

Taxation (Cost of Living Payments) Bill

Government Bill

Explanatory note

General policy statement

This Bill amends the Tax Administration Act 1994 and the Income Tax Act 2007.

The amendments proposed by the Bill are in relation to the Cost of Living Payments Scheme (the **scheme**), which is aimed at providing financial support to eligible low- to middle-income individuals facing increased cost-of-living pressures because of the recent spike in inflation. The Government intends that payments under the scheme will provide transitional support as the Government's extended fuel excise duty reductions and half-price public transport policies are phased out. The scheme will be in effect for 1 year only.

The proposed amendments would allow the Commissioner of Inland Revenue (the **Commissioner**) to use their existing tax administration powers for the purposes of administering the scheme. They also provide how the payments under the scheme would be treated for income tax and social policy purposes.

The Bill does not contain the eligibility criteria for the payments, which have been separately decided by the Government. Because of the nature of the payments, the eligibility criteria do not need to be included in legislation. Instead, the Bill requires the Commissioner to publish the eligibility criteria on the Inland Revenue Department's website.

Under the scheme, cost-of-living payments totalling \$350, which is half the couple rate for the winter energy payment (**WEP**), will provide short-term support for low- to middle-income individuals earning up to \$70,000 per annum and who are not eligible for the WEP. The payments will be made in 3 monthly instalments from 1 August 2022.

The main eligibility criteria for an individual receiving the payments are:

- net income of \$70,000 or less for the 2021–22 tax year;

- not eligible to receive a qualifying benefit for the WEP (sole parent support, supported living payment, jobseeker support, jobseeker support student hardship, emergency benefit, emergency maintenance allowance, youth payment, young parent payment, New Zealand superannuation, or veteran's pension) during the payment period;
- aged 18 or over;
- both New Zealand tax resident and present in New Zealand; and
- not incarcerated.

The Inland Revenue Department will administer the payments and will determine eligibility based on the information it holds for individuals. Individuals will not need to apply for the payments.

Departmental disclosure statement

The Inland Revenue Department is required to prepare a disclosure statement to assist with the scrutiny of this Bill. The disclosure statement provides access to information about the policy development of the Bill and identifies any significant or unusual legislative features of the Bill.

A copy of the statement can be found at <http://legislation.govt.nz/disclosure.aspx?type=bill&subtype=government&year=2022&no=128>

Regulatory impact assessment

No regulatory impact statement was produced to help inform the policy decisions taken by the Government relating to the contents of this Bill. The Inland Revenue Department produced a supplementary analysis report on 4 May 2022 relating to the policy decisions taken by the Government in relation to the contents of this Bill.

A copy of this supplementary analysis report can be found at—

- <https://taxpolicy.ird.govt.nz/publications>
- <https://www.treasury.govt.nz/publications/legislation/regulatory-impact-assessments>

Clause by clause analysis

Clause 1 is the Title clause.

Clause 2 is the commencement clause. It provides that the Bill comes into force on the day after the date on which it receives the Royal assent.

Part 1

Amendments to Tax Administration Act 1994

Clause 3 provides that *Part 1* amends the Tax Administration Act 1994 (the TAA).

Clause 4 amends section 3(1), which defines terms used in the TAA. *Subclause (2)* inserts a definition of *cost of living payments scheme* (the **scheme**). *Subclause (3)* amends the definition of *disputable decision* to exclude a decision to make, or to decline to make, a grant under the scheme. *Subclause (4)* amends the definition of *tax* to include an amount paid as a grant under the scheme as tax for the purposes of various administrative rules, including those on care and management and the recovery of tax.

Clause 5 inserts *new section 7AAA* to enable the Commissioner of Inland Revenue (the **Commissioner**) to administer the scheme.

Clause 6 amends section 157(10), in the definition of *income tax* that applies for the purposes of that section, to include in that term an amount payable in relation to a grant made under the scheme. Section 157 provides that the Commissioner may require a person to deduct an amount from amounts payable to a taxpayer who is in default.

Part 2

Amendments to Income Tax Act 2007

Clause 7 provides that *Part 2* amends the Income Tax Act 2007.

Clause 8 amends section CW 33 to exempt a payment under the scheme from income tax.

Clause 9 amends section MB 13 to exclude a payment under the scheme from family scheme income.

Hon David Parker

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The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Taxation (Cost of Living Payments) Act **2022**.

2 Commencement

This Act comes into force on the day after the date on which it receives the Royal assent.

Part 1

Amendments to Tax Administration Act 1994

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3 Amendments to Tax Administration Act 1994

This Part amends the Tax Administration Act 1994.

4 Section 3 amended (Interpretation)

(1) This section amends section 3(1).

(2) Insert, in appropriate alphabetical order:

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cost of living payments scheme means the Cost of Living Payments Scheme established and administered by the Crown to provide financial support to certain low- and middle-income persons affected by an increase in the cost of living

(3) In the definition of **disputable decision**, after paragraph (b)(v), insert:

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(vb) to make, or to decline to make, a grant under the cost of living payments scheme under **section 7AAA**; or

(4) In the definition of **tax**, after paragraph (cd), insert:

(ce) for the purposes of sections 6 to 6B, 156 to 165, 174AA, and 176 to 177CA, includes an amount payable in relation to a grant made under the cost of living payments scheme:

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5 New section 7AAA inserted (Administration of cost of living payments scheme)

After section 7, insert:

7AAA Administration of cost of living payments scheme

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(1) It is a function of the Commissioner to administer the cost of living payments scheme (the **scheme**) on behalf of the Crown.

(2) If a person who receives a grant under the scheme from the Commissioner does not qualify for the grant under the eligibility requirements of the scheme, the person must immediately repay to the Commissioner the total amount of the grant.

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(3) The Commissioner must publish, on an internet site administered by the Commissioner, the eligibility requirements referred to in **subsection (2)**.

6 Section 157 amended (Deduction of tax from payments due to defaulters)

In section 157(10), definition of **income tax**, after paragraph (k), insert:

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(kb) an amount payable in relation to a grant made under the cost of living payments scheme:

Part 2

Amendments to Income Tax Act 2007

- 7 Amendments to Income Tax Act 2007** 5
This Part amends the Income Tax Act 2007.
- 8 Section CW 33 amended (Allowances and benefits)**
After section CW 33(1)(c), insert:
(cb) a payment under the cost of living payments scheme, as defined in section 3(1) of the Tax Administration Act 1994: 10
- 9 Section MB 13 amended (Family scheme income from other payments)**
In section MB 13(2)(n), before “(e),” insert “**(cb)**”.