

# Coversheet

## **Implementing our agreed approach to paying benefits and pensions to those stranded overseas**

**Hon Carmel Sepuloni, Minister for Social Development**

These documents have been proactively released.

*16 April 2020, Implementing our agreed approach to paying benefits and pensions to those stranded overseas, Office of the Minister for Social Development*

*16 April 2020, COVID-19 Ministerial Group Minute – Implementing our agreed approach to paying benefits and pensions to those stranded overseas, Cabinet Office*

On 3 April 2020 the COVID-19 Ministerial Group agreed to resume payments of main benefits, superannuation, and supplementary assistance to beneficiaries and superannuitants who are stranded overseas due to COVID-19. The relevant paper and minute are being considered for release by the Minister of Foreign Affairs.

On 16 April 2020, the COVID-19 Ministerial Group noted that the Minister for Social Development would establish a welfare programme to implement their decision, and agreed to the necessary changes to appropriations.

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**Search Tags: superannuation, benefits, overseas, stranded, COVID-19, coronavirus, living alone**

**In confidence**

Office of the Minister for Social Development  
COVID-19 Group of Ministers

**Implementing our agreed approach to paying benefits and pensions to those stranded overseas**

**Proposal**

- 1 This paper seeks agreement to the fiscally neutral changes to appropriations required to implement our agreement to continue or resume benefits or pensions for people stranded overseas through a Ministerial welfare programme.

**The COVID-19 Ministerial Group agreed that payments of benefits and pensions to people stranded overseas be continued or resumed**

- 2 On 3 April 2020, the COVID-19 Ministerial Group agreed that, for MSD clients stranded overseas, payments of New Zealand Superannuation (NZS) and Veteran's Pension (VP), main benefits, Orphan's Benefit and Unsupported Child's Benefit (OB/UCB), and supplementary assistance can be resumed from the date a person expected to return to New Zealand. This includes the flexibility to resume payments from an earlier date for people in severe hardship, or to not resume payments where it is identified that people no longer qualify.
- 3 The Ministerial Group also noted that emergency powers are needed to implement the changes agreed and that officials were working through the process to put in place the instruments that will authorise the changes, which might have included Immediate Modification Orders (IMOs) under the Epidemic Preparedness Act 2006.
- 4 The Ministry of Social Development (MSD) has subsequently been advised that IMOs do not provide a solution. IMOs do not address the kind of restriction that needs to be modified here.

**I will implement this decision through a Ministerial welfare programme**

*There are limited options for implementing this decision prior to the resumption of Parliament*

- 5 The Social Security Regulations 2018 could be amended to implement the change prospectively for main benefits, OB/UCB, and supplementary assistance other than Winter Energy Payment (WEP). This is not a solution for NZS, VP and WEP.
- 6 The decision can be implemented through urgent legislative amendments once Parliament resumes. However, the timing of this is uncertain and still weeks away at minimum.

*The best option in the interim is a Ministerial welfare programme that allows MSD to continue payments using current processes*

- 7 The solution that MSD has identified is to develop a Ministerial welfare programme under section 101 of the Social Security Act 2018, which I will make on 20 April 2020.
- 8 This will cover NZS, VP, main benefits, OB/UCB and supplementary assistance.
- 9 This welfare programme will allow for MSD to make a payment to a superannuitant or beneficiary who cannot otherwise receive their standard payment because they are stranded overseas as a consequence of COVID-19.
- 10 The payment would be the equivalent of the rate of payment to which the superannuitant or beneficiary would be entitled were they not stranded overseas. That will include its taxable or non-taxable status.<sup>1</sup>
- 11 Consequently, it would be paid through MSD systems as though it were that payment to which the superannuitant or beneficiary would be entitled were they not stranded overseas.
- 12 However, MSD will ensure that the payment is reported on separately for financial purposes.
- 13 As it is paid through a new Ministerial welfare programme, consequential changes will be required to the Income Tax Act 2007, and potentially to other tax acts, to ensure the equivalent treatment is achieved – as if the person had received the benefit or pensions directly. This could include how the payment is treated as taxable or non-taxable income for various payments administered by Inland Revenue.

### **Financial Implications**

- 14 A new demand-driven Benefit or Related Expense appropriation ('NZ Beneficiaries Stranded Overseas'), under Vote Social Development is required to make payments equivalent to the benefits and pensions of New Zealanders who were scheduled to return to New Zealand but unable to do so due to COVID 19 travel restrictions.
- 15 The proposal will have a neutral effect on the operating balance. The increase in costs will be offset by a corresponding saving in the benefits and New Zealand superannuation payments paid domestically.

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<sup>1</sup> Currently, NZS, VP and main benefits paid under the Social Security Act 2018 are subject to PAYE income tax, and supplementary assistance like Accommodation Supplement, Disability Allowance and WEP are not taxed.

**IN CONFIDENCE**

- 16 The following changes to appropriations are required to fund the welfare grant costs:

Vote Social Development Minister for Social Development	\$m - increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & outyears
<b>Benefit or Related Expense:</b>					
NZ Beneficiaries Stranded Overseas	28.380	10.131	-	-	-
Accommodation Assistance	(1.151)	(0.392)	-	-	-
Disability Assistance	(0.087)	(0.030)	-	-	-
Hardship Assistance	(0.161)	(0.055)	-	-	-
Jobseeker Support and Emergency Benefit	(2.458)	(0.837)	-	-	-
New Zealand Superannuation	(19.845)	(6.760)	-	-	-
Orphan's/Unsupported Child's Benefit	(0.100)	(0.034)	-	-	-
Sole Parent Support	(1.011)	(0.344)	-	-	-
Supported Living Payment	(0.689)	(0.235)	-	-	-
Veterans' Pension	(0.081)	(0.028)	-	-	-
Winter Energy Payment	(2.764)	(1.405)	-	-	-
Youth Payment and Young Parent Payment	(0.033)	(0.011)	-	-	-
Total Operating	-	-	-	-	-

**Legislative Implications**

- 17 A welfare programme is required, which I intend to make on 20 April 2020 with immediate effect. This will be made under section 101 of the Social Security Act 2018.
- 18 To achieve this immediate effect, I seek agreement to waive the 28-day rule.
- 19 To ensure the payments made under the welfare programme are taxed as if they were paid as benefits, the Income Tax Act 2007 will need to be amended to ensure the payments are subject to income tax (and in particular PAYE), where the statutory equivalent is also taxed. Other tax acts may also need consequential amendment to ensure an equivalent outcome as if the person had been paid the original benefit or pension.
- 20 I propose that the Minister of Revenue be invited to issue drafting instructions to Inland Revenue to make these changes, and authorised to take decisions on related minor and technical matters.
- 21 Proposed legislation could be included in the next COVID-19 bill, which could be enacted by the end of April 2020 (subject to the resumption of Parliament as anticipated). As I will make the welfare programme on 20 April 2020, the
- 22 tax amendment would need to be retrospective.

## Impact Analysis

- 23 No Regulatory Impact Assessment has been undertaken as the changes are required as soon as possible to respond to the effects of COVID-19. The changes also seek to implement policy decisions already made by the COVID-19 Ministerial Group.

## Human Rights

- 24 No inconsistency has been identified with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

## Consultation

- 25 The Treasury, Inland Revenue, and Veterans' Affairs New Zealand have been consulted. The Department of the Prime Minister and Cabinet (Policy Advisory Group) has been informed.

## Communications

- 26 Officials will develop key messages on provision of assistance to MSD clients who are unable to return to New Zealand.

## Proactive Release

- 27 I intend to release this paper within 30 working days of the COVID-19 Ministerial Group decision.

## Recommendations

The Minister for Social Development recommends that the COVID-19 Ministerial Group:

- 1 **note** that on 3 April 2020 the COVID-19 Ministerial Group agreed that payments of New Zealand Superannuation and Veteran's Pension, main benefits, Orphan's Benefit and Unsupported Child's Benefit, and supplementary assistance can be resumed from the date a person expected to return to New Zealand, with the flexibility to resume payments from an earlier date for people in severe hardship, or to not resume payments where it is identified that people no longer qualify
- 2 **note** that the decision noted at recommendation 1:
  - 2.1 cannot be implemented through Immediate Modification Orders under the Epidemic Preparedness Act 2006
  - 2.2 cannot be implemented through changes to regulations for New Zealand Superannuation, Veteran's Pension or Winter Energy Payment

3 **note** that:

3.1 the Minister for Social Development will establish a welfare programme on 20 April 2020 with immediate effect to allow MSD to make a payment to a superannuitant or beneficiary who cannot otherwise receive their standard payment because they are stranded overseas as a consequence of COVID-19

3.2 payments made under the welfare programme established at recommendation 3.1 will be the equivalent of the payment to which the superannuitant or beneficiary would be entitled were they not stranded overseas, including its taxable or non-taxable status, and how it is taxed including being subject to PAYE

4 **agree** to waive the 28-day rule for the welfare programme noted at recommendation 3, so that it can have immediate effect

5 **agree** to establish the following new appropriation to fund the welfare programme noted at recommendation 3 above:

<b>Vote</b>	Social Development
<b>Minister</b>	Minister for Social Development
<b>Title</b>	NZ Beneficiaries Stranded Overseas
<b>Type</b>	Benefits or Related Expenditure
<b>Scope</b>	This appropriation is limited to providing social welfare assistance to New Zealanders stranded overseas as a result of COVID-19, who were receiving benefit assistance or New Zealand Superannuation or Veteran's Pension, in accordance with criteria set out in the welfare programme established by the Minister for Social Development under section 101 of the Social Security Act 2018.

6 **agree** to a performance exemption under section 15D(2)(b)(ii) of the Public Finance Act, as additional performance information is unlikely to be informative as this appropriation is solely for time-limited payments related to the COVID-19 response

IN CONFIDENCE

- 7 **approve** the following change to appropriations to fund the welfare grant with a corresponding impact on the operating balance and net core Crown debt:

Vote Social Development Minister for Social Development	\$m - increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & outyears
<b>Benefit or Related Expense:</b>					
NZ Beneficiaries Stranded Overseas	28.380	10.131	-	-	-
Accommodation Assistance	(1.151)	(0.392)	-	-	-
Disability Assistance	(0.087)	(0.030)	-	-	-
Hardship Assistance	(0.161)	(0.055)	-	-	-
Jobseeker Support and Emergency Benefit	(2.458)	(0.837)	-	-	-
New Zealand Superannuation	(19.845)	(6.760)	-	-	-
Orphan's/Unsupported Child's Benefit	(0.100)	(0.034)	-	-	-
Sole Parent Support	(1.011)	(0.344)	-	-	-
Supported Living Payment	(0.689)	(0.235)	-	-	-
Veterans' Pension	(0.081)	(0.028)	-	-	-
Winter Energy Payment	(2.764)	(1.405)	-	-	-
Youth Payment and Young Parent Payment	(0.033)	(0.011)	-	-	-
Total Operating	-	-	-	-	-

- 8 **agree** that the proposed changes to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply
- 9 **agree** that the proposed changes to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply
- 10 **agree** that any forecasting adjustment to reflect change in demand for this appropriation under existing policy settings be approved as required by joint Ministers (CO (18) 2 refers)
- 11 **authorise** the Minister of Finance and the Minister for Social Development jointly to approve any forecasting adjustments to reflect any increased demand for this assistance under existing policy settings
- 12 **note** that ensuring that equivalent payments made under the welfare programme noted at recommendation 3 are subject to PAYE (where they are paid because a benefit that is subject to PAYE cannot be) will require amendments to the Income Tax Act 2007 and may require consequential changes to other tax acts
- 13 **agree** that the change to the Income Tax Act 2007 and other tax acts noted at recommendation 12 be backdated to commence on 20 April 2020

- 14 **invite** the Minister of Revenue to issue drafting instructions to Inland Revenue to give effect to recommendations 12 and 13
- 15 **authorise** the Minister of Revenue to take decisions on minor and technical details related to recommendations 3, 12 and 13 , including where equivalent income treatment of the payments is required to ensure the same result as if the person had receive the original benefit or pension.

Authorised for lodgement

Hon Carmel Sepuloni

Minister for Social Development

Proactively Released





# Meeting of the COVID-19 Ministerial Group

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Implementing the Agreed Approach to Paying Benefits and Pensions to Those Stranded Overseas

The group of Ministers with Power to Act on COVID-19 matters [CAB-20-MIN-0130] convened on 16 April 2020 at 10.30am, and in accordance with their Power to Act:

- 1 **noted** that on 3 April 2020, the COVID-19 Ministerial Group agreed that payments of New Zealand Superannuation and Veteran's Pension, main benefits, Orphan's Benefit and Unsupported Child's Benefit, and supplementary assistance can be resumed from the date a person expected to return to New Zealand, with the flexibility to resume payments from an earlier date for people in severe hardship, or to not resume payments where it is identified that people no longer qualify;
- 2 **noted** that the above decision:
  - 2.1 cannot be implemented through Immediate Modification Orders under the Epidemic Preparedness Act 2006;
  - 2.2 cannot be implemented through changes to regulations for New Zealand Superannuation, Veteran's Pension or Winter Energy Payment;
- 3 **noted** that:
  - 3.1 the Minister for Social Development will establish a welfare programme on 20 April 2020 with immediate effect to allow the Ministry of Social Development to make a payment to a superannuitant or beneficiary who cannot otherwise receive their standard payment because they are stranded overseas as a consequence of COVID-19;
  - 3.2 payments made under the welfare programme established under paragraph 3.1 above will be the equivalent of the payment to which the superannuitant or beneficiary would be entitled were they not stranded overseas, including its taxable or non-taxable status, and how it is taxed including being subject to PAYE;
- 4 **agreed** to waive the 28-day rule for the welfare programme noted in paragraph 3 above, so that it can have immediate effect;

**IN CONFIDENCE**

- 5 **agreed** to establish the following new appropriation to fund the welfare programme noted in paragraph 3 above:

<b>Vote</b>	Social Development
<b>Minister</b>	Minister for Social Development
<b>Title</b>	NZ Beneficiaries Stranded Overseas
<b>Type</b>	Benefits or Related Expenditure
<b>Scope</b>	This appropriation is limited to providing social welfare assistance to New Zealanders stranded overseas as a result of COVID-19, who were receiving benefit assistance or New Zealand Superannuation or Veteran's Pension, in accordance with criteria set out in the welfare programme established by the Minister for Social Development under section 101 of the Social Security Act 2018.

- 6 **agreed** to a performance exemption under section 15D(2)(b)(ii) of the Public Finance Act, as additional performance information is unlikely to be informative as this appropriation is solely for time-limited payments related to the COVID-19 response;

- 7 **approved** the following change to appropriations to fund the welfare grant, with a corresponding impact on the operating balance and net core Crown debt:

Vote Social Development Minister for Social Development	\$m - increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & outyears
<b>Benefit or Related Expense:</b>					
NZ Beneficiaries Stranded Overseas	28.380	10.131	-	-	-
Accommodation Assistance	(1.151)	(0.392)	-	-	-
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New Zealand Superannuation	(19.845)	(6.760)	-	-	-
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Winter Energy Payment	(2.764)	(1.405)	-	-	-
Youth Payment and Young Parent Payment	(0.033)	(0.011)	-	-	-
Total Operating	-	-	-	-	-

- 8 **agreed** that the changes to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

- 9 **agreed** that the changes to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

- 10 **agreed** that any forecasting adjustment to reflect change in demand for this appropriation under existing policy settings be approved as required by joint Ministers (CO (18) 2 refers);

**IN CONFIDENCE**

- 11 **authorised** the Minister of Finance and the Minister for Social Development jointly to approve any forecasting adjustments to reflect any increased demand for this assistance under existing policy settings;
- 12 **noted** that ensuring that equivalent payments made under the welfare programme noted in paragraph 3 above are subject to PAYE (where they are paid because a benefit that is subject to PAYE cannot be) will require amendments to the Income Tax Act 2007 and may require consequential changes to other tax Acts;
- 13 **agreed** that the change to the Income Tax Act 2007 and other tax Acts noted in paragraph 12 above be backdated to commence on 20 April 2020;
- 14 **invited** the Minister of Revenue to issue drafting instructions to Inland Revenue to give effect to paragraphs 12 and 13 above;
- 15 **authorised** the Minister of Revenue to take decisions on minor and technical details related to paragraphs 3, 12 and 13 above, including where equivalent income treatment of the payments is required to ensure the same result as if the person had receive the original benefit or pension.

Rachel Hayward  
for Secretary of the Cabinet

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**Distribution:**

The Cabinet  
Hon James Shaw

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