

March 17, 2020

COVID-19 economic response

The New Zealand Government today [announced a \\$12 billion economic package](#) in response to COVID-19, aimed at supporting businesses and jobs affected by the economic downturn expected as a result of the virus.

This update outlines the package, followed by more detailed information on specific initiatives. Please [get in touch](#) if you wish to discuss how this will affect your business, or if you believe you are able to assist with New Zealand's COVID-19 response and would like to be connected to the right people.

COVID-19 Economic Response Package

The package includes:

- \$500 million boost for health
- \$8.7 billion in support for businesses and jobs
- \$2.8 billion for income support and boosting consumer spending

This represents 4% of GDP and is larger than the plan implemented in response to the Global Financial Crisis and larger on a per capita basis than the relief packages announced to date in Australia, the UK and the US.

Finance Minister Grant Robertson [warned in a statement to Parliament today](#) that a recession in New Zealand is now almost certain, with advice from Treasury suggesting the shock will be larger than that seen during the Global Financial Crisis, with many jobs lost, some businesses failing, and an extended period of deficits.

However, with interest rates at historic lows and Core Crown Debt below 20% of GDP, the New Zealand Government has significant room for further borrowing as needed.

A further tranche of announcements in response to COVID-19 is expected as part of the Budget on May 14th.



Background

The package follows the Government's [decision on Saturday](#) to require all visitors to New Zealand (excluding the Pacific Islands) to self-isolate for 14 days or face quarantine or deportation, and a directive from the Ministry of Health yesterday to cancel all gatherings of 500 people or more.

The Ministry of Health [today confirmed New Zealand has 11 cases of COVID-19](#), however all have travelled to New Zealand from abroad or been infected by returning family members and there is no evidence at this stage of community transmission.

Yesterday, the Reserve Bank of New Zealand [slashed the Official Cash Rate](#) from 1.00% to 0.25% and guaranteed it would hold the rate there for 12 months. The RBNZ noted that should further stimulus be required, a Large Scale Asset Purchase programme of New Zealand Government bonds ([i.e. quantitative easing](#)) would be preferable to further OCR reductions.

Specific initiatives

Wage subsidy scheme

Wage subsidies will be available for all employers that are significantly impacted by COVID-19 and are struggling to retain employees as a result. The scheme will be open to sole traders and the self-employed as well as firms.

The subsidy will consist of \$585.80 per week for a full time employee (20 hrs or more) or \$350.00 per week for a part time employee (less than 20 hrs). The payment will be made as a lump sum for a period covering 12 weeks. This means employers will receive a payment of \$7,029.60 for a full time employee and \$4,200 for a part time employee. The maximum amount any one employer can receive is \$150,000. This is sufficient for 21 full time employees.

Employers must have suffered, or are projected to suffer at least a 30% decline in revenue compared to last year for any month between January 2020 and the end of the scheme in June 2020. Robertson has indicated the scheme may be extended if necessary.

[Full details here.](#)



COVID-19 leave and self-isolation support

The COVID-19 leave payment scheme provides assistance to employers, sole traders and the self-employed in order to support people who are unable to work because they are in self-isolation, are sick with COVID-19, or caring for others with COVID-19. The payments will be \$585.80 per week for full time and \$350 per week for part time workers.

The payment does not affect any paid leave entitlements that are owed and is available even if an employee is on paid leave for part of the period. It is not available to those who can work from home during the period of self-isolation, and who can be paid normally by their employer.

[Full details here.](#)

Business cashflow and tax measures

Reintroducing depreciation on commercial and industrial buildings

Depreciation deductions will be reintroduced for new and existing industrial and commercial buildings, including hotels and motels. This is intended to help support businesses with cashflow in the near-term and assist with the broader economic recovery by stimulating business investment in new and existing buildings.

Immediate deductions for low value assets

Taxpayers will be able to deduct the full cost of more low-value assets in the year they purchased them, rather than having to spread the cost over the life of the asset. Taxpayers are currently able to claim an immediate deduction for the purchase of assets that cost less than \$500.

This threshold will be further increased to allow the immediate expensing of assets that cost up to \$5,000, for a year (2020-21 income year). The temporary increase (to \$5,000) is designed to incentivise taxpayers to bring forward investments to encourage spending.

The threshold is being permanently increased to \$1,000 (from 2021-22 income year onwards). This will reduce compliance costs for businesses and encourage businesses to continue investing.

Fewer small businesses having to pay provisional tax

Increasing the threshold for having to pay provisional tax from \$2,500 to \$5,000 allows more small taxpayers to delay paying their taxes. This means they have until 7th February following the year they file to pay their tax, instead of having to pay in instalments throughout the year. This lowers compliance costs for smaller taxpayers and allows them to retain cash for longer.



This means taxpayers who would have otherwise been paying provisional tax in the 2020-21 tax year will now be able to pay their tax on 7th February 2022 – providing immediate cashflow benefits estimated to be \$350 million in the 2020/21 fiscal year.

Writing off interest on some late payment of tax

The Commissioner of Inland Revenue will be given the power to waive interest on late tax payments for taxpayers who have had their ability to pay their tax on time significantly adversely affected by the COVID-19 outbreak. Use of Money Interest (UOMI) is routinely charged on late tax payments.

The relief will apply to interest on all tax payments (including provisional, PAYE, and GST) due on or after 14 February 2020.

[Full details here.](#)

Income support

Three key changes worth \$2.8 billion:

- Main benefits will rise by \$25 per week. These changes will come into effect on 1 April 2020 and are permanent.
- To support beneficiaries and superannuitants, the rate of Winter Energy Payment will double in 2020. This change is temporary. The rates for 2020 will be \$40.91 per week (single people) and \$63.64 per week (couples or people with dependents).
- From 1 July 2020, working families with children who are not receiving a main benefit and have some level of employment income each week will no longer have to satisfy the hours test to receive the In Work Tax Credit.

[Full details here.](#)

Health funding boost

\$500 million has been committed as an initial investment to strengthen New Zealand's health services to fight and contain COVID-19.

[Full details here.](#)

Further information

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