

# The Treasury

## Budget 2022 Information Release

August 2022

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Key to sections of the Act under which information has been withheld:

- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] Out of Scope
- [41] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment
- [42] 18(d) - information is already publicly available or will be publicly available soon

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# Annotated Agenda

## Joint Ministers Meeting

5 April 2022

T2022/791; BN2022/175

**Minister of Finance**  
**Minister of Revenue**

Officials from:

- The Treasury
- Inland Revenue

Officials are due to report to you with the final design details of the one-off cost of living payment later today, along with a draft Cabinet paper to be tabled for consideration at Cabinet on 11 April, so the payment can be announced on Budget Day.

In order to achieve these milestones, decisions are needed on some of the key design features of the payment. The purpose of this meeting is to get indications of your preferences on these key features to support the development of advice and a Cabinet paper, and to advise Ministers on potential impacts on customers' experience with Inland Revenue. You will receive full policy advice and impacts later today following this meeting

The advice has been prepared at speed and it is possible that there could be outcomes that have not been identified, including impacts on certain population groups and impacts on Inland Revenue and its customers as the proposed delivery agency. As indicated in previous advice, there are significant risks to Inland Revenue in delivering this payment (T2022/674, IR2022/147 refers). We will provide further advice as needed.

### **Indicative decisions (to be confirmed by full policy advice)**

#### **NZ super or main benefit recipients (change in circumstances)**

As noted in previous advice, providing a payment to individuals based on their eligibility for the Winter Energy Payment risks not providing the payment to some individuals who come off the main benefit (and cease to receive the WEP), as well as provide the payment to some individuals who begin to receive a main benefit of NZ Super (and begin to receive the WEP). Inland Revenue has proposed a way to partially address this issue below, although this increases the administrative complexity and operational impacts.

Prior to the first payment (e.g., August), Inland Revenue can check if an individual has ceased to receive a main benefit. That eligibility check will be used for all subsequent payments.	Agreed
OR	Not agreed
Prior to each monthly payment, Inland Revenue can check if an individual has ceased to receive a main benefit and begin to pay that individual the payment (providing they meet the other eligibility criteria).	Agreed
	Not agreed
<b>Note</b> that Inland Revenue is investigating the possibility of checking if an individual has begun to receive a main benefit or NZ Superannuation prior to each payment. This would allow Inland revenue to cease paying the cost of living payment to these individuals, as they will instead be eligible for the WEP.	Noted

## Payment window

Officials have taken on board your feedback that a monthly payment would be preferred to a lump-sum payment. While this will increase the administrative burden of the payment on Inland Revenue, officials have determined that it is possible to have the payment made in three monthly instalments. The proposed parameters for this payment are set out below.

First payment made 1 August, then monthly for a total of three months.	Agreed Not agreed
Final payment approval date for eligibility would be 31 March 2023.	Agreed Not agreed
Close date for payments would be 31 March 2024. This would be the last date that eligible individuals would be able to supply bank account details. After this, any credits not paid out would be returned to the Crown.	Agreed Not agreed

## Payment amount and treatment

The proposed amount of the payment and how it would be treated for tax and other social policy products is set out below. **A decision on the rate of the payment can be delayed until later in the week if preferred.**

The payment would be a single flat rate of \$116.66 (based on a total of \$350 across the period). <i>A decision on the total can be made later in the week</i>	Agreed Not agreed
There would be no apportionment for the payment – entitlement would be for a month.	Agreed Not agreed
The payment would be: <ul style="list-style-type: none"> <li>• tax-exempt and not included as income for social policy products.</li> <li>• not be recovered unless IR has determined the information provided was fraudulent [41]</li> <li>• Not be offset against other tax liability.</li> </ul>	Agreed Not agreed

### Income criteria

Which income data to use for determining eligibility for this payment will have a significant impact on the administrative burden of the payment for Inland Revenue. The proposed parameters for what income to use are set out below:

Income threshold test based on assessed income for the 2021/22 tax year.	Agreed  Not agreed
Individuals who have not filed an income tax return by the date of the first payment will begin receiving payments after they file (or as a lump sum after the monthly payment window closes). The last date for filing is 31 March 2023.	Agreed  Not agreed
<p>In order for Inland Revenue to make this payment, it is necessary to exclude individuals with no tax assessment from receiving the payment. Including these individuals would be a material change to Inland Revenue's operational model and general approach to tax administration. Inland Revenue strongly recommends to exclude these individuals.</p> <p>This would mean that the following would not receive the payment:</p> <ul style="list-style-type: none"> <li>• Young adults with no income who are living with their parents;</li> <li>• Stay at home parents who do not have an assessed income (e.g. no interest income and no WFF assessment)</li> <li>• Anyone else not working, using income from another source (e.g. savings), or receiving benefits for any other reasons</li> <li>•</li> </ul>	Agreed  Not agreed

### Minimum income threshold

Officials understand that you are concerned that there may be some individuals who would be eligible for this payment as a result of having low or no income, but do not need the payment to meet an increase in their cost of living (for example, a stay-at-home parent in a high-income household, or a young adult living at home with their parents). The impact of having a minimum income threshold for receiving the payment are set out below

<b>Note</b> that if you agreed to exclude individuals with no tax assessment from receiving the payment, this will prevent some of the individuals you may be concerned about from receiving the payment, regardless of if there is a minimum income threshold for receiving the payment	Noted
<b>Note</b> that the following categories of individuals would not receive a payment as a result of having an income floor <ul style="list-style-type: none"> <li>• Some non-salary and wage earners (e.g. self-employed), with a loss (noting that most self-employed individuals with a loss in a given year will have legitimate reasons).</li> <li>• Stay-at-home parents with WFF, or with little/no other income</li> <li>• People with no workplace income but small amounts of interest income</li> <li>• Young adult living with low income (likely living with parents)</li> </ul>	Noted
<b>Note</b> the indicative distributional impact of having an income floor below	Noted
<b>Note</b> that setting an income floor would not materially reduce or increase the expected operational impacts on Inland Revenue. This is because of the size of the eligible population and the significant impacts associated with this payment that have already been identified.	Noted
EITHER: <b>Agree</b> to set no income floor OR Indicate your preferred income floor	Agreed  floor of \$____

### ***Distributional impact of a floor - note that this was produced under urgency and has not been fully QAd***

The following results were derived from Treasury's TAWA model, which does not cover exactly the same population as the IR data that will be used to determine eligibility for the payment. For example, TAWA cannot distinguish people who will not file tax assessments (and therefore who will not be eligible for the payment) and the IR data also contains around 10% more people with incomes less than \$70k. However, the results are indicative of the types of people who may be excluded if you chose to set a minimum income level.

Setting a \$3,000 floor in TAWA excluded:

- **Partner income:** Around 90 thousand people with partners who earn less than \$70k, 30 thousand people with partners who earn between \$70k-\$100k, and around 45 thousand people with partners earning over \$100k. Due to the design of WFF, almost all the people with partners earning over \$100k will not be receiving WFF. (Around two thirds of those excluded have partners).
- **Single people:** Around 80 thousand single people (Around one third of those excluded do not have partners).
- **Self-employed:** Around 20 thousand self-employed people (Less than 10% of those excluded).
- **Parents:** Around 95 thousand parents, 65 thousand of these receive WFF (Around 40% of those excluded have children).

**Other eligibility criteria**

There are other design details that officials require a decision on in order to draft the Cabinet paper and to finalise the administrative impact of the payment. These are set out below.

Provide the payment only to those aged 18 or over	Agreed Not agreed
Provide the payment only to New Zealand tax residents and present in New Zealand	Agreed Not agreed
Provide the payment only to individuals who are not deceased or incarcerated	Agreed Not agreed
Provide the payment only to New Zealand bank account holders	Agreed Not agreed

## Fiscal costs & impacts on child poverty

Note the indicative fiscal costs for the payment below, based on different sizes for the payment and different income targeting designs. This is based on a payment that excludes main benefit and New Zealand superannuation recipients, as well as those under the age of 18.

	\$300 payment	\$350 payment
\$50,000 cap, no floor	\$460 million	\$540 million
\$60,000 cap, no floor	\$550 million	\$640 million
\$70,000 cap, no floor	\$620 million	\$730 million
\$70,000 cap, \$3,000 floor	\$510 million	\$600 million

Below are the high level results of the modelled impact of a \$350 payment to individuals earning less than \$70,000 on child poverty (caveats above on the quality assurance and indicative nature of distributional analysis apply):

- Because the payment is based on income assessed in one year, but paid in the next year, the standard method of modelling child poverty will likely slightly overestimate the impacts.
- We estimate that there will be no change in BHC50 child poverty, and a slight decrease in AHC50 child poverty in the order of 4,000 children.
- The 3,000 floor does not significantly change the reduction in the number of children in poverty, but it does mean that low-income families with only one earner receive less of the payment. There is evidence that these families are over represented in child poverty statistics.