

Legislative Statement - Taxation (COVID-19 Resurgence Support Payments and Other Matters) Bill

The Bill contains two policy changes. These are the introduction of a COVID-19 Resurgence Support Payment Scheme and changes to the threshold of Minimum Family Tax Credit.

COVID-19 Resurgence Support Payment Scheme – Policy background

The COVID-19 Resurgence Support Payment Scheme provides financial support to businesses in the event of an increase in the COVID-19 alert level. The payment would support the response to COVID-19 by limiting the economic and social impact of public health restrictions.

The scheme may be activated in the event of an increase in alert levels from alert level 1 to alert level 2 or higher, and after remaining at an alert level higher than 1 for 7 days or more.

The scheme would provide a one-off payment of \$1,500 plus \$400 per FTE, up to a cap of 50 total FTEs. Though the payment is capped at 50 FTEs, businesses with more than 50 FTEs may still apply if they meet the revenue drop test. The payment is also capped at four times the amount of a business's loss of revenue included in the revenue drop test.

In order to be eligible, businesses would need to declare a drop of revenue of 30% or more over a 7-day period, as a result of an increase in alert level from 1 to alert level 2 or higher. Businesses must also have been in business for at least 6 months.

The scheme will not be restricted to a particular region even in the event of a regional increase as a regional public health restriction could impact businesses across New Zealand.

Payments would also be subject to additional terms agreed to by applicants as part of the application process. Notably, this will include agreeing to have their name published as part of the application process (unless they have fewer than three employees).

Applicants would need to keep evidence to substantiate that they have met the criteria (particularly the revenue drop test).

Recipients would generally only be required to repay the grant in the case that they have received a payment but do not ultimately meet the criteria.

Details in the Bill

The Bill establishes a legislative framework under which payments can be made. It delegates to Inland Revenue the power to set out the procedure for a person to make an application for a grant and the terms and conditions that apply to a grant.

It also provides for the scheme to be activated by Order in Council in the event of a resurgence and allows the setting of eligibility (though some eligibility rules may also be determined by the Commissioner and included in the terms and conditions) and payment rates.

The Bill also amends the disclosure rules to allow the publication of the names of recipients (though in practice names will only be published for businesses with more than three employees and who receive the formula amount).

The payment would be excluded income to the recipient. This would mean that the recipient would be entitled to take deductions for the cost of applying for the payment and would also not be

subject to income tax on the payment. As this is a grant, the recipient would not be entitled to deductions on whatever the payment was spent on.

Minimum Family Tax credit

As part of Election 2020 the Government has committed to increasing the benefit abatement thresholds. As a result, the threshold for the Minimum Family Tax Credit will also need to be increased. Increasing the MFTC threshold will ensure that eligible low-income families are better off in work than on the benefit.

The Bill would increase the MFTC threshold for the 2021-22 tax year from \$29,432 per annum (after tax) to \$30,576 per annum (after tax).