

# The Treasury

## COVID-19 Information Release

April 2020

This document has been prepared for release by the Treasury.

### Context

Decisions on the wage subsidy scheme were supported by additional advice on the design of the wage subsidy scheme [see "Aide Memoire: Wage Subsidy Scheme Note" and "Speaking Notes and Recommendations: COVID-19 Financial Support Paper 1: Business Continuity Package: Targeted Wage Subsidy Scheme"].

Decisions on the Winter Energy Payment were supported by additional advice on alternative options [see "Annex Three: Alternative options to extend the Winter Energy Payment and updated financial recommendations"].

### Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [29] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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## COVID-19 financial support, Paper A: Business Continuity Package: Targeted wage subsidy scheme

### UPDATED DESIGN SETTINGS

15 March 2020

#### Summary

Design of the wage subsidy scheme has evolved since lodgement of the Cabinet paper [COVID-19 financial support, Paper A: Business Continuity Package: Targeted wage subsidy scheme]. These design changes respond to recent developments and the likelihood that impacts will spread across all sectors of the economic

I propose a scheme still targeted at businesses impacted by COVID-19 and experiencing a significant downturn, but extending its coverage to all sectors of the economy.

Key design settings and their changes relative to the lodged version of the Cabinet paper are summarised below. Updated recommendations are included below.

Design	Proposal in lodged Cabinet paper	Updated proposal
<b>Sectors</b>	To initially include forestry and tourism sectors (accommodation, hospitality, and other tourism services) and other firms directly connected in the supply chain who are also suffering a decline	All sectors eligible
<b>Regions</b>	All regions included	No change
<b>Disruption to business</b>	30% decline in actual revenue compared to the year before	30% decline in revenue compared to the year before, or can be expected to decline within duration of scheme
<b>Scale of subsidy (per full time worker)</b>	\$585.80 for full time per week or \$350 for part time	\$585.80 for full time per week or \$350 for part time
<b>Duration of support</b>	12 weeks	No change
<b>Duration of the scheme</b>	Concludes 12 weeks after the date that MSD start accepting applications, which will be no later than 30 Marchs	12 weeks from the date of announcement (Tuesday 17 March)
<b>Maximum subsidy per business</b>	Cap of \$150,000	No change
<b>Maintenance of income</b>	Qualifying employees to be paid at least 60% of their previous income	Decision to be made by Cabinet. Qualifying employees to be paid at least either: <ul style="list-style-type: none"><li>- 60% of their previous income</li></ul>

		- 80% of their previous income for the duration of the scheme
<b>Other pre-qualifications</b>	Business must have taken active steps to mitigate the impact of COVID-19 (eg. engaged with their bank) and sign a declaration form to that effect.	No change
<b>Administering agency</b>	MSD, with support from IR	No change
<b>Fiscal cost (gross), central estimate</b>	\$750m	\$5,100m

## MSD note on implementation

### MSD will implement a high trust model

In order to assist people from Tuesday and encourage self-isolation, MSD will implement a high trust model and employers will be asked to sign a declaration when they apply confirming they:

- meet the eligibility criteria, as detailed in the updated recommendations in this paper
- have discussed the subsidy with their employees and they have consented to providing their information
- agree to repay any subsidy payments made if MSD determines at a later date that they weren't entitled or their entitlement changes ie they receive business interruption insurance

Employers who are applying for loss of revenue will also declare that, on their best endeavours, they will continue to employ the affected employees at a minimum of 60% or 80% (Cabinet still to decide) of their income.

### Administering the payment

- MSD will utilise an existing online portal held on the Work and Income website, that employers will use to apply for assistance.
- MSD will have one application for both subsidies and employers will elect their reason for application ie, loss of trade or self-isolation for employees payment.
- The application would then be reviewed, assessed and paid centrally by MSD.

## Updated recommendations

The Ministers of Finance, the Minister of Economic Development and the Minister for Social Development recommend that Cabinet:

- 1 **note** that in March 2020, Cabinet directed officials to develop further targeted firm support options for Cabinet decisions with priority on:
  - 1.1 a wage subsidy scheme for workers in the most adversely affected sectors (including possible financial support for leave requested by employees as a result of public health directions);
  - 1.2 training and re-deployment options for affected employees; and
  - 1.3 targeted working capital support for firms that face temporary credit constraints [CAB-20-MIN-0090]
- 2 **note** that the scheme will apply to all sectors, reflecting recent developments and the likelihood that impacts will spread across all sectors of the economy
- 3 **note** that this paper addresses a temporary wage subsidy scheme and a separate paper is being prepared for possible financial support for leave requested by employees as a result of public health directions
- 4 **agree** to implement a temporary COVID-19 wage subsidy scheme
- 5 **agree** that the purpose of the scheme is to help affected employees and businesses to adjust to the impact of COVID-19, not to support businesses for the duration of that impact
- 6 **note** that the COVID-19 wage subsidy will apply to all sectors nationwide
- 7 **agree** that the COVID-19 wage subsidy will be payable to the employer at a rate per employee of \$585.80 per week for full time employees (similar to the maximum rate of paid parental leave) and \$350 for part time employees
- 8 **agree** the COVID-19 wage subsidy will be for 12 weeks per employee
- 9 **agree** to a maximum payment of \$150,000 per employer
- 10 **agree** that any qualifying subsidy will be paid as a lump sum
- 11 **note** that depending on uptake, this package could inject approximately \$5.1 billion into the economy over the next two months
- 12 **note** that the costs are inherently uncertain given the potentially changing economic conditions and could be significantly higher

- 13 **agree** that the COVID-19 wage subsidy scheme will be open for 12 weeks from the date of announcement, 17 March 2020
- 14 **agree** that the COVID-19 wage subsidy will be administered by the Ministry of Social Development with support as required from Inland Revenue
- 15 **note** that MSD will accept applications from Tuesday 17 March 2020, and will endeavour to make first payments within five working days after
- 16 **note** employers will only be able to apply once within the period
- 17 **note** that the definition of employer will include 'closely related businesses' (i.e. where a single business owner or employer operates a number of businesses that are closely related they can be treated as one business)

#### *Qualifying Criteria*

- 18 **agree** that the COVID-19 wage subsidy will apply to employers that have suffered revenue loss of at least 30 per cent and that revenue loss is attributable to the COVID-19 outbreak
- 19 **note** revenue loss assessment will be based on a period of at least one month and the loss of revenue is at least 30 per cent lower than the equivalent period one year ago (i.e. February 2020 income is 30 percent lower than February 2019)
- 20 **note** that the loss can be for any month from January 2020 through to the end of the scheme
- 21 **note** that the business must be registered and operating in New Zealand
- 22 **note** that the COVID-19 wage subsidy scheme will be open to self-employed and sole-traders
- 23 **note** that officials are still clarifying the eligibility of state sector entities in the scheme
- 24 **note** that the definition of full-time and part-time employees will align with the hours test specified in the COVID-19 Leave Payment Scheme Cabinet paper
- 25 **agree** that the COVID-19 wage subsidy will only be payable to employers who have taken active steps to mitigate the impact of COVID-19 on their business activities (such as engaged with their bank, Chamber of Commerce, industry association or the Regional Business Partner programme)

- 26 **note** that the Ministry of Social Development with support from Inland Revenue may develop more detailed criteria to determine the potential revenue loss
- 27 **agree** that employers will need to make a declaration setting out their commitment, on best endeavours, to retain employees identified in the declaration as subject to the targeted wage subsidy in employment on at least:

EITHER:

(a) 60 per cent of their regular income for the period of the subsidy

OR

(b) 80 per cent of their regular income for the period of the subsidy

- 28 **agree** to administer the scheme at pace using a high trust model

- 29 **Note** that MSD intends to administer the scheme in the following way:

29.1 Employers will make applications in relation to affected employees;

29.2 Employers will have to declare that:

29.2.1 They meet all of the eligibility criteria;

29.2.2 They have discussed the application with named employees who consent to sharing information in the application and for the purposes of verification

29.2.3 The employer consents to the details in the application may be verified with other agencies;

29.2.4 The employer is aware that they may be audited and prosecuted for fraud if they have provided false information;

29.2.5 The employer will notify MSD if circumstances change that affect their eligibility

29.2.6 The employer will repay any amount which they are not entitled to;

29.3 MSD <sup>39</sup> [REDACTED]  
[REDACTED] will have the ability to later audit the application, verify information with other agencies and refer possible instances of fraud for investigation

- 30 **note** that standard justice processes are available to respond to any cases of fraudulent declarations that may be identified
- 31 **agree** that case-by-case discussions can take place with large employers, and any support be negotiated in partnership with banks
- 32 **note** that there may be some legislative implications, and the Minister of Finance, the Minister for Economic Development, the Minister for Social Development and the Minister of Revenue will identify these and bring them back to Cabinet for consideration
- 33 **note** the Ministry of Social Development will need additional operating funding to administer the scheme
- 34 **delegate** authority to the Minister of Finance, the Minister for Economic Development, the Minister for Social Development to appropriate funding for the administration of the scheme (establishing any new appropriations as necessary)
- 35 **delegate** authority to the Minister of Finance, the Minister for Economic Development and the Minister for Social Development to increase funding for the COVID-19 wage subsidy scheme if required
- 36 **delegate** authority to the Minister of Finance, the Minister for Economic Development and the Minister for Social Development to make technical design changes and minor policy decisions about the wage subsidy scheme
- 37 **note** that the Minister of Finance is preparing advice on a funding framework for considering COVID-19 related responses alongside Budget 2020

- 38 **agree** to establish the following new appropriation:

<b>Vote</b>	Social Development
<b>Minister</b>	Minister for Social Development
<b>Title</b>	Business Support Subsidy Covid-19
<b>Type</b>	Non-Departmental Other Expense
<b>Scope</b>	This appropriation is limited to support employers to manage the impact of COVID-19 in line with criteria established by Cabinet.

- 39 **agree** to a performance exemption under s15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative as this appropriation is solely for payments related to the COVID-19 response

- 40 **approve** the following change to appropriations to fund the COVID-19 wage subsidy scheme with a corresponding impact on the operating balance and net core Crown debt:

Vote Social Development Minister for Social Development	\$m - increase/(decrease)				2023/24 & outyears
	2019/20	2020/21	2021/22	2022/23	
Non-Departmental Other Expense: Business Support Subsidy Covid-19	5,100	-	-	-	-
<b>Total Operating</b>	<b>5,100</b>	-	-	-	-

- 41 **agree** that the proposed changes to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply
- 42 **agree** that expenses incurred under the recommendations above will be established outside Budget allowances, with a corresponding impact on the operating balance and net core Crown debt
- 43 **agree** that any underspends with the implementation and the costs of the COVID-19 wage subsidy scheme as at 30 June 2020 be transferred to the 2020/21 financial year to ensure that funding is available for this purpose
- 44 **authorise** the Minister of Finance and the Minister for Social Development jointly to agree the final amount to be transferred, following completion of the 2019/20 audited financial statements of the Ministry of Social Development or beforehand if necessary, with no impact on the operating balance and/or net core Crown debt across the forecast period
- 45 **authorise** the Minister for Social Development to make minor operational decisions about the COVID-19 wage subsidy scheme

Authorised for lodgement

Hon Grant Robertson

Minister of Finance