



20 APR 2021

Tēnā koe

On 22 March 2021, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information:

- 1. When was the core policy that includes student loan living costs as chargeable income when assessing clients for financial assistance such as accommodation supplement introduced?*
- 2. Which New Zealand government introduced the current core policy in relation to the assessment of chargeable income?*
- 3. I notice with great interest that student loans are excluded as chargeable income with the exception of student loan living cost which have to be repaid by the client as part of their student loan. What is the rationale behind this policy?*
- 4. How often is the current core policy in relation to the treatment of student loan living costs as chargeable income reviewed to ensure it's current appropriateness relevance and to ensure the current policy is not detrimental to clients when accessing financial assistance from the ministry of social development?*
- 5. When was the current core policy in relation to the treatment of student loan living costs as chargeable income last reviewed to ensure its appropriateness relevance and to ensure the current policy is not detrimental to clients when accessing financial assistance from the ministry of social development?*
- 6. When is the core policy with regard to the treatment of student loan living costs as chargeable income next scheduled to be reviewed to ensure its appropriateness relevance and to ensure the current policy is not detrimental to clients when accessing financial assistance from the ministry of social development?*
- 7. In July 2005 the government introduced kiwisaver to help New Zealanders save towards their retirement or buying their first home. So why don't the ministry of social development take this into consideration by reducing the clients before*

*tax chargeable income when assessing their application for financial assistance from the ministry of social development?*

- 8. When was the core policy that excludes student loan repayment deductions from the assessment of a clients chargeable income when accessing financial assistance from the ministry of social development introduced?*
- 9. Which New Zealand government introduced this core policy?*
- 10. Why don't the ministry of social development allow clients both beneficiaries and non beneficiaries to use tax codes such as msl and SSL that more accurately reflect the clients actual circumstances such as student loan deductions?*
- 11. How often is the core policy relating to student loan repayment deductions not being taken into consideration when assessing a clients before tax chargeable income reviewed to ensure its appropriateness relevance and is not detrimental to the client taking into consideration all the clients appropriate and actual circumstances.*
- 12. When is the next scheduled review of this policy (as above)?*

The Ministry works hard to ensure that clients receive the right support at the right time. This includes helping them into work and assisting them while they are working until their earnings reach a level where they can become independent of Work and Income.

It has been a long standing principle that income is taken into account to assess entitlement to certain types of Government assistance.

For clarity, I will be responding to your questions under the following subheadings, addressing all aspects of your request in one, as several aspects of your questions relate to the treatment of income in the welfare system

Furthermore, as your questions are similar to your correspondence received by the Ministry on 24 February 2021, you will note some repetition in the content below with the response you received from the Ministry on 7 April 2021.

### **Treatment of income in the welfare system**

The definition of income sits within the Social Security Act 2018 (Schedule 3) and captures most of the resources that a person has available to support themselves. The definition of income can be split into three parts:

- Common forms of income such as salaries, wages and bonuses
- Financial arrangements in trusts, self-employment and other business structures
- Income that has been exempted, such as veterans' pension, superannuation and other payments made by Inland Revenue, Accident Compensation and Oranga Tamariki – Ministry for Children.

The treatment of income aligns with the purposes of the Social Security Act, that is, to ensure government support is targeted to those with the greatest need, taking into account that they have exhausted all the resources available to them. The definition is seen to be fit-for-purpose and has remained fairly consistent since the introduction of the Social Security Act in 1938 and across successive Governments.

### **Student Loan Living Costs**

The Student Loan Scheme was introduced in 1992, under the Fourth National Government.

Student loan living costs are not treated as income for most Work and Income assistance. This is because loans are not income but are the transfer of money that must be repaid. This includes student loans and student loan living costs.

The exceptions in the law are for Temporary Additional Support (TAS) and Special Benefit where student loan living costs are treated as chargeable income when assessing eligibility to TAS and Special Benefit.

Chargeable income is inclusive of the items set out in clause 69(3) of the Social Security Regulations 2018. This legislation is available online here: [www.legislation.govt.nz/regulation/public/2018/0202/latest/LMS96428.html](http://www.legislation.govt.nz/regulation/public/2018/0202/latest/LMS96428.html).

Student loan living costs are charged as income for TAS because TAS is a last resort assistance to help people with their regular living costs that cannot be met from their chargeable income and other resources. Clients must access all other assistance available to them, including Student loan living costs prior to being considered for TAS. This same principle applies to Special Benefit which has been replaced by TAS for all new applications.

With regard to Special Benefit, the definition of chargeable income which includes the living-costs component of any student allowance or loan received by the applicant, can be found in Clause 2.1, Direction in relation to Special Benefit (pursuant to Section 7 of the Social Security Act).

### **KiwiSaver Contributions**

Money in a KiwiSaver account is considered 'locked in' and has no impact on benefit entitlement. It is not treated as a cash asset and income earned from the KiwiSaver fund is not income for income tested assistance. Generally, all KiwiSaver funds have a lock in period until age 65 years.

KiwiSaver funds not 'locked in' are considered cash assets. From 1 July 2019, people can join KiwiSaver at any age. Generally, the funds of members who join when they are 65 or over are not 'locked in'. This means they are cash assets. Income received from the invested funds is treated as income.

There are some exceptions to the above. You can find more detailed information about people who join the KiwiSaver scheme at different ages and the different situations here: [www.workandincome.govt.nz/map/income-support/core-policy/income/types-of-income/kiwisaver-01.html](http://www.workandincome.govt.nz/map/income-support/core-policy/income/types-of-income/kiwisaver-01.html).

## **Secondary Tax**

Main benefits, such as Jobseeker Support are taxable and are considered the client's primary source of income, regardless of the benefit amount paid. The Ministry makes payments to clients at the net rate after the deduction of tax.

While main benefits are taxable, most supplementary assistance (such as Family Tax Credit and Accommodation Supplement) is not taxed. This reflects the role of main benefits as income-replacement, while other payments contribute towards a particular cost. For example, Jobseeker Support is taxed at the 'M' tax rate to reflect it is the primary source of income for most clients.

Historically, main benefits have been below the repayment thresholds for Student Loans, and therefore cannot be taxed at the rates you suggest.

## **Reviewing policies**

Several of your questions relate to the frequency with which the Ministry reviews their income policies. There is no regular scheduled reviews of the Ministry's income policies, however the Ministry constantly monitors and looks to improve its policies to ensure full and correct entitlement is received by the client.

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 available to the wider public. The Ministry will do this by publishing this letter on the Ministry of Social Development'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, 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



Bede Hogan  
**Policy Manager, Income Support Policy**