



2 November 2023

[REDACTED]

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 7 October 2023. You requested the following:

- 1. How exactly do you monitor for early intervention to stop this widespread overpayment [of WfFTC entitlements] which has been an issue for well over 5 years?*
- 2. What precisely does your department actually do towards early intervention [to stop overpayments of WfFTC entitlements].*

When a family chooses to get Working for Families Tax Credits (WfFTC) weekly or fortnightly, these payments are based on what the customer estimates their family will earn from 1 April to 31 March. A family's WfFTC entitlement is calculated based on these finalised income details at the end of each tax year.

If a family has overestimated their income and kept Inland Revenue up to date with changes throughout the tax year, they might be entitled to more WfFTC. This will be paid in a lump sum when the income tax assessments have been completed. Alternatively, if a family has underestimated their income, or not informed Inland Revenue of changes throughout the tax year, they might have been paid more WfFTC than they were entitled to get and will need to pay this amount back to Inland Revenue.

The amount of WfFTC a family is entitled to receive depends on the types of payments they're receiving, number of hours worked each week, and number of children in their care throughout an entitlement period.

Throughout the tax year, early interventions are used to identify families who may be receiving an under or over payment of WfFTC. Early interventions help families receive the right entitlement and avoid a WfFTC bill at the end of the tax year. It remains the responsibility of the customer to advise Inland Revenue of any changes to their family details or income, even if they are not selected for an early intervention.

Early interventions take place every week. Families who are receiving weekly or fortnightly payments, and who are not receiving WfFTC through Ministry of Social Development (MSD), may be selected for an early intervention.

There are currently 21 different early interventions, covering a range of different scenarios. A family may be selected for one or all intervention types, depending on the family's circumstances. Inland Revenue continually review these interventions to ensure they are effective at stopping under or overpayments of WfFTC, and that they notify the right customer groups.

Some interventions initiate an automatic reassessment of entitlement, and others will first issue a letter to the customer to advise of the changes that may need to occur, providing a timeframe for a response.

If Inland Revenue does not hear from the customer within that timeframe, automatic reassessment of entitlement will take place. A re-selection date is set for each intervention as to when they can be re-selected for the same early intervention again.

The early interventions will calculate PAYE income for both the principal caregiver and the partner as follows:

- 12 months of continuous income divided by 365 days to get the daily rate.
- Daily rate multiplied by the number of days between the date the calculation is being completed and the end of the tax year.
- This amount is added to the year-to-date income and is treated as the new projected income estimate (rounded up to the nearest whole dollar).

If the customer's income started during the year, the income is divided by the number of days worked to get a daily rate. The daily rate is multiplied by the remaining days in the year and added to the year-to-date income.

If the current employer information filed is nil, early interventions will not project the income for this employer but will use year to date earnings only.

Early interventions will use the most recent IR3 return from the past 2 years unless the family has overridden this amount in their income estimate.

### **Publishing of OIA response**

Please note that Inland Revenue regularly publishes responses to requests that may be of interest to the wider public on its website. We consider this response is of public interest so will publish this response in due course. Your personal details or any information that would identify you will be removed prior to it being published.

Thank you again for your request. I trust that the information provided is of assistance to you.

Yours sincerely



Sue Gillies  
**Customer Segment Leader, Families**