

2007/04

May 2007

The Minister giveth (mostly) and the Minister taketh away

In this rapidly-changing world, there is something very reassuring about the annual New Zealand Budget. Each year media and public speculate about cuts to individual tax rates. Each year Finance Minister Michael Cullen clearly signals there will be no tax cuts. Yet when, as promised, there **are** no tax cuts, media and public still manage to be both surprised and disappointed.

The 2007 Budget focused on long-term planning and building on existing programmes, with little in the way of instant gratification. For a third term government at this stage in the election cycle, it was either fiscally responsible or very brave.

One of the few surprises of this Budget was the announcement of compulsory employer contributions to the KiwiSaver scheme. Legislation (already passed under urgency) requires that from 2008 employers contribute 1 percent of each worker's wage (rising to 4 percent by 2011) to the worker's KiwiSaver account.

Government has offset the cost of this to employers by cutting the corporate tax rate from 33 to 30 percent and by offering a tax credit to employers of \$20.00/week for each worker signed up to the scheme.

This has implications for voluntary sector employers, both in terms of compliance and the costs of the scheme. For those voluntary sector employers who do not pay tax, a deduction from PAYE replaces the tax credit (see ird.govt.nz).

Workers choosing to participate in KiwiSaver (remember it is voluntary) are further encouraged by a \$20.00 tax credit to be paid directly into their KiwiSaver account.

Also of great interest to the voluntary sector was the removal of the rebate threshold for charitable donations (previously \$1890 for individuals and 5 percent for companies and Maori authorities). Intended to reward and encourage charitable giving, the changes mean people and companies can claim rebates and deductions for charitable donations up to the level of their annual net income. Revenue Minister Peter Dunne also announced that work would be done to "clarify and streamline" the tax treatment of volunteers' reimbursement and honoraria.

There was also a significant amount of social spending in the Budget, for example, \$20.4 million over two years for the *Pathway to Partnership* programme. This focuses on developing the capacity, capability and sustainability of community organisations delivering services to children and families over the next five years. The Ministry of Social Development is working with community-based child and family support services to develop this plan. Details will be announced in July.

New social spending totalled \$2 billion in this Budget. But perhaps more pleasing was the additional \$4 billion, previously committed, now coming into effect in long and medium term programmes. This is a strong message that the government is continuing to build on existing programmes and planning.

Finally, back to those tax cuts. Quietly tucked away last week was the removal of the famously dubbed "chewing gum" tax cuts. Announced as part of the 2005 Budget and due to take effect from next year, these tax cuts were worth, depending on your income, between 67 cents and \$10.00/week. These were greeted with much derision at the time and have now been taken away.

There may be a lesson in there somewhere for us all, if only we knew what it was.

- Nicola Shirlaw

Parliament

Submissions called for

Education (Tertiary Reforms) Amendment Bill

This bill implements the Government's reform of the system for planning, funding, and monitoring the provision of tertiary education. The public policy objective of the bill is to ensure that the tertiary education sector contributes towards tertiary education outcomes that are more closely aligned with the social, economic, and environmental interests of New Zealand. The closing date for submissions is Friday, 29 June 2007.

Select Committee Inquiries

As well as legislation, Committee can explore issues related to their portfolios. At present, the following are under way:

Commerce Committee

Inquiry into housing affordability in New Zealand (15 Jun 2007) (see p.4)

Education and Science Committee

Inquiry into making the schooling system work for every child

Foreign Affairs, Defence and Trade Committee

- Inquiry into New Zealand's Relationships with South Pacific countries (25 May 2007)
- International treaty examination of Amendment to the 1980 Convention on the Prohibitions or Restrictions on the Use of Certain Conventional Weapons which may be deemed to be Excessively Injurious or to have Indiscriminate Effects
- International treaty examination of Protocol on Explosive Remnants of War to the 1980 Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons which may be deemed to be Excessively Injurious or to have Indiscriminate Effects
- International treaty examination of Removal of Reservation to Convention on the Elimination of All Forms of Discrimination against Women

Health Committee

- Inquiry into Obesity and Type Two Diabetes in New Zealand (26 Apr 2006)
- International treaty examination of International Health Regulations 2005

Social Services Committee

- Inquiry into the quality and care of services provision for disabled people and how they might be improved (25 Aug 2006).

The dates in brackets are when submissions close(d). Submissions are being heard by the Health and Social Services Committees at present.

Other Inquiries and submissions requested - see p.4

Reported back

Wills Bill

This Bill gathers up legislation about wills dating back to 1837 into a single statute in plain English. It enhances and clarifies the law and removes anomalies, without making any significant changes to the basic law.

The Justice & Electoral Committee has suggested some amendments to the wording, tidies up age and status restrictions, and makes it clear that a will made in contemplation of marriage or civil union is valid.

Succession (Homicide) Bill

The aim of this Bill is to make it clear that no one who unlawfully kills another person can benefit from the death of that person. Proposed amendments cover things such as joint tenancies, simultaneous death and limitations on the rights of a killer to claim on a victim's estate.

Passed

Crimes (Substituted S.59) Amendment Bill

Finally passed on May 16 (the day before the Budget) this much-debated and significantly amended Bill passed its third reading with fewer than 10 votes against.

As finally passed the Bill's purpose is to 'make better provision for children to live in a safe and secure environment free from violence by abolishing the use of parental force for the purpose of correction'.

Force may be used if it is 'reasonable in the circumstances' and is for the purpose of preventing or minimizing harm to the child or another person; prevents the child from engaging in conduct that amounts to a criminal offence; prevents the child from engaging in offensive or disruptive behaviour, or occurs during the normal daily tasks that are part of good care and parenting.

Use of force for the purpose of correction is strictly forbidden.

To avoid doubt, the Bill states clearly that the Police have the discretion not to prosecute complaints 'where the offence is considered to be so inconsequential that there is no public interest in proceeding with a prosecution'.

The Bill comes into effect in mid-June.

Not passed

Shop Trading Hours Act Repeal (Easter Trading) Amendment Bill

This, the second of two Easter Sunday trading bills to appear before the current Parliament, was voted down at second reading. This had been put forward by Rotorua MP Steve Chadwick, and along with a similar Bill by Jacquie Dean, sought to allow shops to open on Easter Sunday. Both have now been negated.

Budget Update

a selection of items relevant to the sector

| Sector/Vote | What/Who | How much (Over 4 years unless noted) | |
|---|--|--|---------|
| Health: Aged care | Residential Aged Care - providers | \$150m | |
| | Aged care home-based support | \$81.2m | |
| | Respite services, support for home-based carers aged care/disability | \$6.4m | |
| Health: Disability | Disability equipment | \$48.3m | |
| | Disability residential care | \$44m | |
| | Disability home-based support services | \$32m | |
| Disability prevention | Widening access to cochlear implants for newborn, young adults | \$8.4m | |
| Public health | Widening Get Checked (early diabetes diagnosis) to include heart conditions | \$13.2m | |
| Public health | Increasing Immunisation programmes, child & youth health | \$124.2m | |
| Mental health | Primary mental health care for those with mild/moderate depression, anxiety, drug/alcohol abuse | \$21m | |
| Health: Cancer control | Implementing Cancer Control Strategy – workforce training, education | \$26m | |
| Health – Pharmac,DHBs | Community pharmaceuticals such as asthma inhalers - \$5.4m Hospital cancer treatments - \$14m | \$20m per year | |
| Health – active lifestyles | Sport & recreation including SPARC, performance enhancement | \$261.7m | |
| Education | New & Improved schools | \$238.3m for capital funding | |
| | An extra 702 Year 1 teachers to lower teacher: pupil ratio | \$133.4m | |
| | School operational funding | \$139.8m | |
| | Teacher support: ICT (laptops for teachers), leadership for principals | \$2.7m in next 1-2 years | |
| | Early childhood – increasing funding support, kohanga reo | \$64.6m | |
| | Healthy lifestyles/eating education, disability support in schools | \$51.3m | |
| | Out of school services | \$17.4m | |
| | Schools social work services (\$2.6m for 1 year), support for schools dealing with gang-related issues (\$3.4m), mentoring (\$700,000) | \$3.3m for 1 year, \$3.4m for 4 years. | |
| | Housing | Healthy housing: \$21m capital, \$2.8m operating funding | \$23.8m |
| | | Housing Innovation Fund: \$12m capital, \$7.8m operating funding | \$19.8m |
| Encouraging energy-efficient homes | | \$72.4m | |
| Designing of shared-equity housing scheme | | \$1.4m | |
| Inland Revenue | Expanded audits of property transactions to deter speculation | \$14.6m for 3 years | |
| Strengthening families | Community organisations delivering family support services | \$20.4m (over 2 years) | |
| | Violence prevention in Maori communities – training, support | \$2m over 1 year | |
| Family violence | Ensuring access to quality prevention programmes | \$11.2m | |
| Justice | Supported Bail programme (\$1.3m / 1 year), intensive intervention for serious and dangerous young offenders (\$1.4m / 1 yr) | \$2.7m over 1 year | |
| | Waitangi Tribunal increased funding | Extra \$7.7 m | |
| Community support | Extra funding to Maori warden scheme – training, resources | \$2.5m over 1 year | |
| | Human Rights Commission for key programmes/services | Extra \$7.5m | |
| | Office of Ethnic Affairs –expanding ethnic advisory service etc | \$2.4m new funding | |

NB: The figures come from the Budget supporting material provided to analysts and media. It is not always clear how much is new money and how much has been previously announced.

(More) submissions called for

International Education Agenda

A new approach to the international education strategy is contained in this discussion document from the Ministry of Education. The Agenda advocates exposing more New Zealand students to international experiences and interactions, and developing the talents of teachers and researchers through international collaboration.

In 2006 more than 93,000 international students from 150 countries were studying in New Zealand, an 84 percent increase since 2000. The economic returns from international education are nearly \$2 billion per year, making it New Zealand's third largest services export.

More from www.minedu.govt.nz.

Privacy Commissioner considering amendments to Health Code

The Privacy Commissioner is seeking public submissions on proposed amendments to the Health Information Privacy Code 1994. The code sets specific rules for health sector agencies to ensure the protection of individuals' personal information. In the health sector, the code takes the place of the Privacy Act's information privacy principles, and deals with information collected, used, held and disclosed by health agencies.

Other proposed changes to the code relate to technical updates, such as removing and updating references to legislation or health agencies that have changed or no longer exist.

Housing affordability in NZ

The aim is to ensure that as many New Zealand families as possible will be able to achieve the traditional Kiwi goal of home ownership at a fair and reasonable price. The Commerce Select Committee wants to identify and quantify all components of the cost of housing for first home buyers in New Zealand and examine significant shifts over time.

They are particularly interested in:

- the effect on land supply, and therefore the price for land, of both restraints on land supply for new housing, and land 'wastage' through 'large section only' subdivisions;
- household ability to service debt, meet costs of ownership and the changing relationship between income, property prices and mortgage interest rates;
- the impact of increasing demand for residential properties by investors;
- local authority planning and approval processes;
- charges and levies imposed at all stages of the housing supply chain;
- building material and building labour costs as compared with those in other similar economies and countries;

- access to finance for house building on multiple owned land;
- the impact of changing preferences for home ownership;
- the range of financing products available for first home owners.

The closing date for submissions is Friday 15 June.

Resources

Law Commission newsletter

The Law Commission has begun a twice-yearly e-newsletter, including information about issues papers, appointments and quick references to current projects. It also operates a website update service, notifying subscribers when new material is added.

The Commission, currently chaired by Sir Geoffrey Palmer, analyses all Government (non-financial) bills when they are introduced to Parliament, and writes a report for its Legislation Advisory Committee (LAC). The bills are vetted against the LAC Guidelines for best legislative practice.

If the Committee has significant concerns, it takes the issues up with Parliamentary Counsel, the appropriate Minister, officials or makes submissions to a Select Committee, depending on what is appropriate in the circumstances. LAC does not comment on policy but about good legislative practice.

You can subscribe to the newsletter and web updates by going to www.lawcom.govt.nz and clicking on appropriate links.

Parliamentary papers

Some submissions and summaries of all business considered by Select Committees are now available on the Parliamentary website.

Summary pages for all items of business considered by select committees. At this time, summaries are available only for the Commerce Committee and the Justice and Electoral Committee.

Evidence put forward to select committees as part of their consideration of individual items of business, includes submissions from the public. Only evidence that has been released by a committee is available.

Go to www.parliament.nz/en-NZ/SC/Papers/ to view available material.

What is advocacy? fact sheet

The Charities Commission has issued a new fact sheet setting out their criteria for determining the place of advocacy in a charity's activities.

Go to www.community.net.nz/communitycentre/news/national/charities-news-april-2007.htm to download a copy.



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