

# The Treasury

## Advice on COVID-19 Response Information Release

December 2021

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**Treasury Report:** Wage Subsidy August 2021 scheme: Alert Level transition

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<b>Date:</b>	8 September 2021	<b>Report No:</b>	T2021/2312
		<b>File Number:</b>	SH-3-5

**Action sought**

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	<b>Action sought</b>	<b>Deadline</b>
Hon Grant Robertson <b>Minister of Finance</b>	<b>Agree</b> the recommendations in this paper.	9 September 2021
Hon Carmel Sepuloni <b>Minister for Social Development and Employment</b>		

**Contact for telephone discussion (if required)**

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<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
Danijela Tavich	Analyst, Welfare & Oranga Tamariki <sup>[39]</sup>	<sup>[35]</sup>	✓
Keiran Kennedy	Manager, Welfare & Oranga Tamariki		

**Minister's Office actions (if required)**

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**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** No

# Treasury Report: Wage Subsidy August 2021 scheme: Alert Level transition

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## Executive Summary

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This report confirms settings for Wage Subsidy August 2021 scheme payments two and three. It also outlines the trade-offs and options associated with extending the Wage Subsidy scheme across Alert Level restrictions.

### ***Confirming settings for payments two and three***

To be eligible for the second Wage Subsidy Scheme (WSS) payment, businesses must have experienced or expect to experience a 40% revenue decline over the 14 consecutive days from 31 August to 13 September 2021 inclusive, that is attributable to the effect that Alert Level 3 or higher has had on their business. At 11:59pm on 7 September 2021, all of New Zealand apart from Auckland moved to Alert Level 2.

The timing of the shift from Alert Levels 3 to 2 for the rest of New Zealand outside Auckland means businesses throughout the country would have been operating under Alert Level 3 conditions for 8 of the 14 days of the revenue test period. Some businesses may not be able to determine which aspects of their revenue decline are attributable to the effect of eight days at Alert Level 3, versus 6 days at Alert Level 2. This issue makes it unclear if some businesses can apply for the second Wage Subsidy August payment (WSSAUG21-2).

**We seek Ministerial agreement to clarify that the interpretation of the attribution test in the WSS declaration is that the revenue decline does not require sole and exclusive attribution of the 40% revenue decline to Alert Level 3 or higher (AL3+).** This means that for the purposes of the second Wage Subsidy August 2021 payment (WSSAUG21-2), businesses that experience a drop in revenue that is attributable to a combination of Alert Levels 3,4 and 2 effects are eligible to apply. This clarification is required because of the change to Alert 2 during the revenue decline period for the WSSAUG21-2.

The WSS will open for a third payment from 17 September 2021, should Cabinet agree that AL3+ will remain in place anywhere in the country from 11:59pm on 17 September 2021. Currently, businesses outside of Auckland will only be eligible for the third payment if they can attribute their decline solely to the ongoing AL3+ restrictions in Auckland or elsewhere.

### ***Providing additional support to businesses at Alert Level 2***

Wage Subsidy support is not designed to be provided at Alert Level 2. This is in line with Government's position that this support is not for COVID-19 in general, but for the specific and time-bound restrictions that accompany high Alert Levels. The objective of the Wage Subsidy scheme is to provide temporary support for employment attachment. Any additional changes now would have significant operational trade-offs for the Ministry of Social Development, who are at full capacity in administering the current Wage Subsidy scheme.

Government announced some more restrictive changes to Alert Level 2 settings, namely a 50-person cap in indoor spaces. This has caused some media commentary from businesses concerned that they will require additional Government support to remain viable at Alert Level 2. The Treasury has assessed the economic impacts of the stricter Alert Level 2 settings and expects these will have a minimal economic effect. Our initial estimate is that the changes will impact economic activity by less than 0.2% of GDP, though we note that the effects will be disproportionately felt by some businesses.

Ministers recently agreed to extend the Resurgence Support Payment (RSP) to provide an additional one-off payment to eligible businesses. This measure has not yet been

announced, and we expect it will provide sufficient support for firms in Alert Level 2 for several weeks.

**We recommend that no immediate action should be taken to extend the Wage Subsidy to cover Alert Level 2 due to the expense and scale of the scheme, the operational impacts, and precedent-setting effects. We recommend a watching brief on the economic effects of Alert Level 2, and in particular the response to/effects of the changes to the RSP once announced.**

[33]

Note this report has been prepared at pace. The RSP-related advice has not been verified with Inland Revenue in the time available, however it reflects our best understanding of what is possible to deliver in the short-term.

## **Recommended Action**

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We recommend that you:

### ***Confirming settings for payments two and three***

- a **note** that an operational issue has arisen that requires clarification regarding the attribution of the revenue decline test for businesses that are in regions that have come down from Alert Level 3+ to Alert Level 2.
- b **agree** that the interpretation of the attribution test in the declaration for WSSAUG21-2 is that the revenue decline does not require sole and exclusive attribution of the 40% revenue decline to the effect the continuation of Alert Level 3 or higher (AL3+) has had on a business, but can reflect a combination of Alert Levels 4, 3, and 2 effects (though not the effect of Alert Level 2 alone).

*Agree/disagree*  
*Hon Grant Robertson*

*Agree/disagree*  
*Hon Carmel Sepuloni*

- c **note** we expect this change will have minor cost implications, but these have not been quantified.
- d **note** communications on this change will be required to ensure that businesses are clear whether or not they are eligible to apply for the WSSAUG21-2, and officials can provide material to support this as required.
- e **note** that the requirements will still apply in terms of attributing an impact of AL3+ on the business and showing the revenue decline.

- f **note** officials will work through whether this change should be carried forward for future schemes, and will provide advice accordingly.
- g **note** the WSS will open for a third payment (WSSAUG21-3) from 17 September 2021, should Cabinet agree that AL3+ will remain in place anywhere in the country from 11:59pm on 17 September 2021.
- h **note** for WSSAUG21-3, businesses outside of Auckland would continue to only be eligible for a third payment if they can attribute their revenue decline solely to the ongoing AL3+ restrictions.
- i **note** enabling businesses who are operating at Alert Level 2 to access the third WSS payment, where they cannot attribute their revenue decline to ongoing AL3+ restrictions in Auckland, would require a policy change and Cabinet decision.
- j **note** we estimate a further \$900m of funding may need to be drawn down from the CRRF for WSSAUG21-3, and Joint Ministers will shortly receive a paper seeking your approval with the final funding required.

### ***Providing additional support for businesses at AL2***

- k **note** that this report responds to the Minister of Finance's request for further business support advice, specifically regarding extensions to the Wage Subsidy scheme.
- l **note** that officials do not recommend that the Wage Subsidy Scheme should be extended to cover businesses operating in Alert Level 2.
- m **note** that any significant changes to the Wage Subsidy Scheme may have equity, operational, and fiscal impacts, along with precedent-setting effects.
- n **note** that the second one-off payment under the RSPAUG21 scheme is expected by officials to provide sufficient support for firms in Alert Level 2 for several weeks.
- o **note** that the Treasury will continue to monitor activity and impacts to revenue in order to advise on the best timing for any additional support.
- p [33]
- q **note** that extending the RSP would likely be more appropriate and proportionate to the need for further business scheme, than an extension to the WSS.
- r **note** that the Treasury has not been able to consult with Inland Revenue on the feasibility of this approach, but it represents officials' best understanding of what is possible at this time.

- s **indicate** if you would like further advice on the following options to extend the WSS, provided in Table 1:

Option	Hon Grant Robertson	Hon Carmel Sepuloni
Extending the WSS to be available to businesses in AL2 regions provided that AL3+ is in place elsewhere.	Y / N	Y / N
Build in a WSS 'lag time' to provide transitional support for businesses moving out of AL3+.	Y / N	Y / N
Opening the WSS at AL2 for a time-limited period.	Y / N	Y / N

*Agree/disagree*  
*Hon Grant Robertson*

*Agree/disagree*  
*Hon Carmel Sepuloni*

- t **note** the options outlined in recommendation s would have fiscal implications but have not been costed in the time available.
- u **note** the speaking points attached to this report as Appendix 1, which include seeking Cabinet confirmation of settings for payments two and three.

Keiran Kennedy  
**Manager, Welfare & Oranga Tamariki**

Hon Grant Robertson  
**Minister of Finance**

Hon Carmel Sepuloni  
**Minister for Social Development and Employment**

# Treasury Report: Wage Subsidy August 2021 scheme: Alert Level transition

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## Purpose of Report

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1. This report outlines the trade-offs and options associated with extending the Wage Subsidy scheme (WSS) across Alert Level restrictions. It also confirms settings for WSS payments two and three as a result of the Alert level decisions this week [CAB-21-MIN-0360 refers].

## Confirming Wage Subsidy settings for payment two

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2. The Wage Subsidy August 2021 scheme has been activated from 20 August 2021. Applications for a second payment under the scheme opened on 3 September 2021 and will run until 11:59pm 16 September 2021. The scheme was activated in response to an escalation to COVID-19 Alert Level 4 that began on 17 August 2021. Ministers with Power to Act authorised the operation of the scheme for six weeks, after which point Cabinet will need to reapprove its availability and settings.
3. To be eligible for the second Wage Subsidy Scheme payment (WSSAUG21-2), businesses must have experienced or predict a 40% revenue decline over the 14 consecutive days from 31 August to 13 September 2021 inclusive, that is attributable to the effect that Alert Level 3 or higher has had on their business.
4. At 11:59pm on 7 September 2021, all of New Zealand apart from Auckland moved to Alert Level 2.
5. Businesses that come down from Alert Level 3 to Alert Level 2 during the second Wage Subsidy August payment period are still eligible for the payment, provided that they experience or predict at least a 40% decline in revenue over the 14 consecutive days from 31 August to 13 September inclusive that is attributable to the continuation of Alert Levels 3 and 4 from 17 August 2021. The timing of the shift from Alert Levels 3 to 2 for the rest of New Zealand means businesses throughout the country would have been operating under Alert Level 3 conditions for 8 of the 14 days of the revenue test period. It may not be possible for businesses to determine what aspects of their revenue decline are attributable to the effect of eight days at Alert Level 3, versus 6 days at Alert Level 2. This issue has not been significantly surfaced before because the country has not previously experienced:
  - a an overlap between WSS reapplications and Alert Level changes, meaning this aspect of the WSS declaration has not been tested before
  - b an Alert Level 4 escalation in one area, while the rest of the country is at Alert Level 2, and the resulting supply chain issues that this causes
  - c changes to Alert Level 2 restrictions, as outlined further below, have caused increased commentary and the need for clarity around available WSS supports for businesses.
6. **We seek Ministerial agreement to clarify that the interpretation of the attribution test in the WSS declaration is that the revenue decline does not require sole and exclusive attribution of the 40% revenue decline to Alert Level 3 or higher (AL3+) for WSSAUG21-2.** This is a pragmatic interpretation of the attribution test, in line with the self-assessment approach of the WSS, and in the interests of minimising

compliance costs. This means that for the purposes of the WSSAUG21-2, businesses that experience a drop in revenue that is attributable to a combination of Alert Levels 3,4 and 2 effects (but not the effect of Alert Level 2 alone) are eligible to apply. Other eligibility requirements still apply, as businesses must still have been affected by AL3+, and must have had a revenue decline of 40% over the revenue test period.

7. Note this change will have cost implications, but these are not quantifiable. We expect the cost implications to be minor. Communications on this change will be required to ensure that businesses are clear whether or not they are eligible to apply for the WSSAUG21-2. We can provide communications material to support this as required.

*Attribution issues also exist for businesses outside of AL3+ regions that have connections to the ongoing escalation*

8. Paragraph six and the associated recommendation only apply to businesses experiencing a split in Alert Level 3+ and lower Alert Levels during the revenue test period. Businesses outside of an AL3+ escalated region can also suffer the effects of AL3+ because of supply chain issues or customers located there. For such businesses, we are not proposing to change the attribution test. Therefore, businesses that experience or predict a 40% revenue decline that is attributable to the ongoing AL3+ escalation for e.g. resulting from supply chain issues or cancellations due to AL3+ restrictions, can still be eligible for the Wage Subsidy regardless of where they are located, but must attribute that revenue decline solely to the ongoing AL3+ escalation elsewhere.

## Wage Subsidy settings for payment three

9. The WSS will open for a third payment (WSSAUG21-3) from 17 September 2021, should Cabinet agree that AL3+ will remain in place anywhere in the country from 11:59pm on 17 September 2021. All the settings will remain the same as WSSAUG21-2, except the revenue test period for the third payment will move forward another 14 days to be 14 to 27 September inclusive. This means that, as for WSSAUG21-2, businesses outside of Auckland continue to only be eligible for the third payment if they can attribute their decline to the ongoing AL3+ restrictions elsewhere. This would usually be through some sort of clear and defensible relationship or connection such as with a supplier or expected customers from Auckland who can no longer travel.
10. Enabling businesses who are operating at Alert Level 2 to access the third WSS payment, who do not have an explicit relationship to Auckland that is causing their revenue decline, would require a policy change and Cabinet decision.
11. There remains considerable uncertainty around the cost of WSSAUG21-3. We have revisited some of the underlying assumptions in light of the Alert Level decisions taken this week and the latest insights from WSSAUG21-1 and WSSAUG21-2.<sup>1</sup> Our revised estimates for the two-week payment are as follows:
  - a Auckland remaining at AL4 and the rest of NZ remaining at AL2 is estimated to cost between **\$500 and \$800 million**
  - b Auckland moving down to AL3 and the rest of NZ remaining at AL2 is estimated to cost between **\$350 and \$650 million**.
12. Further funding would need to be drawn down from the COVID-19 Response and Recovery Fund (CRRF) for WSSAUG21-3. You will receive a paper seeking your

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<sup>1</sup> For payment three, we have revised up our assumptions around take-up at Alert Level 3 to 20-30% and Alert Level 2 to 5-15%

approval with the final funding required by 17 September. The following table provides an updated overview of costs and funding arrangements as they stand currently:

<i>Based on 7 September data</i>	WSS AUG21-1	WSS AUG21-2	WSS AUG21-3	Funding buffer	<b>Total Funding</b>
Paid to date	\$1,119m	\$386m	-	-	<b>\$1,505m</b>
Balance in appropriation	\$281m	\$664m	-	\$150m	<b>\$1,095m</b>
<b>Estimated total cost of the first two payments (incl. buffer)</b>	<b>\$1,400m**</b>	<b>\$1,050m</b>	-	<b>\$150m**</b>	<b>\$2,600m</b>
Likely new funding required from CRRF	-	-	\$800m	\$100m	<b>\$900m</b>
<b>Estimated total cost with the third payment (incl. buffer)</b>	<b>\$1,400m</b>	<b>\$1,050m</b>	<b>\$800m</b>	<b>\$250m</b>	<b>\$3,500m</b>

\*\*Note that the estimated cost of WSSAUG21-1 has been revised upwards from \$1,300m to \$1,400m and the funding buffer has reduced from \$250m to \$150m accordingly.

13. We estimate a further \$900 million may be needed for the third payment. This comprises of \$800m as the upper estimate for the scheme (assuming Auckland is at AL4 and the rest of NZ remains at AL2), as well as an additional \$100m funding buffer.
14. This is subject to change as we get more information on the uptake of the first and second payments (if demand is lower than estimated, the underspends can be used to offset some of the cost of the third payment). At this stage we are not revising the estimated cost of WSSAUG21-2. However, the latest data suggests that the cost of WSSAUG21-1 is likely to be higher than previously signalled (by around \$100 million) [T2021/2170 refers].

## Changes to Alert Level 2 settings and providing further support

15. WSS support is not designed to be provided at Alert Level 2, the objective of which is to provide temporary support for employment attachment at AL3+. This is in line with Government's position that support is not for COVID-19 in general, but for the specific and time-bound restrictions that accompany high Alert Levels. It also reflects Cabinet decisions that the design of the WSS should share the cost associated with periods at AL3+ between Government, employers and employees, and across economic sectors [CAB-20-MIN-0531 refers]. Any additional changes would have significant operational trade-offs for the Ministry of Social Development, who are at full capacity in administering the current Wage Subsidy scheme.
16. The Government announced some more restrictive changes to Alert Level 2 settings, namely a 50-person cap in indoor spaces. This has caused some media commentary from businesses concerned that they will require additional Government support to remain viable at Alert Level 2.

*Any large changes to economic support settings must consider the macroeconomic context*

17. As noted in previous advice [T2021/2190], we consider the current fiscal approach broadly appropriate and we do not consider a stronger, discretionary fiscal response beyond existing measures is needed at this stage to secure the economic recovery.<sup>2</sup>

<sup>2</sup> The Treasury continues to monitor the macroeconomic situation and intends to provide further advice by mid-September.

18. While fiscal headroom is not a concern, inflationary pressures remain a risk. Any material change to economic support measures should be done with consideration of the potential macroeconomic effects.

*We do not expect increased restrictions at Alert Level 2 to have a significant economic impact*

14. Any potential increase to support in response to changes to Alert Level 2 should also be proportionate to the economic impact of those changes.
15. The economic impact of changes to Alert Level 2 settings to tighten gathering rules and mandate physical distancing on public transport is difficult to quantify. However, the Treasury's initial estimate is that we expect the combined impact of these changes to be less than 0.2% of GDP when applied to all of New Zealand outside of Auckland.
16. The broad sectors most likely to be impacted by setting the gathering cap at 50 are accommodation and food services, and arts and recreation. At Alert Level 2, these sectors contribute around 4% of GDP, which limits the aggregate impact to New Zealand's economy. Other sectors might also see a reduction in activity, including education and community/voluntary sector events.
17. A number of additional factors should also be considered when weighing up the economic impact of these proposed changes, including seasonal effects on demand for hospitality services, businesses adapting their offerings (e.g. restaurants moving toward takeaway and outdoor dining), and consumers changing their behaviour (e.g. additional spending at supermarkets). These factors may further mitigate any aggregate economic impacts.

*Additional business support is already in train through the RSP*

18. Ministers have agreed changes to the Resurgence Support Payment (RSP) including:
  - providing an additional RSP payment (normally a one-off payment per Alert Level escalation) for eligible businesses from 17 September; and
  - reducing the time a business must have been operational to be eligible for the payment from six months to one month.
19. We expect the additional RSP payment, which has not yet been announced, will provide sufficient support for firms in Alert Level 2 for several weeks. We will continue to monitor media commentary and Ministerial correspondence received following the announcement of the additional RSP payment, to determine whether further support is still required.
20. The RSP is already available to eligible firms when any part of New Zealand is at Alert Level 2 or above, and so the potential impacts of 'Delta AL2' settings are effectively priced into the model of the payment. Evidence from previous rounds of the RSP is conclusive that the payment effectively targets the most affected sectors, including accommodation and food.
21. In the short term, it may be possible to issue a third payment of the RSP under the RSPAUG21 scheme if this is issued prior to 7 October 2021. Owing to operational constraints, this would be on the same settings as the first and second instalments. However, the consequences of a third payment issued prior to 7 October 2021 for

Inland Revenue's Business Transformation programme would need to be understood before proceeding with this option.

22. Whilst maintaining the same payment rate over successive payments provides certainty and simplicity for applying firms, it is less likely to be cost effective if the payments are issued in quick succession in light of the evidence suggesting the RSP adequately supports firms to cover their costs over a number of weeks (T2021/2218 refers).
23. **The Treasury continues to recommend that you do not commit at this stage to regular RSP payments on an ongoing basis.** This would significantly alter the objectives of the RSP Scheme previously agreed by Cabinet. The purpose of the scheme and the implications for the design settings and legislation would need to be re-examined, including potentially with a new Regulatory Impact Assessment. Regular RSP payments would also have significant fiscal and potentially macroeconomic implications.
24. <sup>[33]</sup>

## Considerations for extending the Wage Subsidy Scheme

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*Extending the WSS would have precedent-setting effects and impede transition to a new normal*

25. Due to the expense and scale of the WSS, and the presence of alternative options like the RSP, there should be a high threshold for any extension of the WSS. If the WSS were to be extended, there are three key, interconnected factors to consider:
  - **Precedent-setting effects.** Government has been clear that COVID-19 economic supports are related to specific Alert Level escalations rather than COVID-19 in general. Issues around precedent-setting of extending Government support to situations that are not as clearly time limited (like Alert Level 3 and 4 escalations) risks blurring the line between support for specific outbreaks and support for COVID-19 generally. This creates risk for fiscal management of the scheme.
  - **Transitioning to a new normal and the intended temporary nature of the WSS.** Setting the trigger for the WSS at Alert Level 3+ provides a clear and time-limited boundary to WSS support. <sup>[34]</sup>
  - **Supporting non-viable businesses.** <sup>[33]</sup>

26. Furthermore, MSD is under significant resourcing pressure. MSD is unable to implement any further changes to the scheme that have IT implications between now and November, as that would divert resources away from the current work programme and will put delivery of the Wage Subsidy August 2021 and other MSD-led responses to Alert Level changes at risk.
27. **As described above, in the first instance, we do not recommend extending the WSS to provide support at Alert Level 2 beyond what is already provided to businesses in AL2 regions that are affected by AL3+.** However, if warranted, we have considered several potential options for extending the WSS that are outlined at Table 1. The options have been prepared and tested with MSD under short timeframes and consequently would require significant further work to assess their feasibility. In addition, the options have not yet been costed.
28. Note that the options analysis is solely focused on changes to WSS settings, and further work would be required on providing any targeted non-WSS measures such as sector-specific grants.

[33]

[33]

## Next Steps

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29. Your Office has indicated you intend to raise the WSS as an oral item at the COVID-19 Ministerial Group meeting on Thursday 9 September 2021. Talking points are attached to this report as Appendix 1.

## Consultation

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30. Note this report has been prepared at pace. The RSP-related advice has not been verified with Inland Revenue in the time available, however it reflects our best understanding of what is possible to deliver in the short-term.
31. The Ministry of Social Development was consulted on this report but engagement has been limited due to tight timeframes.

**Appendix 1: Talking points for COVID-19 Ministerial Group meeting of 9 September 2021**

- The Wage Subsidy August 2021 scheme has been activated from 20 August 2021. Applications for a second payment under the scheme opened on 3 September 2021 and will run until 11:59pm 16 September 2021.
- The scheme was activated in response to an escalation to COVID-19 Alert Level 4 that began on 17 August 2021. At 11:59pm on 7 September 2021, all of New Zealand apart from Auckland moved to Alert Level 2.
- The economic impact of changes to Alert Level 2 settings to tighten gathering rules and mandate physical distancing on public transport is difficult to quantify. However, the Treasury’s initial estimate is that the combined impact of these changes is expected to be less than 0.2% of GDP when applied to all of New Zealand outside of Auckland.
- Any large changes to economic support settings must consider the macroeconomic context, and Officials aren’t expecting increased restrictions at Alert Level 2 to have a significant economic impact.
- Additional business support is already in train through the RSP and extending the WSS would have precedent-setting effects and impede transition to what could be a new normal
- Due to the expense and scale of the WSS, there should be a high threshold for any extension of the scheme. If the WSS were to be extended, there are three key, interconnected factors to consider: precedent-setting effects, the intended temporary nature of the scheme, and providing support for unviable businesses.

- [33]

- [33]

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**Confirming settings for Wage Subsidy August payments two and three**

- To be eligible for the second WSS payment (WSSAUG21-2), businesses must have experienced or expect to experience a 40% revenue decline over the 14 consecutive days from 31 August to 13 September 2021 inclusive, that is attributable to the effect that Alert Level 3 or higher has had on their business. At 11:59pm on 7 September 2021, all of New Zealand apart from Auckland moved to Alert Level 2.

- The timing of the shift from Alert Levels 3 to 2 for the rest of New Zealand outside Auckland means businesses in the rest of New Zealand would have been operating under Alert Level 3 conditions for 8 of the 14 days of the revenue test period.
- I seek Cabinet agreement to clarify that the interpretation of the attribution test in the WSS declaration is that the revenue decline does not require sole and exclusive attribution of the 40% revenue decline to Alert Level 3 or higher (AL3+). This means that for the purposes of the second Wage Subsidy August 2021 payment (WSSAUG21-2), businesses that experience a drop in revenue that is attributable to a combination of Alert Levels 3,4 and 2 effects (but not solely Alert Level 2) are eligible to apply.
- This is a pragmatic interpretation of the attribution test, in line with the self-assessment approach of the WSS, and in the interests of minimising compliance costs.

#### *Timing of a third WSS payment*

- The status quo settings for the Wage Subsidy scheme agreed by Cabinet are that payments should match the duration at Alert Level 3 or above rounded to the nearest fortnight [CAB-21-MIN-0324 refers]. The early opening of the first August Wage Subsidy payment means the third payment will be triggered before the fifth week of Alert Level 3 or higher has elapsed (at which point time at Alert Level 3+ would round to 3 fortnights).
- Cabinet agreed to bring forward the timing of the second payment from 6 September to 3 September to ensure there was no gap between payments [CAB-21-MIN-0346 refers].
- I seek Cabinet confirmation that the third August Wage Subsidy payment (WSSAUG21-3) also be brought forward by three days to follow from the closure of payment two. We propose payment three will be triggered if Cabinet agrees that Alert Level 3 or 4 will remain in place anywhere in New Zealand at 11:59pm on 17 September (lockdown day 32 rather than lockdown day 35 under the fortnight-rounding rule). Applications for the WSSAUG21-3 should open at 9:00am on 17 September 2021. A revenue test period of 14 consecutive days from 14 to 27 September 2021 inclusive will apply.

### **Recommendations**

The Minister of Finance recommends that Cabinet:

- **agree** that the interpretation of the attribution test in the declaration for WSSAUG21-2 is that the revenue decline does not require sole and exclusive attribution of the 40% revenue decline to the effect the continuation of Alert Level 3 or higher (AL3+) has had on a business, but can reflect a combination of Alert Levels 4, 3, and 2 effects (though not the effect of Alert Level 2 alone).
- **agree** that, should Cabinet decide that Alert Level 3 or above will remain in place from 11:59pm on 17 September 2021, eligible businesses will be able to apply for a third August Wage Subsidy payment, WSSAUG21-3, from 9:00am on 17 September 2021.