

# **Budget Measures (Financial Support for Newborn Children) Bill**

Government Bill

## **Explanatory note**

### **General policy statement**

This Bill is an omnibus Bill introduced in accordance with Standing Order 260(a) because the amendments deal with an interrelated topic that can be regarded as implementing a single broad policy.

It is intended to divide the Bill at the committee of the whole House stage so that—

- *Part 1* becomes the Parental Leave and Employment Protection Amendment Bill;
- *Part 2* becomes the Taxation (Parental Tax Credit) Bill.

The Bill implements the following fiscal measures announced as part of Budget 2014:

- an increase, in 2 stages, to 18 weeks of paid parental leave entitlement and 18 weeks of maternity leave; and
- for lower and middle income working families, the parental tax credit increases to \$220 per week, for the first 10 weeks following birth (currently \$150 per week, for 8 weeks).

The measures are part of the overall fiscal settings for Budget 2014, in line with the Budget Policy Statement 2014.

These measures are intended to provide increased targeted support, within the current fiscal envelope, for working parents with newborns. In the first year of a child's life, particularly the first 6 months, it is important for newborn development to get full time personal care and for parents to get support to manage budgetary and other pressures. Full-time care and monetary support can greatly assist with mothers/caregivers and children developing close bonds, breastfeeding for the first 6 months (which is the World Health Organization's recommendation), and reducing parental and family stress, all of which improves short- and long-term child and society outcomes. This omnibus Bill aims to help parents achieve this outcome by introducing amendments to the following Acts:

- Parental Leave and Employment Protection Act 1987:
- Income Tax Act 2007.

#### *Paid parental leave entitlements*

The Bill increases the number of weeks of paid parental leave from the current 14 weeks to 16 weeks as of 1 April 2015, and to 18 weeks as of 1 April 2016.

#### *Parental tax credit*

The Bill increases the maximum amount of parental tax credit payable on the birth of a newborn to \$220 per week, for the first 10 weeks following birth. This takes the total maximum payment to \$2,200 per newborn. The higher payments apply to babies born on or after 1 April 2015.

The Bill also changes the abatement formula for the parental tax credit, so that it is abated against each dollar of family income earned over an entire year. This change means that the parental tax credit amount will reduce faster as income increases, as compared to current settings; it brings the effective abatement rate for the parental tax credit in line with the abatement of the family tax credit and the in-work tax credit. This will better target parental tax credit payments to lower and middle income families, ensuring that they receive a greater slice of funding over time.

### Departmental disclosure statements

The Ministry of Business, Innovation, and Employment and the Inland Revenue Department are required to prepare a disclosure statement to assist with the scrutiny of this Bill. That 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=2014&no=211&>.

### Regulatory impact statements

The Ministry of Business, Innovation, and Employment and the Inland Revenue Department produced regulatory impact statements on 7 April 2014 and 4 April 2014 respectively, to help inform the main policy decisions taken by the Government relating to the contents of this Bill.

Copies of these regulatory impact statements can be found at—

- <http://www.dol.govt.nz/publications/general/gen-ris.asp>
- <http://taxpolicy.ird.govt.nz/publications/type/ris>
- <http://www.treasury.govt.nz/publications/informationreleases/ris>

### Clause by clause analysis

*Clause 1* is the Title clause.

*Clause 2* relates to commencement. *Clauses 6 to 18* and *Schedule 2* (which increase the duration of parental leave payments and maternity leave from 14 to 16 weeks) come into force on 1 April 2015. *Part 2* (which increases the parental tax credit) also comes into force on 1 April 2015. *Clauses 19 to 31* and *Schedule 3* (which increase the duration of parental leave payments and maternity leave from 16 to 18 weeks) come into force on 1 April 2016. The rest of the Bill comes into force on the day after the date of Royal assent.

## **Part 1**

### **Amendments to Parental Leave and Employment Protection Act 1987**

*Clause 3* provides that *Part 1* amends the Parental Leave and Employment Protection Act 1987 (the **principal Act**).

*Clause 4* inserts *new section 2C* into the principal Act. *New section 2C* refers to *new Schedule 1AA*, which sets out transitional provisions.

*Clause 5* inserts *new Schedule 1AA* into the principal Act. *New Schedule 1AA* contains transitional provisions that describe how the new paid parental leave entitlements apply at different times. *New Schedule 1AA* is set out in *Schedule 1* of this Bill.

#### *Amendments to come into force on 1 April 2015*

*Clause 6* amends section 1A of the principal Act, which sets out the purpose of the Act. The amendment changes a reference to 14 weeks of paid parental leave to 16 weeks.

*Clause 7* amends section 9 of the principal Act, which relates to the duration of maternity leave. The first amendment increases the amount of maternity leave that a female employee is entitled to take from 14 weeks to 16 weeks. The second amendment increases the amount of maternity leave that a female employee is entitled to take after the expected date of delivery, if she begins her maternity leave before that date in certain circumstances, from 8 weeks to 10 weeks.

*Clauses 8 to 17* replace references in the principal Act to 14 weeks with references to 16 weeks. *Clause 15* is the provision that changes the duration of parental leave payments, by amending references in section 71J of the principal Act from 14 weeks to 16 weeks.

*Clause 18* and *Schedule 2* make consequential amendments to the Parental Leave and Employment Protection Regulations 2002 by changing references to 14 weeks to 16 weeks.

#### *Amendments to come into force on 1 April 2016*

*Clauses 19 to 30* make equivalent amendments to the principal Act to come into force on 1 April 2016, by increasing the amount of maternity leave that can be taken after the date of delivery from 10 weeks

to 12 weeks in certain circumstances, and otherwise changing references to 16 weeks to 18 weeks.

*Clause 31* and *Schedule 3* also come into force on 1 April 2016, and make equivalent consequential amendments to the Parental Leave and Employment Protection Regulations 2002 by changing references to 16 weeks to 18 weeks.

## Part 2

### Amendments to Income Tax Act 2007

*Clause 32* provides that *Part 2* amends the Income Tax Act 2007 (the **principal Act**).

*Clause 33* amends section MD 1 of the principal Act to ensure the abatement formula in section MD 2 of the principal Act is taken into account in the global calculation of working for families tax credits.

*Clause 34* amends section MD 2 of the principal Act to insert an abatement formula that takes into account each dollar of family income earned over an entire year. This means that the parental tax credit amount will reduce faster as income increases, as compared to current settings, better targeting parental tax credit payments to lower and middle income families, and ensuring that they receive a greater slice of funding over time.

*Clause 35* amends section MD 11 of the principal Act, as part of increasing the entitlement to parental tax credits from 8 weeks to 10 weeks.

*Clause 36* amends section MD 12 of the principal Act, as part of increasing the entitlement to parental tax credits from \$150 per week to \$220 per week and from 8 weeks to 10 weeks.

*Clause 37* amends section MD 13 of the principal Act, as part of increasing the entitlement to parental tax credits from 8 weeks to 10 weeks.

*Clause 38* amends section MD 16 of the principal Act, as part of increasing the entitlement to parental tax credits from 8 weeks to 10 weeks.

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*Hon Simon Bridges*

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**The Parliament of New Zealand enacts as follows:**

- 1 Title**  
This Act is the Budget Measures (Financial Support for Newborn Children) Act **2014**.
- 2 Commencement** 5
  - (1) **Sections 6 to 18, Part 2, and Schedule 2** come into force on 1 April 2015.
  - (2) **Sections 19 to 31 and Schedule 3** come into force on 1 April 2016.
  - (3) The rest of this Act comes into force on the day after the date on which it receives the Royal assent. 10

**Part 1**  
**Amendments to Parental Leave and**  
**Employment Protection Act 1987**

- 3 Principal Act**  
This **Part** amends the Parental Leave and Employment Protection Act 1987 (the **principal Act**). 5
- Amendments to come into force on day after  
date of Royal assent*
- 4 New section 2C inserted (Transitional, savings, and related provisions)** 10  
Before section 3, insert:  
“**2C Transitional, savings, and related provisions**  
The transitional, savings, and related provisions set out in **Schedule 1AA** have effect according to their terms.”
- 5 New Schedule 1AA inserted** 15  
Before the Schedule, insert the **Schedule 1AA** set out in **Schedule 1** of this Act.
- Amendments to come into force on 1 April 2015*
- 6 Section 1A amended (Purpose)** 20  
In section 1A(c), replace “14 weeks” with “16 weeks”.
- 7 Section 9 amended (Duration of maternity leave)**  
(1) In section 9(1) and (3), replace “14 weeks” with “16 weeks”.  
(2) In section 9(2), replace “8 weeks” with “10 weeks”.
- 8 Section 19A amended (Extension of partner’s/paternity leave entitlements for spouses or partners of employees in certain circumstances)** 25  
In section 19A(3), replace “14 weeks” with “16 weeks”.
- 9 Section 19B amended (Extension of partner’s/paternity leave of adoptive parent)**  
In section 19B(2)(a), replace “14 weeks” with “16 weeks”. 30

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- 10 Section 26 amended (Duration of extended leave)**  
In section 26(2), replace “14 weeks” with “16 weeks”.
- 11 Section 27 amended (Extended leave to be shared between parents)**  
In section 27(2)(c), replace “14 weeks” with “16 weeks”. 5
- 12 Section 32 amended (Requirements where extended leave sought)**  
In section 32(d)(i), replace “14 weeks” with “16 weeks”.
- 13 Section 45 amended (Early ending and extension of parental leave)** 10  
In section 45(4)(a) and (c)(i), replace “14 weeks” with “16 weeks”.
- 14 Section 71A amended (Purpose)**  
In section 71A, replace “14 weeks” with “16 weeks”.
- 15 Section 71J amended (Duration of parental leave payment)** 15  
In section 71J(a) and (b), replace “14 weeks” with “16 weeks”.
- 16 Section 71L amended (End of parental leave payment for employees)**  
In section 71L(1)(a), replace “14 weeks” with “16 weeks”.
- 17 Section 71LA amended (End of parental leave payment for self-employed persons)** 20  
In section 71LA(1)(a), replace “14 weeks” with “16 weeks”.
- 18 Regulations amended**  
The Parental Leave and Employment Protection Regulations 2002 are amended in the manner set out in **Schedule 2**. 25
- Amendments to come into force on 1 April 2016*
- 19 Section 1A amended (Purpose)**  
In section 1A(c), replace “16 weeks” with “18 weeks”.

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- 20 Section 9 amended (Duration of maternity leave)**
- (1) In section 9(1) and (3), replace “16 weeks” with “18 weeks”.
- (2) In section 9(2), replace “10 weeks” with “12 weeks”.
- 21 Section 19A amended (Extension of partner’s/paternity leave entitlements for spouses or partners of employees in certain circumstances)** 5
- In section 19A(3), replace “16 weeks” with “18 weeks”.
- 22 Section 19B amended (Extension of partner’s/paternity leave of adoptive parent)**
- In section 19B(2)(a), replace “16 weeks” with “18 weeks”. 10
- 23 Section 26 amended (Duration of extended leave)**
- In section 26(2), replace “16 weeks” with “18 weeks”.
- 24 Section 27 amended (Extended leave to be shared between parents)**
- In section 27(2)(c), replace “16 weeks” with “18 weeks”. 15
- 25 Section 32 amended (Requirements where extended leave sought)**
- In section 32(d)(i), replace “16 weeks” with “18 weeks”.
- 26 Section 45 amended (Early ending and extension of parental leave)** 20
- In section 45(4)(a) and (c)(i), replace “16 weeks” with “18 weeks”.
- 27 Section 71A amended (Purpose)**
- In section 71A, replace “16 weeks” with “18 weeks”.
- 28 Section 71J amended (Duration of parental leave payment)** 25
- In section 71J(a) and (b), replace “16 weeks” with “18 weeks”.
- 29 Section 71L amended (End of parental leave payment for employees)**
- In section 71L(1)(a), replace “16 weeks” with “18 weeks”.

- 30 Section 71LA amended (End of parental leave payment for self-employed persons)**  
In section 71LA(1)(a), replace “16 weeks” with “18 weeks”.
- 31 Regulations amended**  
The Parental Leave and Employment Protection Regulations 2002 are amended in the manner set out in **Schedule 3**. 5

**Part 2**  
**Amendments to Income Tax Act 2007**

- 32 Income Tax Act 2007 amended**  
This **Part** amends the Income Tax Act 2007 (the **principal Act**). 10
- 33 Section MD 1 amended (Abating WFF tax credit)**  
(1) Replace section MD 1(3)(d)(i) with:  
    “(i) a family credit abatement calculated using the formula in section MD 13(2), and modified as necessary by **section MD 2(3) and (4)**; and” 15  
(2) **Subsection (1)** applies for dependent children born on or after 1 April 2015.
- 34 Section MD 2 amended (Calculating net contributions to credits)** 20  
(1) After section MD 2(2), insert:  
    “*Calculation for parental tax credit*  
“(3) For the purposes of sections MD 1 and MD 16, and subsection (2)(c)(iii) of this section, the amount of family credit abatement corresponding to the period applied to reduce the amount of parental tax credit corresponding to the period is calculated using the formula: 25  
$$(\text{period abatement amount} - \text{amount used}) \times \frac{365}{\text{entitlement days}}$$
  
    “*Definition of items in formula*  
“(4) In the formula,—

- “(a) **period abatement amount** is the family credit abatement corresponding to the period (the **abatement period**):
- “(b) **amount used** is the period abatement amount that the Commissioner must apply under subsection (2)(c)(i) and (ii) in calculating a net contribution for the abatement period: 5
- “(c) **entitlement days** is the number of days in a parental entitlement period that are in the abatement period.”
- (2) In section MD 2, in the list of defined terms, insert “parental entitlement period”. 10
- (3) **Subsections (1) and (2)** apply for dependent children born on or after 1 April 2015.
- 35 Section MD 11 amended (Entitlement to parental tax credit)** 15
- (1) In section MD 11(1)(b)(i), replace “56” with “70”.
- (2) In section MD 11(6)(b), in the words before the subparagraphs, replace “56” with “70”.
- (3) In section MD 11(6)(b)(ii), replace “56” with “70”.
- (4) **Subsections (1), (2), and (3)** apply for dependent children born on or after 1 April 2015. 20
- 36 Section MD 12 amended (Calculation of parental tax credit)**
- (1) In section MD 12(2), in the formula, replace “56” with “70”.
- (2) Replace section MD 12(3)(a) with: 25
- “(a) **prescribed amount** is—
- “(i) \$1,200 for each dependent child born on or after 1 October 1999 and before 1 April 2015; or
- “(ii) \$2,200 for each dependent child born on or after 1 April 2015:”. 30
- (3) **Subsections (1) and (2)** apply for dependent children born on or after 1 April 2015.
- 37 Section MD 13 amended (Calculation of family credit abatement)**
- (1) In section MD 13(4), in the heading, replace “56” with “70”. 35

- (2) In section MD 13(4), in the words before the paragraphs, replace “56” with “70”.
- (3) **Subsections (1) and (2)** apply for dependent children born on or after 1 April 2015.

**38 Section MD 16 amended (Calculation of parental tax credit abatement) 5**

- (1) In section MD 16(1)(c), replace “56” with “70”.
  - (2) **Subsection (1)** applies for dependent children born on or after 1 April 2015.
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	<b>Schedule 1</b>	<b>s 5</b>
	<b>New Schedule 1AA inserted in Parental Leave and Employment Protection Act 1987</b>	
	<b>Schedule 1AA</b>	<b>s 2C 5</b>
	<b>Transitional provisions relating to amendments to this Act coming into force on and after 1 April 2015</b>	
	<b>Part 1</b>	
	Transitional provision relating to amendments to this Act made by <b>sections 6 to 18 of Budget Measures (Financial Support for Newborn Children) Act 2014</b>	10
<b>1</b>	<b>Application of sections 6 to 18 of Budget Measures (Financial Support for Newborn Children) Act 2014</b>	15
(1)	The amendments made by <b>sections 6 to 18 of the Budget Measures (Financial Support for Newborn Children) Act 2014</b> apply to an employee or self-employed person who takes parental leave in respect of a child if—	
	(a) the expected date of delivery of the child is on or after 1 April 2015; or	20
	(b) the child is born on or after 1 April 2015; or	
	(c) in the case of adoption, the date on which the employee or self-employed person, or his or her spouse or partner, with a view to adoption, assumes the care of the child, is on or after 1 April 2015.	25
(2)	An employee or self-employed person to whom the amend- ments referred to in <b>subsection (1)</b> apply may, before 1 April 2015,—	
	(a) give notice of a wish to take parental leave, in which case the employee may begin his or her parental leave before 1 April 2015 as if those amendments were al- ready in force; and	30
	(b) apply for a parental leave payment under Part 7A as if those amendments were already in force.	35

Compare: 2004 No 89 ss 4, 26



Schedule 1AA—*continued*

Part 2

Transitional provision relating to  
amendments to this Act made by **sections 19  
to 31 of Budget Measures (Financial Support  
for Newborn Children) Act 2014**

- 5
- 2 **Application of sections 19 to 31 of Budget Measures  
(Financial Support for Newborn Children) Act 2014**
- (1) The amendments made by **sections 19 to 31 of the Budget  
Measures (Financial Support for Newborn Children) Act  
2014** apply to an employee or self-employed person who takes 10  
parental leave in respect of a child if—
- (a) the expected date of delivery of the child is on or after  
1 April 2016; or
- (b) the child is born on or after 1 April 2016; or
- (c) in the case of adoption, the date on which the employee 15  
or self-employed person, or his or her spouse or partner,  
with a view to adoption, assumes the care of the child  
is on or after 1 April 2016.
- (2) An employee or self-employed person to whom the amend-  
ments referred to in **subsection (1)** apply may, before 1 April 20  
2016,—
- (a) give notice of a wish to take parental leave, in which  
case the employee may begin his or her parental leave  
before 1 April 2016 as if those amendments were al-  
ready in force; and 25
- (b) apply for a parental leave payment under Part 7A as if  
those amendments were already in force.

Compare: 2004 No 89 ss 4, 26

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**Schedule 2** **s 18**  
**Amendments to Parental Leave and  
Employment Protection Regulations 2002  
that come into force on 1 April 2015**

**Regulation 8** 5  
In regulation 8(1)(d)(iii) and (1A)(b), replace “14 weeks” with “16 weeks”.

**Regulation 9**  
In regulation 9(2)(b), replace “14 weeks” with “16 weeks”.

**Regulation 11** 10  
In regulation 11(3)(b), replace “14 weeks” with “16 weeks”.

**Regulation 12**  
In regulation 12(2)(b), replace “14 weeks” with “16 weeks”.

**Schedule**  
In the Schedule, form 1, notes, replace “14 weeks” with “16 weeks” 15  
in each place.

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**Schedule 3**

**s 31**

**Amendments to Parental Leave and  
Employment Protection Regulations 2002  
that come into force on 1 April 2016**

**Regulation 8**

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In regulation 8(1)(d)(iii) and (1A)(b), replace “16 weeks” with “18 weeks”.

**Regulation 9**

In regulation 9(2)(b), replace “16 weeks” with “18 weeks”.

**Regulation 11**

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In regulation 11(3)(b), replace “16 weeks” with “18 weeks”.

**Regulation 12**

In regulation 12(2)(b), replace “16 weeks” with “18 weeks”.

**Schedule**

In the Schedule, form 1, notes, replace “16 weeks” with “18 weeks” 15  
in each place.