

Hon Grant Robertson, Minister of Finance

Hon David Parker, Minister of Revenue

Hon Stuart Nash, Minister of Small Business

Information Release

COVID-19 Resurgence Support Payments Scheme activation – February and March 2021

July 2021

Availability

This information release is available on Inland Revenue's tax policy website at <https://taxpolicy.ird.govt.nz/publications/2021/2021-ir-cab-crsps-activation>

Documents in this information release

#	Reference	Type	Title	Date
1	CAB-21-SUB-030	Cabinet paper	Activating the COVID-19 Resurgence Support Payment Scheme February 2021	22 February 2021
2	CAB-21-MIN-030	Cabinet minute	Activating the COVID-19 Resurgence Support Payment Scheme February 2021	22 February 2021
3	CAB-21-SUB-042	Cabinet paper	Activating the COVID-19 Resurgence Support Payments Scheme March 2021	1 March 2021
4	CAB-21-MIN-042	Cabinet minute	Activating the COVID-19 Resurgence Support Payments Scheme March 2021	1 March 2021

Additional information

Cabinet paper CAB-21-SUB-030 was considered and confirmed by Cabinet on 22 February 2021.

Cabinet paper CAB-21-SUB-042 was considered and confirmed by Cabinet on 1 March 2021.

Two attachments to the Cabinet papers are not included in this information release as they are publicly available:

- COVID-19 Resurgence Support Payments Scheme (February 2021) Order 2021¹
- COVID-19 Resurgence Support Payments Scheme (March 2021) Order 2021²

¹ Available at <https://www.legislation.govt.nz/regulation/public/2021/0012/latest/whole.html>

² Available at <https://www.legislation.govt.nz/regulation/public/2021/0033/latest/whole.html>

Information withheld

No information was withheld for this information release.

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In Confidence

Minister of Finance

Minister of Revenue

Minister for Small Business

Chair, Cabinet

Activating the COVID-19 Resurgence Support Payment Scheme February 2021**Proposal**

- 1 This paper seeks agreement to activate the COVID-19 Resurgence Support Payment (RSP) scheme to help firms directly impacted by the increase in COVID-19 Alert Levels put in place at 11.59pm on Sunday 14 February.

Relation to Government Priorities

- 2 The RSP scheme supports the Government's overarching objective to keep New Zealanders safe from COVID-19, including by protecting jobs and livelihoods, and strengthening the economy. It does so by providing financial support to employers and self-employed workers to pay fixed costs if they are struggling to do so as a result of an increase in COVID-19 Alert Levels.
- 3 It complements the Wage Subsidy Scheme (WSS), which Cabinet may activate in the event of a decision to escalate to Alert Level 3 or higher for seven or more consecutive days. The WSS provides financial support to employers and self-employed workers to pay wages.

Executive Summary

- 4 On 14 December 2020, Cabinet agreed to introduce a nationwide RSP scheme to support firms experiencing a 30% revenue reduction over a 14-day period due to public health restrictions in the event of an escalation from Alert Level 1 to Alert Level 2 or above. This applies when there is an alert level escalation anywhere in New Zealand lasting seven or more consecutive days (of which the seventh day may be a partial day), subject to the necessary legislation and further approval by Cabinet at the time of an escalation [CAB-20-MIN-0531 refers].
- 5 On 15 February, Cabinet authorised the Prime Minister, the Minister of Finance, the Minister of Revenue, and the Minister for Small Business to jointly take decisions about whether the revenue decline period as part of the RSP eligibility criteria would be 7 or 14 days [CAB-21-MIN-0013.01 refers]. Delegated Ministers agreed to a 7 day revenue decline period.
- 6 On 18 February, amendments to the Tax Administration Act 1994 came into effect enabling Inland Revenue to make RSP payments and hold information necessary to receive and process applications, when required.

- 7 The circumstances that activate the RSP scheme have now been met, as a minimum period of seven days at elevated Alert Levels has been agreed by Cabinet [CAB-21-MIN-0025 refers].
- 8 We therefore seek agreement to the activation of a nationwide RSP scheme, the Resurgence Support Payment February 2021 (RSPFEB21), via submission of an Order in Council to the Executive Council. We also seek approval of \$300 million in new operating funding as a charge against the COVID-19 Response and Recovery Fund (CRRF) to meet the estimated cost of payments made under the scheme.
- 9 Following approval of the OIC, the RSPFEB21 will be available for applications from Tuesday 23 February and Inland Revenue have indicated that payments will be made to most firms within 48 hours of receiving applications.

Background

- 10 In December 2020, Cabinet agreed to a package of economic support for use in the event of escalations in Alert Levels, including an RSP.
- 11 The purpose of the RSP is to provide support for businesses' fixed costs when transitioning from Alert Level 1 to Alert Level 2 or above. The objectives of the scheme are as follows:
 - 11.1 support firms to maintain viability and employment levels across escalations in public health restrictions;
 - 11.2 support firms to pay fixed costs if they are struggling to do so as a result of escalated Alert Levels;
 - 11.3 share the cost associated with escalated Alert Levels between Government, firms and across economic sectors; and
 - 11.4 encourage the shift to a COVID-19 resilient economy.
- 12 The RSP provides a one-off payment to eligible firms. Eligible firms will receive the lesser of:
 - 12.1 the formula amount (\$1,500 and an additional \$400 per FTE (up to 50 FTEs)), or
 - 12.2 four times the firm's experienced revenue drop over the impacted 7-day period.
- 13 The payment rule described in paragraph 12.2 reflects a decision taken by the Minister of Finance, the Minister of Revenue, and the Minister for Small Business following their delegated authority to make decisions on the final design details of the scheme [CAB-20-MIN-0531 refers].
- 14 The other significant adjustments Joint Ministers agreed to are:
 - 14.1 Allowing the publication of names of recipients with three or more employees, who have received the formula payment amount.
 - 14.2 Requiring that applicants provide their New Zealand Business Numbers (NZBN) [LEG-21-MIN-0011 refers].
- 15 On 15 February, Cabinet authorised the Prime Minister, the Minister of Finance, the Minister of Revenue, and the Minister for Small Business to jointly decide

whether the revenue decline period as part of the RSP eligibility criteria would be 7 or 14 days [CAB-21-MIN-0013.01 refers].

- 16 The delegated Ministers agreed that the RSP revenue decline period should be 7 days, rather than the 14 days previously agreed, and took decisions to bring effect to this change on 15 February 2021.
- 17 Inland Revenue is responsible for administering the RSP scheme. The necessary amendments to the Tax Administration Act 1994 came into effect on 18 February 2021. Inland Revenue has completed the operational build of the scheme allowing applications to be accepted from 23 February.

Order in Council

- 18 The Order in Council, *COVID-19 Resurgence Support Payment Scheme (February 2021) Order 2021*, to activate the RSPFEB21 will:
 - 18.1 declare the activation of the RSP scheme from 23 February 2021 until one month after a nationwide return to COVID-19 Alert Level 1;
 - 18.2 establish the payment amounts for eligible firms as per paragraph 12 of this paper; and
 - 18.3 determine the people who may apply for support under RSP scheme.
- 19 The Order in Council would come into force on 23 February 2021. A waiver of the 28-day rule is sought, on the basis that activating the RSP scheme as soon as possible is necessary to help businesses directly impacted by an Alert Level change to cover their fixed costs.
- 20 The Order in Council complies with:
 - 20.1 the principles of the Treaty of Waitangi;
 - 20.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
 - 20.3 the principles and guidelines set out in the Privacy Act 1993;
 - 20.4 relevant international standards and obligations;
 - 20.5 the Legislation Guidelines (2018 edition), which are maintained by the Legislation Design and Advisory Committee.
- 21 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.
- 22 The draft Order in Council was certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.
- 23 Once the Order is made it will be published in the Gazette, and also presented to the House in accordance with the requirements of section 7AAC(3) of the Taxation Administration Act 1994.

Financial Implications

- 24 The total cost of payments of the RSP scheme is closely tied to the evolving nature and severity of the escalation in Alert Levels and to uptake of the scheme by businesses.

- 25 When we are in the middle of an alert level escalation there will inevitably be considerable uncertainty around the cost. The table below provides some estimates under various scenarios:

Escalation scenario	Estimated fiscal cost
Alert Level 2 in Auckland for two weeks, AL1 outside of Auckland	\$150 million
Alert Level 3 in Auckland for one week, AL2 outside of Auckland for one week.	\$350 million
Alert Level 3 in Auckland for two weeks, AL2 outside of Auckland for two weeks.	\$510 million
Alert Level 3 in Auckland for two weeks, AL2 outside of Auckland for two weeks, followed by a period of nationwide AL2 for at least two weeks.	\$550 million

- 26 Costings have been revised from those presented to Cabinet in December 2020 to reflect the adjustment to payment entitlements described in paragraph 12 and the change to a 7-day revenue decline rule.
- 27 Assuming that the current Alert Level escalation ends on Monday 22 February the costs will likely be below the lowest estimate above. In order to provide a buffer for any extension, and to establish a fund to cover any future Alert Level escalation this paper seeks \$300 million in new operating funding as a charge against the COVID-19 Response and Recovery Fund (CRRF) established through Budget 2020.
- 28 Similar to the approach taken for the Wage Subsidy Scheme, any underspends remaining 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 the approval of Cabinet.

Impact Analysis

- 29 A joint Regulatory Impact Analysis quality assurance panel with representatives from the Treasury and Inland Revenue has reviewed the *Resurgence Support Payment Supplementary Analysis Report* produced by the Treasury and Inland Revenue, dated 28 January 2021 (prior to the change to a 7-day revenue decline rule). The panel considers that it meets the Cabinet requirements to support its decision.
- 30 The Report recommended making the resurgence payment available to all firms that experience a drop in revenue of 30% or more over a 14-day period in the event of an increase from Alert Level 1. The 7-day period option agreed on 15 February 2021 was not analysed in the Report.

Consultation

- 31 The Treasury and Inland Revenue prepared this paper. The Ministry of Business, Innovation and Employment were consulted on the paper.

Communications

- 32 Ministers have publicly reiterated the commitment to provide the RSP, subject to final Cabinet approval and the 7-day condition being met.
- 33 Inland Revenue have published additional guidance to support businesses with their applications.

Proactive Release

- 34 This paper will be proactively released with any appropriate withholdings within 30 business days of final decisions being taken by Cabinet.

Recommendations

We recommend that Cabinet:

- 1 **note** that on 14 December 2020, Cabinet agreed to the introduction of an RSP scheme to provide a one-off payment to eligible firms in the event of a qualifying escalation from Alert Level 1 to a higher Alert Level anywhere in New Zealand, subject to approval by Cabinet at the time of the qualifying Alert Level escalation, and within the agreed parameters [CAB-20-MIN-0531 refers];
- 2 **note** that Cabinet authorised the Minister of Finance, the Minister of Revenue and the Minister for Small Business to jointly take decisions relating to further design details [CAB-20-MIN-0531 refers];
- 3 **note** that delegated Ministers have agreed adjustments to the scheme concerning the payment structure, publication of the names of recipients, and requiring applicants to provide their NZBNs;
- 4 **note** that Cabinet authorised the Prime Minister, the Minister of Finance, the Minister of Revenue, and the Minister for Small Business Ministers to make decisions about whether the revenue decline period as part of the RSP eligibility criteria would be 7 or 14 days [CAB-21-MIN-0013.01 refers];
- 5 **note** that delegated Ministers have agreed the revenue decline period for determining eligibility for the RSP will be 7 days;
- 6 **note** that the necessary amendments to the Tax Administration Act 1994 came into effect on 18 February.

Activation of the Resurgence Support Payment Scheme

- 7 **note** that the circumstances agreed to by Cabinet for activating a Resurgence Support Payment scheme have been met, as a minimum period of seven days (of which the seventh day may be a partial day) at Alert Level 2 or above has been agreed [CAB-21-MIN-0025 refers];
- 8 **agree** to activate the Resurgence Support Payment (RSP) February 2021 (RSPFEB21) scheme;
- 9 **note** that eligible businesses will be able to apply for a one-off payment under the RSPFEB21 once the scheme is open for applications on 23 February;
- 10 **note** that most firms will receive payment the day following application;
- 11 **note** that the closing date for applications will be one month after the date on which a national return to Alert Level 1 occurs.

Order in Council

- 12 note** that the Order in Council *COVID-19 Resurgence Support Payment Scheme (February 2021) Order 2021* activates the RSPFEB21 from 23 February;
- 13 authorise** the submission of the *COVID-19 Resurgence Support Payment Scheme (February 2021) Order 2021* to the Executive Council;
- 14 note** that a waiver of the 28-day rule is sought so that the Order in Council is able to come into force on 23 February, on the grounds that the COVID-19 Alert Level change necessitates providing financial support as soon as possible;
- 15 agree** to waive the 28-day rule so that the Order in Council can come into force on 23 February.

Financial Recommendations

- 16 note** the RSPFEB21 is expected to cost up to \$300 million, subject to uptake and the evolving nature of the current COVID-19 resurgence event;
- 17 agree** to establish the following new appropriation:

Vote	Appropriation Minister	Title	Type	Scope
Revenue	Minister of Revenue	COVID-19 Resurgence Support Payment	Non-departmental Other Expense	This appropriation is limited to providing a payment to eligible firms to manage the economic impacts of COVID-19 upon an elevation of Alert Levels

- 18 approve** the following changes to appropriations to give effect to the policy decision in recommendation 8 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Non-departmental Other Expense: COVID-19 Resurgence Support Payment	300.000	-	-	-	-

- 19 agree** that the proposed change to appropriations for 2020/21 in recommendation 17 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

- 20 agree** that the expenses incurred under recommendation 17 above be charged against the COVID-19 Response and Recovery Fund (CRRF), established as part of Budget 2020;
- 21 delegate** authority to the Minister of Finance and the Minister of Revenue to make changes to appropriations (including increasing the appropriation) to give effect to the policy decisions in recommendation 8 once the final costs of the policy have been finalised; and
- 22 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.

Authorised for lodgement

Hon Grant Robertson
Minister of Finance

Hon David Parker
Minister of Revenue

Hon Stuart Nash
Minister of Small Business



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Activating the COVID-19 Resurgence Support Payment Scheme February 2021

Portfolios **Finance / Revenue / Small Business**

On 22 February 2021, Cabinet:

Background

- 1 **noted** that in December 2020, Cabinet agreed to the introduction of a Resurgence Support Payment (RSP) scheme to provide a one-off payment to eligible firms in the event of a qualifying escalation from Alert Level 1 to a higher Alert Level anywhere in New Zealand, subject to approval by Cabinet at the time of the qualifying Alert Level escalation, and within the agreed parameters [CAB-20-MIN-0531];
- 2 **noted** that Cabinet authorised the Minister of Finance, the Minister of Revenue and the Minister for Small Business to jointly take decisions relating to further design details of the RSP scheme [CAB-20-MIN-0531];
- 3 **noted** that the delegated Ministers agreed to adjustments to the scheme concerning the payment structure, publication of the names of recipients, and requiring applicants to provide their New Zealand Business Numbers;
- 4 **noted** that on 15 February 2021 Cabinet authorised the Prime Minister, the Minister of Finance, the Minister of Revenue, and the Minister for Small Business to make decisions about whether the revenue decline period as part of the RSP eligibility criteria should be 7 or 14 days [CAB-21-MIN-0013.01];
- 5 **noted** that delegated Ministers agreed that the revenue decline period for determining eligibility for the RSP will be 7 days;
- 6 **noted** that the necessary amendments to the Tax Administration Act 1994 came into effect on 18 February 2021;

Activation of the Resurgence Support Payment Scheme

- 7 **noted** that the circumstances agreed to by Cabinet for activating a Resurgence Support Payment scheme have been met, as a minimum period of seven days (of which the seventh day may be a partial day) at Alert Level 2 or above has been agreed;
- 8 **agreed** therefore to activate the Resurgence Support Payment (RSP) February 2021 (RSPFEB21) scheme;

- 9 **noted** that eligible businesses will be able to apply for a one-off payment under the RSPFEB21 once the scheme is open for applications on 23 February 2021;
- 10 **noted** that most firms will receive payment the day following application;
- 11 **noted** that the closing date for applications will be one month after the date on which a national return to Alert Level 1 occurs;

Order in Council

- 12 **noted** that the COVID-19 Resurgence Support Payments Scheme (February 2021) Order 2021 activates the RSPFEB21 from 23 February 2021;
- 13 **authorised** the submission of the COVID-19 Resurgence Support Payments Scheme (February 2021) Order 2021 to the Executive Council [PCO 23585/2.0];
- 14 **noted** that a waiver of the 28-day rule is sought so that the Order in Council is able to come into force on 23 February 2021, on the grounds that the COVID-19 Alert Level change necessitates providing financial support as soon as possible;
- 15 **agreed** to waive the 28-day rule so that the Order in Council can come into force on 23 February 2021;

Financial implications

- 16 **noted** that the RSPFEB21 is expected to cost up to \$300 million, subject to uptake and the evolving nature of the current COVID-19 resurgence event;
- 17 **agreed** to establish the following new appropriation:

Vote	Appropriation Minister	Title	Type	Scope
Revenue	Minister of Revenue	COVID-19 Resurgence Support Payment	Non-departmental Other Expense	This appropriation is limited to providing a payment to eligible firms to manage the economic impacts of COVID-19 upon an elevation of Alert Levels

- 18 **approved** the following changes to appropriations to give effect to the policy decision in paragraph 8 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Non-departmental Other Expense: COVID-19 Resurgence Support Payment	300.000	-	-	-	-

- 19 **agreed** that the change to appropriations for 2020/21 in paragraph 18 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 20 **agreed** that the expenses incurred under paragraph 18 above be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020;
- 21 **authorised** the Minister of Finance and Minister of Revenue to make changes to appropriations (including increasing the appropriation) to give effect to the policy decision in paragraph 8 once the final costs of the policy have been finalised;
- 22 **agreed** 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.

Michael Webster
Secretary of the Cabinet

IN-CONFIDENCE**In Confidence**

Minister of Finance

Minister of Revenue

Minister for Small Business

Chair, Cabinet

Activating the COVID-19 Resurgence Support Payment Scheme March 2021**Proposal**

- 1 This paper seeks agreement to activate the COVID-19 Resurgence Support Payment (RSP) scheme to help firms directly impacted by the increase in COVID-19 Alert Levels put in place at 6.00am on Sunday 28 February.

Relation to Government Priorities

- 2 The RSP scheme supports the Government's overarching objective to keep New Zealanders safe from COVID-19, including by protecting jobs and livelihoods, and strengthening the economy. It does so by providing financial support to employers and self-employed workers to pay fixed costs if they are struggling to do so as a result of an increase in COVID-19 Alert Levels.
- 3 It complements the Wage Subsidy Scheme (WSS), which Cabinet may activate in light of the decision to escalate to Alert Level 3 in Auckland for seven or more consecutive days. The WSS provides financial support to employers and self-employed workers to pay wages.

Executive Summary

- 4 The circumstances that activate the RSP scheme have now been met, as a minimum period of seven days at elevated Alert Levels has been agreed by Cabinet [CAB-21-MIN-0041 refers].
- 5 Applications are currently still open to firms affected by the Alert Level escalation earlier in February (RSPFEB21). The deadline for applications in relation to this event is Monday 22 March at 23:59hrs. Applicants must demonstrate the impact to revenue relates to the specific Alert Level period.
- 6 We therefore seek agreement to the activation of a second nationwide RSP scheme, the Resurgence Support Payment March 2021 (RSPMAR21), via submission of an Order in Council to the Executive Council. We also seek approval of \$100 million in new operating funding as a charge against the COVID-19 Response and Recovery Fund (CRRF) to meet the estimated cost of further payments made under the scheme.

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- 7 Activation of a second round of the RSP would mean applications would be possible until one month after a nationwide return to Alert Level 1. Firms would be able to apply for the second round from 8 March 2021. Firms that have experienced a 30% revenue loss as a result of both periods at higher Alert Levels would be eligible for two payments.
- 8 RSP rules normally mean applicants need to demonstrate a 30% loss in revenue compared with a “typical” week in the 6 weeks prior to the latest Alert Level escalation. Recognising that the weeks spent at, and following, Alert Levels 2 and 3 after the 14 February outbreak have been atypical, we propose the comparator period in this instance is the 6 weeks prior to the initial escalation in Alert Levels. This is a slight adjustment to the previous approach agreed by Cabinet, and is in line with the recommended approach for the Wage Subsidy.
- 9 Following approval of the OIC, the RSPMAR21 will be available for applications from Monday 8 March.

Background

- 10 The RSP provides a one-off payment to eligible firms in the event of an escalation in Alert Levels that lasts seven consecutive days or more. Eligible firms will receive the lesser of:
 - 10.1 the formula amount (\$1,500 and an additional \$400 per FTE (up to 50 FTEs)), or
 - 10.2 four times the firm’s experienced revenue drop over the impacted 7-day period.
- 11 Applications are currently still open to firms affected by the Alert Level escalation earlier in February (RSPFEB21). The scheme was due to close to applications on Monday 22 March at 23:59hrs, assuming a nationwide return to Alert Level 1 for one month had occurred.
- 12 Firms can apply for the payment every time they experience a loss in revenue of 30% or more as a result of the increase in Alert Levels.
- 13 A second round of RSP payments would in effect extend the present application period until one month after a nationwide return to Alert Level 1. However, in order to apply, firms would need to demonstrate the impact on revenue relates to the present period of Alert Level escalations, commencing 28 February 2021.

Comparator period

- 14 Cabinet agreed to a default comparator period for the revenue decline to be in relation to the six weeks prior to the Alert Level escalation that triggered the scheme [CAB-20-MIN-0531 refers]. The intent of this was to address the shifting baseline effects seen with a prior year comparator.
- 15 Cabinet noted that it may be necessary to allow exceptions to the default comparator period in complex public health circumstances, such as several

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Alert Level escalations in quick succession, which make it more difficult to identify an appropriate baseline.

- 16 Given there have been two Alert Level escalations in quick succession, we consider this criterion has been met. The period of elevated Alert Levels that began on 14 February is likely to have depressed business revenue in Auckland and beyond. This means the six weeks prior to 28 February is not an appropriate comparator period, as some firms will find it harder to demonstrate a revenue decline relative to this period. This issue has also been raised by business stakeholders following the Alert Level announcement on 27 February.
- 17 In line with the approach advised for the Wage Subsidy, we therefore propose the comparator period for the revenue decline test be a typical 7-day consecutive period of revenue in the six weeks prior to the 14 February. This provides a more appropriate comparator as it was a period entirely at Alert Level 1. Retaining a 6 week period (rather than merely excluding the 2 weeks following 14 February to give a 4 week period) retains the flexibility for employers previously agreed by Cabinet.

Order in Council

- 18 The Order in Council, *COVID-19 Resurgence Support Payment Scheme (March 2021) Order 2021*, to activate the RSPMAR21 will:
 - 18.1 declare the activation of the RSP scheme from 8 March 2021 until one month after a nationwide return to COVID-19 Alert Level 1;
 - 18.2 establish the payment amounts for eligible firms as per paragraph 10 of this paper; and
 - 18.3 determine the people who may apply for support under RSP scheme.
- 19 The Order in Council would come into force on 8 March 2021. A waiver of the 28-day rule is sought, on the basis that activating the RSP scheme as soon as possible is necessary to help businesses directly impacted by an Alert Level change to cover their fixed costs.
- 20 The Order in Council complies with:
 - 20.1 the principles of the Treaty of Waitangi;
 - 20.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
 - 20.3 the principles and guidelines set out in the Privacy Act 1993;
 - 20.4 relevant international standards and obligations;
 - 20.5 the Legislation Guidelines (2018 edition), which are maintained by the Legislation Design and Advisory Committee.
- 21 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.

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- 22 The draft Order in Council was certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.
- 23 Once the Order is made it will be published in the Gazette, and also presented to the House in accordance with the requirements of section 7AAC(3) of the Taxation Administration Act 1994.

Financial Implications

- 24 The total cost of the RSP scheme is closely tied to the severity of the escalation in Alert Levels and to the uptake of the scheme by businesses. The total cost of the previous activation of the first RSP (RSPFEB21) is not yet known, as applications remain open. However, based on current uptake information, updated estimates expect it to cost approximately \$100 million.
- 25 While New Zealand is in the middle of the present Alert Level escalation there will inevitably be considerable uncertainty to the cost. The table below provides the Treasury's latest estimates of the costs of the respective activations:

	Estimated fiscal cost
RSPFEB21, activated 23 Feb	\$100 million
RSPMAR21, activated 8 March	\$220-350 million (depending on duration of Alert Level escalation)
Total cost	\$320-450 million
Current appropriation amount	\$300 million
Further amount to appropriate to meet estimated costs	\$100 million

- 26 In order to provide a buffer for any extension of the period of higher Alert Level settings, and to establish a fund to cover any future Alert Level escalation, on 22 February Cabinet agreed to appropriate \$300 million in new operating funding as a charge against the COVID-19 Response and Recovery Fund (CRRF) [CAB-21-MIN-0030 refers].
- 27 Given updated estimates of the fiscal cost of the present Alert Level escalation, we propose increasing the appropriation by an additional \$100 million. This would mean that there is approximately \$300 million available funding for the RSPMAR21 escalation event.
- 28 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 the approval of Cabinet.

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Impact Analysis

- 29 A joint Regulatory Impact Analysis quality assurance panel with representatives from the Treasury and Inland Revenue has reviewed the *Resurgence Support Payment Supplementary Analysis Report* produced by the Treasury and Inland Revenue, dated 28 January 2021. The panel considers that it met the Cabinet requirements to support its decision.
- 30 The Report recommended making the resurgence payment available to all firms that experience a drop in revenue of 30% or more over a 14-day period in the event of an increase from Alert Level 1. The 7-day period option agreed on 15 February 2021 was not analysed in the Report.

Consultation

- 31 The Treasury and Inland Revenue prepared this paper. The Ministry of Business, Innovation and Employment were consulted on the paper.

Communications

- 32 Inland Revenue have published additional guidance to support businesses with their applications.

Proactive Release

- 33 This paper will be proactively released with any appropriate withholdings within 30 business days of final decisions being taken by Cabinet.

Recommendations

We recommend that Cabinet:

- 1 **note** that the circumstances agreed to by Cabinet for activating a Resurgence Support Payment scheme have been met, as a minimum period of seven days (of which the seventh day may be a partial day) at Alert Level 2 or above has been agreed [CAB-21-MIN-0041 refers];
- 2 **agree** to activate the Resurgence Support Payment (RSP) March 2021 (RSPMAR21) scheme;
- 3 **note** that eligible businesses will be able to apply for a one-off payment under the RSPMAR21 from 8 March 2021;
- 4 **note** that the default comparator period for the revenue decline test of the typical revenue within the six weeks prior to 28 February is not appropriate, given the Alert Level escalation between 14 – 22 February is likely to have depressed business revenue in Auckland and beyond;
- 5 **agree** that the comparator period for the revenue decline test be a typical 7-day consecutive period in the six weeks prior to 14 February 2021;
- 6 **note** that most firms will receive payment the day following application;
- 7 **note** that the closing date for applications will be one month after the date on which a national return to Alert Level 1 occurs.

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Order in Council

- 8 **note** that a new Order in Council *COVID-19 Resurgence Support Payment Scheme (March 2021) Order 2021* is required to activate the RSPMAR21 from 8 March;
- 9 **authorise** the submission of the *COVID-19 Resurgence Support Payment Scheme (March 2021) Order 2021* to the Executive Council;
- 10 **note** that a waiver of the 28-day rule is sought so that the Order in Council is able to come into force by 8 March, on the grounds that the COVID-19 Alert Level change necessitates providing financial support as soon as possible;
- 11 **agree** to waive the 28-day rule so that the Order in Council can come into force by 8 March.

Financial Recommendations

- 12 **note** that, based on new information on uptake, the RSPFEB21 is now expected to cost \$100 million;
- 13 **note** that \$300 million was appropriated to meet the cost of RSPFEB21 [CAB-21-MIN-0030 refers];
- 14 **note** the RSPMAR21 is expected to cost between \$220-\$350 million, subject to uptake and the evolving nature of the current COVID-19 resurgence event;
- 15 **agree** that the cost of the RSPMAR21 will be met from within the COVID-19 Resurgence Support Payment appropriation, and topped-up with \$100 million of new funding;
- 16 **approve** the following changes to appropriations to give effect to the policy decision in recommendation 15 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
Vote Revenue Minister of Revenue	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Non-departmental Other Expense: COVID-19 Resurgence Support Payment	100.000	-	-	-	-

- 17 **agree** that the proposed change to appropriations for 2020/21 in recommendation 16 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 18 **agree** that the expenses incurred under recommendation 16 above be charged against the COVID-19 Response and Recovery Fund (CRRF), established as part of Budget 2020;

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- 19 **note** that the Minister of Finance and the Minister of Revenue were delegated authority to make changes to appropriations (including increasing the appropriation) to give effect to relevant policy decisions [CAB-21-MIN-0030 refers].

Authorised for lodgement

Hon Grant Robertson
Minister of Finance

Hon David Parker
Minister of Revenue

Hon Stuart Nash
Minister for Small Business

IN-CONFIDENCE



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Activating the COVID-19 Resurgence Support Payments Scheme March 2021

Portfolios **Finance / Revenue / Small Business**

On 1 March 2021, Cabinet:

Activating the COVID-19 Resurgence Support Payments Scheme

- 1 **noted** that the circumstances agreed to by Cabinet for activating a Resurgence Support Payment scheme have been met, as a minimum period of seven days (of which the seventh day may be a partial day) at Alert Level 2 or above has been agreed [CAB-21-MIN-0041 refers];
- 2 **agreed** to activate the Resurgence Support Payment (RSP) March 2021 (RSPMAR21) scheme;
- 3 **noted** that eligible businesses will be able to apply for a one-off payment under the RSPMAR21 from 8 March 2021;
- 4 **noted** that the default comparator period for the revenue decline test of the typical revenue within the six weeks prior to 28 February is not appropriate, given the Alert Level escalation between 14 – 22 February is likely to have depressed business revenue in Auckland and beyond;
- 5 **agreed** that the comparator period for the revenue decline test be a typical 7-day consecutive period in the six weeks prior to 14 February 2021;
- 6 **noted** that most firms will receive payment the day following application;
- 7 **noted** that the closing date for applications will be one month after the date on which a national return to Alert Level 1 occurs.

Order in Council

- 8 **noted** that a new Order in Council [COVID-19 Resurgence Support Payments Scheme (March 2021) Order 2021] is required to activate the RSPMAR21 from 8 March;
- 9 **authorised** the submission of the COVID-19 Resurgence Support Payments Scheme (March 2021) Order 2021 [PCO 23622/4.0] to the Executive Council;

- 10 **noted** that a waiver of the 28-day rule is sought so that the Order in Council is able to come into force by 8 March, on the grounds that the COVID-19 Alert Level change necessitates providing financial support as soon as possible;
- 11 **agreed** to waive the 28-day rule so that the Order in Council can come into force on 8 March 2021;

Financial Recommendations

- 12 **noted** that, based on new information on uptake, the RSPFEB21 is now expected to cost \$100 million;
- 13 **noted** that \$300 million was appropriated to meet the cost of RSPFEB21 [CAB-21-MIN-0030];
- 14 **noted** the RSPMAR21 is expected to cost between \$220-\$350 million, subject to uptake and the evolving nature of the current COVID-19 resurgence event;
- 15 **agreed** that the cost of the RSPMAR21 be met from within the COVID-19 Resurgence Support Payment appropriation, and topped-up with \$100 million of new funding;
- 16 **approved** the following change to appropriations to give effect to the policy decision in paragraph 15 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Vote Revenue Minister of Revenue					
Non-departmental Other Expense: COVID-19 Resurgence Support Payment	100.000	-	-	-	-

- 17 **agreed** that the change to appropriations for 2020/21 in paragraph 16 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 18 **agreed** that the expenses incurred under paragraph 16 above be charged against the COVID-19 Response and Recovery Fund, established as part of Budget 2020;
- 19 **noted** that the Minister of Finance and the Minister of Revenue were delegated authority to make changes to appropriations (including increasing the appropriation) to give effect to relevant policy decisions [CAB-21-MIN-0030].

Martin Bell
for Secretary of the Cabinet