



J.17

Taxation (Cost of Living Payments) Bill: First reading

Legislative Statement

Presented to the House in accordance with Standing Order 272

Overview

The Taxation (Cost of Living Payments) Bill (the Bill) proposes amendments to the Tax Administration Act 1994 and the Income Tax Act 2007. These amendments are necessary to enable Inland Revenue to administer the cost-of-living payments. The proposed amendments would allow Inland Revenue to:

- include administration of the cost-of-living payments as one of the functions of the Commissioner of Inland Revenue; and
- use the information it holds to determine eligibility and make payments;
- recover the payments if necessary.

Policy background

Cost of living payments

The Cost of Living Payments Scheme (the scheme) 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 scheme would be in effect for 1 year only.

Under the scheme, cost-of-living payments totalling \$350 would provide short-term support for low- to middle-income individuals earning up to \$70,000 per annum and who are not eligible for the winter energy payment (WEP). The payments would 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 would administer the payments and determine eligibility based on the information it holds for individuals. Individuals would not need to apply for the payments.

Proposals in the Bill

Cost of living payment amendments

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. The amendments include:

- amending the definition of 'tax' to include an amount paid as a grant under the scheme as tax for the purpose of administrative rules, including those on care and management and the recovery of tax, and
- amendments to enable the Commissioner to administer the scheme.

The Bill also proposes that the payments would be exempt from income tax and would not be income for social policy purposes.

It is proposed the Bill comes into force the day after the day the Bill receives Royal assent.

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.