

The Treasury

Budget 2022 Information Release

August 2022

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Key to sections of the Act under which information has been withheld:

- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] Out of Scope
- [41] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment
- [42] 18(d) - information is already publicly available or will be publicly available soon

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Reference: T2022/766; BN2022/167

Date: 31 March 2022

To: Minister of Finance
(Hon Grant Robertson)

Minister of Revenue
(Hon David Parker)

Deadline: None
(if any)

Aide Memoire / Briefing Note: Table for joint ministers' discussion – one-off cost of living payment

Attached is a table for discussion at the meeting between the Minister of Finance, the Minister of Revenue and officials from The Treasury, Inland Revenue, and the Ministry of Social Development. This related to the advice provided on 25 March 2022 on a potential one-off cost of living payment in 2022 (T2022/674; IR2022/147 refers).

Officials note that there is a risk that significant issues with the design elements covered off in the table have not been identified due to the speed at which this advice has been developed.

All number in the table relating to distributional impact have not been quality assured and should be taken as indicative only.

In addition to the content in the table relating to some specific design considerations, Inland Revenue officials also wish to set out to overall administrative impact of making this payment.

Overall administrative impact of the payment on Inland Revenue

- The scale and demographics of this population means that even with small contact rates the number of people required to support this initiative is significant.
- The demographics of this vulnerable group means their needs, and support requirements are very complex due their changing life circumstances.
- The total population base is 1.8 million self-employed and automatically-generated tax assessments.
- The main assumptions we have made are:
 - The customer contacts are based on similar types of payments and customer groups (such as WFF recipients)

- Expected contact rates of 25% of customers who do not have bank accounts
- General contact rates of 20% of eligible individuals (reassurance, why don't I qualify, do I qualify)
- Contact rate of 10% of eligible individuals asking where their payment is
- This is based on eligible individuals for whom we already have information, and no applications are made.
- Beneficiaries and NZ Superannuation customers excluded
- Income floor of \$1 and cap of 70K

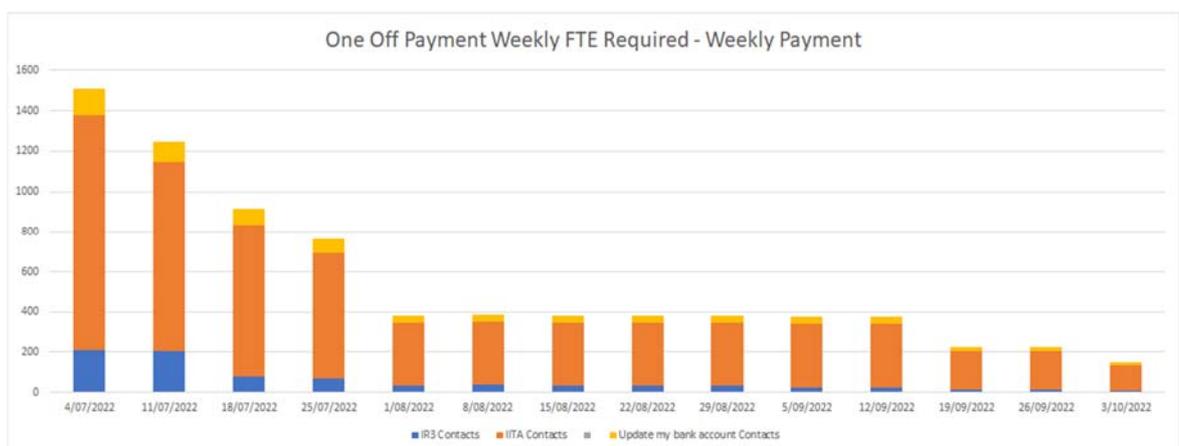
Customer Experience – receiving this payment

- There are three groups of customers receiving this payment a) straight through processed, b) self-employed customers and c) customers with no bank account. All customers that receive this payment will drive contact that impacts on the experience they receive.
- [41]

- For customers without bank accounts we have assessed that it would require approximately 900FTE over a 20 day period to receive and verify their details. This would require approximately half of our current customer service officers to undertake this work.
- Customers without bank accounts could wait 20 days or more to receive their payment.
- These impacts will be similar whether the payment is a one off or periodic.

Inland Revenue operational impacts

- Periodic Payment intensifies the customer experience and contact impacts outlined in delivery date late July below
- Demand profile for a weekly requirement below:



Indicative size of population for the payment

Below is the latest indicative estimate of the size of the population that would get the payment, based on example income floors. This is based on 2019/20 tax year data, is indicative nature, and rounded to the nearest 10,000.

Note- these numbers have not been QAd by Inland Revenue.

NO INCOME FLOOR

<i>Income less than</i>	# of recipients, excluding main benefit/NZS recipients	# of recipients, including main benefit/NZS recipients
50,000	1,530,000	2,580,000
55,000	1,690,000	2,760,000
60,000	1,830,000	2,920,000
65,000	1,960,000	3,070,000
70,000	2,080,000	3,210,000

WITH INCOME FLOOR of \$1

<i>Income less than</i>	# of recipients, excluding main benefit/NZS recipients	# of recipients, including main benefit/NZS recipients
50,000	1,360,000	2,410,000
55,000	1,510,000	2,590,000
60,000	1,660,000	2,750,000
65,000	1,790,000	2,890,000
70,000	1,910,000	3,040,000

WITH INCOME FLOOR of \$5,000

<i>Income less than</i>	# of recipients, excluding main benefit/NZS recipients	# of recipients, including main benefit/NZS recipients
50,000	1,100,000	2,120,000
55,000	1,260,000	2,300,000
60,000	1,400,000	2,460,000
65,000	1,530,000	2,600,000
70,000	1,660,000	2,750,000

Stephen Bond, Manager, Tax Strategy, The Treasury, [39]
Kerryn McIntosh-Watt, Policy Director, Policy and Regulatory Stewardship, Inland Revenue, [39]

Design element	Benefits/Options	Issues/Risks
Periodic payment	<ul style="list-style-type: none"> Better match the Winter Energy Payment 	<ul style="list-style-type: none"> For Inland Revenue a periodic payment would add complexity to the system build as multiple disbursements would need to be made across the entitlement period. It would also add complexity to the design of the policy because of the need to design rules around the payment amount, timing and how to manage changes in eligibility A lump sum payment would be simpler from both a system build and policy perspective Under either option Inland Revenue would recommend a limited frame in which to claim the payment. This would ensure the impacts are limited to a discreet timeframe and simplifies the ongoing system build requirements.
Managing individuals who come off WEP	<p>IR could take two main approaches:</p> <ol style="list-style-type: none"> If IR make periodic CoL payment, periodically re-assess whether they are entitled to WEP. Significantly reduces number of people ‘missing out’ if they drop off main benefits. If IR make lump sum CoL payment: IR may be able to pay lump-sum later in year based on WEP eligibility outcomes. Many individuals would be ‘over-paid’. <p>MSD option – lump sum payment to clients who come off benefit before 1 October, for remaining WEP. At the point a client goes off benefit, the amount of WEP remaining between the cancellation date and 1 October would be calculated and paid to the client as a lump sum</p>	<p>IR options:</p> <ul style="list-style-type: none"> For IR, managing changes in benefit status increases the complexity of the system build as it would require to continual rechecking of eligibility every time a payment is to be made (apart from income). Other risks as above under the increased frequency of payment approach. Not currently clear that IR could deliver further “wash-up” later in year and would need further parameter design to assess. <p>MSD option:</p> <ul style="list-style-type: none"> Implemented from 31 July at the earliest, then daily for all cancellations between 31 July and 1 October Date of point in time on/off benefit check by IR must be on or after 1 May Risk: The client may come back on benefit, after receiving lumpsum, and continue to receive WEP (no mitigation available) Trade-offs: substantial reprioritisation of existing work programmes MSD have explored paying a lumpsum wrap up at the end of the WEP period or continuing to pay WEP on a weekly basis to people who come off benefit, however these are not possible due to operational constraints in the timeframes.
<p>Having an income floor (and setting the amount)</p> <p>(all distributional impact has not gone through QA and is indicative only)</p> <p>(all distributional impact assumes a \$1 floor, unless otherwise stated)</p>	<p>Would exclude some who may not be in your target group e.g.</p> <ul style="list-style-type: none"> People earning income and not declaring (unclear how large this group is) People with no workplace earnings but small amounts of interest income People not working, but have a partner earning over \$100k (around 15% of those excluded) Young people earning little income (possibly supported by parents) 	<p>Would also not send a payment to some individuals who may be in your target group e.g.</p> <ul style="list-style-type: none"> People in one-earner households, with a partner earning less than \$70k income (around 40% of those excluded) People in one-earner household, partner earning between \$70k and \$100k (around 15% of those excluded) Self-employed (very small proportion of those excluded at \$1 floor, but if \$20k floor than 15% excluded are self-employed) (note – this will include people whose self-employed income is not their main source of income) People on unpaid parental leave/stay-at-home parents Unpaid caregivers Around 40% of those excluded have children, and around 30% receive Working for Families (as the floor increases you exclude more people who don’t receive WFF) <p>Increasing the floor decreases the amount going to one earner families with children, who are overrepresented in child poverty statistics</p> <p>No obvious amount to use as floor. Some possible floors to consider could include:</p> <ul style="list-style-type: none"> \$20,800 (around income on minimum wage working 20 hours a week) \$16,500 (around annual income on Jobseeker, no children) \$3,000 (income needed for a tax liability of around \$300) \$1,000 (round number, large enough to remove people with small amounts of interest income)

<i>Delivery date of late July</i>	<ul style="list-style-type: none">• Get payment to most people sooner	Preferred implementation date for Inland Revenue would be in September. While this wouldn't mitigate all risks, this timing would reduce them significantly. [41]
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