17. The consultation aimed to understand people's views on:
    17.1. **Purpose One:** removing the notice period after receiving PAYE income information from Inland Revenue to allow MSD to assess and automatically charge income against peoples' benefits
    17.2. **Purpose Two:** removing MSD's notice period after receiving child support income information from Inland Revenue to allow MSD to assess and manually adjust the rate of housing subsidies according to changes in child support income in a timely manner
    17.3. **Purpose Three:** remove the notice period for charging PAYE income payments against subsidies
    17.4. Safeguards that MSD should introduce to ensure it is using PAYE income information safely and accurately.
18. A series of engagement sessions were held during the consultation period with the following groups:
    - Welfare advocates
    - Privacy advocates
    - Social service providers
    - Iwi accord partners
    - Unions

Summary of consultation feedback

19. Public consultation involved six meetings with nine stakeholder organisations and seven written submissions.
20. The feedback from both consultation channels has been grouped into the following themes and these are discussed further below:
    20.1. Purpose One – implications for Phase 1 changes already underway
    20.2. Purpose One – implications for Phase 2 changes from July 2028

20.2.1. Debt
20.2.2. Inaccurate or unique information and dispute processes
20.2.3. Communication
20.2.4. Potential impacts on decisions about work
20.2.5. Financial impacts
20.2.6. Safeguards
20.3. Purpose Two
20.4. Purpose Three

Purpose One – implications for Phase 1 changes already underway

21. Many stakeholders were concerned about the level of debt established through the existing practice and process. There was interest in how removing the notice period would reduce debt for clients' income declarations that were scrutinised through this process each month until Phase 2 is implemented in July 2028.

Purpose One – implications for Phase 2 changes from July 2028

22. There was general support from stakeholders for changes that proactively prevent overpayment debt from being established. However, there were mixed views on whether the details of the approach provided good outcomes for people.

Debt

23. While many expect that Phase 2 changes being implemented in July 2028 would prevent a significant amount of overpayment debt from being established, some stakeholders were concerned there was still a risk that there will be particular circumstances where debt could still accumulate. Others considered that removing overpayment debt from the equation does not on its own produce good outcomes for people, especially where the immediacy of changes could result in a reduction of overall income as opposed to a debt that can be repaid over time.
24. Some stakeholders were concerned about debt being established through automation without human oversight. These stakeholders mentioned Robodebt in Australia but acknowledged circumstances in this process in New Zealand are completely different.
25. Some stakeholders noted that people do not have much of a say when power companies or other creditors send bills or take payments, and being in debt to MSD could offer people more control. One stakeholder mentioned that "it is often it is easier for people to be in debt to MSD rather than other creditors."

Inaccurate or unique information and dispute processes

26. Many stakeholders were concerned about inaccurate income information being filed by employers with Inland Revenue and delays in correcting this information. They stated this would have ramifications for people. There was also a question about whether there are consequences for employers that do this.
27. Stakeholders were interested in how MSD would manage income anomalies like back-pay, redundancy payments and bonus payments, and were concerned about how this would impact benefit payments, and over what period.
28. Some stakeholders suggested the process to review/challenge decisions related to their shared information should be explained very clearly to people, so that they know exactly how to request a review of the decision. They also recommended quicker resolution of these reviews and no impact on the client's benefit payments while it is being reviewed.

Communication

To support July 2028 changes

29. Nearly all stakeholders stressed the importance of effective communication when informing people of the change. Stakeholders said that technical jargon such as 'income charging' was confusing and communications should instead use simple language that is easily understood. They also said that informing people of the changes early is important.
30. Stakeholders stressed the importance of having a range of accessible formats for communication around the implementation of the new processes. Some suggested giving community organisations (such as budgeting services) advance notice to inform people of the change and its impacts. More feedback on improvements to client communication is mentioned later in the report.
31. Stakeholders also wanted to see clear messaging to people on what their obligations will be in what circumstances, and for what type of income.

Ongoing notification and communication from July 2028

32. Stakeholders were interested in how MSD would notify people of their income change weekly. Because the changes would have near immediate impacts on their payments of benefit, stakeholders were concerned that people might not be notified before their next benefit payment. One stakeholder spoke about miscommunication with future payments and the need to tidy this up so people can be better informed.
33. One stakeholder asked whether there will be a specific phone number "that clients can contact when there are issues with a payment." They were also interested in a "front of queue" service for financial advisors to allow them to access MSD quickly when they are working directly with a client.
34. Although MSD plans to improve electronic notifications to people to support this change, there was concern from some stakeholders that many people

struggle to navigate MyMSD[5]. They noted that referring people to this system, to illustrate how their payments of benefit will be impacted, will continue to be a problem for those people who have barriers to accessing and using MyMSD. They agreed that MSD cannot rely on one channel of communication, and the channel needs to suit the client.

35. Other key feedback on communication and notification included:

    35.1. Regarding client notification, one stakeholder said "system generated letters are not sufficient, there needs to be much better communication."

    35.2. Regarding timeliness, one stakeholder noted that people reliant on mail communication will not be informed before their benefit payments are impacted. One stakeholder asked a question about whether people will know when to notify MSD if their income information is not received by MSD in time.

    35.3. The amount of contact with MSD was also raised, with one stakeholder expressing concern that MSD needed to increase the amount of client communication in contrast to what occurred months after similar changes were implemented in 2023. This earlier change used shared child support income information to automatically calculate rates of benefit payment.

36. Some stakeholders expressed concerns about privacy and wanted to make sure that MSD adequately informs people that their information is going to be shared when they sign on to a benefit.

[5] MyMSD is an online system where people can check their payments, tell MSD about changes and apply for a benefit or New Zealand Superannuation.

Potential impacts on decisions about work

37. Some stakeholders were concerned that the Phase 2 changes could reduce incentives for people to enter or remain in the workforce. People who work variable hours each week will have their payments of assistance adjusted to reflect what they were paid more responsively, which could cause some degree of budget instability. Even though this would reflect what people are entitled to receive, stability and certainty are more important for people. One client said "we should make sure that we are incentivising work. There is a chance this change could do the opposite."
38. Another example was given where MSD payments being more responsive to income could disincentivise people from taking up seasonal work. The administrative burden and uncertainty of reapplying for the benefit could be enough of a barrier for people to remain on benefit rather than take up seasonal work.

Financial impacts

39. Many stakeholders consider that the responsiveness of MSD payments to PAYE income could highlight what they consider to be insufficient levels of financial assistance currently available. They expect more people will be in financial hardship and that this may also mean more people seek hardship assistance from MSD.
40. Some consider the change will cause more frequent problems for people who have redirections (deductions from benefit before it is paid to a client) of their weekly benefit payment to pay debts or living expenses, and that these redirections might go unpaid if their rate of benefit would not cover all of the redirections. They consider this could have significant ramifications for people, which could cause issues ranging from owing money to private organisations to instability in their living/household situation.
41. Some stakeholders considered that a client's payment of benefit should be recalculated and paid to them in the same week that the person is paid their PAYE income. They were concerned that adjusting a person's benefit payment for the following week does not exactly reflect when the person has use of their PAYE income, as they will receive a reduced benefit payment in the week after they have been paid their PAYE income.
42. Some stakeholders were concerned that people will lose a sense of agency and control over their financial circumstances with MSD relying on shared income information, and with the Phase 2 changes causing near-immediate impacts on their rate of benefit payment. They suggested that MSD could instead let people choose whether they prefer to declare their income or have their income information shared and used.
43. Some stakeholders wondered whether MSD could use the PAYE income information to determine if there were additional forms of financial assistance that the client would be eligible to receive but are not currently receiving.

Safeguards

44. Some stakeholders consider that removing the notice period would remove a crucial safeguard for MSD's most vulnerable people, who would no longer

have time to react and challenge information before it is used. Some of the specific circumstances identified included: disabled people, those already in some degree of hardship, and those with complex circumstances. Stakeholders recommended a few ways to address this:

44.1. either retaining the notice period for some cohorts of people or some form of equivalent buffer that shields them from immediate impacts on their current financial circumstances. This might also give people time to make alternative arrangements if they have debt, bills or other expenses directly deducted from their benefit, to avoid defaulting or disruption of these arrangements

44.2. stronger internal checks before reducing or stopping benefit payments, where this might reduce the rate of benefit below a level that would compromise their ability to meet essential living costs

44.3. a quick and effective way for people to flag when they are in hardship and urgently need additional financial support

44.4. when people request a review of a decision (i.e. to reduce their rate of benefit payment), MSD should not apply the shared income or withdraw the calculated benefit rate until that review is completed.

45. While MSD people will continue to be able to review decisions made about adjustments to their rate of benefit, most stakeholders indicated that the existing review process and timeframes were unsuitable for a change that will have near-immediate financial implications for people.

46. Most stakeholders indicated that they were concerned about the accuracy and timing of information filed by employers and shared with MSD. It was noted that there needs to be a way for people to be able to:

46.1. challenge the accuracy of their income information quickly and effectively and to have this correction actioned promptly, when the employer's information is incorrect. An exceptions process was also mentioned for employers who were consistently getting this wrong, and if this is intentional, then for recourse via Inland Revenue with that employer

46.2. declare that information to MSD if their employer does not provide that income information in time to inform the calculation of their next benefit payment.

Purpose Two implications – Child support and subsidies

47. Stakeholders acknowledged that this purpose was to fulfil changes intended to be implemented in 2023 to make Income-Related Rent more responsive to decreases in child support income and mitigate some potential hardship.

48. The key interest of stakeholders was to confirm that waiving the notice period in this circumstance would not also apply when child support income increases. MSD confirmed that it would have no tangible effect on increases because of the existing 60-day notification required before increases in rent, which also applies to Income-Related Rent.

Purpose Three implications – PAYE income and benefits

49. Most stakeholders were uncomfortable with the notice period being waived from July 2028 for all subsidies without knowing what decisions would be made by Government on which subsidies and how those subsidies might use PAYE income information. Further, there would be no guarantees about what safeguards would be applied through these changes.
50. Stakeholders did not support the AISA being amended to enable future policy decisions, and considered that it should only reflect decisions already agreed by the Government. Only reflecting decisions already agreed would ensure clarity and some level of certainty about what is being implemented.

Out of scope

51. Some stakeholders had feedback that MSD and Inland Revenue consider to be out of scope. The below comments were deemed out of scope of the parameters agreed by the Government in 2025 and of consultation, but are still valuable considerations:
    - 51.1. Some stakeholders wanted MSD to ensure that the July 2028 changes align with changes being developed for Working for Families Tax Credits.
    - 51.2. Some stakeholders were concerned that using more accurate shared PAYE income information will mean that when people earn too much assistance for a number of consecutive weeks that MSD may require them to reapply for benefit. A stakeholder noted that this may discourage people from undertaking seasonal work and suggested MSD extend associated timeframes to account for this.
    - 51.3. A few stakeholders considered that the shared PAYE income information could be used to determine whether people are eligible for other types of assistance they are not currently receiving.
    - 51.4. The proactive approach to debt is supported by stakeholders but some mentioned that they also want MSD to take steps to address historic client debt which continues to be a burden for people.

Next steps

52. MSD will consider consultation feedback in the development of mitigations and safeguards.
53. These findings were used to inform the Minister for Social Development and Employment and the Minister of Revenue’s decision on progressing proposed AISA changes.