Inland Revenue
Te Tari Taake

POLICY AND STRATEGY

Tax policy report:	Draft Cabinet paper – COVID-19 – Order in Council to exclude the Wage Subsidy and Leave Payment from the application of GST

Date:	17 March 2020	**Priority:**	High
Security level:	Sensitive	**Report number:**	IR2020/159

Action sought

	Action sought	Deadline
Minister of Revenue	**Agree** to the recommendation **Authorise** the lodgement of the attached Cabinet paper **Refer** a of this report to the Minister of Finance	**10am Thursday 19** March 2020

Contact for telephone discussion (if required)

Name	Position	Telephone
s9(2)(a)	Principal Policy Advisor	s9(2)(a)
	Policy Advisor	

17 March 2020

Minister of Revenue

Draft Cabinet paper – COVID-19 – Order in Council to exclude the Wage Subsidy and Leave Payment from the application of GST

1. This report asks you to approve and lodge the attached Cabinet paper with the Cabinet Office by 10am Thursday 19 March for consideration at the Cabinet meeting on Monday 23 March 2020.

2. The Cabinet paper seeks Cabinet's agreement to an Order in Council which amends the Goods and Services Tax (Grants and Subsidies) Order 1992 to exclude the COVID-19 Wage Subsidy and the COVID-19 Leave Payment from the application of GST. The scope and design of these payments were agreed to by Cabinet on 16 March 2020, and it was noted at the time Cabinet made decisions that the tax implications of these payments would need to be determined, with possible subsequent amendments being necessary.

3. The amendments will enable GST-registered businesses to use the full amount of the payments received under either of the schemes to adjust to the impact of COVID-19 and provide financial support to their employees.

4. In absence of the Order in Council, GST-registered businesses would be required to account for output tax on the payments received. The amendments ensure fairness between businesses that are registered for GST and those that are not, and will minimise compliance costs. These amendments are consistent with the approach taken for the wage subsidies developed in response to the Hurunui/Kaikoura and Canterbury earthquakes.

5. It is proposed that the Order in Council be made as soon as practicable to ensure that the GST treatment of the payments is clear. Furthermore, as the Order in Council cannot have retrospective effect, we propose an amendment be included in the Bill containing tax measures in response to COVID-19 to specify that the Order in Council applies in respect of payments made before the Order in Council comes into force. This will ensure that any payments made between 17 March 2020 and the date the Order in Council comes into force will also not be subject to GST.

6. We have also provided your office with speaking notes for you to take to Cabinet on 23 March 2020 which cover the purpose of, and reasons for, the Order in Council.

Fiscal implications

7. The recommendations in this report do not have a revenue or any other fiscal effect.

Consultation

8. The Treasury was consulted and agrees with the recommendations in this report. The Ministry of Social Development and the Ministry of Business, Innovation and Employment were informed.

Proactively Released

Recommended action

We recommend that you:

(a) **agree** to the amendments proposed in this report and draft Cabinet paper to exclude the COVID-19 Wage Subsidy and COVID-19 Leave Payment from the application of GST;

Agreed/Not agreed

(b) **agree** that an amendment should be included in the upcoming Bill containing tax measures in response to COVID-19 to ensure that payments made to businesses before the Order in Council comes into force are not subject to GST;

Agreed/Not agreed

(c) **sign** and **refer** the attached Cabinet paper to the Cabinet Office by 10am Thursday 19 March 2020;

Signed and referred/Not signed and referred

(d) **refer** a copy of this report to the Minister of Finance for his information;

Referred/Not referred

(e) **note** speaking notes are attached for you to take to Cabinet on 23 March 2020.

Noted

s9(2)(a)

Principal Policy Advisor
Policy and Strategy

Hon Stuart Nash
Minister of Revenue
/   /2020