

The Treasury

Advice on COVID-19 Response - Tranche Three Information Release

September 2022

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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
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- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
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Tax policy report: Final design decisions of the COVID-19 Support Payment

Date:	14 February 2022	Priority:	High
Security level:	In Confidence	Report number:	IR2022/059 T2022/256

Action sought

	Action sought	Deadline
Minister of Finance	Agree to recommendations Note the contents of this report	15 February 2022
Minister of Revenue	Agree to recommendations Note the contents of this report	15 February 2022

Contact for telephone discussion (if required)

Name	Position	Telephone
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14 February 2022

Minister of Finance
Minister of Revenue

Final design decisions of the COVID-19 Support Payment

Purpose

1. This report seeks joint Ministers' agreement to final design decisions for the COVID-19 Support Payment (CSP) so it can be ready for applications to open on 28 February, subject to Cabinet agreement to activate the scheme.

Context and background

2. The Minister of Finance is taking a paper to DEV on 16 February and then Cabinet on 21 February. This paper will seek Cabinet's agreement to a one-off CSP payment. The activation event for this CSP will be the move to Phase 2 in the response to Omicron.
3. Joint Ministers have already agreed to some of the key parameters of the CSP (T2022/166, IR2022/052 refers). These primarily are:
 - A revenue decline of 50%
 - the lesser of a base rate of \$4,000 plus \$400 per FTE or eight times the actual revenue decline experienced
 - recipients of the Ministry of Culture and Heritage one off emergency grant will not be eligible for the CSP
4. Except for explicit changes, all other settings for the CSP remain the same as the Transition Payment.

Comparator period

5. The comparator period determines the comparative basis for the revenue drop. Businesses use the comparator period to select a 7-day period of 'typical' revenue, to compare with their affected revenue to determine the revenue decline. This period should be set to target businesses most affected by phase two and three of the Omicron response.
6. Officials have previously recommended a comparator period that incorporates some time spent in Orange and Red (T2022/166, IR2022/052 refers). In that report, officials recommended a six-week comparator period prior to 1 March, as a placeholder.
7. However, with an earlier activation of the CSP, officials recommend a shorter comparator period to avoid including parts of the Christmas or New Year's period.
8. Officials recommend a comparator period be set at a five-week period prior to when New Zealand moves into phase two of the Omicron response (11.59pm on 15 February). This period incorporates at least one week where most parts of the country were in Orange settings, and prior to when the country moved into Red. Vaccine certificates were also in effect throughout this period.

Affected revenue period

9. The affected revenue period refers to the period where businesses can select seven consecutive days of affected revenue to demonstrate their revenue decline. The affected revenue period will start when a part of New Zealand moves to phase two of the Omicron response (11:59pm 15 February). Note this will be prior to applications opening.
10. Officials recommend the affected revenue period is set without an end date due to the uncertainty of the Omicron outbreak in New Zealand. An amending Order in Council will be needed at a later date to close this period.

Declarations

11. We understand the Minister of Finance indicated a preference for changing one of declarations, so the revenue decline is attributed to the current COVID-19 Protection Framework (CPF) settings, rather than the impacts of New Zealand's Omicron outbreak (previously agreed to).
12. Officials understand that an example of a key area Ministers would like to provide support to is hospitality, including those impacted by reduced foot traffic due to customers working from home or avoiding going out to minimise their risk of catching COVID-19. If that is the case, Inland Revenue do not recommend this change as we do not consider it would cover such a business. This is because the impacts in this example are largely due to customer behavioural change rather than directly attributable to the framework. Attempting to draw a line between direct and indirect impacts of the CPF will also be challenging for Inland Revenue and our customers and could also drive contacts and customer confusion.
13. On this understanding, officials continue to recommend the declaration be wider, that the applicant's revenue decline is due to the New Zealand Omicron outbreak (T2022/166; IR2022/052 refers).
14. [4]
15. You have also indicated you want a declaration to ensure those receiving the CSP are complying with the COVID-19 Vaccine Certificate (CVC) requirements. The declaration will likely ask the applicant to declare whether they are a regulated business (and subject to the CVC rules) and have been operating in accordance with the CVC rules under the CPF. Applicants would need to declare that they were compliant with the CVC regime for the period of the revenue decline.
16. There may be issues where businesses are operating under a hybrid model (i.e., operating under CVC rules at some times and without CVC rules at others). This is permitted under the CPF rules, and officials still are working through the approach to this.
17. [4]
- 18.

[4]

Next steps

19. Officials will prepare an Order in Council with the Parliamentary Counsel Office to activate the scheme. The Order will accompany the Economic Support under Omicron Cabinet paper on 21 February. Following Cabinet's decision, the Order in Council will be confirmed by Cabinet at the same meeting and the Order will be made by Executive Council the same day.

Recommended action

We recommend that you:

20. **agree** the comparator period be set at five weeks prior to when New Zealand moves into phase two (11.59pm on 15 February);

Agreed/Not agreed

Agreed/Not agreed

EITHER

21. **agree** to set the affected revenue period for a six-week period, starting on the day after New Zealand moves into phase two;

Agreed/Not agreed

Agreed/Not agreed

OR

22. **agree** to not setting an end date for the affected revenue period, starting on the day after New Zealand moves into phase two;

Agreed/Not agreed

Agreed/Not agreed

EITHER

23. **agree** to amend the current declaration so that in order to be eligible the revenue decline must be attributed to the COVID-19 Protection Framework;

Agreed/Not agreed

Agreed/Not agreed

OR

24. **agree** to amend the current declaration so that in order to be eligible the revenue decline must be attributable to the New Zealand Omicron outbreak;

Agreed/Not agreed

Agreed/Not agreed

25. **agree** to add a declaration to ensure recipients are complying with the COVID-19 Vaccine Certificate requirements for the period of their revenue decline;

Agreed/Not agreed

Agreed/Not agreed

26. **authorise** Inland Revenue to issue drafting instructions to the Parliamentary Counsel Office to draft an Order in Council to activate the CSP scheme.

Authorised

Jean Le Roux

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Economic Development
The Treasury

Carolyn Elliott

Policy Lead, Policy and
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Inland Revenue

Hon Grant Robertson

Minister of Finance
/ /2022

Hon David Parker

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