

The Treasury

Advice on COVID-19 Response Information Release

December 2021

This document has been proactively released by the Treasury on the Treasury website at:

<https://www.treasury.govt.nz/publications/information-release/advice-on-covid-19-response-information-release>

Information Withheld

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 that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [33] appearing where information has been withheld in a release document refers to section 9(2)(f)(iv).

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.



Treasury Report: Activating the COVID-19 Resurgence Support Payment and Wage Subsidy Schemes August 2021

Date:	Wednesday 18 August	Report No:	T2021/2117
		File Number:	SH-1-6-1-3-3-22

Action sought

	Action sought	Deadline
Rt Hon Jacinda Ardern Prime Minister	Agree to the recommendations of this report.	18 August 2021
Hon Grant Robertson Deputy Prime Minister Minister of Finance	Refer this report to the Ministers for Social Development and Employment, Workplace Relations and Safety, Economic and Regional Development, and Revenue.	
Hon Chris Hipkins Minister for COVID-19 Response		
Hon Dr Ayesha Verrall Associate Minister of Health		

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Tayla Forward	Analyst, Regions, Enterprise and Economic Development [39]	[35]	
Danijela Tavich	Analyst, Welfare And Oranga Tamariki		
Jean Le Roux	Manager Regions, Enterprise and Economic Development		✓
Keiran Kennedy	Manager, Welfare & Oranga Tamariki		

Minister's Office actions (if required)

<p>Return the signed report to Treasury.</p> <p>Refer to the Minister for Social Development and Employment, Minister for Workplace Relations and Safety, Minister for Economic and Regional Development, and the Minister of Revenue.</p>
--

Note any feedback on the quality of the report

Enclosure: None

Treasury Report: Activating the COVID-19 Resurgence Support Payment and Wage Subsidy Schemes August 2021

Executive Summary

In light of your Power to Act (CAB-21-MIN-0324 refers), this paper advises on activating the COVID-19 Resurgence Support Payment (RSP) and Wage Subsidy Scheme (WSS) to help firms directly impacted by the increase in COVID-19 Alert Levels put in place at 11:59pm on Tuesday 17 August 2021.

Cabinet will still need to agree the appropriation of additional funds for the Schemes. Paper(s) seeking such agreement to the additional funding are being urgently prepared on behalf of relevant Ministers.

Resurgence Support Payment

This report seeks your formal agreement to the activation of a nationwide RSP scheme (RSPAUG21) via submission of an Order in Council to the Executive Council. We also recommend you seek Cabinet approval of \$307 million in new operating funding as a charge against the COVID-19 Response and Recovery Fund (CRRF) to meet the estimated cost of further payments made under the scheme. These actions will need to be completed by the time the Scheme opens for applications.

Following approval of the Order in Council, the RSPAUG21 will be open for applications from 8.00am on Tuesday 24 August 2021 and be available until one month after a nationwide return to Alert Level 1.

Applicants must demonstrate the impact of at least 30% to revenue relates to the specific Alert Level period. A firm's previous receipt of an RSP (under either of the February (RSPFEB21), March (RSPMAR21), or July (RSPJUL21) activations of the scheme would not affect eligibility for this payment.

Wage Subsidy Scheme

The proposed COVID-19 Wage Subsidy August 2021 scheme (WSSAUG21) will have the settings agreed to by Cabinet in December 2020 together with the modifications agreed through this paper for pre-revenue firms, commonly-owned groups, and an increased payment rate from \$585.80 to \$600 for full time employees, and from \$350 to \$359 for part-time employees [T2021/1735 refers].

The WSSAUG21 will be open from 9:00am Friday 20 August 2021, with payments normally reaching applicants within three days of applying.

Recommended Action

We recommend that Ministers with the Power to Act:

- a **note** that at the time of writing, officials understand the circumstances agreed to by Cabinet for activating a Resurgence Support Payment and Wage Subsidy Scheme have been met, as Ministers with the Power to Act are understood to have decided that Auckland and the Coromandel will be at Alert Level 4 for a minimum of 7 days;

Activating the Resurgence Support Payment

- b **agree** to activate the Resurgence Support Payment August 2021 (RSPAUG21) scheme;

<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>
<i>Prime Minister</i>	<i>Deputy Prime Minister</i>	<i>Minister for COVID-19 Response</i>	<i>Associate Minister of Health</i>

- c **note** that eligible businesses will be able to apply for a one-off payment under the RSPAUG21 from 8.00am on Tuesday 24 August 2021;
- d **note** that most firms will receive payment within two days of application;
- e **note** that the closing date for applications will be one month after the date on which a national return to Alert Level 1 occurs;

Order in Council

- f **note** that a new Order in Council *COVID-19 Resurgence Support Payment Scheme (August 2021) Order 2021* is required by Tuesday 24 August 2021 to activate the RSPAUG21 from that day;
- g **authorise** the submission of the *COVID-19 Resurgence Support Payment Scheme (August 2021) Order 2021* to the Executive Council;

<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>
<i>Prime Minister</i>	<i>Deputy Prime Minister</i>	<i>Minister for COVID-19 Response</i>	<i>Associate Minister of Health</i>

- h **note** that a waiver of the 28-day rule is sought so that the Order in Council is able to come into force by Tuesday 24 August 2021, on the grounds that the COVID-19 Alert Level change necessitates providing financial support as soon as possible;
- i **agree** to waive the 28-day rule so that the Order in Council can come into force by Tuesday 24 August 2021;

<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>
<i>Prime Minister</i>	<i>Deputy Prime Minister</i>	<i>Minister for COVID-19 Response</i>	<i>Associate Minister of Health</i>

Financial Recommendations

- j **note** that a total of \$400 million was appropriated to meet the cost of RSPFEB21, RSPMAR21, and RSPJUL21 [CAB-21-MIN-0030, CAB-21-MIN-0042, CAB-21-MIN-0247 refer];
- k **note** the RSPAUG21 is expected to cost between \$300-600 million, subject to uptake and the evolving nature of the current COVID-19 resurgence event;
- l **agree** to seek Cabinet approval for the financial implications resulting from activation of the scheme including drawing down additional funding from the CRRF as required;

<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>
<i>Prime Minister</i>	<i>Deputy Prime Minister</i>	<i>Minister for COVID-19 Response</i>	<i>Associate Minister of Health</i>

Activating the Wage Subsidy Scheme

- m. **agree** to activate a nationwide wage subsidy scheme, the COVID-19 Wage Subsidy August 2021 scheme (WSSAUG21), with primarily the same settings agreed to by Cabinet in December 2020 [CAB-20-MIN-0531 refers], from Friday 20 August 2021;

<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>
<i>Prime Minister</i>	<i>Deputy Prime Minister</i>	<i>Minister for COVID-19 Response</i>	<i>Associate Minister of Health</i>

- n. **note** that the seven-day activation criterion to activate the scheme will be met within the Auckland and Coromandel regions, as it is anticipated the Alert Level escalation will remain in place for seven days;
- o. **note** that in light of the decision of Power to Act Ministers at **recommendation a** and the circumstances at **recommendation n**, and in order to give certainty and to support businesses to comply with public health rules, the scheme is being activated before the seven days in Alert Level 4 has elapsed;
- p. **agree** to increase the WSS rate in line with private wage rate growth, which reflects the price of labour faced by employers, and would result in an increase from \$585.80 to \$600.00 (fulltime) and from \$350 to \$359.00 (part-time);

<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>
<i>Prime Minister</i>	<i>Deputy Prime Minister</i>	<i>Minister for COVID-19 Response</i>	<i>Associate Minister of Health</i>

- q. **agree** to increase the rates of the Leave Support Scheme (LSS) and Short-term Absence Payment (STAP) in line with the WSS rate;

<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>
<i>Prime Minister</i>	<i>Deputy Prime Minister</i>	<i>Minister for COVID-19 Response</i>	<i>Associate Minister of Health</i>

- r. **note** MSD will implement the LSS and STAP rate change from Tuesday 24 August, following activation of the WSSAUG21;

- s. **note** that if Alert Level 3 or above is extended to last three weeks (21 days from the escalation at 11:59 on 17 August) or more, meaning it remains in place at 11:59pm on 6 September, the WSSAUG21 will be extended to provide a further payment;
- t. **note** that opening the WSSAUG21 on Friday 20 August, prior to the seven-day activation criterion being met on Tuesday 24 August, has flow-on effects for timing of a second WSS payment;
- u. **note** officials will provide further advice to the Minister of Finance and the Minister for Social Development and Employment on potential settings for a second WSS payment as soon as possible;
- v. **note** MSD will continue to administer the scheme using existing WSS integrity measures such as pre-payment validation of application details with Inland Revenue and a manual check process where applications meet one or more integrity risk criteria;
- w. **note** standing up the WSSAUG21 has resource impacts on MSD which will increase if the scheme is extended beyond the initial three-week period, which may cause MSD to need to reprioritise within its wider work programme;

Wage Subsidy Scheme settings

- x. **agree** to retain core WSS settings including a revenue decline test of 40%, employee retention obligations, pass-through requirements and the scheme being available on a nationwide basis by default;

<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>
<i>Prime Minister</i>	<i>Deputy Prime Minister</i>	<i>Minister for COVID-19 Response</i>	<i>Associate Minister of Health</i>

- y. **agree** that to be eligible for the Wage Subsidy, employers must have been affected by the escalation to Alert Level 3 or above, and:
 - a. the business is or will be affected by the national escalation in Alert Level that began on 17 August; and
 - b. the business has had or is predicting it will have a decline in revenue that is attributable to the national escalation in Alert Level that began on 17 August;

<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>
<i>Prime Minister</i>	<i>Deputy Prime Minister</i>	<i>Minister for COVID-19 Response</i>	<i>Associate Minister of Health</i>

- z. **note** that businesses who receive a payment under the WSSAUG21 will be required to re-apply for each subsequent payment;
- aa. **invite** the Minister of Finance and the Minister for Social Development and Employment to report back to Cabinet on the ongoing availability and settings of the scheme every six weeks should it remain open at that point;

<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>	<i>Agree/ disagree</i>
<i>Prime Minister</i>	<i>Deputy Prime Minister</i>	<i>Minister for COVID-19 Response</i>	<i>Associate Minister of Health</i>

bb. **agree** that applicants to the scheme will utilise a revenue decline test period of 14 consecutive days during the period 11:59pm 17 August to 30 August 2021 inclusive;

<i>Agree/ disagree Prime Minister</i>	<i>Agree/ disagree Deputy Prime Minister</i>	<i>Agree/ disagree Minister for COVID-19 Response</i>	<i>Agree/ disagree Associate Minister of Health</i>
---	--	---	---

cc. **agree** that the default comparator period for the revenue decline test for the WSSAUG21 is a typical 14-day consecutive period of revenue within the six weeks prior to the Alert Level 4 escalation on 17 August 2021;

<i>Agree/ disagree Prime Minister</i>	<i>Agree/ disagree Deputy Prime Minister</i>	<i>Agree/ disagree Minister for COVID-19 Response</i>	<i>Agree/ disagree Associate Minister of Health</i>
---	--	---	---

dd. **agree** that employers that have highly seasonal revenue be allowed to use a 14-day comparator period that is either 12 or 24 months before their revenue decline test period if they can show that the seasonality in their revenue makes it harder to meet the revenue decline test with the default comparator period, than if their revenues were not seasonal;

<i>Agree/ disagree Prime Minister</i>	<i>Agree/ disagree Deputy Prime Minister</i>	<i>Agree/ disagree Minister for COVID-19 Response</i>	<i>Agree/ disagree Associate Minister of Health</i>
---	--	---	---

ee. **authorise** the Minister of Finance and the Minister for Social Development and Employment to jointly make decisions on revenue decline assessment periods, scheme settings should the scheme be extended beyond an initial two-week period, and other minor technical and policy decisions or operational settings for the WSSAUG21;

<i>Agree/ disagree Prime Minister</i>	<i>Agree/ disagree Deputy Prime Minister</i>	<i>Agree/ disagree Minister for COVID-19 Response</i>	<i>Agree/ disagree Associate Minister of Health</i>
---	--	---	---

ff. **note** that exemptions previously provided to State Sector Organisations (including State Owned Enterprises) enabling them to apply for a COVID-19 Wage Subsidy Scheme will be automatically extended to the WSSAUG21, as previously agreed by Cabinet [CAB-21-MIN-043 refers];

gg. **note** officials are considering interactions between an LSS and WSS during an Alert Level 4 escalation, and will provide advice on this if further decisions are required;

Treatment of pre-revenue firms

- hh. **agree** to clarify that to be eligible to apply for the WSS as a pre-revenue start-up firm, the business must be:
- a. a research and development intensive 'start-up' business, and
 - b. that is 'seed' or 'venture' backed, and
 - c. recognised by Callaghan Innovation as a legitimate research and development start-up business, and
 - d. have no other revenue other than government support and seed or venture capital.

<i>Agree/ disagree</i> <i>Prime Minister</i>	<i>Agree/ disagree</i> <i>Deputy Prime Minister</i>	<i>Agree/ disagree</i> <i>Minister for COVID-19 Response</i>	<i>Agree/ disagree</i> <i>Associate Minister of Health</i>
---	--	---	---

- ii. **note** that the clarification that pre-revenue firms must be recognised by Callaghan Innovation is consistent with the requirements of WSS declarations to date;

Treatment of commonly-owned groups

- jj. **agree** that commonly-owned groups that use a shared employer across the group can only apply for the WSS as a whole group;

<i>Agree/ disagree</i> <i>Prime Minister</i>	<i>Agree/ disagree</i> <i>Deputy Prime Minister</i>	<i>Agree/ disagree</i> <i>Minister for COVID-19 Response</i>	<i>Agree/ disagree</i> <i>Associate Minister of Health</i>
---	--	---	---

- kk. **agree** that WSS applicants that apply as a shared-employer COG must base the revenue decline test on a complete and accurate representation of their business as a whole, reflecting changes in real world trading activity as opposed to internal transfers;

<i>Agree/ disagree</i> <i>Prime Minister</i>	<i>Agree/ disagree</i> <i>Deputy Prime Minister</i>	<i>Agree/ disagree</i> <i>Minister for COVID-19 Response</i>	<i>Agree/ disagree</i> <i>Associate Minister of Health</i>
---	--	---	---

Financial recommendations

- ll. **note** that Wage Subsidy costs are highly uncertain and depend on the specific public health scenario that eventuates as well as business uptake decisions;

- mm. **note** the following indicative cost estimates for a single, two-week lump sum payment of the WSSAUG21:

Scenario	WSSAUG21 cost (single, two-week lump sum)
National AL4 for 1 week or less	\$1000 million
National AL4 for 2 weeks	\$2000 million

- nn. **note** that at this stage the Ministry of Social Development will absorb the costs of administering the scheme from within existing baseline;
- oo. **note** that after an expense transfer of underspends from 2020/21 is confirmed there will be approximately \$900 million unspent in the Business Support Subsidy Covid-19 appropriation in 2021/22;
- pp. **agree** to seek Cabinet approval for the financial implications resulting from activation of the scheme including drawing down additional funding from the CRRF as required;

<i>Agree/ disagree</i> <i>Prime Minister</i>	<i>Agree/ disagree</i> <i>Deputy Prime Minister</i>	<i>Agree/ disagree</i> <i>Minister for COVID-19 Response</i>	<i>Agree/ disagree</i> <i>Associate Minister of Health</i>
---	--	---	---

Next steps

- qq. **note** Annex 1 includes joint key messages for use by Ministers in announcing the WSS and RSP scheme;
- rr. **refer** this report to the Minister for Social Development and Employment, Minister for Workplace Relations and Safety, Minister of Revenue and the Minister for Economic and Regional Development.

Agree/ disagree
Prime Minister

Agree/ disagree
Deputy Prime
Minister

Agree/ disagree
Minister for COVID-19
Response

Agree/ disagree
Associate Minister of
Health

Jean Le Roux
Manager Regions, Enterprise and
Economic Development

Rt Hon Jacinda Ardern
Prime Minister

Keiran Kennedy
Manager, Welfare & Oranga Tamariki

Hon Grant Robertson
Deputy Prime Minister

Hon Chris Hipkins
Minister for Covid-19 Response

Hon Dr Ayesha Verrall
Associate Minister of Health

Treasury Report: Activating the COVID-19 Resurgence Support Payment and Wage Subsidy Schemes August 2021

Purpose of Report

1. This paper seeks agreement to activate the COVID-19 Resurgence Support Payment (RSP) and Wage Subsidy Scheme (WSS) to help firms directly impacted by the increase in COVID-19 Alert Levels put in place at 11.59pm on 17 August 2021.

Background

Economic impacts from Alert Levels

2. The Resurgence Support Payment and Wage Subsidy Scheme support the Government's overarching objective to keep New Zealanders safe from COVID-19, including by protecting jobs and livelihoods, and strengthening the economy. It does so by providing financial support to employers and self-employed workers to pay business expenses if they are struggling to do so as a result of an increase in COVID-19 Alert Levels.
3. There is considerable uncertainty about the magnitude of the economic impact of the Alert Level restrictions. The table below outlines the approximate economic impacts of the Alert Level restrictions in a range of scenarios:

Approximate economic impacts of the Alert Level restrictions (rounded to nearest \$10m)

Restrictions	Reduction in economic activity per week	
AL4 in Auckland, AL3 rest of country	\$920 million	15% of national GDP
AL4 in North Island, AL2 rest of country	\$1,180 million	19.7% of national GDP
AL4 in whole of country	\$1,520 million	25% of national GDP

Resurgence Support Payment

4. The RSP scheme supports the Government's overarching objective to keep New Zealanders safe from COVID-19, including by protecting jobs and livelihoods, and strengthening the economy. It does so by providing financial support to employers and self-employed workers to pay business expenses if they are struggling to do so as a result of an increase in COVID-19 Alert Levels.
5. The RSP provides a one-off payment to eligible firms in the event of an escalation in Alert Levels that lasts seven consecutive days or more. Eligible firms will receive the lesser of:
 - a the formula amount (\$1,500 and an additional \$400 per FTE (up to 50 FTEs)), or
 - b four times the firm's experienced revenue drop over the impacted 7-day period.
6. Firms can apply for the payment once for each period above Alert Level 1 which results in their experiencing a loss in revenue of at least 30%.

7. The default comparator period for the revenue decline is the typical weekly revenue in the six weeks prior to the Alert Level escalation that triggered the scheme. The intent of this was to address the shifting baseline effects seen with a prior year comparator. We propose the standard comparator period of six weeks prior to 17 August 2021 should apply to the RSPAUG21.
8. Three rounds of RSP payments have been executed to date, which cumulatively provided \$207 million in support.
9. In order to apply for the current round, firms would need to demonstrate the impact on revenue relates to the present period of Alert Level escalations, commencing 17 August. A firm's eligibility is unaffected by their previous application for the scheme.

Wage Subsidy Scheme

10. Cabinet previously agreed the Wage Subsidy Scheme would be activated if there is an escalation to Alert Level 3 or higher, lasting seven or more consecutive days (of which the seventh day may be a partial day), and subject to approval by Cabinet at the time [CAB-20-MIN-0531 refers].
11. On 14 December 2020, Cabinet agreed the circumstances in which future Wage Subsidy Schemes (WSSs) would be activated, specifically:
 - a where there is an escalation to Alert Level 3 or higher lasting seven or more consecutive days (of which the seventh day may be a partial day), and
 - b subject to approval by Cabinet at the time [CAB-20-MIN-0531 refers].
12. Cabinet also agreed to retain key scheme settings from previous schemes including:
 - a two-weekly payments to eligible businesses to provide support with paying wages to eligible employees, with payments matching the duration of the time spent at Alert Level 3 or above, rounded to the nearest 14 days;
 - b that the scheme will remain open for a period of up to six weeks, at which point Cabinet will review the availability and settings of the scheme;
 - c payment rates of \$585.80 per week for each full-time employee (20 hours or more) and \$350 for part-time employees (less than 20 hours);
 - d that businesses must:
 - i be a New Zealand business, including the self-employed or sole traders;¹
 - ii take active steps to mitigate the financial impacts of COVID-19 on their business activity;
 - iii have employees who are legally working in New Zealand and are not currently covered by the Leave Support Scheme or the Short-term Absence Payment;
 - iv retain, for the duration of the subsidy, staff for whom they claimed the subsidy (or repay it if not), and to endeavour to pay at least 80% of those employees' ordinary salary or wages, or, at a minimum, to pay at least the value of the subsidy to those staff (or their normal wages if less), subject to obligations under employment law; and
 - v repay the subsidy where a business has not met the eligibility criteria;

¹ But not a State Sector Organisation.

- e the scheme being nationwide, but that businesses must have been affected by the current escalation to Alert Level 3 or above with businesses declaring that their revenue decline is attributable to the escalation to Alert Level 3 (rather than COVID-19 more generally);
 - f a 40% revenue decline eligibility test over the 14-day consecutive period following the escalation date, based on actual or predicted revenue, with the default comparator period being a typical 14-day consecutive period of revenue in the six weeks prior to the escalation (with specific rules for seasonal and pre-revenue firms, and commonly-owned groups outlined from paragraphs 26-36); and
 - g a requirement for firms to keep evidence to support their eligibility as set out in the declaration (i.e. records showing the specific effects on their business and the resulting impact on revenue).
13. Cabinet also agreed that exemptions previously provided to certain State Sector Organisations (including State Owned Enterprises) enabling them to apply for a COVID-19 Wage Subsidy Scheme will be automatically extended to any future wage subsidy scheme [CAB-21-MIN-043].

Activating the Resurgence Support Payment via Order in Council

14. The Order in Council, COVID-19 Resurgence Support Payment Scheme (August 2021) Order 2021, to activate the RSPAUG21 will:
- a declare the activation of the RSP scheme from Tuesday 24 August 2021 until one month after a nationwide return to COVID-19 Alert Level 1;
 - b establish the payment amounts for eligible firms as per paragraph 3 of this paper; and
 - c determine the people who may apply for support under RSP scheme.
15. The Order in Council would come into force on Tuesday 24 August 2021. A waiver of the 28-day rule is sought, on the basis that activating the RSP scheme as soon as possible is necessary to help businesses directly impacted by an Alert Level change to cover their expenses.
16. The Order in Council complies with:
- a the principles of the Treaty of Waitangi;
 - b the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
 - c the principles and guidelines set out in the Privacy Act 2020;
 - d relevant international standards and obligations;
 - e the Legislation Guidelines (2018 edition), which are maintained by the Legislation Design and Advisory Committee.
17. There are no anticipated grounds for the Regulations Review Committee to draw the Order in Council to the attention of the House of Representatives under Standing Order 327.

18. The draft Order in Council was certified by the Parliamentary Counsel Office as being in order for submission to Cabinet. Once the Order is made it will be notified in the Gazette, and also presented to the House in accordance with the requirements of section 7AAC(3) of the Taxation Administration Act 1994 (TAA). Further eligibility requirements for the RSP may be determined by the Commissioner of Inland Revenue in accordance with s 7AAB of the TAA.

Activating the Wage Subsidy

19. We seek delegated Ministers' agreement to activate the Wage Subsidy Scheme on behalf of Cabinet. The seven-day activation criterion to activate the scheme will be met within the Auckland and Coromandel regions, as it is anticipated the Alert Level escalation will remain in place for seven days.
20. The rest of New Zealand is, at this stage, expected to be at escalated Alert Levels for an initial three-day period only. This means the scheme is being activated for the whole of New Zealand ahead of the seven-day activation trigger previously agreed by Cabinet as abovementioned. This is due to the importance of supporting businesses to comply with public health rules as quickly as possible given the heightened severity of the delta variant.
21. We seek agreement to activate the Wage Subsidy August 2021 Scheme (WSSAUG21) from 9:00am on 20 August 2021. The scheme will be a nationwide scheme, that businesses affected by the Alert Level escalation anywhere in the country will be eligible to apply for.
22. We also seek agreement to authorise the Minister of Finance and the Minister for Social Development and Employment to jointly make minor technical and policy decisions or changes to operational settings for the WSSAUG21, including with regards to revenue decline assessment periods.

Eligibility for the WSSAUG21

23. We recommend that, to be eligible for the WSSAUG21, businesses² must have been affected by an escalation to Alert Level 3 or 4, and:
 - a the business is or will be affected by the national escalation in Alert Level that began on 17 August; and
 - b the business has had or is predicting it will have a decline in revenue that is attributable to the national escalation in Alert Level that began on 17 August.
24. We recommend that the proposed WSSAUG21 will have the settings agreed to by Cabinet in December 2020, as outlined through paragraphs 2-6 above, together with the modifications outlined later in this paper for pre-revenue firms and commonly-owned groups.

WSSAUG21 payment rates

25. We recommend the payment rates for the WSSAUG21 should be increased from the rates of previous wage subsidies in line with private wage rate growth since the WSS was first developed in March 2020. This increase would reflect the price of labour faced by employers, and result in an increase from \$585.80 to \$600.00 (fulltime) and from \$350 to \$359.00 (part-time) [T2021/1735 refers].
26. Payment rates for the LSS and STAP are based on the WSS:

² Note that the term 'business' as used in this paper includes self-employed people, non-government organisations and registered charities.

- a The LSS provides a two-week lump sum payment of either \$585.80 per week for full-time workers, or \$350 per week for part-time workers, who must self-isolate and cannot work from home.
 - b The STAP provides a one-off (once per 30 days) \$350 payment for workers who must miss work due to a COVID-19 test and cannot work from home.
27. Given the LSS and STAP have a broadly similar purpose to the WSS of supporting wages and an effective public health response, we recommend keeping the rates aligned with any WSS change. This approach will also keep settings simple for businesses and employees to understand and avoid any unintended equity effects or gaming opportunities which could arise with different rates.
 28. MSD will implement the LSS and STAP rate change from 24 August 2021, following activation of the WSSAUG21.

MSD approach to administering the WSSAUG21

29. If agreed, the Ministry of Social Development (MSD) plans to open the scheme for applications on 20 August, with applications initially open for two weeks. MSD have advised that they expect payments to be made to applicants within three days of receiving a WSSAUG21 application.
30. If the WSSAUG21 is activated, the duration of support will match the duration of Alert Level 3 or above, rounded to the nearest 14 days. The scheme will be renewed every two weeks until a nationwide return to below Alert Level 3 and subject to a six-weekly review by Cabinet of the ongoing availability of the scheme. The Minister of Finance and the Minister for Social Development and Employment will agree upon the exact revenue decline assessment period for any extension.
31. MSD will continue to administer the scheme using existing WSS integrity measures such as pre-payment validation of application details with Inland Revenue and a manual check process where applications meet one or more integrity risk criteria. Standing up the WSSAUG21 has resource impacts on MSD which will increase if the scheme is extended beyond the initial three-week period, which may cause MSD to need to reprioritise within its wider work programme.
32. If Alert Level 3 or above is extended to last three weeks (21 days from the escalation at 11:59 on 17 August) or more, meaning it remains in place at 11:59pm on 6 September, the WSSAUG21 will be extended to provide a further payment. Opening the WSSAUG21 on 20 August, prior to the seven-day activation criterion being met on 24 August, has flow-on effects for timing of a second WSS payment, should this be required. Officials will provide further advice to the Minister of Finance and Minister for Social Development and Employment on this matter.
33. MSD officials are also considering whether it would be possible to make the second WSS payment a one-week payment, if that is a better match to the expected duration of the Alert Level escalation following the initial three week payment period, and officials will report back as soon as possible.
34. We note that businesses would need to reapply for any subsequent payment under the WSSAUG21.

Interaction with other schemes

35. The COVID-19 Short-Term Absence Payment and the Leave Support Scheme are currently available at all Alert Levels. A business can receive these at the same time as the RSPAUG21 but not at the same time as the WSSAUG21 for the same worker. A business can however receive the WSSAUG21 and a RSPAUG21 at the same time.

36. Some of MSD's employment schemes include payments to incentivise employers to retain or take on employees who need additional support or training. These include the Flexi-Wage, Mana in Mahi and Apprenticeship Boost schemes. We note that employers receiving one of these payments are able to receive the WSS as well.
37. [33]

Wage Subsidy Scheme settings

Revenue decline period

38. Cabinet agreed to an eligibility test of a 40% decline in revenue over a 14-day period following the escalation date, based on actual or predicted revenue [CAB-20-MIN-0531 refers]. The revenue decline test period is the period 17 August 2021 to 30 August inclusive.

Comparator period

39. Cabinet agreed to a default comparator period for the revenue decline to be the typical fortnightly revenue in the six weeks prior to the Alert Level escalation that triggered the scheme [CAB-20-MIN-0531 refers]. The intent of this was to address the shifting baseline effects seen with a prior year comparator. We propose the standard comparator period of six weeks prior to 17 August 2021 should apply to the WSSAUG21.

Seasonal comparator

40. Cabinet agreed that businesses that have highly seasonal revenue be allowed to use a prior year comparator if they can show that the seasonality in their revenue makes it harder to meet the revenue decline test with the default comparator period, than if their revenues were not seasonal [CAB-20-MIN-0531 refers].
41. In line with this, we propose to allow businesses with highly seasonal revenue to use a 14-day comparator period that is either 12 or 24 months before their revenue decline test period. Allowing a choice of prior years helps avoid comparator periods when New Zealand was at elevated Alert Levels.

Pre-revenue firms

42. A small number of pre-revenue research and development 'start-up' businesses are eligible for the WSS if they meet specific eligibility criteria. Ministers with Powers to Act agreed that the definition of revenue loss for eligible pre-revenue firms includes a fall in projected capital income and defined eligibility criteria for pre-revenue firms [Treasury report T2020/1190 Addendum to Treasury report TR2020/912].
43. We propose to clarify that to be eligible to apply as a pre-revenue firm for the WSSMON21 and any future schemes, a business must be recognised by Callaghan Innovation as a legitimate research and development start-up business. We note that this clarification is consistent with the requirements of WSS declarations to date. This approach ensures that start-up businesses who have only had initial contact with Callaghan Innovation are eligible for the WSS subject to the checks Callaghan carry out on these businesses as part of the business applying for the WSS.

44. We propose to clarify that to be eligible to apply for the WSS as a pre-revenue start-up firm, the business must be:
- a a research and development intensive 'start-up' business; and
 - b that is 'seed' or 'venture' backed; and
 - c recognised by Callaghan Innovation as a legitimate research and development start-up business; and
 - d have no other revenue other than government support and seed or venture capital.

Commonly-owned groups

45. There are two key tests that WSS applicants must meet for eligibility: whether the applicant is an employer; and whether they meet the revenue decline test. Under current WSS settings, the employer is the entity that applies for the subsidy, declares a revenue decline, and holds obligations to retain and pay staff.
46. There are a small number of commonly-owned groups (COGs) where one company in the group acts as the employer for all employees who carry out work for the other companies in the group (shared-employer COGs). In this arrangement, the employment and revenue generating functions are separated within the group.
47. On 27 May 2021, delegated Ministers clarified how shared-employer COGs should apply for the WSS and how the revenue decline test criteria should be applied in assessing shared-employer COG eligibility [Treasury Report T2021/1337].
48. We propose to continue this clarification going forward, namely:
- a That group members of a shared-employer COG are not eligible to apply for the WSS in their own right.
 - b That WSS applicants that apply as a shared-employer COG must provide a complete and accurate representation of their business as a whole for the purposes of the revenue decline test.
 - c That shared-employer COGs where the revenue generation and employment functions are separated within the group must meet the revenue decline test across the whole group.
 - d That the revenue used for the revenue decline test should reflect real world activity in terms of business trading (i.e. external trading rather than, for example, internal transfers like payments for employment services).
49. At the same time, delegated Ministers confirmed the current eligibility settings that:
- a branches/business units/divisions of single entities are not eligible for the WSS in their own right
 - b COGs where each business within the group employs staff directly (i.e., does not have a shared employer), and each generates revenue, can each apply for the WSS as individual businesses but not as a group.
50. The eligibility settings for Commonly Owned Groups and Pre-Revenue Firms differ between the RSP and WSS. These differences are a result of the design of the schemes and that they are intended to deliver different outcomes for businesses. For RSP the eligibility settings Commonly Owned Groups and Pre-Revenue Firms are determined by the Commissioner, and have previously been agreed with Ministers. Eligibility settings for RSP are published on Inland Revenue's website.

Financial Implications

Resurgence Support Payment

51. The total cost of the RSP scheme is closely tied to the severity of the impacts of the escalation in Alert Levels on eligible businesses. The present Alert Level escalation is more severe than the previous instances in which the RSP was activated, and its duration is uncertain at the time of writing. The fiscal cost of the scheme remains uncertain as a result.

Table: Indicative costings for comparable resurgence scenarios

Scenario	RSP
AL4 in Auckland, AL3 across rest of NZ – 2 weeks	\$300-400 million
AL4 across all of NZ – 2 weeks	\$500-800 million

52. The total combined cost of the previous activations of the RSP (RSPFEB21, RSPMAR21, and RSPJUL21) has been \$207 million. However, officials consider the uptake of the RSPMAR21 to have been low, having been affected by its proximity to the RSPFEB21. This has limited officials' ability to adjust estimates of the fiscal cost of future RSP activations based on the previous experiences.
53. While New Zealand is in the middle of the present Alert Level escalation there will inevitably be considerable uncertainty to the cost. The table below provides the Treasury's latest estimates of the costs of the respective activations:

	Fiscal cost
RSPFEB21, activated 23 Feb	<i>\$110 million</i>
RSPMAR21, activated 8 March	<i>\$90 million</i>
RSPJUL21, activated 1 July	<i>\$7 million</i>
Total cost	<i>\$207 million</i>
Appropriated amount	<i>\$400 million</i>
Remaining in appropriation	<i>\$193 million</i>
Estimated cost of RSPAUG21	<i>\$300 - 600 million</i>
Further amount to appropriate to meet estimated costs	<i>\$307 million</i>

54. Given updated estimates of the fiscal cost of the present Alert Level escalation, we propose increasing the appropriation by an additional \$307 million. This would mean that there is approximately \$500 million available funding for the RSPAUG21 escalation event. New operating funding will be drawn from the COVID-19 Response and Recovery Fund (CRRF).
55. Cabinet will still need to agree the appropriation of additional funds for the RSP and the Wage Subsidy. A paper seeking such agreement to the additional funding is being urgently prepared.
56. Similar to the approach taken for the Wage Subsidy Scheme, any underspends in the RSP appropriation after the scheme closes will be retained and could be used to fund payments under a future activation of the RSP scheme, subject to the approval of Cabinet.

Wage Subsidy Scheme

57. The costs of the WSSAUG21 are highly uncertain and depend on the specific public health scenario that eventuates as well as business uptake decisions. Table 1 provides indicative cost estimates for a single, two-week lump sum payment.
58. Further costs would be incurred if further payments are provided in case of a longer period at Alert Level 3 or 4.

Table 1: Indicative WSSAUG21 costings for a single, two-week lump sum payment under different public health scenarios

Scenario	WSSAUG21 cost (single, two-week lump sum)
National AL4 for 1 week or less	\$1000 million
National AL4 for 2 weeks	\$2000 million

59. MSD will absorb the costs of administering the scheme within existing baselines at this stage.
60. After the expense transfer being confirmed separately by the Minister of Finance and Minister for Social Development and Employment there will be \$900 million unspent in the Business Support Subsidy Covid-19 appropriation in 2021/22.
61. We seek delegated Ministers' agreement to seek Cabinet approval for the financial implications resulting from activation of the scheme including drawing down additional funding from the CRRF as required.
62. Officials will monitor the costs of the WSSAUG21 and report back to Cabinet if required.

Consultation

63. The Treasury prepared this paper. Inland Revenue, the Ministry of Social Development, and the Ministry of Business, Innovation and Employment were consulted on the paper.
64. [33]

Next Steps

65. Cabinet will still need to agree the appropriation of additional funds for the RSP. A paper seeking such agreement to the additional funding is being urgently prepared on behalf of the Ministers of Finance, Revenue and Small Business.
66. Inland Revenue will publish additional guidance to support businesses with their applications for the Resurgence Support Payment.
67. MSD will provide communications on the application details for the new Wage Subsidy scheme on its website and also on connected.govt.nz.
68. Annex 1 attached joint key messages for use by Ministers in announcing the WSS and RSP scheme.

Annex 1: Key messages for use by Ministers in announcing the WSS and RSP scheme

- Following the decision to move to Alert Level 4 for seven days in Auckland and Coromandel, and for three days for the rest of New Zealand, Ministers with power to act have agreed to activate the Wage Subsidy and Resurgence Support Payment August 2021 schemes.
- Eligible employers anywhere in the country can apply for the Wage Subsidy Scheme (WSS) if they **expect a loss of 40% of revenue** as a result of the Alert Level increase announced yesterday.
- The WSS rates have been increased to reflect the increase in wage costs since the scheme was first used in March 2020. Businesses will be eligible for \$600 per week per full-time equivalent employee, and \$359 per week per part-time employee.
- The Wage Subsidy will be paid as a two-week lump sum. Other core settings for the Scheme remain the same as previously.
- Eligible businesses anywhere in the country can also apply for the Resurgence Support Payment (RSP) if **they incur a loss of 30% of revenue** as a result of the Alert Level increase.
- The RSP is worth up to \$1500 plus \$400 per full-time equivalent employee, up to a maximum of 50 full-time employees (so up to a total of \$21,500).
- Businesses can apply for the WSS at the Work and Income website, and for the RSP at the Inland Revenue website. The WSS will be open for applications from 9:00am Friday 20 August. We expect payments will normally reach applicants within three days of applying.
- Businesses can apply for the RSP at the Inland Revenue website. Inland Revenue will open applications for the RSP from 8.00am on Tuesday 24 August.
- Full-time employees are counted as those who work at least 20 hours per week.
- The Leave Support Scheme and Short-Term Absence Payment rates will also be increased in line with the WSS, as each of these payments is set at the same rate:
 - The LSS provides a two-week lump sum payment of either \$585.80 (to be increased to \$600) per week for full-time workers, or \$350 (to be increased to \$359) per week for part-time workers, who must self-isolate and cannot work from home.
 - The STAP provides a one-off (once per 30 days) \$350 payment (to be increased to \$359) for workers who must miss work due to a COVID-19 test and cannot work from home.
- The LSS and STAP are currently available, but the rates will be increased from Tuesday 24 August 2021, to allow time for MSD to stand up the WSS on 20 August.