

# The Treasury

## Budget 2021 Information Release

### August 2021

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#### Cabinet Document Details

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# Cabinet

## Minute of Decision

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### 2021 Budget Package: Main Benefit Increase and Associated Changes

**Portfolios**                      **Finance / Social Development**

On 12 April 2021, Cabinet:

#### Main Benefit Increase and Associated Changes

- 1        **noted** that Cabinet has endorsed a work programme to achieve the government's vision for the welfare system, which is to ensure people have an adequate income and standard of living, are treated with respect, can live in dignity and are able to participate meaningfully in their communities [CAB-18-MIN-0208, CAB-19-MIN-0578];
  
- 2        **noted** that the following decisions relate to two sets of changes to further increase incomes for low-income New Zealanders:
  - 2.1      changes on 1 July 2021 to be charged against the Budget 2021 allowance (paragraphs 5 - 26); and
  - 2.2      changes on 1 April 2022 to be charged against the Budget 2022 allowance (paragraphs 27 - 46);
  
- 3        **authorised** the Minister of Finance and the Appropriation Minister(s) to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies;
  
- 4        **noted** that the Treasury concluded that a Regulatory Impact Statement would substantively duplicate documents which informed decisions, that are to be proactively released by joint agencies (including Ministry of Social Development, Inland Revenue and Treasury), including but not limited to reports covering policy options for increasing main benefits and changes to the Minimum Family Tax Credit;

#### Main Benefit Increase and Other Changes – 1 July 2021

- 5        **noted** that paragraphs 6 - 26 relate to income support changes on 1 July 2021, including:
  - 5.1      increasing main benefits by \$20 per adult per week;
  - 5.2      increasing the Minimum Family Tax Credit and changing the approach to calculating the rate; and
  - 5.3      making a number of complementary changes to reduce the number of people financially disadvantaged as an unintended consequence of income support settings changes in the future;

**Main Benefit Increase on 1 July 2021**

- 6 **agreed** to increase the after-tax weekly rate of main benefits, as defined by the Social Security Act 2018, by \$20 per adult (\$40 for couple rates) on 1 July 2021;
- 7 **noted** that a small number of families will be financially disadvantaged as an unintended consequence of these changes on 1 July 2021;
- 8 **agreed** to provide a Transitional Assistance Payment for up to 12 months to those who are financially disadvantaged on 1 July 2021 as an unintended consequence of these changes;

**Minimum Family Tax Credit Increase on 1 July 2021**

- 9 **agreed** to change the approach to calculating the Minimum Family Tax Credit so that the Winter Energy Payment component of the formula equates to five months of payments rather than 12 months of payments;
- 10 **noted** that this new approach will still ensure that sole parent families will be financially better off receiving the Minimum Family Tax Credit than remaining on benefit on an annual basis;
- 11 **agreed** to increase the Minimum Family Tax Credit threshold from 1 July 2021 to \$31,096, in line with the policy decision in paragraph 9, with a consequential increase in expenses;

**Complementary changes on 1 July 2021**

- 12 **agreed** to amend the definition of income for Childcare Assistance to exclude Accommodation Supplement, Temporary Additional Support, Special Benefit, Disability Allowance, Special Disability Allowance, Youth Payment incentive payment and Young Parent Payment incentive payment as income from 1 July 2021;
- 13 **agreed** to amend the disability exception component in the Temporary Additional Support formula from 1 July 2021, so that the disability exception amount applicable to eligible applicants is the lesser of:
- 13.1 the deficiency minus the upper limit, or
- 13.2 the excess disability costs total;
- 14 **agreed** that the disability exception amount for Temporary Additional Support is subsidised at 100 percent for the first \$100 and any remaining amount is subsidised at 30 percent;

- 15 **agreed** to increase spending to provide for the costs associated with the policy decisions relating to the 1 July 2021 changes, with the following impacts on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Operating Balance and Net Core Crown Debt impact	-	430.450	427.075	423.855	419.667
Operating Balance Impact Only	-	-	-	-	-
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	88.847	90.633	91.421	91.715
<b>Total</b>	-	<b>519.297</b>	<b>517.708</b>	<b>515.276</b>	<b>511.382</b>

- 16 **approved** the following changes to appropriations to give effect to the policy decisions relating to the 1 July 2021 changes:

	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
<b>Vote Social Development</b>					
<b>Minister for Social Development and Employment</b>					
<b>Departmental Output Expenses:</b>					
Data, Analytics and Evidence Services (funded by revenue Crown)	-	0.400	0.500	0.200	0.100
<b>Multi-Category Expenses and Capital Expenditure:</b>					
Improved Employment and Social Outcomes Support (MCA)					
<i>Departmental Output Expenses</i>					
Administering Income Support (funded by revenue Crown)	-	2.325	-	-	-
<b>Benefits or Related Expenses:</b>					
Childcare Assistance	-	3.364	3.718	4.050	4.496
Hardship Assistance	-	(2.045)	(1.662)	(0.395)	1.094
Jobseeker Support and Emergency Benefit	-	321.385	308.829	299.048	286.788
Sole Parent Support	-	93.135	99.846	100.169	100.308
Supported Living Payment	-	135.132	140.400	144.920	149.095
Youth Payment and Young Parent Payment	-	4.284	4.459	4.759	5.081
<b>Minister of Housing</b>					
<b>Benefits or Related Expenses:</b>					
Accommodation Assistance	-	(25.187)	(21.451)	(18.783)	(15.111)

	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
<b>Vote Housing and Urban Development</b>					
<b>Minister of Housing</b>					
<b>Multi-Category Expenses and Capital Expenditure:</b>					
Public Housing (MCA)					
<i>Non-Departmental Output Expenses:</i>					
Purchase of Public Housing Provision	-	(15.496)	(16.931)	(18.692)	(20.469)
<b>Vote Revenue</b>					
<b>Minister of Revenue</b>					
<b>Benefits or Related Expenses:</b>					
Minimum Family Tax Credit PLA	-	2.000	-	-	-
<b>Total Operating</b>	-	<b>519.297</b>	<b>517.708</b>	<b>515.276</b>	<b>511.382</b>

- 17 **agreed** that the operating balance and net core Crown debt impact in paragraph 15 above of the appropriation changes under paragraph 16 above be charged against the Budget 2021 operating allowance;

#### Legislative implications – Main Benefits and complementary changes

- 18 **agreed** to an Order in Council being made under section 452 of the Social Security Act 2018 to increase main benefit rates on 1 July 2021 as per paragraph 6;
- 19 **invited** the Minister for Social Development and Employment to approve and establish a welfare programme under section 101 of the Social Security Act 2018 to give effect to the decisions in paragraph 8;
- 20 **agreed** to amend the Social Security Regulations 2018 under:
- 20.1 section 424(2)(d) of the Social Security Act 2018 to amend the definition of income for Childcare Assistance as per paragraph 12;
- 20.2 section 428(2) of the Social Security Act 2018 to change the settings for the Temporary Additional Support disability exception as per paragraph 13 and 14;
- 20.3 section 428(2) of the Social Security Act 2018 to exempt the Transitional Assistance Payment agreed in paragraph 8 from being considered as chargeable income for Temporary Additional Support;
- 21 **invited** the Minister for Social Development and Employment to issue drafting instructions to the Parliamentary Counsel Office to draft amendments to give effect to the decisions taken in paragraphs 18 and 20;
- 22 **authorised** the Minister for Social Development and Employment, in consultation with other Ministers as appropriate, to make minor and/or technical policy and administrative changes, including any consequential changes, to finalise draft amendments in keeping with the policy objectives to give effect to the 1 July 2021 decisions above;

**Legislative implications – Minimum Family Tax Credit**

- 23 **agreed** to amend the Income Tax Act 2007 to implement the adjustment to the Minimum Family Tax Credit threshold from 1 July 2021 as set out in paragraph 11;
- 24 **agreed** that the legislative amendments implementing the adjustment to the Minimum Family Tax Credit threshold from 1 July 2021 be introduced and progressed under urgency on Budget Day in order to meet the 1 July 2021 implementation date;
- 25 **invited** the Minister of Revenue to issue drafting instructions to Inland Revenue to draft the necessary amendments to the Income Tax Act 2007 to give effect to the policy decisions agreed in paragraph 11;
- 26 **authorised** the Minister of Revenue, after consultation with the Minister of Finance and the Leader of the House, to introduce the Taxation (Budget 2021) Bill containing the amendments described in paragraph 23;

**Main Benefit Increase and Other Changes – 1 April 2022**

- 27 note that paragraphs 28 - 46 relate to income support changes on 1 April 2022, including:
- 27.1 increasing main benefits to the levels recommended by the Welfare Expert Advisory Group (WEAG) in 2019;
- 27.2 further increasing main benefits by \$15 per adult per week for families with children;
- 27.3 increasing the Minimum Family Tax Credit;
- 27.4 increasing student living support by \$25 per adult per week to ensure that people are not dis-incentivised to study as a result of the main benefit changes;

**Main Benefit Increase on 1 April 2022**

- 28 **agreed** to increase the after-tax weekly rate of the following main benefit types on 1 April 2022 to the rates set out in the below table if, the rate following its adjustment through the Annual General Adjustment on 1 April 2022, are lower than the rate set out in the below table:

<b>Benefit</b>	<b>Type</b>	<b>Benefit rate on 1 April 2022</b>
Jobseeker Support	Couple	\$536.00
	Couple Parent	\$536.00
	Single (25 years or older)	\$315.00
	Sole Parent	\$374.00
Supported Living Payment	Couple	\$610.00
	Couple Parent	\$610.00
	Single (18 years or older)	\$359.00
	Sole Parent	\$399.00
Sole Parent Support	Sole Parent	\$374.00

- 29 **agreed** to increase the after-tax weekly youth rates of main benefits (as defined by the Social Security Act 2018), including Youth Payment and Young Parent Payment, on 1 April 2022 by the same dollar amount per week as the increases to the analogous adult rate of benefit (or the adult rate of Jobseeker Support if there is no analogous adult rate) as set out in paragraph 28;

- 30 **noted** that adjustments to other after-tax weekly rates of main benefits (as defined by the Social Security Act 2018) not listed in paragraph 28, such as the half-couple rate of benefits, will also be required on 1 April 2022 and these will be adjusted in line with increases set out in paragraph 28;
- 31 **agreed** to further increase the after-tax weekly rate of main benefits, as defined by the Social Security Act 2018, by \$15 per adult (\$30 for couples) on 1 April 2022, for people with one or more dependent children;
- 32 **noted** that the increases set out in paragraph 31 are in addition to the increases set out in paragraphs 28 and 29;

#### Minimum Family Tax Credit Increase on 1 April 2022

- 33 **agreed** to increase the Minimum Family Tax Credit threshold from 1 April 2022 in line with the policy decision in paragraph 9 (forecast at \$32,760), with a consequential increase in expenses;

#### Student Living Support Increase on 1 April 2022

- 34 **agreed** to increase:
- 34.1 the student loan living cost maximum entitlement by \$25 per week and student allowance rates by \$25 net at the M tax code per week, effective from 1 April 2022; and
- 34.2 the two student allowance dependent partner rates intended to cover the living costs of two adults rather than one, by \$50 net per week, effective from 1 April 2022;
- 35 **noted** the following summary of initiatives in the two tables below:

#### Operating Initiatives (Impact on Operating Balance)

Initiative	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears
<b>Vote Social Development</b>					
<b>Minister for Social Development &amp; Employment</b>					
Main Benefits	125.416	491.557	481.000	467.768	467.768
Student Living Support	15.471	47.152	47.402	47.723	47.723
<b>Minister of Housing</b>					
Main Benefits	(6.959)	(26.835)	(23.894)	(19.488)	(19.488)
Student Living Support	0.002	0.093	0.094	0.094	0.094
<b>Vote Revenue</b>					
<b>Minister of Revenue</b>					
Minimum Family Tax Credit	-	5.000	4.000	3.000	3.000
Student Living Support	7.390	24.773	27.141	28.993	30.295
<b>Vote Housing and Urban Development</b>					
<b>Minister of Housing</b>					
Main Benefits	(4.417)	(18.855)	(20.463)	(21.524)	(21.524)
<b>Total Operating</b>	<b>136.903</b>	<b>522.885</b>	<b>515.280</b>	<b>506.566</b>	<b>507.868</b>

## Capital Initiatives (Impact on Debt)

Initiative	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears
<b>Vote Social Development</b> <b>Minister for Social Development &amp; Employment</b> Student Living Support	16.446	51.451	51.960	52.208	54.082

- 36 **agreed** to increase spending to provide for the costs associated with the policy decisions relating to the 1 April 2022 changes, with the following impacts on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears
Operating Balance and Net Core Crown Debt impact	129.513	498.112	488.139	477.573	477.573
Operating Balance Impact Only	7.390	24.773	27.141	28.993	30.295
Net Core Crown Debt Impact Only	16.446	51.451	51.960	52.208	54.082
No Impact	29.069	112.187	110.332	107.699	107.699
<b>Total</b>	<b>182.418</b>	<b>686.523</b>	<b>677.572</b>	<b>666.473</b>	<b>669.649</b>



37 **approved** the following changes to appropriations to give effect to the policy decisions relating to the 1 April 2022 changes:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
<b>Vote Social Development</b>					
<b>Minister for Social Development and Employment</b>					
<b>Departmental Output Expenses:</b>					
Data, Analytics and Evidence Services (funded by revenue Crown)	-	0.250	-	-	-
<b>Multi-Category Expenses and Capital Expenditure:</b>					
Improved Employment and Social Outcomes Support (MCA)					
<i>Departmental Output Expenses:</i>					
Administering Income Support (funded by revenue Crown)	0.586	-	-	-	-
<b>Benefits or Related Expenses:</b>					
Childcare Assistance	(0.018)	(0.065)	(0.068)	(0.100)	(0.100)
Hardship Assistance	(1.761)	(7.224)	(6.187)	(4.680)	(4.680)
Jobseeker Support and Emergency Benefit	111.007	431.461	414.818	394.247	394.247
Jobseeker Support and Emergency Benefit	0.008	0.402	0.410	0.409	0.409
Sole Parent Support	17.740	72.624	72.822	72.927	72.927
Student Allowances	18.295	55.517	55.805	56.190	56.190
Supported Living Payment	22.889	92.722	95.639	98.388	98.388
Youth Payment and Young Parent Payment	1.210	5.209	5.495	5.809	5.809
<b>Minister of Revenue</b>					
<b>Non-Departmental Capital Expenditure:</b>					
Student Loans	16.446	51.451	51.960	52.208	54.082
<b>Minister of Housing</b>					
<b>Benefits or Related Expenses:</b>					
Accommodation Assistance	(6.959)	(26.835)	(23.894)	(19.488)	(19.488)
Accommodation Assistance	0.002	0.093	0.094	0.094	0.094
<b>Vote Revenue</b>					
<b>Minister of Revenue</b>					
<b>Non-Departmental Other Expenses:</b>					
Initial Fair Value Write-Down Relating to Student Loans	7.390	24.773	27.141	28.993	30.295
<b>Benefits or Related Expenses:</b>					
Minimum Family Tax Credit PLA	-	5.000	4.000	3.000	3.000
<b>Vote Housing and Urban Development</b>					
<b>Minister of Housing</b>					
<b>Multi-Category Expenses and Capital Expenditure:</b>					
Public Housing (MCA)					
<i>Non-Departmental Output Expenses:</i>					
Purchase of Public Housing Provision	(4.417)	(18.855)	(20.463)	(21.524)	(21.524)
<b>Total Operating</b>	<b>165.972</b>	<b>635.072</b>	<b>625.612</b>	<b>614.265</b>	<b>615.567</b>
<b>Total Capital</b>	<b>16.446</b>	<b>51.451</b>	<b>51.960</b>	<b>52.208</b>	<b>54.082</b>

- 38 **agreed** that the operating balance and net core Crown debt impact in paragraph 36 above of the changes to appropriations be managed as follows:
- 38.1 the fiscal impact (both operating and capital) of policy changes relating to the student loans scheme are managed outside of Budget allowances, as they are broadly fiscally neutral over a ten-year period;
- 38.2 the fiscal impact of the remaining policy changes (excluding changes to the student loans scheme) be charged as a pre-commitment against the Budget 2022 operating allowance;
- 39 **noted** that approximately \$2.071 billion over the period 2021/22 - 2025/26 will be charged against the Budget 2022 operating allowance;

#### **Legislative implications – Main Benefits and Student Living Support**

- 40 **agreed** to an Order in Council under section 452 of the Social Security Act 2018 to increase main benefit rates on 1 April 2022 as per paragraphs 28, 29 and 31;
- 41 **agreed** to amend the Student Allowances Regulations 1998 under section 645 of the Education and Training Act 2020 to increase student living support as set out in paragraph 34;
- 42 **invited** the Minister for Social Development and Employment to issue drafting instructions to the Parliamentary Counsel Office to draft amendments to give effect to the policy decisions taken in paragraphs 28, 29, 31 and 34;
- 43 **authorised** the Minister for Social Development and Employment, in consultation with other Ministers as appropriate, to make minor and/or technical policy and administrative changes, including any consequential changes, to finalise draft amendments in keeping with the policy objectives to give effect to the 1 April 2022 decisions above;

#### **Legislative implications – Minimum Family Tax Credit**

- 44 **noted** that an Order in Council will be required by 1 December 2021 to implement the adjustment to the Minimum Family Tax Credit from 1 April 2022;
- 45 **agreed** to an Order in Council under section MF 7 (1)(d) of the Income Tax Act 2007 to increase the Minimum Family Tax Credit threshold from 1 April 2022 as set out in paragraph 33;
- 46 **invited** the Minister of Revenue to instruct Inland Revenue to draft the necessary Order in Council to give effect to the policy decision in paragraph 45.

Michael Webster  
Secretary of the Cabinet