

# The Treasury

## Advice on COVID-19 Response - Tranche Two Information Release

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### Information Withheld

No information has been withheld.

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Office of the Minister of Finance

Chair, Cabinet

## **THE RESURGENCE SUPPORT PAYMENT ON 26 NOVEMBER AND CLOSING AFFECTED REVENUE PERIODS**

### **Proposal**

- 1 I seek agreement to submit an Order in Council amending the COVID-19 Resurgence Support Payment (RSP) August 2021 scheme to the Executive Council. The proposed amendments will allow:
  - 1.1 a payment under the August RSP scheme to be made available from 26 November 2021, and
  - 1.2 close off the affected revenue periods for payments made available on 29 October, 12 November and 26 November 2021.

### **Relation to Government Priorities**

- 2 The proposals support the Government's overarching objective of keeping New Zealanders safe from COVID-19. This includes protecting jobs, livelihoods and strengthening the economy.

### **Background**

- 3 The RSP was designed to be a one-off payment to eligible businesses and organisations ("Businesses") in the event of an escalation in Alert Levels that lasts seven consecutive days or more. For the first 4 payments under the RSP scheme, eligible firms can receive the lesser of:
  - 3.1 the formula amount (\$1,500 and an additional \$400 per FTE (up to 50 FTEs)); or
  - 3.2 four times the firm's experienced revenue drop over the impacted 7-day period.
- 4 Businesses can apply for the payment when there is an escalation to COVID-19 Alert Level 2 or above, the RSP is activated, and they have experienced a loss in revenue of at least 30% as a result of the escalation.
- 5 On 18 August 2021, the group of COVID-19 Ministers with Power to Act (the Prime Minister, Deputy Prime Minister, Minister for COVID-19 Response and Associate Minister of Health) agreed to activate the Resurgence Support Payment Scheme on 24 August (RSPAUG21).

- 6 Since the first activation, payments have been made available on 17 September, 8 October, 29 October and 12 November. The purpose of RSPAUG21 is now to support firm viability through cashflow for ongoing fixed costs during this prolonged period of disruption (CAB-21-MIN-0375).
- 7 The scheme has been very successful at getting support to businesses to meet their non-wage costs. As at 19 November, Inland Revenue has paid \$1,738.84 million to 565,672 businesses since 17 August 2021.

### **Payment on 26 November**

- 8 On 21 October 2021, COVID-19 Ministerial Group agreed to fortnightly payments from 29 October. The last payment was made on 12 November, and therefore the next payment is due to become available from 26 November 2021.
- 9 The COVID-19 Ministerial Group also agreed that the payment on 12 November, and the subsequent payments, be paid at double the initial rate (CMG 21 October 2021 refers), specifically the lesser of:
  - 9.1 \$3,000 + \$800 FTE (up to 50 FTEs), or
  - 9.2 eight times the revenue decline.
- 10 The Order in Council, *COVID-19 Resurgence Support Payments Scheme (August 2021) Amendment Order (No 6) 2021*, gives effect to the COVID-19 Ministerial Group decisions for a Resurgence Support Payment available from 26 November.

### **Closing the affected revenue periods**

- 11 To be eligible for the RSP scheme, businesses must demonstrate a 30% revenue decline over 7 consecutive days within an affected revenue period. Generally, each affected revenue period for these payments started 7 days prior to applications being opened, and they all remain open until a nationwide return to Alert Level 1.
- 12 Given New Zealand will be moving to the new COVID-19 Protection Framework, we will no longer be returning to Alert Level 1. Therefore, the affected revenue period for the payments made under the August 2021 scheme need to be closed.
- 13 Cabinet has already agreed to end the affected revenue period for the payments made on 24 August, 17 September and 8 October 2021 (CAB-21-MIN-0451). These ended on 1 November and application for these payments close on 1 December.
- 14 The Order in Council, *COVID-19 Resurgence Support Payments Scheme (August 2021) Amendment Order (No 6) 2021*, ends the affected revenue periods for payments made available on 29 October, 12 November and 26 November 2021 when part of the country moves to the new COVID-19 Protection Framework.

- 15 The Commissioner of Inland Revenue sets the process for applying for the RSP, including the time period for applying for each payment. I propose that Cabinet recommends that to account for the Christmas/New Year's period, applications should remain open for these payments for at least six weeks after the end of the affected revenue periods.

### **Financial Implications**

- 16 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 main determinant of the fiscal cost of the RSP scheme is the Alert Level situation in place during the agreed affected revenue period.
- 17 The expended current restrictions, of Auckland in Alert Level 3 and the rest of the New Zealand in Alert Level 2, would likely result in costs of \$220 to \$440 million. Less severe restrictions would lessen the cost.
- 18 A total of \$2,850 million was appropriated to meet the cost of RSPAUG21 payments (CAB-21-MIN-0328, CMG-21-MIN-0023, CAB-21-MIN-0375, COVID-19 Ministerial Group 21 October refers). The current appropriation is expected to cover the cost of the 26 November payment.
- 19 There are no additional financial implications relating the RSP resulting from the decisions taken in this paper, as the appropriation changes required to give effect to the policy decisions actioned in this paper were approved by COVID-19 Ministerial Group on 21 October.
- 20 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 Cabinet approval).

### **Order in Council**

- 21 The Order in Council, *COVID-19 Resurgence Support Payments Scheme (August 2021) Amendment Order (No 6) 2021*, amends the COVID-19 Resurgence Support Payments Scheme (August 2021) Order 2021. This Order was made under section 7AAC of the Tax Administration Act 1994. The amending Order:
- 21.1 allows a further payment to be made available under the RSPAUG21 at double the initial rate on 26 November 2021, and
- 21.2 ends the affected revenue period for the RSP payments made available on 29 October, 12 November and 26 November 2021.
- 22 A waiver of the 28-day rule is sought so that the Order can come into force on 23 November 2021.
- 23 The Order in Council complies with:
- 23.1 the principles of the Treaty of Waitangi;

- 23.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
  - 23.3 the principles and guidelines set out in the Privacy Act 2020;
  - 23.4 relevant international standards and obligations;
  - 23.5 the Legislation Guidelines (2018 edition), which are maintained by the Legislation Design and Advisory Committee.
- 24 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.

## **Impact Analysis**

### **Regulatory Impact Assessment**

- 25 Treasury's Regulatory Impact Analysis team has determined that the proposal on "The Resurgence Support Payment on 26 November and closing Affected Revenue Periods" is exempt from the requirement to provide a Regulatory Impact Statement. The exemption is on the grounds that the proposal is intended to provide limited temporary modifications to existing legislative requirements in a situation where the response to COVID-19 pandemic has made compliance with existing legislative requirements impractical.

### **Population Implications**

- 26 The proposals in this paper will support our national effort to eliminate COVID-19, for the benefit of all New Zealanders. The RSP provides additional financial support to firms to allow them to continue to pay their staff and cover non-wage costs, and quickly continue operations as soon as Alert Level restrictions allow. This benefits individuals employed by those firms.
- 27 Uptake of the RSP has been broad across sectors, ethnicities, and regions, benefitting a wide cross-section of society including women, Māori, and Pasifika, who make up a proportion of some of the most affected sectors.

### **Consultation**

- 28 Inland Revenue and the Treasury jointly prepared this paper.

### **Communications**

- 29 I have already announced fortnightly RSPs starting from 29 October. Inland Revenue will also update its information relating to the payment available from 26 November and the closing off affected revenue periods on its website.

### **Proactive Release**

- 30 This paper will be proactively released with any appropriate withholdings as soon as practicable after public communication of the change.

## Recommendations

The Minister of Finance recommends that Cabinet:

1. **note** that Cabinet agreed that the RSP will be available from 26 November if no part of New Zealand has moved to the CPF (CAB-21-MIN-0459 refers).
2. **agree** to end the affected revenue periods for the RSPs made available on 29 October, 12 November, and 26 November 2021, on the day before any part of New Zealand shifts to the COVID-19 Protection Framework.
3. **note** that the Commissioner of Inland Revenue sets the process for applying for the RSP, including the time period for applying for each payment.
4. **note** that the Commissioner of Inland Revenue will keep applications for the 29 October, 12 November, and 26 November RSP open for at least six weeks after the end of the affected revenue periods.

## Order in Council

5. **note** that an Order in Council is required to amend the COVID-19 Resurgence Support Payments (August 2021) Order 2021.
6. **authorise** the submission of the COVID-19 Resurgence Support Payments Scheme (August 2021) Amendment Order (No 6) 2021 to the Executive Council.
7. **note** that a waiver of the 28-day rule is sought so that the Order in Council can come into force on 23 November 2021, on the grounds that the scheme should be amended as soon as possible.
8. **agree** to waive the 28-day rule so that the Order in Council can come into force on 23 November 2021.

## Financial Recommendation

9. **note** that a total of \$2,850 million was appropriated to meet the cost of RSPAUG21 payments (CAB-21-MIN-0328, CMG-21-MIN-0023, CAB-21-MIN-0375, COVID-19 Ministerial Group 21 October refers).
10. **note** that the payment agreed for 26 November under RSPAUG21 is expected to cost between \$220-\$440 million, subject to uptake and the evolving nature of the current COVID-19 resurgence event.
11. **note** the cost of the sixth payment (26 November) under RSPAUG21 will be met from with the COVID-19 Resurgence Support Payment appropriation (COVID-19 Ministerial Group 21 October refers).

12. **note** there is an existing authorisation for Joint Ministers to draw down on the CRRF to meet the final cost of the scheme, should costs escalate beyond estimates, up to a cap of \$100 million [CAB-21-MIN-0344 refers].

Authorised for lodgement

Hon Grant Robertson  
Minister of Finance