



NEW ZEALAND

Affiliated with the International Federation of Business & Professional Women

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Income Splitting

c/- Deputy Commissioner

Policy Advice Division

Inland Revenue Department

PO Box 2198

Wellington

Submission on Income Splitting

Our organisation's aims are to link professional and businesswomen throughout the world, to provide support, to lobby for change and to promote the ongoing advancement of women. We work for equal opportunities and status for all women in economic, civil and political life and removal of discrimination in all countries. We promote our aims and organise our operating structure without distinction as to race, language or religion.

Our International organisation supports UNIFEM and CEDAW and other United Nations committee's in the fight for equality and BPW NZ supports Income Splitting as an option being available to Couples to allow greater flexibility in their lives. NZ is a signatory of CEDAW (Convention for Elimination of Discrimination Against Women) and this proposal addresses committee concerns regarding the recognition of maternity as a social function (clause 24)

We give our opinions on Income Splitting as listed below

1.1 Income Splitting to provide additional support for families with children

- 1.1.1 Income splitting is a good idea for families with children as it recognises the partnership of two people raising children, allowing greater flexibility in deciding how tasks such as income generation and care-giving can be shared, as the impact on taxation would be neutral
- 1.1.2 It gives status to the role of the care-giver in rearing the children by giving the non-employed person an economic status in their own right.
- 1.1.3 It recognises the support the employed person is giving the care-giver and the support that the care-giver is giving the employed person.

BPW NZ believes that that Income Splitting will give universal recognition to the contribution parents make to society in raising the next generation by giving those parents options to choose the way in which their economic viability is set up, enabling them to choose wisely for their children's wellbeing.

1.2 Should the split be 50/50

- 1.2.1 Yes – 50/50 split recognises the Property Relationships Act (2001) concept of equal partnership and gives equal weight to the care-giver and the employed person in the rearing of the children

BPW NZ believes that Income Splitting is consistent with the Property Relationships Act (2001) as it would extend the principle of joint ownership of income and property to the marriage itself and not just at the time of the dissolution of a marriage. In 1896 Kate Sheppard of National Council of Women of NZ established policy as follows –

That in all cases where a woman elects to superintend her own household, and be the mother of children, there shall be a law attaching a certain just share of her husband's earnings or income for her separate use, payable, if she so desire it, into her separate account.

- One hundred years later many women are still struggling to enjoy full economic independence.

1.3 How should Family be defined

1.3.1 Family is a very complex unit and depending on the cultural background of the unit is defined in many different ways, making definition of “family” impossible. It is better to consider family function, and a primary function is to care for and provide for dependent members. Generally this is viewed as being young children, but extends in some cases to sick, disabled or elderly family members.

BPW NZ would see no reason that the fact that “family” is not always easy to define an impediment to the bill. Exceptions can be worked through by applying the intent of the bill.

1.4 What restrictions should be placed on the children’s ages for a family to be eligible?

- 1.4.1 No specific age limit should be set. Many parents consider the teenage years to be the years where the financial burden impacts most on the family and where it is the most important period in the families “life” to have a parent at home to guide the teenagers through their transition to adulthood.
- 1.4.2 0 to death is the age parents are responsible for the care of children & adults with disabilities

BPW NZ consider that it is the families right to decide for themselves how they divide tasks of income earning and care-giving, and the level of engagement in paid work.

1.5 Should it be optional or compulsory?

1.5.1 Optional. People should have the right to structure their household and family affairs in a way that best suits their needs.

BPW NZ feels that if Income Splitting became compulsory, it would take away the flexibility that we would like to see available to people. However we recognise that it is hard to see why any couple would not register a partnership and split income, as they would be better off financially in doing so.

BPW NZ urges the Inland Revenue Department and Treasury to introduce Income Splitting as a way to be innovative and forward thinking in leading the world in giving relief to families by empowering them to be able to make decisions on the way their families financial arrangements operate.

The proposal of having an option of registering their partnership with IRD, so that any income earned by either partner may be declared as partnership income, and each partner paying tax on their share of that income, is one that works well with other legislation.

By creating a level playing field between two incomes and single income families, anomalies are smoothed out and no one is disadvantaged, this proposal slots very neatly into the Working with Families provisions, which is also based on joint assessment of household income. It creates a smooth transition across income levels from those who receive assistance through Working with Families to those who do not.

New Zealand has been recognised in the past for being at the forefront of the growing discourse on recognition of unpaid work by seriously challenging patriarchal assumptions about the value of work. Our record in this area for example with paid parental leave is amongst the world leaders.

New Zealand should be proud of it’s record and not afraid to continue to push the boundaries in the continued efforts to achieve full equality for women, irrespective of where they choose to work.

Thank you for the opportunity to have our say and we hope that our comments are of use to you.

Yours Sincerely

Noeline Reisch
Legislation Convenor
BPW NZ