

Coversheet

COVID-19 Income Relief Payment

Hon Carmel Sepuloni, Minister for Social Development

The Cabinet papers *Temporary Income Relief Payment* and *Social Security COVID-19 Income Relief Payment to be Income Amendment Bill Approval for Introduction* have been proactively released.

This release includes the papers, minutes and key advice for the decisions made about the COVID-19 Income Relief Payment (CIRP). CIRP is a new temporary payment to support New Zealanders and cushion the financial impacts of sudden job loss due to the COVID-19 pandemic, and to help them find new employment or retrain. The payment will be available for 12 weeks from 8 June for anyone who has lost their job due to the impact of COVID-19 between March 1 and October 30.

Key to Redactions Codes:

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act which would apply have been identified. Where information has been withheld, public interest does not outweigh the reasons for withholding it. This is the key to the redaction codes used for this release:

- Section 9(2)(a) - this information is withheld in order to protect the privacy of natural persons. The need to protect the privacy of these individuals outweighs any public interest in this information.
- Section 9(2)(f)(iv) - confidential advice/Under active consideration.
- Section 9(2)(h) - maintain legal professional privilege.
- Out of scope.

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Cabinet

Minute of Decision

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Social Security (COVID-19 Income Relief Payment to be Income) Amendment Bill: Approval for Introduction

Portfolio **Social Development**

On 25 May 2020, Cabinet:

COVID-19 Income Relief Payment

- 1 **noted** that on 4 May 2020, Cabinet authorised a group of Ministers comprising the Prime Minister, the Deputy Prime Minister, the Minister of Finance, and the Minister for Social Development (Joint Ministers), to have Power to Act to take decisions on a proposal for a temporary income relief payment, including any matters required to give effect to the decisions, funding and appropriations, drafting instructions for any legislative changes that may be required, and any other related matters to give effect to the proposals [CAB-20-MIN-0203];
- 2 **noted** that Joint Ministers agreed to the introduction of a temporary income relief payment, referred to as the COVID-19 Income Relief Payment (the relief payment);
- 3 **noted** that Joint Ministers agreed that people receiving the temporary income relief payment will continue to be able to access other income support provided by the Ministry of Social Development (excluding main benefits), such as supplementary and hardship assistance, and that the relief payment be treated as income for these supports;
- 4 **noted** that treating the relief payment as income for benefit purposes ensures equity of entitlement with people who have earned an equivalent level of income through paid employment;
- 5 **noted** that as the relief payment is non-taxable, it will not be considered income for products administered through the tax system such as student loan repayments, Working for Families tax credits or Child Support;

Social Security (COVID-19 Income Relief Payment to be Income) Amendment Bill

- 6 **noted** that the Social Security (COVID-19 Income Relief Payment to be Income) Amendment Bill (the Bill) ensures the COVID-19 Income Relief Payment is treated as income for benefit purposes;
- 7 **agreed** to amend the Social Security Act 2018 to treat the COVID-19 Income Relief Payment as income for benefit purposes;

- 8 **approved** for introduction Social Security (COVID-19 Income Relief Payment to be Income) Amendment Bill [PCO 22940/1.9], subject to the final approval of the government caucuses and sufficient support in the House of Representatives;
- 9 **agreed** that the Bill be introduced in the week beginning 25 May 2020;
- 10 **noted** that the Bill needs to come into force on 8 June 2020 otherwise the implementation of the relief payment may be delayed, as otherwise the Ministry of Social Development would be charging the relief payment as income unlawfully;
- 11 **agreed** that the Bill be progressed under urgency;
- 12 **agreed** that the Bill come into force on 8 June 2020;

Amendment Regulations

- 13 **noted** that the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) (COVID-19 Income Relief Payment to be Income) Amendment Regulations 2020 (the Amendment Regulations) amend the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) Regulations 2018 to make the relief payment chargeable as income for public and community housing purposes;
- 14 **authorised** the submission to the Executive Council of the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) (COVID-19 Income Relief Payment to be Income) Amendment Regulations 2020 [PCO 22960/2.0];
- 15 **noted** that the Amendment Regulations need to come into force on 8 June 2020 otherwise the implementation of, and therefore eligible people's access to the relief payment may be delayed, as otherwise, the Ministry of Social Development would be charging the relief payment as income unlawfully;
- 16 **agreed** to a waiver of the 28-day rule so that the Amendment Regulations can come into force on 8 June 2020;

Other legislative change required

- 17 **agreed** that the Minister for Social Development may, if required, make minor and technical amendments to Welfare Programmes to ensure the relief payment is considered as income consistently across supports provided by the Ministry of Social Development.

Michael Webster
Secretary of the Cabinet

In Confidence

Office of the Minister for Social Development

Chair, Cabinet

Social Security (COVID-19 Income Relief Payment to be Income) Amendment Bill: Approval for Introduction

Proposal

1. Joint Ministers with Power to Act agreed to introduce a new COVID-19 Income Relief Payment (the relief payment) and that this would be treated as income for benefit and public and community housing purposes. The relief payment will be established in a Ministerial Welfare Programme. Treating the payment as income requires technical amendments to legislation which are being sought through this paper.
2. This paper seeks approval for the introduction of the Social Security (COVID-19 Income Relief Payment to be Income) Amendment Bill (the Bill) to ensure the COVID-19 Income Relief Payment is treated as income for benefit purposes.
3. This paper also seeks approval to submit the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) (COVID-19 Income Relief Payment to be Income) Amendment Regulations 2020 (the Amendment Regulations) to the Executive Council. The Amendment Regulations amend the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) Regulations 2018 to treat the relief payment as income for public and community housing purposes.

Policy

The COVID-19 Income Relief Payment is being established to support those who have lost their employment due to the impact of COVID-19

4. With COVID-19, New Zealand faces a major threat to its economy and to the livelihoods of many New Zealanders. This Government has responded quickly and taken unprecedented measures to protect jobs and incomes. This includes a range of support to help businesses to stay afloat (including, tax relief, credit, the business finance guarantee and small business cashflow loan schemes), as well as a comprehensive wage subsidy scheme to support businesses and protect jobs through the initial lockdown period.
5. While these measures are having a positive effect, some people have already lost their jobs and more will do so. A new temporary income relief payment was considered the best option by Ministers to provide additional time-limited support to those who experience a loss of work due to the impacts of COVID-19.
6. On 4 May 2020, Cabinet authorised a group of Ministers comprising the Prime Minister, Deputy Prime Minister, Minister of Finance and the Minister for Social Development (joint Ministers), to have Power to Act to take decisions on the proposal

for a temporary income relief payment, including any matters required to give effect to the decisions, funding and appropriations, drafting instructions for any legislative changes that may be required, and any other related matters to give effect to the proposals [CAB-20-MIN-0203 refers].

7. Subsequently, it was agreed that the introduction of a temporary income relief payment, referred to as the COVID-19 Income Relief Payment (the relief payment). The relief payment is intended to be paid instead of a main benefit to provide short-term, time-limited, income support to help soften the income shock from unemployment and reduce disruption for people as they seek new employment.
8. The relief payment is payable for up to 12 weeks to an eligible individual who experiences or has experienced a loss of work from 1 March 2020 to 30 October 2020 inclusively. The payment will be non-taxable and be paid at a rate of \$490 per week for someone previously in full-time work (30 hours or more a week), and \$250 per week for someone previously in part-time work (15 hours to 29 hours a week inclusively) [REP/20/5/481, T2020/1335 refers].
9. Students receiving a Student Allowance will only be able to access the part-time rate of the relief payment. However, if the student was previously in full-time employment, they can opt to receive the higher full-time rate of the temporary income relief payment instead of their Student Allowance.
10. Further parameters of the relief payment as agreed are detailed in an appendix to this paper.
11. The relief payment will be established in a Ministerial Welfare Programme under section 101 of the Social Security Act 2018. The Ministry of Social Development will administer this payment, with applications opening on 8 June 2020.

While it will be non-taxable, the relief payment will be treated as income for benefit purposes

12. The relief payment will function as an alternative to a main benefit, so it cannot be received at the same time as:
 - 12.1. Jobseeker Support
 - 12.2. Supported Living Payment
 - 12.3. Emergency Benefit
 - 12.4. Young Parent Payment or Youth Payment
 - 12.5. Sole Parent Support.
13. Eligible recipients will be able to access other income support provided by the Ministry of Social Development, such as supplementary and hardship assistance. This includes, but is not limited to:
 - 13.1. Accommodation Supplement

- 13.2. Temporary Additional Support
 - 13.3. Disability Allowance
 - 13.4. Childcare Assistance
 - 13.5. Special Needs Grants.
14. It was agreed that the relief payment will be treated as income for these supports from the welfare system. As it is non-taxable, the relief payment will **not** be considered income for products administered through the tax system such as student loan repayments, Working for Families tax credits or Child Support¹.
 15. The relief payment will also **not** be considered income for Student Allowances, for any student or partner or parental income tests. This is due to a decision that students receiving a Student Allowance will only be able to access the part-time rate of the relief payment, but that it will otherwise not affect their entitlements [REP/20/5/481, T2020/1335 refers]. If the student was previously in full-time employment, they can opt to receive the higher full-time rate of the relief payment instead of their Student Allowance.
 16. Generally, main benefits are not treated as income for supplementary or hardship assistance². This reflects that those in receipt of a main benefit have low or no income, so receipt of a main benefit should not prevent individuals from accessing supplementary assistance related to their specific costs or circumstances. Likewise, receiving supplementary assistance should not affect access to a main benefit.
 17. While the relief payment is an alternative to the main benefit, it has a different purpose from, and will be treated differently to, a main benefit. The relief payment serves as more of an 'earnings replacement' for individuals who have lost work, rather than the main benefit which serves as more of a 'safety net' for individuals or families with low or no income from work. The relief payment is therefore paid at a comparatively higher rate, similar to the level of the wage subsidy.
 18. If the relief payment was not considered income for supplementary and hardship assistance, then those receiving it would have a greater entitlement to these supports than those who receive other income, such as from paid employment. Treating this payment as income ensures equity of entitlement with low income workers³.
 19. Treating this payment as income also aligns with existing rules in MSD's IT systems. To implement the relief payment by 8 June 2020, the relief payment would either need to be considered income for all supplementary assistance and hardship

¹ Given the relief payment is paid as an alternate to a main benefit, and as a form of earnings replacement, it would ideally be taxable and considered income for payments made through the tax system to ensure equity with working people, but this was not possible in the implementation timeframe.

² A main benefit is considered income for the calculation of some supplementary and hardship assistance, for example Temporary Additional Support and the calculation of Income Related Rent.

³ MSD are putting in place a process to ensure that assessments are done where it is likely that an applicant would be better off receiving a main benefit (with supplementary assistance) than the relief payment.

payments or none. Different rules would have required a significantly longer lead-in time for implementation to allow for changes to MSD's core payment system.

20. The legislative amendments outlined below give effect to the decisions made on how the relief payment should be treated as income.

The Bill will enable the payment to be treated as income for support provided by the Ministry of Social Development

21. The relief payment will be established in a Ministerial Welfare Programme under Section 101 of the Social Security Act 2018 (the Act). Under current legislation, payments under Ministerial Welfare Programmes are only considered income for Temporary Additional Support, Childcare Assistance and Special Benefit and are excluded as income for other purposes under clause 8(a) of schedule 3 of the Act. This means primary and secondary legislation must be amended to ensure the relief payment is considered as income for supplementary and hardship assistance.
22. The primary definition of income for the social security system sits in Schedule 3 of the Social Security Act 2018. The Bill amends Schedule 3 of the Social Security Act 2018 to include the relief payment as income for the purposes of eligibility for supplementary and hardship assistance.
23. As this amendment is narrow in scope, it will only impact on the treatment of payments made through this specific Ministerial Welfare Programme. The amendment is also temporary, so will automatically be repealed once the COVID-19 Income Relief Payment Programme is revoked and not replaced. The eventual repeal of this provision will not affect nor make previous decisions made under it unlawful.

The Bill will need to be progressed under urgency as it must be passed before 8 June 2020

24. Officials are working at pace to implement the relief payment from 8 June 2020⁴.
25. Working to this implementation date has required MSD to build systems to the requirements agreed to. This means that operationally the relief payment will be considered income.
26. If changes to legislation are not made by 8 June 2020 it could jeopardise the implementation date, potentially delaying access to the relief payment, as otherwise MSD would be charging the relief payment as income from 8 June 2020 unlawfully until legislation is passed.

The Amendment Regulations will ensure the relief payment is considered income for public and community housing purposes

27. Alongside the Bill, I am proposing submission of the Amendment Regulations to the Executive Council.

⁴ This coincides with the end of the current wage subsidy scheme.

28. The Amendment Regulations will enable the income relief payment to be treated as income for the purposes of Income Related Rent Subsidies⁵. The regulations amend section 13 (a) of the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) Regulations 2018, specifying that this income relief payment is to be treated as income for the purposes of calculating income-related rent. This ensures it will be treated consistently with main benefits such as Jobseeker Support and with income from employment.
29. As with the Bill, the Amendment Regulations will need to come into force on 8 June to avoid either a delay to the implementation of the relief payment or MSD's systems charging the payment as income unlawfully.
30. Subject to Cabinet agreement to the proposals in this paper, I may, if required make minor and technical amendments to Welfare Programmes to ensure the relief payment is considered as income consistently across supports provided by MSD.

Impact analysis

31. This proposal is a direct response to COVID-19. A Regulatory Impact Assessment is therefore not required [CAB-20-MIN-0138 refers] and was not feasible for the agencies to complete due to the tight timeframes.

Compliance

32. The Bill complies with each the following:
 - 32.1. the principles of the Treaty of Waitangi;
 - 32.2. the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
 - 32.3. the disclosure statement requirements
 - 32.4. the principles and guidelines set out in the Privacy Act 1993;
 - 32.5. relevant international standards and obligations;
 - 32.6. the Legislation Guidelines (2018 edition), which are maintained by the Legislation Design and Advisory Committee.

Consultation

33. This paper was prepared by the Ministry of Social Development. The Department of the Prime Minister and Cabinet (Policy Advisory Group and Child Poverty Unit), the Ministry of Justice, the Treasury, Inland Revenue, the Ministry of Housing and Urban Development, the Ministry of Education, the Ministry of Health, the Ministry of

⁵ These Amendment Regulations do not override the rent freeze which is currently in place. The relief payment being considered income for Income Related Rent (IRR) could only result in an increase after the rent freeze provisions end. MSD have operationalised the rent freeze to mean that there should be no increases to IRR during this time. The only changes to IRR while the rent freeze is in effect will be when a tenant has reduced income and their rent needs to be decreased accordingly.

Business Innovation and Employment and Veterans' Affairs New Zealand were consulted.

Associated regulations

34. Regulations are not required to bring the Bill into operation.
35. The Amendment Regulations being progressed in parallel to this Bill, which are required to meet the policy intent, will come into force alongside the Bill on 8 June 2020.

Other instruments

36. The Bill does not include any provision empowering the making of other instruments.

Commencement of legislation

37. The Bill will come into force on 8 June 2020.

Parliamentary stages

38. I propose the Bill should be introduced to the House and go through all stages under urgency during the week beginning 25 May 2020.
39. It must commence on 8 June 2020 to ensure that the relief payment is chargeable as income from the day applications open.

Timing and 28-day rule

40. Ordinarily, legislative instruments must not come into force until at least 28 days after they have been notified in the New Zealand Gazette (the 28-day rule). However, a waiver to the 28-day rule can be approved by Cabinet if certain criteria are met, including if the legislative instrument is made in response to an emergency.
41. Given this is a response to the COVID-19 pandemic I consider that it meets that criteria for a waiver to the 28-day rule.
42. The change will also enable the timely application of the COVID-19 Income Relief Payment Programme, which itself only confers benefits to the public.
43. I propose to waive the 28-day rule for the Amendment Regulations to ensure they can come into force on 8 June 2020. The Amendment Regulations will need to be notified in the New Zealand Gazette as soon as practicable.

Regulations Review Committee

44. There are no grounds for the Regulations Review Committee to draw the Amendment Regulations to the attention of the House under Standing Order 319.

Certification by Parliamentary Counsel

45. The Amendment Regulations have been certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.

Proactive Release

46. I intend to release this paper proactively within 30 working days. Any information withheld as part of the release will be in line with the Official Information Act 1982.

Recommendations

The Minister for Social Development recommends that the Committee:

The COVID-19 Income Relief Payment

1. **note** that joint Ministers with Power to Act, agreed to the introduction of a temporary income relief payment, referred to as the COVID-19 Income Relief Payment (the relief payment)
2. **note** that it was agreed that people receiving the temporary income relief payment will continue to be able to access other income support provided by the Ministry of Social Development (excluding main benefits), such as supplementary and hardship assistance, and the relief payment be treated as income for these supports
3. **note** that treating the relief payment as income for benefit purposes ensures equity of entitlement with people who have earned an equivalent level of income through paid employment
4. **note** that as the relief payment is non-taxable, it will not be considered income for products administered through the tax system such as student loan repayments, Working for Families tax credits or Child Support

The Social Security (COVID-19 Income Relief Payment to be Income) Amendment Bill

5. **note** the Social Security (COVID-19 Income Relief Payment to be Income) Amendment Bill (the Bill) ensures the COVID-19 Income Relief Payment is treated as income for benefit purposes
6. **agree** to amend the Social Security Act 2018 to treat the COVID-19 Income Relief Payment as income for benefit purposes
7. **approve** the Bill for introduction, subject to the final approval of the government caucus and sufficient support in the House of Representatives
8. **agree** that the Bill be introduced in the week beginning 25 May 2020
9. **note** the Bill needs to come into force on 8 June 2020 otherwise the implementation of the relief payment may be delayed, as otherwise the Ministry of Social Development would be charging the relief payment as income unlawfully
10. **agree** that the Bill be progressed under urgency
11. **agree** that, subject to being passed by the House, the Bill will come into force on 8 June 2020

The Amendment Regulations

12. **note** the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) (COVID-19 Income Relief Payment to be Income) Amendment Regulations 2020 (the Amendment Regulations) amend the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) Regulations 2018 to make the relief payment chargeable as income for public and community housing purposes
13. **note** these Amendment Regulations need to come into force on 8 June 2020 otherwise the implementation of, and therefore eligible people's access to the relief payment may be delayed, as otherwise, the Ministry of Social Development would be charging the relief payment as income unlawfully
14. **agree** to waive the 28-day rule so that the Amendment Regulations can come into force on 8 June 2020
15. **authorise** the submission of the attached Amendment Regulations to the Executive Council

Other legislative change required

16. **note** that subject to Cabinet agreement to recommendation 6, the Minister for Social Development may, if required, make minor and technical amendments to Welfare Programmes to ensure the relief payment is considered as income consistently across supports provided by the Ministry of Social Development.

Authorised for lodgement

Hon Carmel Sepuloni
Minister for Social Development

Appendix: Parameters of the COVID-19 Income Relief Payment

Joint Ministers with Power to Act agreed the relief payment will:

- not be counted as income for Working for Families assistance, Child Support payments or student loan repayments and families that have lost employment are able to update their annual income estimates with Inland Revenue to ensure their entitlement to the Family Tax Credit is based off their current rather than previous income
- not be counted as income for Student Allowance purposes
- be an alternative to a Main Benefit. Although, those who receive the payment will still be able to access other supports from MSD such as supplementary and hardship assistance. The relief payment will be considered as income for assessing entitlement to these supports.
- be dependent on the work status of an individual. For example, if both partners in a relationship lose their job and meet the other eligibility criteria, each of them would be eligible to receive the full rate of payment
- not be available to those who receive large redundancy payments from their employer (\$30,000 or more before income tax) and/or those who are receiving private income protection insurance payments
- not be available to those who have a partner earning \$2,000 per week or more in wages and salary (approximately \$100,000 per annum rounded)
- not be available to those who voluntarily terminate their employment during the eligible period, or who were dismissed for misconduct, or who voluntarily wind up a viable business
- mean that students can continue receiving the Student Allowance and the living costs component of a Student Loan alongside this payment. However, if they are simultaneously receiving a Student Allowance, recipients (or their partners) can only receive the payment at the part-time rate of \$250 per week
- be available, subject to meeting other eligibility criteria, to people receiving the Veteran's Pension (over 65 years) or New Zealand Superannuation, provided that they do not have a non-qualified partner included or are not receiving it as a non-qualified partner.
- also be made available to people who were:
 - previously a fixed-term employee but no longer in any work due to their fixed-term agreement ending early or where existing contracts did not eventuate as a result of the economic impacts of COVID-19
 - previously self-employed but the business is no longer viable, with no ongoing prospect of work or income.