

# Hon David Parker, Minister of Revenue

## Information Release

### Cost of Living Payment

October 2022

#### Availability

This information release is available on Inland Revenue's tax policy website at <https://taxpolicy.ird.govt.nz/publications/2022/2022-ir-col-payment>

#### Documents in this information release

#	Reference	Type	Title	Date
1.	IR2022/452	Tax Policy Report	Cost of Living payment: Post payment three summary report	5 October 2022
2.	BN2022/439	Briefing Note	Cost of Living Payment: Customs data match	27 September 2022
3.	BN2022/415	Briefing Note	Cost of Living Payment: updated numbers	2 September 2022
4.	BN2022/402	Briefing Note	Cost of Living payment: Implementation update	26 August 2022
5.	IR2022/403	Tax Policy Report	Cost of Living Payment: payment two changes update	25 August 2022
6.	IR2022/386	Tax Policy Report	Cost of Living Payment: suggested change to automated payments	12 August 2022
7.	BN2022/383	Briefing Note	Cost of Living Payment Implementation Update	4 August 2022
8.	BN2022/374	Briefing Note	Cost of Living Payment: RWT query	1 August 2022
9.	BN2022/368	Briefing Note	Readiness update ahead of first Cost of Living Payment	26 July 2022
10.	BN2022/258	Briefing Note	Cost of living payment: PIE only income	13 May 2022
11.	BN2022/160	Briefing Note	Cost of Living payment parameters	29 March 2022

## Information already released

There has also been a public release of associated reports, Cabinet papers and annotated agendas on the Treasury Budget website as part of the proactive release of material relating to Budget 2022.

<https://budget.govt.nz/information-release/2022/revenue.htm>

Information relating to the Cost of Living LEG paper is already released on the tax policy website.

<https://taxpolicy.ird.govt.nz/-/media/project/ir/tp/publications/2022/2022-ir-cab-leg-22-sub-0062/2022-ir-cab-leg-22-sub-0062.pdf?modified=20220815211704&modified=20220815211704>

## Information withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act that would apply are identified. Where information is withheld, no public interest was identified that would outweigh the reasons for withholding it.

Sections of the Act under which information was withheld:

- 9(2)(a) to protect the privacy of natural persons, including deceased people
- 9(2)(g)(i) to maintain the effective conduct of public affairs through the free and frank expression of opinions
- 18(c)(i) that the making available of the information requested would be contrary to the provisions of a specified enactment

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## POLICY AND REGULATORY STEWARDSHIP

### Tax policy report: Cost of Living payment: Post payment three summary report

<b>Date:</b>	5 October 2022	<b>Priority:</b>	High
<b>Security level:</b>	In Confidence	<b>Report number:</b>	IR2022/452

### Action sought

	Action sought	Deadline
Minister of Revenue	<b>Note</b> the contents of this report <b>Refer</b> a copy of this report to the Minister of Finance	6 October 2022

### Contact for telephone discussion (if required)

Name	Position	Telephone
Sharon Thompson	Deputy Commissioner Customer and Compliance Services – Individuals	s 9(2)(a)
David Carrigan	Deputy Commissioner Policy and Regulatory Stewardship	

5 October 2022

Minister of Revenue

## **Cost of Living payment: Post payment three summary report**

### **Purpose**

1. The third and final monthly Cost of Living payment was made on 3 October 2022. Payments will continue to be made until after 31 March 2023 as eligible people finalise their tax assessments for the 2021-22 tax year.
2. This report provides a summary of the payments to date, and information about our communications and repayment approach for people who have received payments in error or who may be overseas. This report includes the following:
  - 2.1 Background to the scheme design;
  - 2.2 Summary of changes across payments;
  - 2.3 Summary of payments made to date;
  - 2.4 Payments to ineligible people (including communications and repayment approach); and
  - 2.5 Communications and repayment approach for those potentially overseas.

### **Background - scheme design**

3. The Cost of Living payment scheme was announced as part of Budget 2022 and is aimed at providing financial support to eligible low to middle-income individuals who are facing increased cost of living pressures due to the recent spike in inflation.
4. The intent of the policy was to provide short term, timely financial support to individuals who were disproportionately impacted by the recent spike in inflation and who were less likely to have benefited from the increases in Government support earlier this year.<sup>1</sup>
5. Given the policy intent, it was a priority to get these payments out quickly and to ensure that eligible people did not miss out on the payment. To achieve that, a number of key decisions were recommended by Inland Revenue and agreed to by Ministers [refer IR2022/163]:
  - 5.1 Payments would be made based on information held by Inland Revenue (no application required).
  - 5.2 Where payments were incorrectly made because we had incorrect or out of date information, we would not take recovery action.
  - 5.3 While people could update their records prior to any payment in the usual manner, there would be no application process to provide or verify information.

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<sup>1</sup> Examples of increases from 1 April 2022 include: minimum wage increase; increase to main benefits; NZ Super and student allowances; Working for Families increases; and increases to financial support caregivers (Orphans benefit, Unsupported Childs benefit and Foster Care allowances).

- 5.4 A person's income would be determined by finalised tax assessments only, and would be individual income, not household income.
6. We received operational funding of \$14 million for administering the Cost of Living payment scheme based on three "push" payments with no application process required. The \$14 million is comprised of \$10.5 million in 2022/23 and \$3.5 million in 2023/24.
7. The \$10.5 million in 2022/23 includes:
  - 7.1 \$7.5 million for contingent labour (up to 300 FTEs per month for five months);
  - 7.2 \$1.1 million for postage, print and associated materials;
  - 7.3 \$1.9 million for additional overhead costs, including accommodation, technology and software licencing costs for the additional contingent labour; and
  - 7.4 Self-funding of Inland Revenue staff costs (through reprioritisation of existing resources).
8. The \$3.5 million in 2023/24 is to catch up on deferred integrity activities, due to reprioritisation, and includes Inland Revenue staff salaries.
9. The push payment design, based on data we already hold, was proposed as the only option to achieve the delivery of a new payment to a large population in a very short timeframe. This was because of the following:
  - 9.1 The timing of the payment window (in our busiest period when end of year assessments were being processed).
  - 9.2 The administrative impacts associated with an application-based model over a very short period.
  - 9.3 The inability to obtain contingent labour to process applications in the desired timeframe.
10. The push model was also preferred because it would be more likely to ensure eligible people received the payment. An application-based model would mean intended recipients of the payment would miss out because they did not apply, either because they were not aware of the payment, or because they did not know what they needed to do.
11. An application process would have introduced additional costs over and above those required to fund a push-model.
12. Based on our experience of other new application-based products, up to 40% of applications have required manual processing. This could have resulted in \$14 million of additional processing costs. Other costs would also increase in an application process, such as communication to potential recipients. To inform 2.1 million taxpayers of the need to apply for the payments could cost \$2 million.
13. An application-based approach to the Cost of Living payments could therefore have cost \$30 million.

## Summary of changes across payments

14. Our initial approach to make the payment was as a high trust "push model", using the best information and data that we had available, in line with the policy intent. While the data Inland Revenue holds is good, it is not perfect and some of the information we have will be out of date or inaccurate.
15. We have therefore made refinements to the data we used over the course of the monthly payments to better target the payment and to reduce the chance that those who are ineligible would receive the payments, particularly people who might be living overseas. These refinements include using additional data Inland Revenue holds and obtaining new data from external sources.

## Initial design

16. The initial design was focussed primarily on data Inland Revenue already held. One of the main eligibility criteria is that the person is present and tax resident in New Zealand. Inland Revenue considered using a number of sources of information about location. Some of these are outlined below. All of them give an indication that someone may be overseas, but are not definitive:
  - 16.1 *Overseas mailing addresses:* People can, and often do, have multiple addresses with Inland Revenue. Someone who provides a physical address that is in New Zealand, and a mailing address that is not, may not be overseas. For example, they may be in New Zealand but want their tax matters to be dealt with by someone who is overseas.
  - 16.2 *New Zealand Customs data:* We do not have access to New Zealand Customs border movement information for all individuals as a matter of course, but we do have the legal right to request it when we need to. New Zealand Customs does not collect the IRD number of travellers, and Inland Revenue does not usually collect passport numbers, so there is no absolute match between the records of the two departments. For various reasons matching data only on the basis of name and date of birth can be inaccurate and becomes less accurate over time. A taxpayer who matches as travelling out of the country and not returning might be overseas. Or they might have, for example, changed their name before returning (most likely due to marriage).
  - 16.3 *Low income only from investments or interest:* Someone whose only income comes from investments or interest, where that income is small, may be in New Zealand as a stay-at-home parent or starting a business. Or they may have gone overseas without informing Inland Revenue and left a bank account open in New Zealand.
  - 16.4 *Non-resident tax returns:* Someone who files a non-resident tax return for the 21/22 tax year was most likely outside of New Zealand on 31 March 2022. However, it does not mean they were outside of New Zealand at the time of the Cost of Living payments, starting on 1 August 2022.
  - 16.5 *Student loans overseas-based borrower (OBB) status:* Someone having a student loan with overseas status is an indication they are not in New Zealand. However, they don't lose that status until they have been back in New Zealand for six months, so someone with OBB status at the time of the Cost of Living payment may be overseas, or they could have been back in New Zealand for up to six months.
17. Having considered these and other options, we considered it was best to treat those people who had provided a physical address in New Zealand as being in New Zealand. This was because:

- 17.1 there were no other pieces of information that would absolutely contradict what the taxpayer had provided;
- 17.2 the priority was on making payments to people who were eligible; and
- 17.3 the process needed to be kept simple in order to be made on time and there was no option for taxpayers to provide verification of their address or any application process.

### **Changes for payment two**

18. Following the first payment, some people who looked to be eligible, based on our address and income information, indicated they were overseas. Ministers sought advice on and subsequently agreed to change the payment approach for some customers who we were less certain were in New Zealand. This approach means that those we have less confidence are in New Zealand will not automatically receive the payment. Instead, they must confirm they are in New Zealand before we release payment. In addition, Ministers agreed to broadly align the definition of "present in New Zealand" with the Winter Energy Payment (WEP) [IR2022/386 refers]<sup>2</sup>.
19. Additional screening checks were implemented to gain a greater level of confidence that a person was in New Zealand before releasing a payment.
20. Checks that indicated a person was more likely to be in New Zealand included receiving recent salary or wages or receiving Working for Families tax credits.
21. Checks that indicated a person might be overseas included filing a non-resident tax return, having overseas-based borrower (OBB) status for student loans, s 18(c)(i)

### **Changes for payment three**

22. In addition to the screening checks implemented ahead of payment two we are also using border movement information received from New Zealand Customs.
23. We requested border movement information from New Zealand Customs for 540,383 Cost of Living payment recipients and potential recipients (i.e., people who have not yet finalised their 2021/22 tax assessment). We selected these individuals because we had less confidence that they are in New Zealand, based on the data we already hold. This request to New Zealand Customs was feasible ahead of payment three because we were able to narrow our request to a portion of the population.
24. The screening checks and border movement data has been incorporated into the evaluations for:
  - 24.1 payment three;
  - 24.2 all payments for individuals whose tax assessments are finalised after 21 September; and
  - 24.3 all daily checks completed after 21 September.
25. In addition to the 28-day payment rule, we are using the New Zealand Customs information to help identify people who otherwise appear eligible but who may be

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<sup>2</sup> We broadly aligned with the Winter Energy Payment (WEP) by allowing individuals to travel overseas for short periods and by excluding individuals who have been out of New Zealand for more than 28 days. Because eligibility is assessed separately for each monthly payment (rather than daily like the WEP), the 28-day period is linked to the payment date. The rules for WEP are dependent on the type of benefit (NZ Super or Veterans pension recipients can leave New Zealand for up to 28 days without losing entitlement).

living overseas and making a short visit (28 days or less) to New Zealand. For details of the overseas presence rules and how the 28-day rule will apply please refer to Appendix one.

26. Because the match is not absolute, if the New Zealand Customs data indicates someone was not in the country at the time of the payments, they are not automatically ineligible<sup>3</sup>. Instead, they fall into Inland Revenue's screening tests and have the opportunity to contact Inland Revenue to confirm they are in New Zealand.

### Summary of payments made to date

27. The following tables provide a summary of the number and value of payments made as at 3 October 2022. They also provide further summary information including the number, values and percentage of payments made to those potentially overseas and payments made due to Inland Revenue error.
28. As at 3 October, 1,020 payments have been repaid. We do not have information on why a person has repaid an amount. This could be, for example, because they are overseas and are ineligible. Alternatively, the person may be eligible but decides they do not want the payment for another reason.

**Table 1. Summary of numbers and value of payments as at 3 October 2022**

Number of payments	1 Aug payment	1 Sep payment	3 Oct payment	All payments
Payments to eligible people (including payments to be made when bank account is provided).	1,359,642	1,358,530	1,350,826	<b>4,069,884</b>
Payments made to ineligible people in error by Inland Revenue	12,043	0	0	<b>12,043</b>
Payments made to customers potentially overseas <sup>4</sup>	75,066	32,801	0	<b>107,867<sup>5</sup></b>
<b>Total payments to date</b>	<b>1,446,751</b>	<b>1,391,331</b>	<b>1,351,712</b>	<b>4,189,794</b>

Value of payments	1 Aug payment	1 Sep payment	3 Oct payment	All payments
Payments to eligible people (including payments to be made when bank account is provided).	\$158.63m	\$158.50m	\$157.69m	<b>\$474.82m</b>
Payments made to ineligible people in error by Inland Revenue	\$1.41m	\$0	\$0m	<b>\$1.41m</b>
Payments made to customers potentially overseas	\$8.76m	\$3.83m	\$0	<b>\$12.58m</b>
<b>Total payments</b>	<b>\$168.79m</b>	<b>\$162.33m</b>	<b>\$157.69m</b>	<b>\$488.81m</b>

<sup>3</sup> There are several reasons why the match with New Zealand Customs data is not absolute, including when a person travelled more than ten years ago, the name the person uses with Inland Revenue is different from that they use with New Zealand Customs or, their name has changed (for example through marriage) since they travelled. In addition, the data request was for a limited (although sizeable) part of the population.

<sup>4</sup> Payments made to customers who are potentially overseas exclude any amounts repaid.

<sup>5</sup> We expect the number of payments to those potentially overseas to reduce over time as customers confirm their presence in New Zealand and we receive further information from New Zealand Customs.



The numbers of eligible customers above include a number who need to provide their bank account to receive their payment.

Value of payments	1 Aug payment	1 Sep payment	3 Oct payment	All payments
Payments made to eligible people	1,284,446	1,283,038	1,274,630	3,842,114
Payments for eligible people awaiting bank account	75,196	75,492	77,082	227,770
<b>Eligible payments made/to be made</b>	<b>1,359,642</b>	<b>1,358,530</b>	<b>1,350,826</b>	<b>4,069,884</b>

**Table 2. Summary of payments as a percentage of forecasted payments as at 3 October 2022**

Payments as a percentage of the 6.3 million forecasted payments:

	Number of payments	Percentage of forecast payments
Payments made to ineligible people in error	12,043	0.19%
Payments made to customers potentially overseas	107,867	1.71%

29. We expect the number of payments made to customers potentially overseas to reduce as people confirm their presence in New Zealand and as we receive further border movement information from New Zealand Customs. To date 1,197 people who met the screening criteria for being potentially overseas have since confirmed their presence in New Zealand and received at least one payment.

### **Payments to ineligible people (Inland Revenue error)**

30. After payment one we identified three Inland Revenue coding and administrative issues that resulted in ineligible people receiving the payment. We corrected these errors, and the individuals did not receive payment two.

### **Issues identified**

#### *Negative Portfolio Investment Entity (PIE) income only*

31. Individuals who have only Portfolio Investment Entity (PIE) income are not eligible for the Cost of Living payment [refer IR2022/198]. However, people who had PIE income only and whose PIE income was a loss were not excluded as they should have been as part of the eligibility assessment for payment one. This was because of a coding error that only excluded people with only PIE income, if that income was greater than zero.

#### *Winter Energy Payment (WEP) recipients*

32. People who are eligible for the WEP do not qualify for the Cost of Living payment. To identify who is eligible for the WEP we use the employee information by the Ministry of Social Development (MSD) after each benefit or New Zealand Superannuation payment. We identified that a group of people who had been made bankrupt and were on a benefit (and therefore receiving the WEP) were incorrectly selected as eligible for payment one. This was because the MSD file used their pre-

bankruptcy IRD number, rather than their current one<sup>6</sup>. This meant that the checks did not match the MSD file with their current IRD number.

*Deceased people*

33. Following payment one, we found a group of deceased individuals had not been excluded from eligibility as they should have been. This was due to administrative errors. The indicator on the account that identifies them as deceased (and prevents a number of actions from being taken) had been removed to allow required account activity, such as the processing of final tax returns to be completed. However, these indicators were not reapplied once the actions were complete.

**Summary of data - payments to ineligible people**

34. We initially provided figures of people who incorrectly received the Cost of Living payment because of these errors [refer BN2022/402]. However, after further analysis, we found that those initial numbers provided in the briefing note were those who were incorrectly determined as eligible, rather than those who had actually been paid. A portion of that group did not receive a payment because we did not hold a current bank account for them. Their eligibility was reassessed and their entitlement to the payment was subsequently reversed (meaning they did not receive a payment).
35. The table below summarises those who were incorrectly assessed as eligible for payment one; how many had their credits reversed before their payments could be issued; and how many of those people incorrectly received a payment.

**Table 3. Summary of payments to ineligible people (Inland Revenue error)**

<b>Group affected</b>	<b>Incorrectly determined as eligible</b>	<b>People not paid</b>	<b>People incorrectly paid</b>
Negative PIE income only	21,474 <sup>7</sup>	9,910	11,564
Winter Energy Payment recipients	557	163	394
Deceased people	97	12	85
<b>Total</b>	<b>22,128</b>	<b>10,085</b>	<b>12,043</b>

**Communications and repayment approach for those paid in error**

s 18(c)(i)

<sup>6</sup> Prior to October 2021, individuals who are made bankrupt received a new IRD number. From October 2021 onwards, they continue to use their original IRD number.

<sup>7</sup> This was previously reported in IR2022/403 as 21,520, however this figure has subsequently been updated following refinement of the data.

s 18(c)(i)

37.

38. The affected individuals are unlikely to be able to repay the amounts received as they either:

38.1 only had PIE losses and no other income and have limited ability to access their PIE investment because it may be locked-in, such as a KiwiSaver scheme;

38.2 are bankrupt and receiving a benefit; or

38.3 are deceased.

39. While people in the first two groups may have access to other household income, we will consider the individual's financial position, rather than the household's when considering their ability to repay. This is the current approach that applies across the wider administration.

40. s 18(c)(i)

41.

42. Further, taking no recovery actions on these payments is consistent with Cabinet decisions [CAB--22-MIN-0130], that:

42.1 the payment will not be recovered unless Inland Revenue has determined the information provided was fraudulent (which is not the case here); and

42.2 the existing write-offs appropriation account would be used for unrecoverable payments to a wrong recipient.

#### *Communications approach*

43. We will communicate with the customers with only negative PIE income, acknowledging the mistake made in their payment and providing details of how to repay the amount they incorrectly received.

44. We will not take any further steps to notify the other customers of this error. We acknowledge that for deceased persons, any notification is a matter of additional sensitivity. We have seen very low numbers of contacts from affected customers enquiring why they did not receive the second payment, indicating no blanket reassurance is required for all customers.

45. We will continue to support any customers who do contact us, to understand the Inland Revenue error which led to their payment.

### **Communication and repayment approach for people who are potentially overseas**

46. We have considered the situation for customers potentially overseas who have:
  - 46.1 not received any payments (47,923 customers); and
  - 46.2 received one or two payments (76,712 customers).
47. The following sections detail how these approaches apply to the identified customer segments.

### ***Customers potentially overseas who have not received any payments to date<sup>8</sup>***

48. The number of customers in this group is **47,923** as at 3 October 2022.
49. This group includes individuals who have had payments reversed before they were issued and individuals who have not received any payments.
50. This group does not include those who have not filed their 2021/22 annual income tax return yet (as the overseas presence indicator can only be added when their return has been filed, and eligibility assessed).
51. Our approach will be to have no direct communication to those potentially overseas who have not received any payments. This aligns with the overarching design principle of not communicating with ineligible customers. General communication for customers who do not receive payments is available on Inland Revenue's website and customers can check their eligibility in myIR.

### ***Customers potentially overseas who have received one or two payments<sup>9</sup>***

52. We will apply a tailored communication approach to this group to prompting them to contact us if they are in New Zealand and providing information about how to repay amounts received if they are living overseas.
53. The number of customers in this group is **76,712** as at 3 October 2022.
54. This group consists of those who have received one or two payments, but additional screening information now indicates they may be overseas.
55. Some of this group may meet the other eligibility criteria and will receive further payments if they confirm they are in New Zealand. For example, they received payment one before the additional screening checks identified they were potentially overseas but will receive payments two and three if they confirm they are in New Zealand.
56. Others do not meet other eligibility criteria so will **not** receive further payments even if they confirm they are in New Zealand. For example, they received payment one (when potentially overseas) and subsequently have had their income reassessed to over \$70,000.
57. Further, the above groups include a mix of those who have received a follow-up email about their payments and those who did not.

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<sup>8</sup> All numbers as at 3 October 2022 and exclude any customers who have repaid any payments received.

<sup>9</sup> All numbers as at 3 October 2022 and exclude any customers who have repaid any payments received.

58. We will be contacting the affected customers with communications tailored to their situation, to prompt them to contact us if they are in New Zealand and provide details of how they can repay amounts received if they are not in New Zealand.
59. While we will be making people aware of the obligation to repay any amounts received they were not entitled to, we will not be applying resources to collection action, except in cases of fraud.

### **Timing of customer communications**

60. The communications detailed here are planned for early November 2022. This timing allows us time to configure and test the communications and avoid significant business events (e.g., the major GST filing and payment due date of 28 October 2022), which will ensure we have capacity to support customers should they contact us.

### **Consultation**

61. The Treasury and DPMC have been informed about this report.

### **Next steps**

62. We understand you are preparing to proactively release reports and briefing notes on 7 October 2022. We will provide a briefing note (BN2022/453) today with the relevant material for release.
63. The last day a person can file their 2021/22 income tax assessment is 31 March 2023. Provided this is done, people have until 31 March 2024 to supply their bank account details and receive payment. We plan to provide a summary report in 2023 after these last assessments have been processed with updated numbers of payments made and outstanding bank account details.

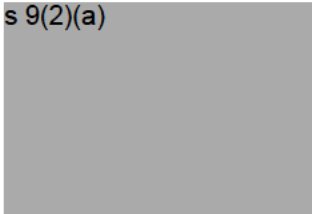
**Recommended action**

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We recommend that you:

- 64. **note** the contents of this report, and  
Noted
- 65. **refer** a copy of this report to the Minister of Finance for their information.  
Referred/Not referred

s 9(2)(a)



**Sharon Thompson**  
Deputy Commissioner  
Customer and Compliance Services – Individuals  
Inland Revenue

**Hon David Parker**  
Minister of Revenue  
/ /2022

## Appendix one: Overseas presence rules


### ***Overseas presence rules (refer BN2022/439)***

1. If a person is in New Zealand on the payment date and has been in New Zealand for at least 28 days, they will receive payment, assuming no other exclusions apply.
2. If a person is out of New Zealand on the payment date and has been out of New Zealand for more than 28 days, they will not automatically receive the payment.
  - 2.1 For example:
    - If a person arrived in New Zealand on 15 September 2022 and departed New Zealand on 25 September 2022, they will not be considered present in New Zealand because they stayed less than 28 days.
    - If a person arrived in New Zealand on 28 September 2022 and departed New Zealand on 11 October 2022 (spanning payment three date), they will not be considered present in New Zealand because they stayed less than 28 days, even though they were in New Zealand on the payment date for payment three.
    - If a person arrived in New Zealand on 25 July 2022, and departed New Zealand on 27 August 2022, they will be considered in New Zealand for payments one and two because they stayed more than 28 days and were in New Zealand for the payment one and two payment windows. However, they would not be considered in New Zealand for payment three as they left New Zealand more than 28 days before the payment date.
3. For customers who were in New Zealand during the payment window (up to 28 days before a payment date), the length of stay will be used to determine whether they are typically resident in New Zealand or, while appearing eligible, may only be visiting New Zealand and typically live overseas.
4. Customers whose New Zealand Customs movements data indicates they stayed in New Zealand for less than 28 days, will be deemed visitors and not automatically receive a payment.
5. Customers whose length of stay cannot be determined because either they have recently arrived, or we have a departure date with no previous arrival date (so we cannot calculate how long they stayed), will not automatically receive the payment until either the customer confirms their presence, or subsequent Customs data indicates they stayed for more than 28 days.
  - 5.1 For example:
    - If a person arrived in New Zealand on 30 September 2022, we will require confirmation they have stayed 28 days prior to making payment three.
    - If a person arrived on 15 September 2022 and subsequent data from New Zealand Customs in late October indicated they had not since departed, they will receive payment three once that data has been received.
    - If a person departed on 17 August 2022 and we do not know when they arrived, we will require confirmation they have stayed 28 days prior to making payment two.

**Appendix two: Summary of compliance approach**

**Figure 1. Summary of compliance approach**

s 18(c)(i)







**Policy and Regulatory Stewardship**  
**Kaupapa me te Tiaki i ngā Ture**  
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## Briefing note

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Reference: BN2022/439

Date: 27 September 2022

To: Revenue Advisor, Minister of Revenue – Matthew Atherton  
Private Secretary, Minister of Revenue – Nikki Chamberlain  
Revenue Advisor, Minister of Finance – Claire McLellan

cc: Peter Mersi, Commissioner  
David Carrigan, Deputy Commissioner  
Emma Grigg, Policy Director  
Kerryn McIntosh-Watt, Policy Director  
Phil Whittington, Chief Economist  
Joanne Petrie, Executive Support Advisor to the Commissioner  
Jill Compton, PA to Deputy Commissioner  
Governance & Ministerial Services

From: Sharon Thompson, Deputy Commissioner

Subject: **Cost of Living Payment: Customs data match**

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### Purpose

1. This briefing note provides an update on the:
  - 1.1 Data match with Customs
  - 1.2 Impact of Customs data
  - 1.3 Applying the definition of “present in New Zealand”

### Data match with Customs

#### *Background*

2. We previously advised that we were investigating a data match with Customs to help corroborate presence in New Zealand or overseas for a group of individuals for whom we hold limited information [IR2022/403 refers]. We advised that this data match would not be possible for before payment two, but could be in place before payment three, which will be paid on 3 October.

#### *Data requested from Customs*

3. We have since requested travel movement data from Customs for 540,383 Cost of Living payment recipients and potential recipients (i.e., people who have not yet finalised their 2021-22 tax assessment). We selected these individuals because we had less confidence that they are in New Zealand based on the data we already hold.

4. Customs identified at least one travel movement for 390,336 (72%) of those customers whose details were an exact match for their records (name, date of birth and passport number) and returned 6.4m lines of data showing travel in the last 10 years.

*Decision to use the Customs data*

5. After analysing the data received and recognising the risk that the matching has limitations, we decided to incorporate the Customs data into our additional screening tests. This change was implemented on 21 September.
6. Border movement data has been incorporated into:
  - 6.1 the main evaluation for payment three,
  - 6.2 the evaluation of all payments for individuals whose tax assessments are finalised after 21 September (the date the Customs data has been incorporated in the evaluations), and
  - 6.3 our daily evaluation checks.
7. Because the match is not absolute, if the Customs data indicates someone was not in the country at the time of the payments, they are not automatically ineligible. Instead, they fall into Inland Revenue's screening tests and have the opportunity to contact Inland Revenue to confirm they are in New Zealand.

*Communicating the additional screening with Customs data*

8. We have updated our internal information and provided additional training for the people who are managing the Cost of Living payment.
9. We will also add some high-level information to our website to explain we will be using Customs data in addition to the other screening checks we are already using to corroborate presence in New Zealand. This will be updated before payment three.

**Impact of the Customs data**

10. We have received the Customs data and analysed this against Inland Revenue test data. The numbers presented below are therefore indicative and have been rounded.
11. The data we received from Customs contains border movements up to early September, so does not cover border movements close to the third payment date. We intend to request further data from Customs on border movements up to the end of October.
12. The Customs data will be used in addition to our existing screening checks to identify those who may be overseas. It will not be used to include anyone who has met one of the other screening criteria.
13. The Customs data match has identified around 99,000 people who had initially appeared to be eligible for the payment but may be overseas.
14. None of these people will automatically receive payment three.
15. On the basis of running the data through the test environment, for Payment 3 we anticipate:
  - 15.1 A total potential population of 2.1m
  - 15.2 1.397m will automatically receive the October payment. This excludes the 99,000 customers identified by Customs:

- 15.2.1 30,000 who have not provided a bank account and have not received any payment
- 15.2.2 37,000 who had received payment one but not payment two will also not receive payment three
- 15.2.3 32,000 who received payment one and / or payment two will not receive payment three
- 15.3 Those that have received one payment but no further payments will need to contact us to confirm if they are eligible for a payment.

#### *Limitations of the data*

- 16. The Customs data is only indicative of someone being in or out of the country. There are a number of reasons why the match is not absolute, including when:
  - 16.1 a person travelled more than ten years ago,
  - 16.2 the name the person uses with Inland Revenue is different from that they use with New Zealand Customs (for example where Customs hold "Joanne" and we hold "Jo"), or,
  - 16.3 their name has changed (for example through marriage) since they travelled.
- 17. In addition, the data request was for a limited (although sizeable) part of the population.

#### **The definition of "present in New Zealand"**

- 18. Ahead of payment two, Delegated Ministers agreed to broadly align the definition of "present in New Zealand" with the Winter Energy Payment (WEP) [IR2022/386 refers]<sup>1</sup>.
- 19. We have broadly aligned the definition of "present in New Zealand" with the WEP by allowing individuals to travel overseas for short periods without losing entitlement and by excluding individuals who have been out of New Zealand for more than 28 days<sup>2</sup>. Because eligibility is assessed separately for each monthly payment (rather than daily like the WEP), the 28-day period is linked to the payment date.
- 20. In addition to the 28-day payment rule, we are also intending to use the Customs data to help identify people who otherwise appear eligible but who may be living overseas and making a short visit (28 days or less) to New Zealand<sup>3</sup>.
  - 20.1 For example, Matt left New Zealand in 2018 to live in Italy with his partner, but returned to New Zealand for two weeks in September 2022 for his sister's wedding. He did not advise Inland Revenue when he originally left and did not update his tax residency or residential address details. Matt left a bank account open which continues to earn a small amount of interest, which means he receives a tax assessment. Matt appears eligible for payment based on Inland Revenue's data (i.e., he has a New Zealand address, New

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<sup>1</sup> This change was in conjunction with a change in payment approach from the original "push – model" to a requirement for some individuals to confirm their presence in New Zealand before receiving payment.

<sup>2</sup> WEP recipients can be out of New Zealand for up to 28 days without losing entitlement to the WEP. This is dependent on the benefit type, with 28 days being the most generous. The 28 days applies to people receiving New Zealand Superannuation and Veteran's pension. There is also a legislative requirement for beneficiaries to inform MSD of their international travel dates so that their entitlements can be calculated correctly. There is no commensurate requirement for people to advise Inland Revenue of overseas travel.

<sup>3</sup> The 28 days aligns with MBIE's analysis of the average number of days for visits to New Zealand from the UK. The length of stay varies by country but the average across all countries is 18 days

Zealand sourced income and a 2022 tax assessment). However, the addition of the Customs data shows that Matt has only returned for a visit and therefore will not automatically receive payment three.

*Overseas presence rules*

21. The rules we will apply to the Customs data to screen individuals who we think are either potentially overseas or are visitors to New Zealand are described below. Please refer to Appendix Once for a flow chart summarising these rules.
22. If a person is in New Zealand on the payment date and has been in New Zealand for at least 28 days, they will receive payment, assuming no other exclusions apply.
23. If a person is out of New Zealand on the payment date and has been out of New Zealand for more than 28 days, they will not automatically receive the payment.
24. For customers who were in New Zealand during the payment window (up to 28 days before a payment date), the length of stay will be used to determine whether they are typically resident in New Zealand or, while appearing eligible, may only be visiting NZ and typically live overseas.
25. Customers whose Custom's movements indicates they stayed in NZ for less than 28 days, will be deemed visitors and not automatically receive a payment
  - 25.1 For example:
    - 25.1.1 If a person arrived in New Zealand on September 15<sup>th</sup> and departed New Zealand on September 25<sup>th</sup>, they will not be considered present in New Zealand because they stayed less than 28 days.
    - 25.1.2 If a person arrived in New Zealand on September 28<sup>th</sup> and departed New Zealand on October 11<sup>th</sup> (spanning payment three date), they will not be considered present in New Zealand because they stayed less than 28 days, even though they were in New Zealand on the payment date for payment three.
    - 25.1.3 If a person arrived in NZ on July 25<sup>th</sup>, and departed New Zealand on August 27<sup>th</sup>, they will be considered in New Zealand for payments one and two because they stayed more than 28 days and were in NZ for the payment one and two payment windows. However, they would not be considered in New Zealand for payment three as they left NZ more than 28 days before the payment date.
26. Customers whose length of stay cannot be determined because either they have recently arrived, or we have a departure date with no previous arrival date (so we cannot calculate how long they stayed), will not automatically receive the payment until either the customer confirms their presence, or subsequent Customs data indicates they stayed for more than 28 days.
  - 26.1 For example:
    - 26.1.1 If a person arrived in New Zealand on September 30<sup>th</sup>, we will require confirmation they have stayed 28 days prior to making payment three.
    - 26.1.2 If a person arrived on Sept 15<sup>th</sup> and subsequent data from Customs in late October indicated they had not since departed, they will receive payment three once that Customs data has been received.

26.1.3 If a person departed on August 17<sup>th</sup> and we do not know when they arrived, we will require confirmation they have stayed 28 days prior to making payment two.


**Consultation with Treasury**

27. Treasury and DPMC were informed about this briefing note.

Sharon Thompson  
**Deputy Commissioner**  
Customer and Compliance Services – Individuals  
Inland Revenue  
s 9(2)(a)

**Appendix One:**

s 18(c)(i)





**Inland Revenue**  
Te Tari Taake

**Policy and Regulatory Stewardship**  
**Kaupapa me te Tiaki i ngā Ture**  
55 Featherston Street  
PO Box 2198  
Wellington 6140  
New Zealand

T. 04 890 1500

## Briefing note

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Reference: BN2022/415

Date: 2 September 2022

To: Revenue Advisor, Minister of Revenue – Matthew Atherton  
Private Secretary, Minister of Revenue – Nikki Chamberlain  
Revenue Advisor, Parliamentary Under-Secretary to the Minister of Revenue – Mila Maxon

cc: Peter Mersi, Commissioner  
David Carrigan, Deputy Commissioner  
Emma Grigg, Policy Director  
Kerryn McIntosh-Watt, Policy Director  
Phil Whittington, Policy Director  
Joanne Petrie, Executive Support Advisor to the Commissioner  
Jill Compton, PA to Deputy Commissioner  
Governance, Ministerial & Ministerial Services

From: Sharon Thompson, Deputy Commissioner

Subject: **Cost of Living Payment: updated numbers**

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### Purpose

1. This briefing note provides you with a further update on:
  - 1.1 cost of living payments to ineligible people, and
  - 1.2 the additional screening tests for payment two.

### Payments to ineligible people

2. In BN2022/402, we provided figures of people who incorrectly received the Cost of Living payment. These were due to administrative errors which meant they were not excluded in the initial checks. Our systems have been corrected and future payments will not be made to this group.
3. After further analysis we have found that the numbers provided in the briefing note were those who were incorrectly determined as eligible. A portion of that group did not receive a payment because we did not hold a current bank account for them. Their eligibility has been reassessed and their entitlement to the payment has subsequently been reversed.
4. The table below summarises those who were incorrectly assessed as eligible for payment one, how many have had their credits reversed before their payments could be issued and how many of those people incorrectly received a payment.

Group affected	Incorrectly determined as eligible	People not paid	People incorrectly paid
Negative PIE income only	21, 474 <sup>1</sup>	9,910	11,564
Deceased people	97	12	85
Winter Energy Payment recipients	557	163	394

5. s 9(2)(g)(i)

6.

### Additional screening processes for payment two

#### *Numbers of people excluded*

7. In IR2022/403, we reported on the impact of implementing the new screening tests on individuals for payment two. We reported that an indicative estimate of 31,453 customers who were previously paid payment one, but would not automatically receive payment two. We also reported that 5,448 potentially eligible customers (who have not yet finalised their income tax assessments) would also be excluded based on the new checks.
8. We have since run the eligibility assessment for payment two across the entire population base (not only those who received payment one). Based on that check, at 11am 2 September, the number of people who met the screening criteria to be excluded for payment two is 51,894. This is the number of people who would have been eligible but for the additional screening criteria. This includes some who do not have a current bank account. We are doing some further work to determine how many of the 51,894 who met the additional screening tests received payment one.
9. People who have been excluded based on the additional screening tests will not receive the payment unless they provide further information to Inland Revenue that they are in New Zealand.

#### *Implementing the additional screening tests*

10. In IR2022/403, we reported on the screening tests that we would apply to give more certainty that a person is in New Zealand.
11. s 18(c)(i)

<sup>1</sup> This was previously reported in IR2022/403 as 21,520, however this figure has subsequently been updated following refinement of the data.



s 18(c)(i)

12.

s 18(c)(i)

This means customers who are excluded will still need to contact us to confirm they are in New Zealand. This will provide additional assurance that the payments are going out to those actually present in New Zealand.

13.

This group have received a notification that they will get payment two. However, we have subsequently decided that without any other indication they are in New Zealand they will remain excluded, unless they can provide evidence that they are present in New Zealand. These customers have now received an email to inform them of the change in eligibility and what process to follow to provide evidence if they are in New Zealand.

### **Consultation**

14. Treasury and DPMC were informed about this briefing note.

**Sharon Thompson**

**Deputy Commissioner**

Customer and Compliance Services – Individuals

Inland Revenue

s 9(2)(a)



**236Policy and Regulatory Stewardship**  
***Kaupapa me te Tiaki i ngā Ture***  
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PO Box 2198  
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## Briefing note

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Reference: BN2022/402

Date: 26 August 2022

To: Matthew Atherton - Revenue Advisor, Minister of Revenue  
Nikki Chamberlain - Private Secretary, Minister of Revenue

cc: Peter Mersi, Commissioner  
David Carrigan, Deputy Commissioner  
Emma Grigg, Policy Director  
Graeme Morrison, Policy Director (Acting)  
Phil Whittington, Chief Economist  
Joanne Petrie, Executive Support Advisor to the Commissioner  
Jill Compton, PA to Deputy Commissioner  
Governance & Ministerial Services

From: Sharon Thompson, Deputy Commissioner

Subject: **Cost of Living payment: Implementation update**

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### Purpose

1. This briefing note provides you with an update on:
  - 1.1 Inland Revenue' decision to proceed with the proposed changes to payment two (subject to Minister's approval)
  - 1.2 Inland Revenue's communications plan
  - 1.3 Payment to ineligible people
  - 1.4 Outcome of the Auditor General investigation

### Implementation readiness: Inland Revenue's decision

2. On 25 August, Inland Revenue undertook a final readiness check to confirm that we were comfortable to implement the proposed changes ahead of the eligibility evaluation for payment two which will commence early on 30 August 2022.
3. Inland Revenue is confident that it is ready to make the system and other changes required.
4. These changes include:
  - 4.1 Additional data checks to identify people who may be overseas
  - 4.2 Additional data checks to give more confidence that people are in New Zealand

- 4.3 Changes to recipient notifications to include a statement that if a recipient of the payment thinks they are ineligible they are required to repay the amount.

### **Inland Revenue communications plan**

5. Our current understanding is that Ministers intend to make a public announcement on the changes before Tuesday when notifications are issued to customers.
6. In order to prepare our people and customers for the changes ahead of payment two, we plan to communicate the changes internally to staff on Friday 26 August, with external communications going out on Tuesday 30 August via our website, social media and through emails to tax professional bodies and community groups. Customers who are eligible for payment two will receive a notification via myIR from approximately 8am Tuesday 30 August onwards.
7. However, the timing of the external communications may change, depending on the timing and day of Ministers' announcements.
8. We can work with your office to ensure consistent messaging around communications and timing of your announcement.


### **Payments to ineligible people**

#### ***Issues identified***

9. Individuals with income only from a Portfolio Investment Entity (PIE) are not eligible for the Cost of Living payment (IR2022/198). This reflects that PIE income is not included within the definition of net income, used in the base eligibility criteria, and recipients are in a similar position to people who receive no income at all who are also excluded.
10. These individuals have been excluded from receiving payment one. However, we have identified a system issue that did not exclude individuals with **negative** PIE income from receiving payment. This has resulted in 21,520 ineligible people receiving payment one.
11. There are a smaller number of additional people identified as ineligible due to being deceased (97) or receiving the Winter Energy Payment (557). These were due to administrative errors which meant they were not excluded in the initial checks.
12. We have made changes to our system to ensure these people will not receive the subsequent payments.

#### ***What this means***

s 18(c)(i)



s 18(c)(i)

s 9(2)(g)(i)

### **Outcome of Auditor General Investigation**

18. As reported earlier (IR2022/403 refers), the Office of the Auditor-General has been investigating whether Inland Revenue has been paying people outside the scope of the appropriation for the Cost of Living payment. This is because some people who received the payment have indicated they are living overseas, although Inland Revenue's records indicated a current New Zealand physical address.
19. The Office of the Auditor-General provided us with a draft letter outlining the Auditor General's view in advance of the decision being made public on Monday 29<sup>th</sup> August.
20. The Auditor General's view is that there has been no breach of appropriation, but some improvements could have been made to our data and how it was used to determine eligibility for the payment.
21. We understand that the letter will be published on the website of the Office of the Auditor General at around 2pm on Monday 29 August and that there will be no accompanying press statement.

### **Consultation**

22. Treasury and DPMC were informed about this briefing note.

Sharon Thompson  
**Deputy Commissioner**  
Customer and Compliance Services – Individuals  
Inland Revenue

s 9(2)(a)



## POLICY AND REGULATORY STEWARDSHIP

**Tax policy report: Cost of Living Payment: payment two changes update**

<b>Date:</b>	25 August 2022	<b>Priority:</b>	High
<b>Security level:</b>	Sensitive	<b>Report number:</b>	IR2022/403

### Action sought

	<b>Action sought</b>	<b>Deadline</b>
Minister of Finance	<b>Agree</b> to the recommendations	25 August 2022
Minister of Revenue	<b>Agree</b> to recommendations <b>Refer</b> a copy of this report to the Prime Minister and Associate Minister of Finance (Hon Megan Woods)	25 August 2022

### Contact for telephone discussion (if required)

<b>Name</b>	<b>Position</b>	<b>Telephone</b>
Sharon Thompson	Deputy Commissioner	s 9(2)(a)
Maraina Hak	Policy Lead	

25 August 2022

Minister of Finance  
Minister of Revenue

## **Cost of Living Payment: payment two changes update**

### **Purpose**

1. This report provides further information on the proposed changes to the Cost of Living Payment (IR2022/386), including:
  - 1.1 a description of how the change will impact customers,
  - 1.2 data on people who will be included or excluded from payment two based on the new eligibility checks, and
  - 1.3 Inland Revenue's confidence assessment of its ability to implement the changes in time for payment two.
2. This report is intended to replace IR2022/397. This report has minor amendments to clarify the purpose of the proposed changes, following feedback from the Minister of Revenue that it was unclear.
3. This report also seeks your decision on whether to proceed with the changes for payment two, and updates you on discussions with the Office of the Auditor General.

### **Background**

4. Delegated Ministers agreed *in principle* to a change in the policy design to move from the high trust model approach to:
  - 4.1 Strengthen the criteria on "present in New Zealand" for the Cost of Living Payment by not automatically making payments to people if there is limited data on presence in New Zealand, and
  - 4.2 require some individuals to contact Inland Revenue with additional information to receive the payment (IR2022/386 refers).
5. As part of strengthening "the present in New Zealand" criterion, we recommended that the definition be broadly aligned to that used for the Winter Energy Payment.<sup>1</sup>
6. Using additional data to exclude some people and require others to provide additional confirmation they are in New Zealand is intended to provide more certainty that the payment is being targeted to intended recipients and reduce the number of people living overseas who receive future payments. As a consequence, this will reduce the number of ineligible people who receive payments and are required by law to pay the money back to Inland Revenue (IR2022/386 refers).
7. In that report delegated Ministers agreed to delegate further decisions around this change in approach to the Minister of Finance and Minister of Revenue.
8. This is a change to the current approach and would require a new mechanism in the system to exclude this smaller group from the automated main payment, with the

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<sup>1</sup> WEP recipients can travel outside New Zealand for up to 28 days without losing eligibility. After 28 days their entitlement to WEP will cease until they return.

ability to make a later payment if confirmation of presence in New Zealand is provided.

9. If agreed, the proposed approach would apply for the assessment of future eligibility for all payments once the changes have been implemented.
10. We have successfully made 1.370 million payments to individuals totalling \$159.8 million (as at 1.30pm 17 August).

### How the proposed changes will work in practice

11. Once the changes are implemented, additional checks will be applied to the assessment of eligibility to identify people who we think may not be in New Zealand. These checks will look for:

11.1 A non-resident individual income tax return (IR3NR) for the 2021-22 tax year,

11.2 A part-year tax return for the 2021-22 tax year, with situation "departing New Zealand",

11.3 Student loan borrower with Overseas-Based Borrower (OBB) or PPINZ<sup>2</sup> status and a Student Loan balance of greater than \$20<sup>3</sup>, and

11.4 s 18(c)(i)

12. We also will be applying additional checks that will provide more certainty that a person is in New Zealand. These will be:

12.1 Receiving employment income in the last two months<sup>5</sup>,

12.2 Being registered as a principal caregiver or partner for Working for Families tax credits<sup>6</sup>, and

s 18(c)(i)

13.

14.

15. People who are excluded will not receive any notification.<sup>7</sup> This aligns to the current process. Only people who are eligible for payment receive a notification to let them know about the payment. We are unable to send individual notifications via myIR to people who received payment one but will be excluded from payment two due to time constraints. However, we are considering other options to target this customer group in our communications approach.

<sup>2</sup> PPINZ status is for student loan borrowers who are overseas but are treated as if they were in New Zealand for student loan purposes.

<sup>3</sup> The student loan balance of > \$20 ensures that the person is legally considered a student loan borrower.

<sup>4</sup> s 18(c)(i)

<sup>5</sup> This is based on the PAYE information filed by employers shortly after each pay day

<sup>6</sup> The specific criteria used were: s 18(c)(i)

<sup>7</sup> Ineligible recipients do not receive an individual notification but can check their eligibility using the eligibility checker tool within myIR.

16. If an individual is excluded because they meet any of the exclusionary criteria, but they are actually in New Zealand, they will need to contact us to confirm their presence in New Zealand with us before they will receive their payment.
17. Individuals will be able to do this by sending us a message through their myIR account, by phoning us, or coming into an Inland Revenue office. Once they have confirmed their presence and Inland Revenue has no concerns about the information provided, we will release the payment.
18. Inland Revenue may require further additional information if we are not confident that person is in New Zealand. s 18(c)(i)  
[REDACTED]
19. People who did not receive the payment will be able use the eligibility checker tool within myIR to see whether they meet the eligibility criteria, and if not, why not. This tool uses the individual's data held in Inland Revenue's systems. This means each person will get a response based on their individual circumstances.
20. Because customers who are excluded based on the new data checks will not receive an individual notification, it will be particularly important that there is clear and easily accessible information about the changes (i.e., how people can check their eligibility, and what to do if they haven't received a payment but believe they are eligible). We are currently working on our communications approach and the updates required to both our internal and external information.
21. As part of strengthening the definition of "present in New Zealand", delegated Ministers agreed to align the definition with the one used for Winter Energy Payment (IR2022/386). To implement this for payment two, s 18(c)(i)  
[REDACTED] For payment three, we should be able to use a data match with Customs to more accurately determine presence in New Zealand for a portion of the population.

### **Impact of proposed change to payment two**

22. In the previous report we advised that we had looked at a selection of additional data for payment one recipients (IR2022/386 refers). This data gave us a higher degree of confidence that around 90% of the people who received payment one are eligible. It also indicated that for approximately 10% of those already determined to be eligible for payment one (148,000 individuals), the additional data checks did not provide any further information on likely presence in New Zealand.

### ***Trial run of proposed eligibility checks across payment one recipients***

23. Since we provided the initial data discussed above, we have further refined the eligibility checks and looked more closely at the characteristics of people who received payment one.
24. We have undertaken a trial run across *all* payment one recipients, using the proposed additional eligibility checks to identify the numbers of:
  - 24.1 people who we would exclude from the payments,
  - 24.2 people who we have high confidence that they are in New Zealand and are eligible, and
  - 24.3 people for whom we have no additional information to indicate presence in New Zealand or overseas



*People who will now be excluded*

25. Customers who were eligible for payment one but would be excluded for payment two after applying the new approach are detailed below. Table 1 shows the (indicative) net number of customers who would be excluded from the automatic payment and do not have a reason to be included. All of these people meet the other eligibility criteria, including a New Zealand residential address.

**Table 1. Payment one recipients who will be excluded**

Previously eligible customers now excluded	31,453
§ 18(c)(i)	21,133
OBB or PPINZ student loan borrower status	10,208
Non-resident tax return filed for 2022	3,168
Part-year tax return for 2022 filed with situation 'departing NZ'	1,236

26. There are people who will be excluded for multiple reasons (for example OBB status and who filed a non-resident return) and individuals have been counted for each reason that applies. This means that the totals in the table will not sum to the total number of people now excluded.
27. Some people who will now be excluded from the automatic payment (based on above "exclusion" criteria) will be eligible for the payment. They will need to confirm their presence in New Zealand before we are able to issue the payment to them. Examples of individuals who may be eligible but initially excluded from the payment could be:
- 27.1 a person earning interest only income who went on short trip overseas for a family emergency § 18(c)(i)
- 27.2 a student loan borrower with OBB status who has returned to New Zealand recently and who has not started working yet.

*Customers not excluded based on additional checks and therefore eligible*

28. Given the nature of the data points we are proposing to use as additional checks, some people will have one or more indicators that suggest they could be overseas, as well as one or more that indicates they are in New Zealand. § 18(c)(i)
29. We have looked at the data for payment one recipients to see how many people might have one or more of the data points that we would use to indicate they are overseas, but also one or more of the indicators of presence in NZ.
30. Table 2 summarises the (indicative) net number and characteristics for customers § 18(c)(i)

**Table 2. Customers with both exclusionary and inclusionary data points**

<b>Customers meeting one of the above "exclusion criteria" but who were not excluded</b>	<b>33,919</b>
s 18(c)(i)	

31. s 18(c)(i)

*Customers with interest only income*

32. We think that it is likely that one of the more common scenarios that might result in a person living overseas receiving the payment is that they have left New Zealand without updating their details and leave an interest-bearing New Zealand bank account open. Because they receive New Zealand-sourced income (the bank will deduct Resident Withholding Tax (RWT) and report this to Inland Revenue), they will receive an income tax assessment for the year. If they also still have a New Zealand residential address, they will appear eligible for the Cost of Living payment.
33. We have also analysed the impact of the new criteria on customers with only interest income (i.e., income subject to RWT) who were eligible for payment one. The results are as follows:

**Table 3. Payment one recipients with interest only income**

<b>Payment one recipients who had only interest (subject to RWT) income</b>	<b>62,840</b>
Customers who do not meet the exclusion or inclusion criteria who would still receive a payment	50,757 (80.8%)
Customers who would be excluded	3,319 (5.3%)
Customers who meet one or more of the inclusion criteria (and would therefore still receive the payment)	8,764 (13.9%)

34. The results displayed in Table 3 indicate that using the additional checks will provide more confidence that around 13.9 percent of these people are present in New Zealand. It also suggests that around 5.3 percent will be excluded because they could be overseas.

35. However, for most of this group (around 80 percent) the additional data points provide no further information about whether they are in New Zealand or overseas. This indicates that the additional data checks will not provide additional certainty on a person's presence in New Zealand for individuals whose only income is from interest and for whom we hold limited information.

*Interest only example scenarios*

36. The following examples show how the new criteria may apply to overseas people with interest only income. They also demonstrate a scenario that will result in people who are overseas still receiving the payment.

**Table 4. Interest only recipient examples**

Example one - will receive payment 2	Example two - will not receive payment 2
<p>Mila came to New Zealand on a work visa and left without advising Inland Revenue, so we still have a New Zealand residential address for her. She received a 2021-22 New Zealand tax assessment because she left a bank account open that earns interest.</p> <p>She will receive the payment as she appears to still be in New Zealand.</p>	<p>Richard is a Kiwi who left New Zealand five years ago to live in a small village in Sweden. He does not have a student loan and did not advise Inland Revenue that he was leaving New Zealand. Like Mila, Richard also receives the payment because he has an interest earning bank account.</p> <p>s 18(c)(i)</p>

*Potentially eligible individuals*

37. In addition to the analysis described above on the impact of the new eligibility checks for payment one recipients, we have also looked at the impacts for a group of people who have not yet finalised their income tax assessments, but who we think may be eligible. This group is around 470,300.
38. The information below summarises this analysis:

**Table 5. Potentially eligible recipients who will be excluded based on new checks**

<b>Potentially eligible customers now excluded</b>	<b>5,448</b>
s 18(c)(i)	2,184
Due to an OBB or PPINZ student loan borrower status	3,573

**Table 6. Potentially eligible customers with both exclusionary and inclusionary data points**

<b>Customers meeting one of the above "exclusion criteria" but who were not excluded</b>	<b>3,881</b>
<div style="background-color: #cccccc; padding: 5px;">                     s 18(c)(i)                 </div>	

**Summary**

- 39. The trial run of the additional checks across the payment one recipient group suggests that around 31,500 people will be excluded from the automatic payment because the data suggest they may be overseas. In addition, a further group of around 5,500 potentially eligible people who have not yet finalised their assessments will also be excluded. If any of these individuals believe they are eligible, they will need to contact Inland Revenue to confirm they are present in New Zealand before we will consider them eligible and issue a payment.
- 40. While the additional eligibility checks and requiring some recipients to validate their presence in New Zealand may reduce the chance that people overseas may receive the payment, the risk will not be completely eliminated. This could mean the additional check may not exclude all customers who are overseas and may also mean customers who are in New Zealand may inadvertently be excluded. In particular, the additional checks only appear to have limited effect in providing any further information about presence in Zealand for those who earn only interest income and for whom we hold limited information.

**Confidence of implementation**

- 41. Our assessment is that we have a **medium** degree of confidence that we will be able to implement the proposed changes in time for payment two. We are currently **on track** with our systems build and testing has begun to understand how the change will work in practice, and this will continue into next week.
- 42. However, until we do more detailed testing, we are yet to understand the full scale of these proposed changes to our systems and to our business. This includes, for example, understanding the impacts to our processing times, any flow-on impacts to other processes, and the extent to which we need to prepare staff to manage increased contacts. As indicated in our report last week, we will make one final "readiness" assessment on 25 August on whether we can deliver payment two as planned on 1 September or whether the payment needs to be delayed to ensure there are no unintended consequences in the delivery. In making this decision, we may need to limit the data applied for the second payment to enable us to deliver the payment as planned. This assessment would also include assessing our operational readiness for the changes, such as updating guidance and communications to staff.
- 43. As noted last week, the contingent labour force currently managing contacts about the Cost of Living payments would not be able to manage all these increased contacts

within their current delegation and training. This means more Inland Revenue staff would need to be diverted to deal with the contacts.

### **Further changes**

44. While we have a medium degree of confidence about our ability to implement the new changes Ministers have already agreed to for payment two, we will be unable to make any additional changes in time for payment two.
45. If Ministers wish to make any additional changes for payment three, it will be important to balance the costs of developing and implementing these changes relative to the likely impact on the non-eligible population. For example, the final payment is around \$116, so every 10,000 additional people we identify and stop the payment for, saves around \$1.16 million in payments. Consideration would need to be given as to whether identifying and excluding additional people outweighs the cost of making the changes, factoring in both the administrative cost and opportunity cost.

### **Appropriation requirements**

46. We will continue to engage with Treasury to ensure the changes to the eligibility checks are consistent with the appropriation requirements. We may need to update the wording of the scope of the appropriation.

### **Auditor-General update**

47. The Office of the Auditor-General is currently investigating whether Inland Revenue has been paying people outside the scope of the appropriation for the Cost of Living payment. This is because some people who received the payment have indicated they are living overseas, although Inland Revenue's records indicated a current New Zealand physical address. This investigation is ongoing.

### **Consultation**

48. Treasury and DPMC have been informed about the report.

### **Next steps**

49. We understand that the Minister of Revenue is providing Cabinet with an oral update on the proposed changes and its resulting impact on customers on Monday 22 August 2022. We will provide the Minister of Revenue's office with speaking notes for this oral item.
50. We will also work with your offices around ensuring a coordinated approach to communicating the changes.

### **Recommended action**

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We recommend that you:

1. **note** that Ministers agreed in principle to a change in the policy design of the Cost of Living Payment to strengthen the criteria on "present in New Zealand" to include:

- 1.1 not making payments to people if there is limited data on presence in New Zealand and requiring some individuals to contact Inland Revenue with additional information to receive the payment; and
- 1.2 broadly aligning the definition of “present in New Zealand” to that used for the Winter Energy Payment (IR2022/386 refers).
2. **note** that delegated Ministers agreed to delegate any further decisions around the change in approach to the Minister of Finance and Minister of Revenue, subject to Ministers receiving further information around the impact of the proposed changes on customers and Inland Revenue’s confidence around its ability to implement the changes.
3. **note** that while there are still risks to the delivery of payment two, Inland Revenue is currently on track with its systems build and has a medium level of confidence it will be able to implement the proposed changes in time for payment two.
4. **note** Inland Revenue will be unable to make any additional changes in time for payment two.
5. **note** if you wish to make further changes for payment three, it will be important to balance the cost of developing and implementing further changes relative to the likely impact on the non-eligible population.

**Noted**

**Noted**

6. **agree** to proceed with the change to the eligibility criteria and high-trust model approach to strengthen the criteria on “present in New Zealand”, by not automatically making payments to people if there is limited data on presence in New Zealand, and require individuals to contact Inland Revenue with additional information to receive the payment.

**Agree / Disagree**

**Agree / Disagree**

7. **note** that the purpose of these changes is to provide more certainty that the payment is being targeted to intended recipients and reduce the number of people living overseas who receive future payments.

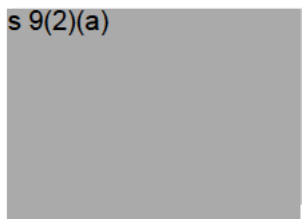
**Noted**

**Noted**

8. **refer** a copy of this report to the Prime Minister and Associate Minister of Finance (Hon Megan Woods) for their information.

**Refer / Not referred**

s 9(2)(a)



**Sharon Thompson**

Deputy Commissioner

Customer and Compliance Services – Individuals

Inland Revenue

**Hon Grant Robertson**

Minister of Finance

/ /2022

**Hon David Parker**

Minister of Revenue

/ /2022



## POLICY AND REGULATORY STEWARDSHIP

**Tax policy report: Cost of Living Payment: suggested change to automated payments**

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<b>Date:</b>	12 August 2022	<b>Priority:</b>	High
<b>Security level:</b>	In Confidence	<b>Report number:</b>	IR2022/386

### Action sought

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	<b>Action sought</b>	<b>Deadline</b>
Prime Minister Rt. Hon Jacinda Ardern	<b>Agree</b> to recommendations	15 August 2022
Minister of Finance Hon Grant Robertson	<b>Agree</b> to recommendations	15 August 2022
Associate Minister of Finance Hon Megan Woods	<b>Agree</b> to recommendations	15 August 2022
Minister of Revenue Hon David Parker	<b>Agree</b> to recommendations	15 August 2022

### Contact for telephone discussion (if required)

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<b>Name</b>	<b>Position</b>	<b>Telephone</b>
Sharon Thompson	Deputy Commissioner	s 9(2)(a)
Murray Shadbolt	Principal Advisor	
Maraina Hak	Policy Lead	



12 August 2022

Prime Minister  
Minister of Finance  
Associate Minister of Finance  
Minister of Revenue

## **Cost of Living Payment: suggested change to automatic payments**

### **Purpose**

1. The current approach to eligibility for the Cost of Living Payment (COLP) is based on a high trust model of Inland Revenue using data we hold and then to automatically make payments to those who appear to be eligible, where we have valid bank account information.
2. You have asked for advice on changes to this model for the COLP, to reflect the use of more data sets to determine who may or may not be eligible for the payment. This could involve a change in the process from automatic payments to everyone who, in Inland Revenue's system, looks to be eligible, to withholding some payments until further information is provided, particularly on being present in New Zealand.
3. This report sets out our understanding of the changes you are considering and the implications of making these changes for payments two and three.
4. If you wish to proceed, agreement will be required from delegated Ministers by **Monday 15 August 2022** for us to make the required changes in time for payment two on 1 September 2022.

### **Background**

5. Cabinet agreed to authorise a payment to some individuals as a way to help low-to-middle income earners with recently increased cost of living (CAB-22-MIN-0130).
6. When designing the payment, it was agreed that no application would be required, and eligibility would be assessed based on the information that Inland Revenue holds at the time of making each payment (IR2022/163; T2022/815 refers). We recommended this to minimise the complexity of the system build and operational impact on Inland Revenue. This approach aligns with the Winter Energy Payment (WEP)<sup>1</sup> and also ensured the maximum amount of eligible people would receive the payment in a timely manner.
7. We advised at the time that there is a risk some of the information Inland Revenue holds may not be up to date or accurate (IR2022/163; T2022/815 refers). This means some people who should receive the payment may not have, and conversely, some people who received the payment should not have. We also advised that we are not able to verify whether someone is physically residing at the New Zealand address they have provided. We have considered whether someone meets eligibility having regard to the best available information available.
8. Further, Cabinet agreed that (if a person is subsequently determined ineligible based on new information) the payment would not be recoverable, unless Inland Revenue determines the information was fraudulent (CAB-22-MIN-0130).

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<sup>1</sup> The Winter Energy Payment is paid out automatically to people on a qualifying benefit.

Consistently, a resourcing decision has been made not to recover payments, apart from cases of fraud.

9. The decision to make payments automatically, based on the data we hold at the time eligibility is checked, has been reflected in the way the system was built to enable us to deliver the payments within the timeframe.
10. We have successfully made 1.350 million payments to individuals totalling \$157.6 million (at 1.30pm 11 August).
11. Cabinet noted on 1 August the rollout of the first cost of living payment and issues relating to eligibility. Cabinet agreed to grant power to act to a group of Ministers, comprising the Prime Minister, the Minister of Finance, the Associate Minister of Finance (Hon Megan Woods) and the Minister of Revenue to take decisions on any changes required before the second payment is made (CAB-22-MIN-0295).

### **Current approach to automated payments**

12. The current approach to eligibility is based on a high trust model of Inland Revenue using data we hold and then to automatically make payments to those who appear to be eligible, where we have valid bank account information. There is an ability for people to opt out of payments and also to make repayments. The law requires individuals to repay if they received it and were not eligible.
13. The approach was to use data we held and to keep the eligibility simple to allow a timely "push" payment to be made - similar to the WEP. The criteria were set to reflect what could be delivered in time to broadly align with payment period for the WEP and to keep the build simple. This meant, in line with the advice we gave, that some people would receive the payment who were not eligible. This also minimised the risk of inadvertently excluding people who should receive the payment. The eligibility criteria are:
  - assessed net income of \$70,000 or less in the period 1 April 2021 to 31 March 2022
  - not receiving New Zealand Superannuation or a qualifying benefit for the Winter Energy Payment from Ministry of Social Development (MSD)
  - aged 18 or older
  - both a New Zealand tax resident and present here
  - not in prison
  - not deceased.
14. Following the first payment some people who looked to be eligible, based on our address and income information, indicated they were overseas.
15. We have been able to look at a selection of additional data Inland Revenue holds<sup>2</sup> and we have a higher degree of confidence that around 90% of the people who received payment one are eligible.
16. The remaining group of people, where the additional data does not provide any further information on their presence in New Zealand, is approximately 10% of those already determined to be eligible for payment one (148,000 individuals). This group appear to meet the eligibility requirement in our system including a New Zealand physical address, and New Zealand sourced income in the 2021-22 tax

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<sup>2</sup> PAYE earnings in June and July 2022, receipt of Working for Families tax credits, s 18(c)(i)

year. There is no suggestion the whole 10% are ineligible, just that the additional data provides no further certainty.

17. There is also a group of potentially eligible people (around 623,000) who have not yet finalised their 2022 tax assessments. Many of these are people who need to file an IR3 tax return because they have business income or other sources of income that are not taxed at source. The selection of additional data used to check eligibility is less relevant for this group (for example, the PAYE data is less relevant because they are less likely to be earning salary and wage income).

### **Proposed approach to improve integrity**

18. You have proposed a change to the high trust model approach in determining eligibility for the subset of individuals where there is an indication they may not be in New Zealand. For these people, it is proposed that they validate their presence in New Zealand with us before their payment is "pushed" to them.
19. The requirement for individuals to validate their presence in New Zealand would **only** apply in cases where Inland Revenue's data indicates some uncertainty about whether they are present in New Zealand.
20. The proposed changes would shift the balance of the COLP scheme integrity towards more certainty, with a trade-off of additional administrative and customer impact/effort.
21. This is a change to the current approach and would require a new mechanism in the system to exclude this smaller group from the automated main payment, with the ability to make a later payment if further information is provided.
22. In addition to the system changes, we consider the eligibility criterion of "present in New Zealand" needs to be strengthened, given that it would no longer be based only on having a New Zealand residential address. We recommend that the definition be broadly aligned to that used for the WEP. WEP recipients can travel outside New Zealand for up to 28 days without losing eligibility. After 28 days their entitlement to WEP will cease until they return. Broadly aligning the COLP definition of "present in New Zealand" with the way WEP eligibility is determined would provide some consistency with the rules across the transfer system.
23. The proposed change would also result in a shift for potential recipients in terms of what they need to do to receive the payment. Some individuals would no longer just need to ensure their current details were correct but would also need to provide assurance of their presence in New Zealand and potentially provide additional information. We have yet to determine how we will do this operationally.
24. We consider this change in approach is a decision about the policy design/intent of the COLP.
25. There is a range of further data sets that could be used to provide additional confidence around who is included in the eligible group, who is excluded and who may need to validate their presence in New Zealand for payments two and three.
26. Data that would help provide more certainty that a person is in New Zealand could include recent PAYE information, receipt of Working for Families tax credits payments, § 18(c)(i)
27. Data that suggests a person is overseas could include student loan Overseas Based Borrower status, Physically Present in NZ (PPINZ) for student loans purposes<sup>3</sup>, filing

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<sup>3</sup> PPINZ status is for student loan borrowers who are overseas but are treated as if they were in New Zealand for student loan purposes.

a non-resident tax return (IR3NR) s 18(c)(i)

28. s 18(c)(i)

29.

30. There are some people for whom we hold limited information, for example individuals with interest only (RWT) income who are not registered for Working for Families, do not have student loan or child support assessment. These people are likely to have little need to interact with Inland Revenue s 18(c)(i)

The additional data checks would not provide any further certainty of their presence in New Zealand or indicate they may be overseas. Examples include:

- A non-working New Zealand resident with only interest income.
- A person who left New Zealand several years ago and left a bank account open, earning a small amount of interest.

31. Because we don't have any additional information over and above a physical address and New Zealand sourced income in the 2021-22 tax year for these people, we cannot determine which person is overseas and which is in New Zealand. Under the proposed approach both of these people would be considered eligible. We do not think that excluding people where we hold very limited information is appropriate because we would exclude legitimately eligible people who are the intended recipients for the payment. A data match with Customs (as discussed below) may provide information about this group.

32. The data points that we would use are indicative of location, however none of them are definitive. For example, filing a non-resident tax return for 2022 does not mean that a person is not now resident in New Zealand. For example, they may have returned to New Zealand permanently in April 2022.

33. The proposed approach would apply for the assessment of future eligibility for all payments once the changes have been implemented. This would mean some customers who received payment one under the current eligibility criteria and checks may not automatically receive payment two under the new criteria and checks. It also means that there will be a potential difference in treatment between individuals who were assessed for payment one under the current criteria and individuals who are assessed for payment one under the new criteria (for example people whose tax assessment is not finalised until after the main period). This raises equity concerns.

34. Inland Revenue will apply the current approach until any decision has been made to change the eligibility criteria and the new system build is implemented

#### How this will work in practice

35. The new approach will mean that if our data indicates we have a high level of confidence that an individual is in New Zealand (i.e., this would be the 90% group for payment one), they will still automatically get the payment.

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<sup>4</sup> A person is considered an Overseas Based Borrower until they have been back in New Zealand for 184 days. Therefore, a person can be present and resident in New Zealand but will still have Overseas Based Borrower status.

36. If our data indicates they may be overseas, they will not get the payment. Individuals will see that they have been determined ineligible in their myIR account but will not receive a notification. If customers believe they should have received a payment, they can contact Inland Revenue and provide evidence that they are present in New Zealand. After the customer provides acceptable evidence, we will make a payment.
37. For those customers who are in neither of these groups (ie we have no further information to indicate whether they may or may not be in New Zealand), we will assume they are eligible and make the payment.

#### Customs' data match

38. As originally agreed, Inland Revenue will assess eligibility based on information held at the time of making each payment. You have asked us to explore Customs' data. We will continue to work with Customs on a potential data match for the group who we are uncertain are in New Zealand. This would not be in place for payment two but could be in place for payment three.
39. There is a risk of unintended consequences with the Customs' data. While it will provide an indication if someone has left or arrived in the country it is not definitive proof of residence and presence. For example, it does not give an indication of purpose of travel, or length of time overseas. There is a risk it could exclude some people who are eligible. This will also require considerable data matching effort.

#### **Benefits of the proposal**

40. Using additional data to exclude some people and require others to provide additional confirmation they are in New Zealand will provide more certainty that the payment is being targeted to intended recipients and will reduce the number of people living overseas who receive payment two and three. As a consequence, this will reduce the number of ineligible people who have received payments and are required by law to pay the money back to Inland Revenue.
41. The proposed changes will also address some, but not all, of the specific concerns that have been raised about the targeting of the payment.

#### **Risks associated with the proposal**

42. We foresee the following risks and costs with the proposal. These risks are more apparent given this change would occur part way through the main payment period. As this advice was provided at speed, there may be further risks or unintended consequences that have not been identified.

#### Delivery of payments two and three

43. Changes to Inland Revenue's systems to accommodate the amended eligibility criteria and verification processes could have unintended consequences to the smooth delivery of payments two and three.
44. We might not be able to build the change into the system, and prepare staff to manage contacts, in time for the 1 September payment. There are only ten working days to make changes to the criteria before the eligibility check for September payment. Unexpected events, such as high levels of staff sickness, add an additional risk.
45. We will make a final decision on 25 August (discussed below) on whether we can deliver the payment as planned on 1 September or whether we need to delay the payment to ensure there are no unintended consequences in the delivery. In making

this decision, we may need to limit the data applied for the second payment to enable us to deliver the payment as planned.

#### Operational impact

46. This will result in more contacts (both phone calls and web messages) about the COLP and the changes. Examples of individuals we would expect to contact Inland Revenue are people who:
  - receive the first payment and do not receive future payments because they are ineligible
  - are eligible and need to validate their presence in New Zealand (we expect queries on this, in addition to validating their presence)
  - are unsure of what the changes mean for them (for example repayment obligations, how to confirm eligibility, confusion about the changes).
47. The contingent labour force currently managing contacts about the COLP would not be able to manage all these increased contacts within their current delegation and training. This means more Inland Revenue staff would need to be diverted to deal with the COLP contacts.
48. Depending on the size of the group required to verify before receiving the payment, and the timing of any communications to this, Inland Revenue may need to apply call capping and other measures which will create a suboptimal customer experience. The increased wait times, for both phone calls and response times for web messages are likely to result in increased complaints which, in turn, may create general public interest, similar to that generated around payment one.

#### Customer experience

49. If there is a change in approach, some people will not be paid even though they are eligible. While this was always a risk, and highlighted in our initial advice, it will have a greater likelihood of occurring. This is because we would be excluding people based on a wider range of data points which are not necessarily definitive. Further work will be required to understand how we would obtain and update information from individuals or their agents and what impact this might have on the timeliness of payments to affected people. The final approval date for eligibility for the COLP is 31 March 2023 so any required additional information (like tax assessments for IR3 filers) would need to be provided by that date.
50. Examples of the types of people who would meet the eligibility criteria but may not automatically get the payment include:
  - Student loan borrowers with Overseas Based Borrower status who have recently returned to New Zealand from overseas and have not yet started working
  - A person who has been working overseas for three years and filed a non-resident tax return, but who has since returned to New Zealand to live.
51. Some people will have received the first payment automatically but would not receive the second payment automatically, despite believing they are eligible. No notification is currently sent to customers who are not eligible for a payment, however they can view their eligibility status in their myIR account. It could appear to them as if they have missed out on further payments due to a system error. This could generate further public comment and may increase customer contacts. This was expected to occur for some people who lose eligibility through the payment window (for example, they start receiving a benefit payment and WEP). The

proposed change would increase the likelihood of that risk occurring. Only customers with myIR will be able to view their eligibility status.

52. Some people who do not generally engage with Inland Revenue may not contact us to confirm that they are eligible or to update their information. This group could include those who are digitally excluded or who are unaware of the need to contact us. This could mean that some people who are in the target group for the payment will miss out of their payment.

#### Risk of people receiving payments still ineligible

53. While additional eligibility checks and requiring some recipients to validate their presence in New Zealand may reduce the chance that people overseas may receive the payment, the risk will not be completely eliminated. <sup>s 18(c)(i)</sup>

54. People who are most likely to still receive the payment even though they are ineligible are those for whom we hold limited information and therefore have no data to suggest they may be overseas. For example, a person who came to New Zealand on a work visa and left without informing IR and left a bank account open which earns interest would appear to be eligible.

#### **Timing**

55. To make these changes in time for payment two, in principle decisions would need to be agreed no later than Monday 15 August. Beyond this we could not ensure changes could be built, tested and implemented in time for the next payment. As previously mentioned, even with sign-off by Monday 15 August, implementation risks remain.
56. If you agree to a change, we will continue to assess the operational impacts until 22 August. Inland Revenue will do a trial run to identify the size of the group that we would exclude from the payments.
57. We will advise you on whether this change is operationally manageable and the impact these changes would have on the population where we have less confidence of eligibility. At this point, a final decision about whether to proceed with the proposed approach would be required by 22 August.

#### **Inland Revenue recommendation**

58. Continuing with the current approach for payment two and three would mean that some ineligible people, particularly those living overseas would continue to receive payments.<sup>5</sup>
59. The Commissioner has considered the integrity of the scheme following the first payment and considered options available operationally within the policy intent of providing timely support to the targeted group and checking eligibility against the information held.
60. Although the proposed changes would reduce the number of people who are living overseas receiving the payment, there are risks with this proposal, particularly as it would occur part way through the main payment period.

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<sup>5</sup> Overseas recipients will not receive further payments if they update their details, including their current residential address.

61. Having considered the options and the risks, we consider that change to prevent payments being made on the basis of further confidence checks amounts to a change in this policy intent.
62. On balance we recommend maintaining the current approach, rather than amending the eligibility criteria and process part way through the payment cycle.

### **Communicating the changes**

63. Ministers have made a number of statements indicating that the approach was the best approach to get payments out quickly and at lower costs to the department and individuals, compared with an application-based approach. Changing this approach from the initial fully automated process for some people will change this position.
64. If Ministers agree to the proposed changes, we understand a communications plan will be developed. We will work with your offices to provide the necessary supporting information and ensure a coordinated approach to communicating the changes.

### **Administrative funding**

65. We would not require any additional administrative funding to amend the eligibility checks or implement a validation process for some potential recipients, as we have no time to bring on additional resources. Any change will utilise existing staff and resources. <sup>s 18(c)(i)</sup>

### **Consultation**

66. Treasury has been consulted on this report but given the time constraints, they have not been able to provide substantive comments.
67. DPMC has been informed about the report.

### **Appropriation requirements**

68. We will engage with Treasury regarding checks that any changes are consistent with the appropriation requirements. We may need to update the wording of the scope of the appropriation. We note there is currently an Auditor General investigation underway.

### **Next steps**

69. If you wish to proceed with changes to the payment, delegated Ministers would need to agree to the recommendation in this report by Monday 15 August and provide Cabinet with an oral update on Monday 15 August.



## Recommended action

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We recommend that you:

1. **Note** Cabinet agreed to grant power to act to a group of Ministers, comprising the Prime Minister, the Minister of Finance, the Associate Minister of Finance (Hon Megan Woods) and the Minister of Revenue to take decisions on any changes required before the second payment is made (CAB-22-MIN-0295)
2. **Note** the current approach to eligibility is based on a high trust model of Inland Revenue using data we hold and then to automatically make payments to those who appear to be eligible, where we have valid bank account information
3. **Note** you have proposed a change to the high trust model approach in determining eligibility for the subset of individuals where there is an indication they are may not be in New Zealand, which we consider is a change to the policy design
4. **Note** that based on this change, we consider the eligibility criterion of "present in New Zealand" needs to be strengthened, to broadly align with that used for the winter energy payment
5. **Note** that any changes in eligibility criteria will need to be decided by delegated Ministers with power to act by Monday 15 August in order to be in place before eligibility for the next payment is determined

**Noted**

Prime Minister

**Noted**

Minister of Finance

**Noted**

Associate Minister of Finance

**Noted**

Minister of Revenue

## EITHER

6. **Agree** to maintain the current eligibility criteria (*Inland Revenue's recommendation*),

**Agree / Disagree**

Prime Minister

**Agree / Disagree**

Minister of Finance

**Agree / Disagree**

Associate Minister of Finance

**Agree / Disagree**

Minister of Revenue

## OR

7. **Agree in principle** (by 15 August) to change the eligibility criteria and high-trust model approach to strengthen the criteria on "present in New Zealand", by not automatically making payments to people if there is limited data on presence in New Zealand, and require individuals to contact Inland Revenue with additional information to receive the payment, **and**

8. **Note** a final decision will be required by **22 August**, following Inland Revenue's advice on the operational and eligibility impacts,

**Agree and noted / Disagree**  
Prime Minister

**Agree and noted / Disagree**  
Minister of Finance

**Agree and noted / Disagree**  
Associate Minister of Finance

**Agree and noted / Disagree**  
Minister of Revenue

9. **Agree** to delegate any further decisions around this change in approach to the Minister of Finance and Minister of Revenue

**Agree / Disagree**  
Prime Minister

**Agree / Disagree**  
Minister of Finance

**Agree / Disagree**  
Associate Minister of Finance

**Agree / Disagree**  
Minister of Revenue

10. **Note** that once the changes have been implemented change would apply for the assessment of eligibility for all payments

11. **Note** that making a change will reduce the number of ineligible people who have received the payments and are required by law to repay the money to Inland Revenue

12. **Note** the risks involved in changing the eligibility criteria and process outlined in this report which include:

- potential impact on delivery of payments two and three
- organisational impact for Inland Revenue
- potential sub-optimal customer experience
- some ineligible people would still receive the payment
- some eligible people would not receive the payment

13. **Note** if you agree to a change above, the data could include:

- *to assess the likelihood of being present in New Zealand:* recent PAYE information, receipt of Working for Families tax credits payments, s 18(c)(i)
- *to assess the likelihood of not being present in New Zealand:* student loan Overseas Based Borrower status, Physically Present in NZ (PPINZ) for student loans purposes, filing a non-resident tax return (IR3NR) s 18(c)(i)

14. **Note** the data points in the new approach are indicative of location, however, none of them are definitive

15. s 18(c)(i)

16. **Note** based on this change, we may need to update the wording of the scope of the appropriation

17. **Note** we will continue to work with Customs on a potential data match for the uncertain population which will not be available in time to be considered in the next payment.
18. **Note** that this advice was designed at speed, there may be further decisions needed, and there may be unintended consequences

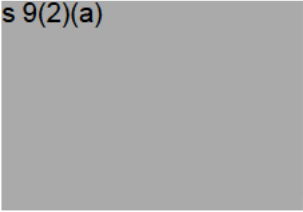
**Noted**  
Prime Minister

**Noted**  
Minister of Finance

**Noted**  
Associate Minister of Finance

**Noted**  
Minister of Revenue

s 9(2)(a)



**Sharon Thompson**  
Deputy Commissioner  
Customer and Compliance Services – Individuals  
Inland Revenue

**Rt. Hon Jacinda Ardern**  
Prime Minister  
/ /2022

**Hon Grant Robertson**  
Minister of Finance  
/ /2022

**Hon Megan Woods**  
Associate Minister of Finance  
/ /2022

**Hon David Parker**  
Minister of Revenue  
/ /2022



**Inland Revenue**  
Te Tari Taake

**Policy and Regulatory Stewardship**  
***Kaupapa me te Tiaki i ngā Ture***

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## Briefing note

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Reference: BN2022/383

Date: 4 August 2022

To: Revenue Advisor, Minister of Revenue – Matthew Atherton  
Private Secretary, Minister of Revenue – Nikki Chamberlain  
Revenue Advisor, Parliamentary Under-Secretary to the Minister of Revenue – Ruairi Cahill-Fleury

cc: Peter Mersi, Commissioner  
David Carrigan, Deputy Commissioner  
Emma Grigg, Policy Director  
Kerryn McIntosh-Watt, Policy Director  
Phil Whittington, Policy Director  
Joanne Petrie, Executive Support Advisor to the Commissioner  
Jill Compton, PA to Deputy Commissioner  
Governance, Ministerial & Ministerial Services

From: Sharon Thompson, Deputy Commissioner

Subject: **Cost of Living Payment: Implementation Update**

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### Purpose

1. We understand that the Minister is interested in what further data Inland Revenue could use to evaluate eligibility for the Cost of Living Payment (COLP).
2. This briefing note explains how we are utilising our data to determine presence in New Zealand and what checks are in place.

### Cost of living payments to date

3. As at 8am 3 August 2022, Inland Revenue has paid \$152.3 million on 1 August to 1.305 million individuals. A further 156,000 customers have met the eligibility criteria but have not yet been paid as we are awaiting their account number.

### Current process for verifying presence in New Zealand for payment one

4. As advised previously, Inland Revenue is determining eligibility for the COLP based on data we already hold.
5. When assessing eligibility for the 1 August payment, eligibility was determined based on the customer's physical address according to our records, alongside other eligibility criteria such as listed country of tax residence, a New Zealand bank account, and a 2021-22 income tax assessment with New Zealand-sourced income.

**Testing our data for payment one**

6. The Minister asked us whether we could use other existing data we hold, such as PAYE data from the current tax year, to provide more certainty about whether a person is present in New Zealand.
7. To test this, we have compared the population of individuals against additional data we hold. This population includes those who we have identified as:
  - eligible for the first payment, or
  - potentially eligible for payments once their return is filed (IR3 customers, auto-calc customers with tax agents or working for families customers awaiting their partner’s return) – note the number of this group is not certain as we require their tax assessment to confirm their income.
8. To date, the additional data we have applied to verify presence is that the person:
  - has earned salary/wages (including paid parental leave) in June or July 2022, and/or
  - has received working for families payments in June or July 2022.
9. After comparing the population to the additional data, we have the following results:

	<b>Total population</b>	<b>Comfortable in NZ</b>	<b>To be determined in NZ</b>
Customers already identified as eligible	1,460,334	1,122,822 (77%)	337,452 (23%)
Customers identified as potentially eligible	Approximately 500,000 (estimated 2m eligible less 1.46m identified as eligible)	243,000 (49%)	257,000 (51%)
<b>Total</b>	<b>1,960,334</b>	<b>1,365,822 (70%)</b>	<b>594,452 (30%)</b>

10. After this analysis, there are 594,452 individuals whose presence we cannot confirm at this stage by using additional data. However, this does not necessarily mean they are overseas.
11. ‘Customers identified as potentially eligible’ include IR3 customers, which is why the PAYE and working for families filters have shown a lower percentage for this group. Active GST filing (see below) will provide a better indication for this group.

**Additional data sets being reviewed**

12. We are investigating other data we can use indicating physical presence in New Zealand which will reduce the number of customers in the group who we are uncertain are in New Zealand. This includes using existing data from:
  - Recent logins to myIR from NZ IP addresses,
  - Active GST filing, and
  - Active KiwiSaver contributions

13. We are also looking at data which could show individuals who are excluded, such as student loan customers who:
  - have PPNZ status (Physically Present in New Zealand – this applies to borrowers who are overseas but are treated as being in New Zealand for their student loan obligations),
  - are overseas-based borrowers (however this status lags behind border movements by up to six months).<sup>1</sup>
14. We are also exploring data from other agencies, such as an information share from Customs New Zealand on the uncertain group. We currently have an information share with Customs for student loans and child support, however this data can only be used for these two purposes. We are exploring whether we can issue a 17B data request to extend the use of the data to being used for the purpose of the cost of living payment in a timely manner. However, this would only provide information on a subset of the population. The Office of the Privacy Commissioner would have a strong interest in any use of section 17B in this situation. We are engaging with Customs on this issue.
15. Together these data points should narrow down the population to those who we can be comfortable are present in New Zealand and those whose data says they are present, but we may be uncertain about.
16. Based on the outcome of this data analysis, we may look to refine the rules for evaluating eligible customers for payment two.
17. In addition to using data, we are looking at what proactive actions we could take to confirm a customers' presence in New Zealand where we are uncertain whether the individual is in New Zealand. We will report on this area in more detail in a briefing next week.

### **Risks and administrative impacts**

18. We have not yet fully assessed the potential risks or administrative impacts associated with the process outlined in this briefing note. For any change to payment 2 criteria, we will need to consider the impact on customer contacts, communications, and flow-on impacts to business as usual work.
19. There is a risk that changes to eligibility may create further unintended consequences. For example, changes to eligibility may mean those individuals who file after October do not receive a payment and could create inequities compared to those who have already received payments. As noted in the original advice, there is a risk that some people who are intended to receive the payment do not based on the data we hold.

### **Next steps**

20. We will provide you with a briefing next week about any further changes for the September payment.

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<sup>1</sup> A person's "student loans status" is not real-time information. Therefore, it is not definitive on whether the person is overseas or not. This is because it takes around 6 months from when a person leaves New Zealand for them to become 'overseas based' and around 6 months for an overseas-based borrower to be physically in New Zealand. This status was not considered a reliable way of determining if someone is in New Zealand or not, so this was not incorporated into the eligibility criteria (BN2022/374 refers).

**Additional information: Changes to eligibility**

21. If any changes to the eligibility criteria for the Cost of Living payment are proposed before the second payment, approval will be required from the delegated Ministers group (Ministers with power to act, as decided by Cabinet on 1 August 2022).

**Additional information: Repaying amounts**

22. We had indicated in the original advice that the approach we are using to get payments out as quickly as possible could mean that some people who appear to qualify based on the information that Inland Revenue holds, are not in New Zealand or do not otherwise qualify (e.g., the data we hold is incorrect or out of date).
23. If people have received a payment and they believe they are not eligible, they can repay the amount to Inland Revenue. Customers can also opt out of the payment through myIR or by following the information on our website.
24. The Tax Administration Act 1994 also contains a provision that a person who receives a grant under the scheme, and who is not eligible, is required to repay to the Commissioner the total amount of the grant.
25. However, we will only apply resources to identify such cases and to recover payments where there has been fraudulent or misleading information provided. To recover in this instance, we can use our existing debt recovery options, such as deductions from a person's salary and wages or their bank account.

**Consultation with Treasury**

26. Treasury was informed about this briefing note.



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## Briefing note

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Reference: BN2022/374

Date: 1 August 2022

To: Revenue Advisor, Minister of Revenue – Matthew Atherton  
Private Secretary, Minister of Revenue – Nikki Chamberlain  
Revenue Advisor, Parliamentary Under-Secretary to the Minister of Revenue – Ruairi Cahill-Fleury

cc: Peter Mersi, Commissioner  
David Carrigan, Deputy Commissioner  
Emma Grigg, Policy Director  
Graeme Morrison, Acting Policy Director  
Phil Whittington, Policy Director  
Joanne Petrie, Executive Support Advisor to the Commissioner  
Jill Compton, PA to Deputy Commissioner  
Governance, Ministerial & Ministerial Services

From: Graeme Morrison, Acting Policy Director

Subject: **Cost of Living Payment: RWT query**

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### Query on RWT income only taxpayers

1. You have asked if it is possible to exclude from the Cost of Living payment, those who only receive income from interest earned on bank accounts (those who have Resident Withholding Tax (RWT) only). You have asked for advice about:
  - eligibility changes for payments 2 and 3, and
  - who would no longer receive the cost of living payments 2 and 3 if RWT only income was excluded.
2. There are 67,250 customers eligible for the first payment who only had income from interest (this number is based on our current data that indicates they are New Zealand based).
3. It is possible to identify and exclude, from payments 2 and 3, people who only receive income subject to RWT in the 2021-22 tax year. There would be a question of whether to also exclude people from the 1<sup>st</sup> payment if they have not yet received it (for example, they will be filing late).
4. However, this would exclude New Zealand residents and New Zealand tax residents who only receive net income from bank accounts and are subject to RWT. We understood from the original objective that such individuals were intended to receive the payment.



5. In particular, we would recommend **not excluding** RWT income only people who are also eligible to Working for Families tax credits. People who are eligible for WFF and have individual incomes below \$70,000 are the intended recipients. The design specifically includes WFF recipients who have no net income at all, and it would be irrational to exclude from payments WFF recipients who have RWT income only.
6. Any changes to eligibility for payments 2 and 3 would result in significant impacts for Inland Revenue. For example, excluding this group from future payments would be expected to result in a large number of phone calls to Inland Revenue. Our ability to make the changes would also depend on timely decisions from Ministers and may yet result in further unintended consequences that we have not had the time to think through.

### **Underlying problem**

7. We understand the concern is with people who are overseas but who have a New Zealand bank account and are earning income in New Zealand (in the 2021-22 tax year).
8. We are not able to identify who out of the RWT income only people are overseas and who are not, unless they have specifically told us they are no longer in New Zealand or are tax resident elsewhere. For example, we may have information that they are tax resident in another country. In this case they have been excluded from the payment.
9. Further, we cannot use information shared with us by Customs for Student Loan borrowers overseas or those in the Child Support system, as the information sharing arrangements generally have restrictions on the use of the data beyond the purpose for which it was collected.
10. A person's "student loans status" is not real-time information. Therefore, it is not definitive on whether the person is overseas or not. This is because it takes around 6 months from when a person leaves New Zealand for them to become 'overseas based' and around 6 months for an overseas-based borrower to be physically in New Zealand. This status was not considered a reliable way of determining if someone is in New Zealand or not, so this was not incorporated into the eligibility criteria.
11. We had indicated in the original advice that the approach we are using to get payments out as quickly as possible could mean that some people who appear to qualify based on the information that Inland Revenue holds, are not in New Zealand or do not otherwise qualify (e.g., the data we hold is incorrect or out of date). If people believe they have received the money when they weren't eligible, they can return it and there is also an opt out option (more information is on our website).
12. To be able to make this payment quickly the approach was to target payments using net income under \$70,000 in tax assessments in the 2021-22 tax year. This means that people who have very low levels of income, such as interest only income, are included within the eligibility for the payment. Net income includes people with income taxed under a number of regimes including RWT as well as PAYE. Including people with very low levels of net income also means that self-employed with large deductions are eligible for the payment, which was specifically part of the design. There is no clear rationale to exclude RWT income only people but include self-employed with the same low levels of net income.
13. During the design process there was a question over whether to include a "minimum floor" to exclude people with very low incomes, however, this would have excluded people that were in the target population such as some self-employed.

14. Note, the rationale for excluding people with PIE only income is that PIE income is not included in the definition of net income.

### **Consultation with Treasury**

15. Treasury was aware about this briefing note but given available timeframes did not have an opportunity to review or comment.

Graeme Morrison

**Acting Policy Director**

s 9(2)(a)



## Briefing note

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Reference: BN2022/368

Date: 26 July 2022

To: Matthew Atherton, Revenue Advisor to the Minister of Revenue  
Nikki Chamberlain, Private Secretary to the Minister of Revenue  
Jason Batchelor, Revenue Advisor to the Minister of Finance

Copy to: Peter Mersi, Commissioner

From: Sue Gillies, Acting Deputy Commissioner, Customer and Compliance Services, Individuals  
Cath Atkins, Deputy Commissioner, Customer and Compliance Services, Business

**Subject: Readiness update ahead of first Cost of Living Payment**

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1. The first of three Cost of Living payments will be available to eligible recipients that we have bank account details for, from 1 August 2022.
2. Individuals do not need to apply for the payment however they do need to provide Inland Revenue with a bank account.
3. This note sets out the steps Inland Revenue has taken to ensure this first payment will be made successfully and provides an update on gathering bank account information from those that are eligible.
4. Regular reporting will be provided to your office from the week following the first payment.

### Overview

5. Inland Revenue estimates that 2.1m people will be eligible to receive the Cost of Living payment.
6. Based on testing of the technical solution it is estimated that (at 25 July), 1.6m people have met the full eligibility criteria and will receive the first payment on 1 August 2022.
7. The remaining customers will be paid once they meet the eligibility criteria, such as their 2022 Income Tax assessment being finalised and/or their partners return (in

the case of any Working for Families recipients), and bank account details are provided.

8. Each day Inland Revenue will identify all newly assessed eligible people, whether that be where an assessment is finalised, or a bank account provided, and the payment will be made the following day.

### **Readiness activities**

9. The technical solution has been tested and migrated into our live system, ready for the first payment to be made.
10. A risk identification, mitigation and readiness exercise has been completed in preparation for the first payment. The risk assessment is rated at "green".
11. Inland Revenue will have "early life support" in place following the payment to ensure that any issues following deployment are responded to promptly and ensure that all eligible recipients receive payments. This is a similar approach used for each of our Business Transformation releases.
12. Inland Revenue has contingent workers are fully trained and are already managing Cost of Living payment related queries.

### **Bank account focus**

13. In the past two months, approximately 43,000 people in the eligible population have updated their bank account details.
14. On 25 July 2022, there are approx. 164,000 bank account details still required.
15. We continue to reach out to people through a range of channels, including community groups, social media, and advertising to highlight the need to update bank account details.
16. We expect that the first payment being made may prompt more people to update their bank account details.
17. People are able to update bank account details through their myIR account 24/7.

### **Error management**

18. With any large-scale technical deployment, we expect there to be some errors that are identified after the first payment run is made. As mentioned above, we will have early life support in place to manage these issues as quickly as possible. We have a plan to manage situations where payments are not received or are made incorrectly.

### **Managing contacts**

19. Inland Revenue has a communications plan to ensure that customers are aware of their payment and their eligibility.
20. This week our upfront voice messaging, social media messages and website banner messaging have been updated to show that the payment will be made on 1 August and staggered across the day.

21. While there is no need to apply to receive payments, we do anticipate that there will be contacts to understand eligibility, correct, or add missing information as well as general queries relating to payments that will come through our voice channel.
22. While additional contingent workers will support managing increased demand, we are still expecting high call volumes over the next few weeks.

Sue Gillies  
**Acting Deputy Commissioner  
Customer and Compliance Services -  
Individuals**  
s 9(2)(a)

Cath Atkins  
**Deputy Commissioner  
Customer and Compliance Services -  
Business**  
s 9(2)(a)



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## Briefing note

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Reference: BN2022/258

Date: 13/05/2022

To: Revenue Advisor, Minister of Finance - Claire McLellan  
 Revenue Advisor, Minister of Revenue – Matthew Atherton  
 Private Secretary, Minister of Revenue – Nikki Chamberlain  
 Revenue Advisor, Parliamentary Under-Secretary to the Minister of Revenue – Ruairi Cahill-Fleury

cc: Naomi Ferguson, Commissioner  
 David Carrigan, Deputy Commissioner  
 Emma Grigg, Policy Director  
 Kerryn McIntosh-Watt, Policy Director  
 Phil Whittington, Chief Economist  
 Joanne Petrie, Executive Support Advisor to the Commissioner  
 Jill Compton, PA to Deputy Commissioner  
 Governance & Ministerial Services

From: Emma Hamilton

Subject: **Cost of Living payment: Individuals with PIE only income**

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### Background

1. This briefing note provides a summary of an issue we have identified as part of detailed design for the cost of living (CoL) payment. We will report formally on this after Budget day but wanted to provide some initial information that might be useful as Budget documents and communications material are prepared.

### Individuals with PIE only income

1. We have identified that some people who have only Portfolio Investment Entity (PIE) income (and no other income from any other source) could inadvertently qualify for the CoL payment.
2. This could happen because:
  - there is no income floor to meet the income eligibility criterion for the cost of living payment so that someone with zero net income could qualify; and
  - the individual income tax assessment is used as the mechanism to calculate whether an individual has paid the correct amount of PIE tax.
3. These individuals would qualify under the current proposed criteria because their net<sup>1</sup> income (zero in these cases) will be below the income cap of \$70,000 and they

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<sup>1</sup> Net income refers to a person's gross income for the year, less any allowable deductions for the year, but before any losses from prior years are included.

have a tax assessment for the 2022 tax year, even though that assessment has been generated for PIE tax purposes, not individual income tax purposes.

4. PIE income is not included in an individual's net income for the year and is taxed separately according to a person's Prescribed Investor Rate (PIR). The individual income tax assessments are used to determine if the person had applied the correct PIR rate to their PIE income and to determine if there is a PIE tax or refund owing. Any PIE tax different shows as a PIE debit or PIE credit in the income tax assessment.
5. Because PIE income is not included in net income, it will be ignored when determining whether an individual meets the income eligibility criterion for the CoL payment.

### ***Possible numbers of individuals with PIE only income***

6. Based on data for the 2019-20 tax year we estimate that there could around 204,000 individuals who have PIE only income and receive an assessment for no other reason.
7. These individuals have not been included in the potentially eligible population data provided in previous advice. This is because of a change in legislation that took effect from the 2021 tax year to generate assessments for everyone with PIE income, irrespective of whether it had been taxed correctly or not, which allowed people who had overpaid PIE tax to get a refund. This was not the case for the 2020<sup>2</sup> year, which was the administrative data used in advice on the cost of living payment to understand and describe the potentially eligible population.

### ***Officials' initial view***

8. Officials do not think that allowing individuals with only PIE income to be eligible for the payment aligns with the policy intent of supporting low to middle income individuals whose income has struggled to keep up with the cost of living increases.
9. These individuals only have an income tax assessment because of the PIE assessment and otherwise would not have an income tax assessment as they have not income, besides PIE income.
10. Other individuals who do not have any income that would be considered net income do not receive an individual tax assessment and are therefore not eligible for the CoL payment. Excluding those who have only PIE income would be broadly consistent with the treatment for this group. That is, the only reason PIE only recipients have an income tax assessment is as an administrative convenience to assess PIE tax and to be able to include any debit or credit with the final tax to pay or refund due for the year.
11. This proposed change would not exclude Working for Families (WFF) recipients who have only PIE income from the CoL payment as they are required to have an income tax assessment to determine their WFF entitlement for the year. Working for Families is a tax credit that is part of an individual's overall income tax assessment and so they have an income tax assessment to be able to claim WFF, along with any spouse or partner.

### **Next steps**

2. We will provide a report to the Minister of Finance and the Minister of Revenue on this issue and any other detailed design issues that have been identified shortly after 19 May.

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<sup>2</sup> The 2020 tax year data was used as it is the latest year for which we hold complete data

Emma Hamilton  
**Senior Policy Advisor**  
s 9(2)(a)





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## Briefing note

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Reference: BN2022/160

Date: 29 March 2022

To: Revenue Advisor, Minister of Finance – Claire McLellan  
Revenue Advisor, Minister of Revenue – Matthew Atherton  
Private Secretary, Minister of Revenue – Nikki Chamberlain  
Revenue Advisor, Parliamentary Under-Secretary to the Minister of Revenue – Ruairi Cahill-Fleury

cc: Naomi Ferguson, Commissioner  
David Carrigan, Deputy Commissioner  
Cath Atkins, Deputy Commissioner  
Sharon Thompson, Deputy Commissioner  
Kerryn McIntosh-Watt, Policy Director

From: Emma Hamilton and James Grayson

Subject: **Budget Sensitive: Cost of Living payment parameters**

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### Background

1. Further to recent advice (IR2022/147 refers) in relation to the proposed Cost of Living (COL) payment, we have provided below the more significant parameters identified so far that Ministers would need to make decisions on to design the payment. Some of these are critical to designing a workable option that IR could implement. Officials will be providing further detailed advice to Ministers at the end of this week.

#### Fundamental parameters Inland Revenue would require to deliver this payment:

2. Payments would need to be based on net income for the 2021-22 tax year
3. The consequences of this are that
  - Payments would be made after income is finalised (assessed).
  - People with business income or self-employed income who file a tax return (IR3) will have their eligibility determined when they file their return.
  - Some customers have their annual income tax assessment held (e.g., awaiting further information). These people won't receive their payment until the assessment is finalised.
4. Based on NZ Superannuation or benefit receipt at a specific date (see item 12)
  - Will mean that if people's circumstances change after this date, this wouldn't change their eligibility
  - Could mean people qualify for both the CoL payment and Winter Energy payment or alternately, wouldn't qualify for either.

5. To make this simple and manageable, it would not be possible to allow reassessments to occur.
  - There would be no process to review entitlement if circumstances change (e.g., income for the 2023 year has dropped and would be below the cap)
  - Entitlement could be paid out in cases where there was incorrect or incomplete data
6. Lump sum payment with no apportionment (refer to items 3 and 4)
7. Eligibility based on individual (not household) income
8. Payment would be non-taxable, non-recoverable (except for fraud) and not included as income for social policy purposes
9. Payment would be direct credited to a New Zealand bank account only. Bank accounts held are assumed as current and no payments will be made without a bank account.

Parameters with some flexibility:

10. Timing of the payment
  - Bulk of payments would be paid after the end of July, but Inland Revenue would prefer a later date. Inland Revenue is working through options and will provide further advice.
  - Payments could continue until at least 31 March 2023 (to reflect the final date for filing tax returns).
11. Limited timeframe to claim the payment
  - A limited window would prevent unintended operational impacts and ongoing of assessment of entitlements being required in further years.

Parameters with options:

12. Income threshold:
  - An income cap, and
  - A minimum income threshold. This could mean that self-employed people and those with allowable deductions that reduce their net income to zero would not qualify. Officials will provide further advice relating to this parameter.
13. Date at which to determine NZ Superannuation or benefit receipt. This could be:
  - At 31 March 2022, or
  - A later date closer to the start date for payments.
  - There are advantages to both options, and we will provide further advice on this.
14. Minimum age to receive payment which can be applied according to options in item 12.

**Consultation with Treasury**

15. Treasury was informed about this briefing note.