

17 September 2015

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**PUB 00215-3 Income Tax – Insurance – Personal Sickness and Accident Insurance taken out by Employee with Employer paying the Premiums on Employee’s Behalf**

The New Zealand Law Society (Law Society) appreciates the opportunity to comment on the draft *Questions We’ve Been Asked PUB 00215-3: Income Tax – Insurance – Personal Sickness and Accident Insurance taken out by Employee with Employer paying the Premiums on Employee’s Behalf* (the draft). The Law Society wishes to draw your attention to potential ACC implications arising from the draft.

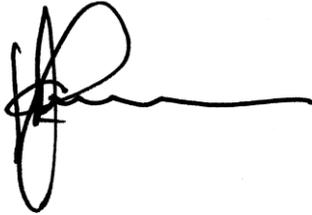
Section 223 of the Accident Compensation Act 2001 allows a person to purchase from the Accident Compensation Corporation the right to receive weekly compensation in respect of a period for which the person would not otherwise be entitled to receive it. While this section is usually used by self-employed levy payers, employees are not excluded.

This is a departure from the standard 80% of pre-injury earnings formula. It was introduced because the self-employed often find it difficult to prove pre-injury earnings. It puts weekly nominated payouts by ACC on the same basis as a loss of income insurance policy.

There may be situations where an employee is able to purchase the right to receive weekly compensation in excess of the normal 80% of prior earnings and the additional levy is paid by the employer. It appears that these weekly nominated payments by ACC could be unintentionally caught by the changes proposed in the draft. The Law Society recommends that the draft be amended to clarify that this is not the case.

This submission was prepared with assistance from the Law Society's ACC Committee. If you wish to discuss this further, please do not hesitate to contact the committee convenor Don Rennie, through the committee secretary Jo Holland (04 463 2967 / [jo.holland@lawsociety.org.nz](mailto:jo.holland@lawsociety.org.nz)).

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized initial 'C' followed by a horizontal line extending to the right.

Chris Moore  
**President**