

# **Cost of Living Payment: it's a fiasco but National has no answer**

**Kathy Spencer**

There has been intense criticism, including from the Auditor-General and from Nicola Willis, that some people overseas have received the Government's cost of living payment despite being ineligible.

However, there is a much bigger flaw in the policy that has yet to get much attention: it's that only two thirds of eligible people have received any money.

Revenue Minister, David Parker, has reiterated that 1.4 million people have received a payment so far. That is 700,000 short of the 2.1 million people estimated to be eligible.

The Government has stressed that the \$350 payment was needed urgently, so it had to act fast, and therefore the implementation was never going to be perfect. But when one third of expected recipients have not been paid, that excuse doesn't wash.

Bear in mind that much had been made of the fact that people wouldn't need to apply or indeed do anything: just sit back and Inland Revenue would pay it automatically.

For around 440,000 eligible people, Inland Revenue lacked bank account details, so had no immediate way to make the payments. This was flagged in the advice from Treasury and Inland Revenue officials to their ministers. Officials noted these people "would need to update their details in myIR in order to receive a payment."

The lack of bank account details for so many people was a major problem, it should have been obvious at the outset, and it should have caused a re-think.

Inland Revenue lacks details for many taxpayers because, for decades, people with very straightforward tax affairs haven't had to file a return. Many of those earning wages or salaries under the qualifying income of \$70,000, and little else, don't have to deal with Inland Revenue at all.

This is an excellent thing of course. I wouldn't wish grappling with myIR on anyone. It's hard to navigate around the site and Inland Revenue can take weeks to respond to queries and correct errors.

A quick browse of comments on Inland Revenue's facebook page will confirm this. People are frustrated with myIR and unable to get an actual person on the phone to help them – some callers report being cut-off after waiting for long periods.

In fairness to Inland Revenue, it did state loudly and clearly that it did not want the job of implementing this hastily-developed policy. Officials warned that they hadn't had time to fully work the policy through and that this new responsibility would reduce Inland Revenue's ability to deliver its usual services to taxpayers.

It really was asking for trouble to ignore these warnings.

Another significant flaw in the cost of living payment relates to how well the policy targets those hurting the most from high inflation. The payment is based on individual income which has meant that a quarter of the \$800m expected to be paid out will go to people in households with incomes over \$100,000.

That isn't great targeting.

What would the Opposition have done instead? National says that “at the very least” it would move the first three tax thresholds upwards in line with inflation.

Under that policy, the largest gain would be \$1,043 each year for everyone on incomes above the new third threshold of \$78,100. Meanwhile, someone on \$50,000 would gain \$360 a year.

In a strange reversal of the usual notion of targeting, National’s policy would give the biggest gains to those hurting the least.

National didn’t promise to adjust the fourth tax threshold where the top tax rate of 39% kicks in. This may be because it is already committed to removing the top tax rate if elected. As others have pointed out, adding that change would deliver a total gain in reduced tax of more than \$18,000 every year to someone on the PM’s salary (of a little over \$471,000).

But is doing better than the Opposition all we should expect from our current, experienced government?

No, it’s not. We should expect policy to be properly thought through with clarity around who is being targeted and why. While perfection isn’t necessary, we should expect policy to be successfully implemented.

Inland Revenue does have the chance to improve on implementation in the second and third instalments due early September and October. The focus should be on getting the payment to the estimated 700,000 eligible people who, at last count, had yet to be paid. Hopefully they will get it sorted.

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