



Inland Revenue
Te Tari Taake

POLICY AND REGULATORY STEWARDSHIP

Tax policy report: Final report on the Cost of Living Payment

Date:	24 July 2023	Priority:	Low
Security level:	In Confidence	Report number:	IR2023/156

Action sought

	Action sought	Deadline
Minister of Revenue	Note the contents of this report Refer a copy of this report to the Minister of Finance	7 August 2023

Contact for telephone discussion (if required)

Name	Position	Telephone
James Grayson	Deputy Commissioner	s 9(2)(a)
Emma Hamilton	Senior Policy Advisor	s 9(2)(a)

24 July 2023

Minister of Revenue

Final report on the Cost of Living Payment

Purpose

1. This final report will provide you with an overview and summary of the near final numbers for the Cost of Living Payment Scheme. Inland Revenue has provided regular updates on the recipients of the Cost of Living payment, which were subject to change as tax returns were filed and processed. In order to have their eligibility assessed for the Cost of Living Payment, customers were required to file their income tax returns for the 2021-22 tax year by 31 May 2023. As this date has passed, the data outlined in this report is more stable, and not expected to change significantly.
2. This report will also provide you with a comparison between the original estimates for the potential eligible population and the near final eligible population [IR2022/147 refers].

Background

3. The Cost of Living Payment Scheme aimed to provide short term financial support to individuals who were disproportionately impacted by spikes in inflation. The total value of the payment is \$350, made up of three-monthly instalments occurring from August to October 2022. Individuals whose eligibility was confirmed after this period received lump sums.
4. Eligibility for the payments was based on income from the 2021-22 tax year. To be considered for eligibility individuals had to have filed their returns for the 2021-22 tax year before 31 May 2023¹. The end of the filing period for the 2021-22 tax year means no new individuals can be considered for eligibility.
5. Eligible customers who have not provided Inland Revenue with bank account information, and therefore have not received payment, have until 31 March 2024 to do so.
6. A high trust 'push model' was utilised to distribute payments. This model utilised the best information and data Inland Revenue had available at the time to determine if individuals met the eligibility criteria agreed upon by Cabinet [refer CAB-22-MIN-0130]. Individuals did not need to apply to receive the payment. The high trust push model was also preferred because it was more cost-effective than an application-based model.
7. Following the first payment, some individuals who Inland Revenue believed were eligible, indicated they were overseas. Several changes were implemented before payment two [IR2022/403 refers], and again before payment three [IR2022/452 refers].

¹ This date was aligned to the deferred date for policing individual tax returns for the 2021-22 income tax year, which was moved from 31 March 2023 to 31 May 2023 due to the North Island flooding events.

Summary of near final numbers for payments after the end of the eligibility period (31 May 2023)

Total number and value of payments made

8. As of 3 July 2023, 4,913,124 payments have been made to 1,721,904 individuals, at a total value of \$573,217,778.21.
9. The following tables provide a summary of the total number and value of payments made as of 3 July 2023². Further data points were used for payments two and three to provide greater certainty that those who received the payment were eligible. The table below reflects the payments that were made for each population as these screening checks were implemented.

Table 1. Total number of payments as of 3 July 2023

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)	1,601,811	1,599,210	1,600,019	4,801,040
Payments made in error by Inland Revenue to ineligible individuals	12,699	0	0	12,699
Payments made to customers who are potentially overseas	67,314	30,909	1,162	99,385
Total number of payments to date	1,681,824	1,630,119	1,601,181	4,913,124

Table 2. Total value of payments as of 3 July 2023

Value of payments (\$)	1 Aug payment	1 Sep payment	3 Oct payment	All payments
Value of payments to eligible people (including payments to be made when bank account is provided)	186.89M	186.60M	186.66M	560.15M
Value of payments in error by Inland Revenue to ineligible individuals	1.478M	0	0	1.478M
Value of payments made to customers who are potentially overseas	7.85M	3.60M	0	11.45M
Total value of payments to date	196.22M	190.20M	186.66M	573.08M

Payments made to ineligible or potentially ineligible customers

10. A total of 12,699 payments were made to ineligible people in error by Inland Revenue. These were due to coding and administrative issues. These errors were corrected, and this customer group did not receive further payments.

² If a recipient was paid in error or is potentially overseas and made a repayment, they are not included within this data.

11. Of all payments, 0.3% (12,699) were made to ineligible recipients in error by Inland Revenue and 2.0% (99,385) were made to customers potentially overseas. This number has and will continue to reduce as customers continue to make voluntary repayments and those who were identified as potentially overseas continue to confirm their presence in New Zealand. To date, 3,350 people who have met the screening criteria for being potentially overseas have confirmed their presence in New Zealand and received at least one payment.

Result of implementing screening checks

12. As a result of the screening checks implemented after payment one, 416,846 payments to the value of \$48,632,022.51 were excluded from being automatically released.
13. A total of 10,220 payments were subsequently able to be released to the value of \$1,324,163.85, after customers confirmed their presence in New Zealand.

Repayments and compliance approach

14. As at 3 July 2023, 13,271 customers have made repayments, including voluntary action, to the value of \$1,611,063.
15. Inland Revenue's compliance approach consisted of sending letters asking for repayments to those who received one, or more, payments but who were later identified as potentially ineligible. Inland Revenue sent 86,551 of these letters.
16. Of those who received letters, 9,860 repaid the payment (or payments) they had received, to the total value of \$1,199,311.
17. Cabinet agreed that payments made to ineligible customers would not be recovered unless Inland Revenue determined that information provided was fraudulent [CAB-22-MIN-0130 refers]. Consistent with the intent of the Cost of Living payment scheme, the Commissioner used his discretion under section 6A of the Tax Administration Act 1994 to only use his collection powers where there was suspected fraudulent activity.
18. The criteria and parameters of the Cost of Living Payment Scheme means the risk of wide-scale Cost of Living payment fraud is reduced. Inland Revenue monitors compliance risk, such as identify theft as part of its regular compliance activities, which includes the Cost of Living payment.
19. As of 18 July 2023, there are 840 customers who have filed income tax returns and are potentially eligible for the Cost of Living payment. However, processing of these returns cannot be completed as further information is needed.

Number of customers who opted out of receiving payments

20. As individuals were not required to apply for the Cost of Living payment and eligibility was determined by Inland Revenue, Ministers agreed to an opt out processes for customers who did not wish to receive payments [IR2022/198 refers].
21. As of 3 July 2023, 14,845 customers had opted out of receiving one or more of payments.

The number of eligible customers who need to provide bank account information to receive their payment

22. Some eligible customers have not yet received the Cost of Living payment as they have not provided Inland Revenue with bank account information. Customers will have until 31 March 2024 to provide this information.
23. As of 3 July 2023, there are 67,000 individuals waiting to be made to customers who have not provided Inland Revenue with bank account information to the value of \$23,644,217.

Original estimated eligible population compared to final eligible population

24. Based on Inland Revenue administrative data (adjusted for labour force participation increase) from the 2019-20 tax year, it was estimated that up to 2.1 million individuals could be eligible for the Cost of Living payment [IR2022/163 refers].
25. Based on data as of 3 July 2023, 1.70 million individuals have received one, or more, of the Cost of Living payments.
26. There are a number of factors that can explain the difference between these two numbers. Mainly, after the initial payment was made, screening checks were introduced to provide additional confidence that those receiving the payment were eligible. This means that the parameters used for the original estimate in the initial policy advice are different to those that were applied to the payment scheme in practice.
27. Original estimates were developed based on administrative income data from the 2019-20 tax year. Since then, incomes have increased due to wage inflation, and this may have resulted in a smaller number of individuals having an income under the \$70,000 threshold.

Customer sentiment

28. Throughout the Cost of Living payment process, Inland Revenue received positive feedback from recipients on the impact the scheme had in their lives.
29. Recipients expressed gratitude for the payment, with some acknowledging the payment made a "very big difference" or helped them to pay for necessities such as groceries.

Next steps

30. The end of the filing period for the 2021-22 tax year means no new individuals can be considered for eligibility.
31. The Cost of Living Payment Scheme closes on 31 March 2024.
32. The next steps in the administration of the Cost of Living payment are:
 - 32.1 Continue to process remaining returns to determine if further individuals are eligible to receive the payment.
 - 32.2 Make payments to eligible customers who have not received their payment until the 31 March 2024 end date.
 - 32.3 Utilise normal channels to collect bank account information from eligible customers who have not yet supplied Inland Revenue with this information. Bank account details must be supplied to Inland Revenue before the 31 March 2024 end date.

Recommended action

Officials recommend that you:

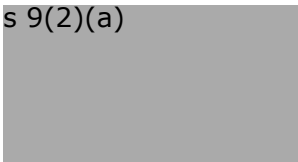
33. **note** the contents of this report; and

Noted

34. **refer** a copy of this report to the Minister of Finance for their information.

Referred/not referred

s 9(2)(a)



James Grayson

Deputy Commissioner

Customer and Compliance Services – Individuals

Hon Barbara Edmonds

Minister of Revenue

/ /2023