

BUDGET 2020 SUMMARY

MAY 2020



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The Minister of Finance, Grant Robinson, has delivered a “once in a generation” budget designed to retain jobs and kick start the economy after the major economic downturn created by Covid-19.

The impact of Covid-19 on the New Zealand economy is a forecast decrease in GDP of 4%, unemployment to increase to 9.6% and after this budget Government debt to be 55% of GDP.

The Budget revolves around a \$50b Covid-19 rescue package. Treasury forecasts including the fiscal stimulus announced today show up to 140,000 jobs could be saved over the next two years, and unemployment could be reduced from a peak of 9.6% in June 2020 to the current 4.2% rate within two years.

Tax rates were not mentioned in the Minister's speech but as this is an election year and there is no scope to reduce them, it's not surprising. Any changes to tax rates are likely to appear in next year's Budget, depending who is in power.

In detail

Extension of the Wages Subsidy Scheme

The wages subsidy scheme has been extended for a further eight weeks at a cost of \$3.2b. The criteria for receiving the subsidy has changed from businesses needing to experience a 30% decrease in turnover to a 50% decrease in turnover.

Businesses which have suffered a turnover reduction of at least 50% in the 30 days prior to making an application will be eligible. Applications can be made from 10 June 2020. On this basis the 30 day period will run from 10 May until 9 June 2020.

The subsidy amounts remain the same - \$585.80 per week for a full-time employee and \$350 per week for a part-time employee. The subsidy will be paid as a lump sum.

Support for Exporters

A \$216m package has been made available to Exporters to help them re-establish overseas trade.

Investment will be made to help exporters re-establish their international markets and to support businesses looking to export for the first time.

The package will be allocated as follows:

- \$120m to help companies re-establish international markets and supply chain partners.
- \$16m towards promoting New Zealand businesses overseas.
- \$32m will be allocated across 400 exporters to receive support from New Zealand Trade and Enterprise.
- \$40m allocated to NZTE's business development managers to improve infrastructure.
- \$8m to boost NZTE's digital services and tools.



Wider Business Support

Three sectors will receive a significant amount of funding. These are the construction, digital and agritech sectors. \$41.4m will be allocated over four years.

Of the \$41.4m allocated, \$11.4m will go to the agritech sector. This will assist the commercialisation of new technologies and boost primary sector productivity. \$6.5m will be allocated to Maori to help support sectors such as forestry and food and encourage the development of new business opportunities.

\$1.6b has been set aside for a trades and apprentices training package, while \$19.3m has been allocated to increase jobs by 10,000 in the primary sector.

\$30.4m has been allocated to the Commerce Commission to allow the commission to investigate the impacts of Covid-19 on competition in markets, consumers and regulated industries.

Encouraging Risk Taking

\$150m has been set aside to lend to R&D intensive businesses with the loan scheme commencing in June.

Businesses conducting R&D will be able to obtain a loan from the fund up to 50% of their annual R&D expenditure with a loan limit of a maximum of \$100,000.

The loans will have favorable terms, but these have not yet been established.

Training and Education

The focus of training will be in the areas of building, construction and agriculture.

As noted above, \$1.6b has been set aside for a trades and apprentices training package.

\$276m of the \$1.6b will be used to set up a Workforce Development Council and Skills Leadership Group. Their responsibility will be to monitor the NZ job market and develop a plan for recovery.

E-Commerce for SMEs

An amount of \$10m has been set aside for incentives and grants as follows:

- \$9.7m is allocated to a Better for Business programme, which will make it easier for businesses to deal with Government.
- \$3m will be allocated to the Government's Business Connect platform which provides Covid-19-related advice to businesses. It will provide advice for businesses as to how to register for grants or the business hibernation scheme.
- \$2.3m has been allocated to Covid-19 recovery guidance and advice which will be provided for up to 600,000 small businesses. The services will include helping businesses prepare forecasts, manage cash flow and adapt business models.



Housing and Infrastructure

The government intends to build 8,000 homes over the next four to five years. Of these 6,000 will be public houses and 2,000 will be transitional homes. These houses are in addition to the 6,400 public houses to be constructed over four years that was announced in 2018 and also the 1,000 transitional homes announced in February this year as part of the Government's plans to house the homeless.

70% of the houses will be built by the Ministry of Housing and Urban Development and the remainder by housing providers. All of the houses will be paid for by the Government.

The estimated cost will be \$5b for the construction of the houses and there is a further \$570m that has been set aside for rent support.

\$3b has been allocated to "shovel-ready" infrastructure projects. This spend is in addition to the \$12b in spending announced earlier this year.

\$1.2b will also be spent on rail, increasing the total spend to \$4.6b.

Welfare

The budget has made no mention of a "helicopter cash payment" or any other initiatives for increases in welfare payments.

In March there was a \$25 per week increase in most benefits and the Budget does increase the pay rates for the foster care allowance and orphans benefit by \$25 per week.

\$80m has been allocated to social services, out of which \$32m will go towards foodbanks and other community food services.

\$36m has also been set aside to establish support groups for Maori, Pacific, refugee and migrant communities.

University students will be able to apply for support from a \$20m hardship fund that has been set up.

The "Warmer Kiwi Homes" scheme has been expanded so that it cover 90% of the costs of insulating or heating refitting houses.

\$220m will be spent over two years for the lunch in schools initiative. This spend is projected to increase the number of school students who receive lunch from 8,000 to 200,000 by the middle of next year.

Tourism

\$400m has been allocated to set up a Tourism Recovery Fund and undertake a domestic tourism advertising campaign. This will be used in conjunction with the extension of the Wage Subsidy Scheme. The funding will also be used to protect key tourism attractions.

A Tourism Transition Program will also be set up. This will be used to provide advice and support to tourism businesses with a focus on domestic and the Australian tourism markets.

There will also be a public-private taskforce that will look at what the tourism sector will look like in the future.



FOR MORE INFORMATION ON THE BUDGET 2020 AND HOW WE CAN HELP YOU PLEASE CONTACT US



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