



Cabinet Business Committee

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.

Ex Gratia Payments to KiwiSaver Members

Portfolio Revenue

On 26 January 2021, the Cabinet Business Committee:

- 1 **noted** that some KiwiSaver contributions have been held by Inland Revenue since 17 April 2020;
- 2 **noted** that the delays in passing on contributions have been caused by transitional issues resulting from the move of KiwiSaver to new systems and processes on 17 April 2020;
- 3 **noted** that departmental Chief Executives require Cabinet authority to incur expenditure on ex gratia payments that are in excess of \$75,000 (Cabinet Office Circular CO (18) 2);
- 4 **authorised** the Commissioner of Inland Revenue to make ex gratia payments of up to \$10 million to compensate those affected KiwiSaver members whose contributions were passed on to scheme providers after 31 May 2020;
- 5 **noted** that Inland Revenue will use a generic formula for estimating lost investment returns for contributions passed on after 31 May 2020;
- 6 **noted** the Treasury advice that the proposed ex gratia payments are out of scope of existing Vote Revenue appropriations and that a new appropriation needs to be set up for this purpose;
- 7 **agreed** to establish the following new appropriation:

Vote	Appropriation Minister	Title	Type	Scope
Revenue	Minister of Revenue	KiwiSaver ex gratia payments	Non-departmental other expenses	This appropriation is limited to ex gratia payments made to customers arising from delays in transferring KiwiSaver contributions held by Inland Revenue to scheme providers.

- 8 **noted** that Inland Revenue is proposing to fund the ex-gratia payments from operating efficiencies in the 'Transformation Multi-Year Appropriation' and that the proposed fiscally neutral funding transfer to the 'KiwiSaver ex-gratia payments appropriation' will not impact on the delivery of the business transformation programme;

9 **approved** the following fiscally neutral adjustments to appropriations:

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Departmental other expenses: Transformation MYA	(10.000)	-	-	-	-
Non-departmental other expenses: KiwiSaver ex-gratia payments	10.000	-	-	-	-

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

11 **noted** that:

11.1 the amount transferred to the 'KiwiSaver ex gratia payments' appropriation established in paragraph 9 above is an estimate;

11.2 Inland Revenue will seek approval from the Ministers of Finance and Revenue to return any unused funds to the 'Transformation Multi-Year Appropriation' once affected KiwiSaver members have been compensated.

Rachel Clarke
Committee Secretary

Present:

Rt Hon Jacinda Ardern
Hon Grant Robertson
Hon Kelvin Davis
Hon Dr Megan Woods
Hon Chris Hipkins
Hon Carmel Sepuloni
Hon Andrew Little
Hon David Parker
Hon Nanaia Mahuta
Hon Poto Williams
Hon Damien O'Connor
Hon Stuart Nash
Hon Kris Faafoi
Hon Jan Tinetti

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet