



24 March 2026

Ms Hosseini

fyi-request-34016-03681566@requests.fyi.org.nz

Kia ora Ms Hosseini

Your Official Information Act request, reference: GOV-046666

Thank you for your request of 10 March 2026, asking for information relating to Loss of Potential Earnings (LOPE) under the Official Information Act 1982 (the Act). Please find our responses to your questions below.

1. *It is my understanding that LOPE back payment is paid retroactively before tax and then taxed as a lump sum. eg. if someone receives full back pay for the last 24 weeks, they will receive 24 payments of \$752, the total of which will be taxed together. Is this correct?*

LOPE backdated payments are paid and taxed as a lump sum. The client will elect the appropriate tax rate and is encouraged to seek advice directly from Inland Revenue (IR) unless the duration of the payment meets the alternative tax rate (ATR) criteria. For backdated lump sum payments which are a continuous period of 366 days or more, IR will advise the right tax to be applied directly to ACC.

This meets the rules which were introduced through the Taxation (Annual Rates for 2023-24, Multinational Tax, and Remedial Matters) Act and applied from 1 April 2024. These rules are specified under section RD 20B of the Income Tax Act 2007.

Further information on this can be viewed on the IR website here: www.ird.govt.nz/income-tax/income-tax-for-individuals/types-of-individual-income/backdated-lump-sum-payments-from-acc-msd-va/backdated-acc-lump-sum-payments.

2. *In the case of debt to MSD, is the entire before tax amount of the benefit deducted from the back payment, or the after tax amount that was actually received? eg. \$412.51, Jobseeker before PAYE is deducted, and \$361.32, the cash in hand amount.*

Where the Ministry of Social Development (MSD) advise ACC of a debt that needs to be recovered, income tested benefits are requested and taxed as a gross amount i.e. the total before tax.

If the debt is not from an income tested benefit, MSD will request the nett amount i.e. the total after tax, as tax does not apply.

3. *When the final LOPE lump sum is taxed, is this before or after the benefit debt is deducted? eg. \$60,000 LOPE total taxed, then \$20,000 MSD debt deducted from the taxed amount, or LOPE minus MSD debt = \$40,000 taxed.*

The total gross backdated payment due less the MSD gross payment is what the elected tax code or ATR applies to i.e. the payment is taxed as a gross amount.

If you have any questions about this response, please get in touch
You can email me at GovernmentServices@acc.co.nz.

Ngā mihi

A handwritten signature in black ink, appearing to read 'Chris Johnston', written in a cursive style.

Christopher Johnston
Manager Official Information Act Services
Government Engagement