

The Treasury

Advice on COVID-19 Response - Tranche Three Information Release

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Office of the Minister of Finance

Chair, Cabinet

CHANGES TO THE COVID-19 SUPPORT PAYMENT SCHEME

Proposal

1. This paper seeks agreement to amendments to the COVID-19 Support Payment (CSP) Scheme. The proposed amendments to the CSP scheme will:
 - 1.1 Allow a second and third CSP to be made available on 14 March and 28 March;
 - 1.2 Set the affected revenue period;
 - 1.3 Include an alternative comparator period (5 January 2021 – 15 February 2021); and
 - 1.4 Allow recipients of the Cultural Sector Emergency Relief Fund: Grant for Self-Employed Individuals to be eligible for the second and third CSPs.
2. This paper also seeks agreement to submit an Order in Council amending the *COVID-19 Support Payments Scheme (Omicron Outbreak) Order 2022* to the Executive Council.
3. I am also seeking additional funding from the COVID-19 Recovery and Response Fund (CRRF) to cover the anticipated increase in uptake of the COVID-19 Support Payment.

Relation to Government Priorities

4. This proposal supports the Government's overarching objective to keep New Zealanders safe from COVID-19, including by protecting lives and livelihoods. It does so by providing economic support to assist with cashflow for businesses that are severely impacted during the Omicron outbreak.

Background

5. Cabinet agreed to activate the COVID-19 Support Payment Scheme (CSPFEB22) in relation to the business circumstances arising from the effect of the public health measures (including the COVID-19 Protection Framework – Red setting) and the rapid increase of COVID-19 in the New Zealand community (CAB-22-MIN-0030). At that meeting, Cabinet agreed that the CSP scheme would be a series of three fortnightly payments, with a commitment to review the situation following the third payment.
6. Cabinet agreed that for each CSP payment, eligible firms can receive the lesser of:

- 6.1 \$4000 base payment + \$400 per FTE (up to 50 FTE); or
 - 6.2 eight times the firm's experienced revenue drop over the impacted 7-day period.
7. To be eligible for the first CSP, businesses need to demonstrate that their income is 40% lower in a 7-day period any time from February 16 (the affected revenue period), compared to a typical 7-day period between 5 January 2022 and 15 February 2022 (the comparator period).

Changes to the COVID-19 Support Payment Scheme

8. I recommend further changes to the CSPFEB22 to ensure businesses that have been negatively impacted by the Omicron outbreak have access to the payment.

Activating CSP two and three

9. Cabinet agreed (CAB-22-MIN-0030) to provide further business support during this phase of this Omicron outbreak, including the activation of the CSP Scheme. It agreed to three fortnightly payments targeted to the extent possible, to eligible firms particularly impacted by the COVID-19 Protection Framework and the effect of the arrival and rapid increase of omicron cases.
10. The initial Order in Council to activate CSPFEB22 allowed for eligible firms to apply for the first CSP payment from 28 February 2022. An amending Order in Council, the *COVID-19 Support Payments Scheme (Omicron Outbreak) Amendment Order 2022*, is required to amend the scheme to make available a second and third CSP, which will open for applications on 14 March and 28 March 2022, respectively.

Affected revenue period

11. The affected revenue period refers to the period within which businesses can select seven consecutive days of affected revenue to demonstrate their revenue decline. The affected revenue period for the CSP scheme started on 16 February 2022, after New Zealand moved to phase two of the Omicron response.
12. I propose the affected revenue periods for all payments are set as follows:
- 12.1 CSP 1: 16 February – 4 April.
 - 12.2 CSP 2: 7 March – 4 April.
 - 12.3 CSP 3: 21 March – 4 April.
13. This ensures each affected revenue period starts 7 days before applications open for each payment. This is similar to the previous RSPs and therefore businesses are familiar with this approach.
14. I anticipate that applications will remain open for four weeks following the end of the affected revenue period.

Comparator period

15. Many businesses have had their revenue negatively impacted during the current comparator period (5 January 2022 – 15 February 2022). As a result, some of these businesses will not be able to demonstrate the necessary revenue decline during the affected revenue period. These businesses will therefore not be eligible for CSPFEB22.
16. Cabinet authorised the Minister of Finance and the Minister of Revenue to make policy and technical decisions related to the CSPFEB22 (CAB-22-MIN-0030). Consistent with this discretion and to address this issue, we have agreed that an alternative comparator period be available for the CSPFEB22 that may be less affected by domestic COVID-19 public health measures.
17. We have agreed that businesses be able to use the same period in the previous year as an alternative comparator period (between 5 January and 15 February 2021). This change will allow more businesses to be able to access the payment even if their revenue has been affected during the early stages of this Omicron outbreak. This alternative comparator period will be available for all payments, from 14 March 2021.
18. I propose the Order in Council be amended to reflect this decision.
19. The CSP Order in Council requires businesses to be compliant with the CVC requirements during the comparator period. As a consequence of including an alternative comparator period, this requirement will need to be amended as it is not possible to be CVC compliant in the 2021 comparator period because the CVC requirements were not in existence at the time.

CSP interaction with other Government support

20. The CSP Order in Council currently excludes recipients of the Ministry of Culture and Heritage one-off emergency grant for self-employed individuals, made under the Cultural Sector Emergency Relief Fund. Officials recommended this because the quantum and coverage of the CSP is similar to the emergency grant and therefore applicants should not be able to receive both.
21. Following the decision to have multiple CSPs, I propose that recipients of the Ministry of Culture and Heritage one off emergency grant are able to apply for CSP payments 2 and 3 (CAB-22-MIN-0030 refers). This ensures that recipients of the emergency grant are not disadvantaged relative to other individuals that have not received the grant but qualify for CSPFEB22.

Financial Implications

22. The total cost of the CSP is closely tied to the severity of the impacts of Omicron and the changes of consumer behaviour in response to the Omicron outbreak. Because of the uncertainty regarding the economic impact of the Omicron outbreak the Treasury has expressed its low confidence in accurately forecasting the cost of the CSP.
23. Cabinet noted that the current funding for the CSP may not be sufficient, and that officials will monitor the uptake of the first payment and report back to Cabinet if there is projected to be a funding shortfall (CAB-22-MIN-0030).

24. The uptake of the first CSP payment has been very high and if current demand continues each CSP payment is likely to surpass the upper bounds of Treasury's estimates for the CSP. Treasury's revised estimate of the cost of the CSP is \$260m to \$300m per payment.
25. The CSP appropriation has enough funding for the first payment but not subsequent payments, and therefore I am requesting \$400m from the CRRF. I also seek delegated authority for Joint Ministers to draw down an additional \$100m from the CRRF, if required.

Legislative Implications

26. To implement the changes agreed to in this paper, an Order in Council is required to amend the initial Order in Council that activated the scheme, the *COVID-19 Support Payments Scheme (Omicron Outbreak) Amendment Order 2022*. The Commissioner of Inland Revenue will determine and publish the eligibility criteria and terms and conditions applying to the CSPFEB22.
27. The proposed COVID-19 Support Payments Scheme (Omicron Outbreak) Amendment Order 2022, would amend the CSP scheme. This Order was made under section 7AAC of the *Tax Administration Act 1994*.
28. This Order would come into force on 14 March 2022.
29. A waiver of the 28-day rule is sought, on the basis that amending the eligibility criteria as soon as possible is necessary to help businesses directly impacted by COVID-19.
30. The Order in Council complies with:
 - 30.1 the principles of the Treaty of Waitangi;
 - 30.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
 - 30.3 the principles and guidelines set out in the Privacy Act 2020;
 - 30.4 relevant international standards and obligations;
 - 30.5 the Legislation Guidelines (2018 edition), which are maintained by the Legislation Design and Advisory Committee.
31. 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

32. Treasury's Regulatory Impact Analysis Team has determined that the proposal on changes to the COVID-19 Support Payment (CSP) Scheme is exempt from the requirement to provide a Regulatory Impact Statement. The exemption is on the

grounds that the proposal is to alleviate the short-term impacts of the declared COVID-19 emergency, and is required urgently to be effective (making a complete, robust and timely Regulatory Impact Statement unfeasible).

Population Implications

33. The proposals in this paper will support our national effort to manage the spread of COVID-19, for the benefit of all New Zealanders. The CSP 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 public health restrictions allow. This benefits individuals employed by those firms.
34. Uptake of the CSP is anticipated to be 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. We expect extending the eligibility criteria to be consistent with these population implications.

Consultation

35. Inland Revenue and the Treasury jointly prepared this paper.

Communications

36. Inland Revenue will update its advice on their website to inform businesses of the CSP available on 14 March.

Proactive Release

37. 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** the decision taken by the Minister of Finance and the Minister of Revenue under delegated authority to allow applicants to use an alternative comparator period of seven consecutive days within the six weeks prior to 15 February 2021 when applying for the CSPFEB22;
2. **agree** to amend the current CVC requirement so that applicants using the 2021 comparator do not need declare they were CVC compliant in that comparator period;
3. **agree** to set the affected revenue period as follows:
 - 3.1 CSP 1: 16 February – 4 April.
 - 3.2 CSP 2: 7 March – 4 April.
 - 3.3 CSP 3: 21 March – 4 April.

4. **note** applications will remain open for four weeks following the end of the affected revenue period;
5. **agree** that recipients of the Ministry of Culture and Heritage one off emergency grant for self-employed individuals are able to apply for payments two and three;

Order in Council

6. **note** that a new Order in Council is required to amend the COVID-19 Support Payments Scheme (Omicron Outbreak) Order 2022 to authorise Inland Revenue to make COVID-19 Support Payments on 14 March and 28 March;
7. **authorise** the submission of the COVID-19 Support Payment Scheme (Omicron Outbreak 2022) Amendment Order 2022 to the Executive Council;
8. **note** that a waiver of the 28-day rule is sought so that the Order in Council can come into force by 14 March, on the ground that the scheme should be amended as soon as possible to allow a further payment to help businesses directly impacted by the Omicron outbreak;
9. **agree** to waive the 28-day rule so that the Order in Council can come into force by 14 March 2022;

Financial Implications

10. **note** that \$430 million was appropriated to meet the cost of CSPFEB22 payments (CAB-22-MIN-0030 refers);
11. **note** that each payment agreed under the CSPFEB22 was estimated to cost between \$160-\$260 million and will be met from the COVID-19 Support Payment appropriation;
12. **note** that current uptake suggests each payment is likely to surpass the upper bounds of Treasury's estimates for the CSP (\$260 - \$300 million per payment) and a further increase in the appropriation of \$400 million is proposed to meet the expected costs of the CSPFEB22 payments;
13. **approve** the following changes to appropriations to meet the higher-than-expected demand for CSP payments, as noted in recommendation 12 above, with a corresponding impact on the operating balance and net core Crown debt:

		\$m – increase/(decrease)				
Vote Revenue		2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Minister of Revenue						
Non-departmental	Other					
Expense:						
COVID-19 Support Payment		400.000	-	-	-	-

14. **agree** that the proposed change to the appropriation for 2021/22 in recommendation 13 be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
15. **agree** that the expense incurred under the increase to the COVID-19 Support Payment appropriation under recommendation 13 be charged against the COVID-19 Response and Recovery Fund (CRRF) established as part of Budget 2020;
16. **agree** to delegate authority to the Minister of Finance and the Minister of Revenue to increase the COVID-19 Support Payment appropriation, by up to an additional \$100 million, as a further charge against the CRRF, to meet the costs generated by CSPFEB22.

Authorised for lodgement

Hon Grant Robertson
Minister of Finance