

Sensitive

Office of the Minister of Revenue

Cabinet Legislation Committee

**Taxation (COVID-19 Support Payments and Working for Families Tax Credits)
Bill: Approval for Introduction**

Proposal

1. This paper seeks the Cabinet Legislation Committee's authorisation for the introduction of the attached Taxation (COVID-19 Support Payments and Working for Families Tax Credits) Bill (the Bill) under urgency on 23 November 2021.
2. The Bill introduces amendments to the Income Tax Act 2007 and the Tax Administration Act 1994.

Policy

3. The Bill will implement the policy items listed below. The Bill is necessary as amendments to existing legislation are required to implement most of the proposed policy changes.

Working for Families amendments

4. On 5 November 2021, Cabinet agreed to:
 - 4.1 increase the Family Tax Credit by \$5 per week per child in addition to a CPI-indexation increase to the Family Tax Credit scheduled for 1 April 2022;
 - 4.2 increase the Family Tax Credit and In Work Tax Credit abatement rate from 25% to 27% from 1 April 2022;
 - 4.3 implement by primary legislation rather than by Order in Council:
 - 4.4 a scheduled CPI-indexation increase to the Best Start Tax Credit to apply from 1 April 2022; and
 - 4.5 a previously agreed increase in the Minimum Family Tax Credit threshold to apply from 1 April 2022;
 - 4.6 a minor change to the Working for Families indexation settings, updating the measure used for indexation of the Family Tax Credit and Best Start Tax Credit to the Consumers Price Index (All groups) measure; (CAB-21-MIN-0457 refers)

COVID-19 support payment framework amendments

5. On 8 November 2021, Cabinet agreed to amendments to the Tax Administration Act 1994 and Income Tax Act 2007 to modify the existing Resurgence Support Payment rules into a general COVID-19 support payment framework. At the same time, Cabinet also authorised the Minister of Revenue, in consultation with the Leader of the House, to introduce a Bill under urgency on 23 November 2021 containing these amendments (CAB-21-MIN-0459 refers).
6. These amendments are included in the Taxation (COVID-19 Support Payments and Working for Families Tax Credits) Bill together with the Working for Families amendments. However, the COVID-19 support payment framework amendments are not covered by this Cabinet paper as they already have legislative approval.

Timeframes

7. The Minister of Revenue recommends that the Bill be introduced on 23 November 2021 and passed under urgency by 1 December 2021 to comply with legislative timeframes for the CPI-indexation and Minimum Family Tax Credit increases and to give Inland Revenue sufficient time to effect the Family Tax Credit and abatement rate changes by 1 April 2022.

Impact analysis

8. A regulatory impact assessment, entitled *April 2022 Working for Families changes*, was prepared in accordance with the necessary requirements and was submitted at the time that Cabinet approval of the policy relating to the Bill was sought [CAB-21-MIN-0457 refers].

Compliance

The Treaty of Waitangi

9. No formal steps have been taken to determine whether the provisions in the Bill are consistent with the principles of the Treaty of Waitangi.

The New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993

10. The Bill has been provided to the Ministry of Justice to review whether it complies with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Departmental disclosure statement

11. The Bill complies with the departmental disclosure statement requirements. A draft departmental disclosure statement has been prepared and is attached.

The Privacy Act 2020

12. The provisions in the Bill comply with the principles and guidelines set out in the Privacy Act 2020. The Privacy Commissioner was not consulted on the provisions in the Bill.

Relevant international standards and obligations

13. No formal steps have been taken to determine whether the provisions in the Bill comply with New Zealand's international obligations.

The Legislation Guidelines

14. The Bill complies with the Legislation Guidelines (2018) which are maintained by the Legislation Design and Advisory Committee.

Consultation

15. Consultation on the provisions in this Bill with stakeholders other than government departments did not occur due to time constraints and budget sensitivities.

Binding on the Crown

16. The Bill amends the Income Tax Act 2007, which is binding on the Crown, and the Tax Administration Act 1994, which is not currently binding on the Crown.

Creating new agencies or amending law relating to existing agencies.

17. The Bill will not create a new agency or amend law relating to existing agencies.

Allocation of decision-making powers

18. The Bill does not allocate decision-making powers.

Associated regulations

19. The Bill does not include associated regulations.

Other instruments

20. The Bill does not include any provision empowering the making of other instruments that are deemed to be legislative instruments or disallowable instruments (or both).

Definition of Minister/department

21. The Bill does not contain a definition of Minister, department (or equivalent government agency), or chief executive of a department (or equivalent position).

Commencement of legislation

22. All Working for Families amendments except the minor change to indexation settings will come into force on 1 April 2022. The minor change to indexation settings will come into force on the day after the date the Bill receives Royal assent.

Parliamentary stages

23. The Minister of Revenue recommends that the Bill be introduced on 23 November 2021 and passed under urgency by 1 December 2021.

Proactive Release

24. The Minister of Revenue proposes to release this paper proactively, subject to redaction as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Revenue recommends that the Committee:

- 1 **note** that this paper does not address the COVID-19 support payment framework amendments included in the Bill as these have already received legislative approval;
- 2 **note** that the Bill proposes increases to the Family Tax Credit and Best Start Tax Credit rates, the Minimum Family Tax Credit threshold, and the Family Tax Credit and In Work Tax Credit abatement rate. It also proposes a minor remedial change to the Working for Families indexation settings;
- 3 **approve** the Taxation (COVID-19 Support Payments and Working for Families Tax Credits) Bill for introduction, subject to the final approval of the government caucus and sufficient support in the House of Representatives;
- 4 **agree** that the Bill be introduced on 23 November 2021;
- 5 **agree** that the government propose that the Bill be:
 - 5.1 passed under urgency;
 - 5.2 enacted by 1 December 2021.

Authorised for lodgement

Hon David Parker
Minister of Revenue