



POLICY AND REGULATORY STEWARDSHIP

Tax policy report: Draft Cabinet paper – Taxation (Cost of Living Payments) Bill: Approval for introduction

Date:	2 May 2022	Priority:	High
Security level:	Sensitive - Budget	Report number:	IR2022/216

Action sought

	Action sought	Deadline
Minister of Finance	Note the contents of the report and attached Cabinet paper, draft legislation, and draft disclosure statement	10am, 5 May 2022
Minister of Revenue	Note the contents of the report and attached Cabinet paper, draft legislation, and draft disclosure statement Authorise the lodgement of the attached Cabinet paper	10am, 5 May 2022

Contact for telephone discussion (if required)

Name	Position	Telephone
Murray Shadbolt	Policy Lead	s 9(2)(a)
Emma Hamilton	Senior Policy Advisor	

2 May 2022

Minister of Finance
Minister of Revenue

Draft Cabinet paper – Taxation (Cost of Living Payments) Bill: Approval for introduction

Purpose

1. This report asks you to approve and lodge the attached paper to the Cabinet Legislation Committee. The Cabinet paper will also have attached the draft legislation, draft disclosure statement, and Supplementary Analysis Report. The material should be lodged with the Cabinet Office by 10am Thursday 5 May 2022 for consideration at the Cabinet Legislation Committee meeting on 12 May 2022.
2. The Cabinet paper seeks approval to introduce the Taxation (Cost of Living Payments) Bill (the Bill) on 19 May 2022. Cabinet has previously agreed that the Bill be passed under urgency on Budget Day, to provide certainty and sufficient time for Inland Revenue to implement the changes in order to make the first payment on 1 August 2022.
3. A draft disclosure statement is attached to accompany the Cabinet paper in accordance with Cabinet guidelines. The draft statement is finalised by Inland Revenue with the Parliamentary Counsel Office shortly before the introduction of the Bill and is made public when the Bill is introduced.
4. A Regulatory Impact Assessment was not submitted at the time that Cabinet approval of the policy relating to the Bill was sought [CAB-22-MIN-130 refers]. This was due to time constraints. Instead, a Supplementary Analysis Report is being completed and will be included with the other documents accompanying the Cabinet paper. The Supplementary Analysis Report will be provided to your office on 4 May 2022.
5. The draft Bill contains provisions to implement the items listed below.

Policy items approved by Cabinet

6. Cabinet has approved the introduction of a Cost-of-Living Payments scheme to provide short-term support for low-to-middle income individuals earning up to \$70,000 (net income for the 2022 tax year), and who are not eligible for the Winter Energy Payment (WEP).
7. Under the scheme cost-of-living payments, together totalling \$350, will be made in three instalments from 1 August 2022. These payments are intended to support low-to-middle income individuals who:
 - 7.1 may have been heavily impacted by the recent increase in the cost of living;
 - 7.2 are less likely to have benefitted from changes on 1 April to support or increase incomes such as increases in main benefit rates, Working for Families tax credits, and the increase in the minimum wage; and
 - 7.3 will not be receiving a temporary increase in income on 1 May due to the WEP, to support living costs over winter.

8. The scheme would be administered by Inland Revenue. Inland Revenue would determine eligibility based on the information it holds. Individuals would not have to apply for the payments.
9. The Bill proposes amendments to the Income Tax Act 2007 and the Tax Administration Act 1994 that are necessary for Inland Revenue to be able to administer the cost-of-living payments.
10. The proposed amendments will allow Inland Revenue to:
 - 10.1 include administration of the cost-of-living payments as one of the functions of the Commissioner of Inland Revenue (the Commissioner);
 - 10.2 use the information it holds to determine eligibility and make payments; and
 - 10.3 recover payments (in cases of serious non-compliance, such as fraud).
11. The Bill also proposes that the cost-of-living payments be tax exempt and not included as income for Working Families tax credits.
12. The eligibility criteria for the payment and the design parameters are not required to be included in legislation. Instead, the Bill requires the Commissioner to publish the eligibility criteria on Inland Revenue's website.

Support party and caucus consultation

13. Cabinet have agreed that the Bill be introduced on 19 May 2022. Support party and caucus consultation will need to occur in advance of Cabinet's final decision.

Recommended action

We recommend that you:

14. **note** the contents of this report, attached draft Cabinet paper, draft legislation, and draft disclosure statement;

Noted

Noted

Minister of Finance

Minister of Revenue

15. **sign** and **refer** the Cabinet paper to the Cabinet Office by 10 am Thursday 5 May 2022.

Signed and referred/Not signed and referred

Minister of Revenue

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Murray Shadbolt
Policy Lead (Acting)
Policy and Regulatory Stewardship

Hon Grant Robertson
Minister of Finance
/ /2022

Hon David Parker
Minister of Revenue
/ /2022