

Cabinet

Minute of Decision

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Increasing Main Benefit Abatement Thresholds on 1 April 2021 and Consequential Adjustment to the Minimum Family Tax Credit

Portfolios Social Development and Employment / Revenue

On 7 December 2020, Cabinet:

Abatement threshold increases

- **noted** that people receiving a main benefit can earn up to a certain level of income per week (abatement threshold) before their benefit begins to reduce;
- 2 noted that abatement thresholds had not been adjusted for almost a decade prior to 1 April 2020, meaning the number of hours someone can work on minimum wage in a week before their benefit begins to reduce has declined over time;
- agreed to increase the abatement thresholds on 1 April 2021 as follows:

Abatement threshold (what beneficiaries can earn per week before their benefit begins to abate)	From 1 April 2021
Jobseeker Support	\$160
New Zealand Superannuation and Veteran's Pension with non- qualifying partner	\$160
Sole Parent Support, Supported Living Payment and Veteran's Pension (under 65) – Threshold One	\$160
Sole Parent Support, Supported Living Payment and Veteran's Pension (under 65) - Threshold Two	\$250

- 4 noted that the increases set out in paragraph 3 above are in line with the Labour Party's 2020 manifesto commitment to increase abatement thresholds so that people can keep more of what they earn while on a benefit;
- 5 **noted** that a small number of people may be financially disadvantaged as a result of the abatement threshold increases on 1 April 2021, and a Transitional Assistance Payment will be provided to these people for up to 12 months;

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Adjustments to the Minimum Family Tax Credit

- noted that in April 2004, as part of the introduction of Working for Families, Cabinet agreed to increase the Minimum Family Tax Credit on 1 April each year by an amount sufficient to ensure that couples do not suffer a reduction in income when moving off benefit into 30 hours of paid work a week, from 1 April 2006 onwards [CAB Min (04) 13/4];
- **noted** that the increases to the abatement thresholds as set out in paragraph 3 above will require adjustment to the Minimum Family Tax Credit threshold for 2021/22;
- 9 **agreed** to increase the Minimum Family Tax Credit threshold for 2021/22 to \$30,576;

10 **noted** that:

- 10.1 the increase in paragraph 9 above balances the trade-offs associated with increasing the Minimum Family Tax Credit, such as fiscal cost, financial incentives to work full-time and impact on the review of Working for Families;
- 10.2 the increase is sufficient to ensure that all sole parents moving off benefit at 20 hours of work do not suffer a reduction in income; however, is not sufficient to ensure couples do not suffer a reduction in income when moving off benefit into 30 hours of paid work a week;

Financial implications

agreed to increase spending to provide for costs associated with the policy decision to increase the abatement thresholds on 1 April 2021, increase the Minimum Family Tax Credit threshold for 2021/22, additional Transitional Assistance Payment payments and for implementation and operational costs with the following impacts on the operating balance and net core Crown debt:

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & outyears
Operating Balance and Net Core Crown Debt Impact Operating Balance Impact Only Net Core Crown Debt Impact Only	25.451 - -	107.473 - -	97.050 - -	90.503	90.503 - -
No Impact (Tax on Benefits)	2.022	9.210	8.409	7.670	7.670
Total	27.473	116.683	105.459	98.173	98.173

approved the following changes to appropriations to provide for paragraph 11 above:

	\$m - increase/(decrease)					
	2020/21	2021/22	2022/23	2023/24	2024/25 & outyears	
Vote Social Development						
Minister for Social Development and Employment						
Benefits or Related Expenses:						
Childcare Assistance	(0.159)	(0.592)	(0.587)	(0.650)	(0.650)	
Hardship Assistance	(0.541)	(2.255)	(2.051)	(1.860)	(1.860)	
Jobseeker Support and Emergency Benefit	11.363	53.520	48.984	44.855	44.855	
New Zealand Superannuation	1.015	4.018	3.587	3.297	3.297	
Sole Parent Support	2.548	11.523	10.435	9.277	9.277	
Supported Living Payment	1.190	4.627	4.008	3.561	3.561	
Transitional Assistance	0.080	-	-	-	-	
Winter Energy Payment	0.652	2.477	3.676	3.620	3.620	
Multi-Category Expenses and Capital Expenditure						
Improved Employment and Social Outcomes Support MCA						
Departmental Output Expenses:						
Administering Income Support	2.107	4.297	-	-	-	
(funded by revenue Crown)						
Minister for Veterans						
Benefits or Related Expenses:						
Veterans' Pension	0.006	0.024	0.024	0.017	0.017	
Minister of Housing						
Benefits or Related Expenses:						
Accommodation Assistance	8.498	36.206	34.542	33.205	33.205	
Vote Housing and Urban Development						
Minister of Housing						
Multi-Category Expenses and Capital Expenditure						
Public Housing MCA						
Non-Departmental Output Expenses:						
Purchase of Public Housing Provision	(0.286)	(1.162)	(1.159)	(1.149)	(1.149)	
Total Operating	26.473	112.683	101.459	94.173	94.173	

13 **noted** the following changes to appropriations in accordance with subpart ME of the Income Tax Act 2007, reflecting the changed expenses described in paragraph 9 above:

	\$ million – increase / (decrease)					
Vote Revenue Minister of Revenue	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears	
Benefits or Related Expenses:						
Minimum Family Tax Credit PLA	1.000	4.000	4.000	4.000	4.000	
Total Operating	1.000	4.000	4.000	4.000	4.000	

- 14 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 to annual appropriations be met from Imprest Supply;
- **agreed** that the operating balance and net core Crown debt impact in paragraph 11 above be 15 charged as a pre-commitment against the Budget 2021 operating allowance;
- 16 **agreed** that any underspends with the implementation and operational costs to increase the abatement thresholds on 1 April 2021 and administer additional Transitional Assistance Payment payments as at 30 June 2021 be transferred to the 2021/22 financial year to ensure that funding is available for that purpose;
- 17 authorised the Minister of Finance and the Minister for Social Development and Employment jointly to agree the final amount to be transferred as per paragraph 16 above, following completion of the 2020/21 audited financial statements of the Ministry of Social Development, with no impact on the operating balance and/or net core Crown debt across the forecast period;

Legislative implications

- 18 **noted** that an Order in Council and an amendment to the Veterans' Support Regulations 2014 are required to increase the abatement thresholds set out in paragraph 3 above;
- 19 **noted** that the Minister for Veterans has agreed to the Veterans' Support Regulations 2014 being amended to implement the abatement threshold increases for the Veteran's Pension;
- 20 agreed that an Order in Council be made under sections 452(1) and 452(2)(c) of the Social Security Act 2018 to increase the abatement thresholds for Jobseeker Support, Sole Parent Support, Supported Living Payment and New Zealand Superannuation;
- 21 agreed to amend the Veterans' Support Regulations 2014 to increase the abatement thresholds for the Veteran's Pension under section 265(1)(29A) of the Veterans' Support Act 2014:
- 22 **noted** that adjustment to the Minimum Family Tax Credit threshold for 2021/22 would need to be made via amendments to the Income Tax Act 2007;
- 23 agreed to amend the Income Tax Act 2007 to implement the adjustment to the Minimum Family Tax Credit threshold for 2021/22 as set out in paragraph 9 above;

BUDGET: SENSITIVE

CAB-20-MIN-0512

- agreed that the legislative amendments implementing the adjustment to the Minimum Family Tax Credit threshold for 2021/22 be included in the next available tax Bill;
- **noted** that this amendment would need to be passed by March 2021 for the Minimum Family Tax Credit payments to be made at the new rate from 1 April 2021;
- 26 **invited** the Minister of Revenue to instruct Inland Revenue to draft the necessary amendments to the Income Tax Act 2007 to give effect to the adjustment to the Minimum Family Tax Credit for 2021/22 as set out in paragraph 9 above.

Michael Webster Secretary of the Cabinet

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