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Office of the Minister for Social Development and Employment  
Cabinet Legislation Committee

## **EXEMPTING THE COST OF LIVING PAYMENT FROM BEING CONSIDERED INCOME OR A CASH ASSET FOR WELFARE SUPPORT**

### **Proposal**

- 1 This paper seeks Cabinet approval to submit to the Executive Council the Social Security (Cash Assets and Income Exemptions—Cost of Living Payment) Amendment Regulations 2022 and the Student Allowances (Income Exemptions—Cost of Living Payment) Amendment Regulations 2022, which will exempt the proposed temporary Cost of Living payment from being considered income or a cash asset for welfare assistance administered by the Ministry of Social Development (MSD).

### **Policy**

*Cabinet has agreed to provide a temporary Cost of Living payment*

- 2 New Zealand is experiencing a period where global uncertainty, strong domestic demand, COVID-related supply chain disruption and the effects of the war in Ukraine have led Consumer Price Index inflation to spike above wage growth. In response, we recently announced a range of measures to support New Zealanders. This included temporary reductions in fuel excise duties, road user charges and public transport fares to alleviate household costs and support the uptake of public transport.
- 3 On 12 April 2022, Cabinet agreed to provide a temporary Cost of Living payment to further support low- to middle-income New Zealanders over the winter period [CAB-22-MIN-0130 refers]. The payment will:
  - 3.1 be paid by Inland Revenue to low- and middle-income individuals who had assessed net income up to \$70,000 for the 2021/2022 tax year<sup>1</sup>
  - 3.2 exclude individuals who are receiving a qualifying benefit for the Winter Energy Payment (WEP)<sup>2</sup>

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<sup>1</sup> An individual must also be aged 18 or over, New Zealand tax resident and present in New Zealand, and must not be deceased or incarcerated to be eligible for the Cost of Living payment.

<sup>2</sup> Qualifying benefits for the WEP are 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 and Veteran's Pension.

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- 3.3 total \$350 per individual, split over three payment dates beginning 1 August 2022 (then 1 September and 3 October)
  - 3.4 be non-taxable and not included as income for social policy products, including Working for Families.
- 4 An individual's eligibility for the payment will be assessed before each monthly payment is made, to take into account any changes in circumstances. This will ensure that individuals who move off a benefit during the winter period (and who therefore miss out on the full rate of WEP) may also receive part of the Cost of Living payment.

*The payment needs to be excluded as income and a cash asset for welfare assistance to avoid reductions in other support*

- 5 People who receive the Cost of Living payment may also be entitled to other income or asset-tested support through the welfare system, such as the Accommodation Supplement, Temporary Additional Support, a Special Needs Grant or a Student Allowance. Under current settings, the new payment will be considered as income or a cash asset, depending on the form of assistance, and will need to be declared by the client. This may then reduce their entitlement to other support.
- 6 To prevent this unintended flow-on, Cabinet agreed to exempt the payment from being considered income or a cash asset for income support, via amendments to the Social Security Regulations 2018 and the Student Allowances Regulations 1998 [CAB-22-MIN-0130 refers].
- 7 The attached Social Security (Cash Assets and Income Exemptions—Cost of Living Payment) Amendment Regulations 2022 will exempt the Cost of Living payment, for a period of 12 months after receipt of the payment, from being considered:
- 7.1 income and cash assets for benefit purposes generally
  - 7.2 cash assets and chargeable income for eligibility for Temporary Additional Support
  - 7.3 cash assets for eligibility for Accommodation Supplement.
- 8 Similarly, the attached Student Allowances (Income Exemptions—Cost of Living Payment) Amendment Regulations 2022 will exclude the Cost of Living payment from the personal and partner income definitions for student allowances, for a period of 12 months after the receipt of payment. This will ensure that affected students do not receive a reduced rate or are disentitled to student allowances because of any Cost of Living payments they, their parents, or their partner receives.

### Timing and 28-day rule

- 9 The Amendment Regulations, if approved, will be submitted to the Executive Council for consideration on 13 June 2022. They will be published in the New Zealand Gazette by 1 July 2022 and will come into force on 1 August 2022. This timing is consistent with Rule 7.96–7.99 of the Cabinet Manual (the ‘28-day rule’).

### Compliance

- 10 The Amendment Regulations comply with the following:
- 10.1 the principles of the Treaty of Waitangi;
  - 10.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;
  - 10.3 the principles and guidelines set out in the Privacy Act 2020;
  - 10.4 relevant international standards and obligations;
  - 10.5 Legislation Guidelines: 2021 Edition, published by the Legislation Advisory Committee.

### Regulations Review Committee

- 11 There are no grounds for the Regulations Review Committee to draw the Social Security (Cash Assets and Income Exemptions—Cost of Living Payment) Amendment Regulations 2022 and the Student Allowances (Income Exemptions—Cost of Living Payment) Amendment Regulations 2022 to the attention of the House under Standing Order 327.

### Certification by Parliamentary Counsel

- 12 The Social Security (Cash Assets and Income Exemptions—Cost of Living Payment) Amendment Regulations 2022 and the Student Allowances (Income Exemptions—Cost of Living Payment) Amendment Regulations 2022 have been certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.

### Impact Analysis

- 13 A Supplementary Analysis Report on the Cost of Living proposal was prepared in accordance with Cabinet’s impact analysis requirements and was submitted to the Cabinet Legislation Committee [LEG-22-MIN-0062 refers].<sup>3</sup>

### Publicity

- 14 As part of the legislative requirements, the Amendment Regulations will be notified in the New Zealand Gazette at the earliest available opportunity.

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<sup>3</sup> <https://taxpolicy.ird.govt.nz/publications/2022/2022-other-col-payments>

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Copies of the Amendment Regulations will be able to be accessed through the website [www.legislation.govt.nz](http://www.legislation.govt.nz).

- 15 MSD officials will communicate the changes internally and through public platforms to assure clients that the payment will not affect other support they may receive.

### Proactive release

- 16 I intend to proactively release this Cabinet paper within standard timeframes.

### Consultation

- 17 Inland Revenue, who have the policy lead for the payment, and the Treasury have been consulted on this paper.

### Recommendations

I recommend that the Cabinet Legislation Committee:

- 1 **note** that on 12 April 2022, Cabinet agreed to provide a temporary Cost of Living payment to further support low- to middle-income New Zealanders over the winter period [CAB-22-MIN-0130 refers]
- 2 **note** that Cabinet also agreed to amend the Social Security Regulations 2018 and the Student Allowances Regulations 1998 to exempt the Cost of Living payment from being considered income or a cash asset, to ensure clients do not receive a reduction in other financial assistance [CAB-22-MIN-0130 refers]
- 3 **note** that the Social Security (Income and Asset Exemption) Amendment Regulations 2022 and the Student Allowance (Personal and Partner Exemption) Amendment Regulations 2022 will give effect to the decision referred to in recommendation 2 above and this will take effect on 1 August 2022
- 4 **authorise** the submission to the Executive Council of the:
  - 4.1 Social Security (Cash Assets and Income Exemptions—Cost of Living Payment) Amendment Regulations 2022
  - 4.2 Student Allowances (Income Exemptions—Cost of Living Payment) Amendment Regulations 2022

Authorised for lodgement

Hon Carmel Sepuloni  
Minister for Social Development and Employment

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