

The Treasury

Advice on COVID-19 Response - Tranche Two Information Release

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Summary of options for the Transition Grant

Purpose	Targeting	Payment Rate	Key Considerations
<p>Purpose One (RECOMMENDED)</p> <p>To compensate an area (in particular Auckland) for an extended period spent in Alert Level 3/4 when it transitions to Red.</p>	<p>40% revenue decline threshold to tilt support towards Auckland.</p> <p>Agree/Do not agree</p> <p>OR</p> <p>30% revenue decline threshold to maintain consistency</p> <p>Agree/Do not agree</p>	<p>Option 1A:</p> <p>\$5000 (no FTE rate) <i>Favours smallest firms, differentiates new framework, but not explicitly tied to modelled costs.</i> <i>Payment as a proportion of weekly ongoing non-wage costs:</i></p> <ul style="list-style-type: none"> - <i>Indicative hospitality firm: 100%</i> - <i>Firm employing 1-5 FTE: 140%</i> <p>Option 1B:</p> <p>\$3000+800*FTE (Current RSP payment rate) <i>More than sufficient for most targeted firms' costs.</i> <i>Payment as a proportion of weekly ongoing non-wage costs:</i></p> <ul style="list-style-type: none"> - <i>Indicative hospitality firm: 190%</i> - <i>Firm employing 1-5 FTE: 115%</i> 	<p>Indicative recommendations:</p> <p>All subsequent economic support stops after Auckland moves to Red and the transition payment is made;</p> <p><i>Agree/Do not agree</i></p> <p>Other regions that are in AL3 will not get the RSP payment at the same time Auckland gets the Transition Grant;</p> <p><i>Agree/Do not agree</i></p> <p>Inland Revenue administration considerations</p> <p>Inland Revenue recommend the latest date for making a transition grant is 10 December.</p> <p>Two separate payments (the transition grant and a regular RSP) on 10 December will be challenging to administer and is not recommended by Inland Revenue. System changes, clear communication material and operational resources would be required to administer two payments and to address any customer confusion.</p> <p>While still challenging, a single payment to all businesses that are impacted by Auckland in Red and/or parts of the country in elevated alert levels, would be preferable.</p> <p>Ideally, the grant would reflect the current RSP scheme as close as possible. The revenue decline threshold and payment amount are flexible, however, removing the FTE amount entirely as per options 1A and 2B will be challenging and is not recommended by Inland Revenue.</p>
<p>Purpose Two</p> <p>To help cover the costs of the transition to Red under the COVID-19 Protection Framework (CPF).</p>	<p>We recommend the revenue decline threshold remains at 30% as Purpose Two is to help with the transition, and less about compensating for previous revenue decline. (given the framework applies to all firms).</p>	<p>Option 2A:</p> <p>\$1500+\$400*FTE (Previous RSP payment rate) <i>Familiar to firms and in line with the rationale and approach for the original RSP: to assist on a one-off basis with a transition to a public health new framework.</i> <i>Payment as a proportion of weekly ongoing non-wage costs:</i></p> <ul style="list-style-type: none"> - <i>Indicative hospitality firm: 90%</i> - <i>Firm employing 1-5 FTE: 60%</i> - <i>78% of applications for the third RSP payment were from businesses in greater Auckland</i> <p>Option 2B:</p> <p>\$3000 (no FTE rate) <i>Favours smallest firms, likely to have much higher than costs of transition but may meet expectations of greater support based on approach taken in November 2021.</i> <i>Payment as a proportion of weekly ongoing non-wage costs:</i></p> <ul style="list-style-type: none"> - <i>Indicative hospitality firm: 60%</i> - <i>Firm employing 1-5 FTE: 80%</i> - <i>78% of applications for the third RSP payment were from businesses in greater Auckland</i> 	