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Media release

Govt support package is good start but tourism jobs still threatened

The Government's Business Continuity Package will come as immediate relief to tourism operators facing a devastating downturn, Tourism Industry Aotearoa says.

"It's a substantial package that demonstrates the scale of the challenge facing New Zealand. Some jobs will be saved but we believe that many will still be lost," TIA Chief Executive Chris Roberts says.

"We are pleased the Government has responded to our call for the funding to be accessible, available to businesses in every region and with no delays. The Government has indicated that payments may be possible within five days and we commend that speed of response."

TIA expects hundreds of tourism businesses to apply for the wage subsidy. The wage subsidies will be available for businesses that can show a 30% decline in revenue for any month between January and June 2020 compared to the year before (including projected revenue).

"This will be a huge relief to small tourism business owners across New Zealand who were facing having to make their people redundant or close their businesses within days," Mr Roberts says.

TIA notes that the major weakness of the Government package is the exclusion of larger businesses. The \$150,000 cap to the payment of \$585 per full-time employee for 12 weeks effectively means that only around 20 staff can be subsidised.

Tailormade packages are being made available to larger businesses and Mr Roberts urged businesses to contact Work and Income with great urgency to discuss the support available to them.

The package does not include business loans but the Government has signalled it will hold further discussions with banks on securing access to capital for businesses.

TIA is disappointed that there appears to be no mental health support included in the package.

"We know tourism operators and their staff are under enormous stress and need access to counselling and other mental health services," Mr Roberts says.

"The tourism industry will not recover within this 12 week period but this Government support does buy our smaller operators some breathing space while they adjust to this unprecedented situation. We are pleased that Finance Minister Grant Robertson has indicated this is not a one-off package. TIA will continue to work closely with the Government and advocate for the interests of New Zealand's thousands of tourism businesses and nearly 400,000 workers," Mr Roberts says.

TOURISM INDUSTRY AOTEAROA

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Tourism business examples

Information provided by the Government includes several tourism-related examples of the business support available:

1. A tourism operator in Queenstown, with 20 permanent part time employees and 40 casuals, is affected by the decrease in international visitors. Their income is down 50% from the same period last year, forward bookings over the next two months are down 30%, and the casual workforce has already been released.

The Employer receives \$84,000 as a lump sum, and uses the subsidy to keep paying all part time staff their existing (current) income over the next 12 weeks.

2. Jane owns (through her company) a motel building with a tax book value of \$3m. Under current tax law it is not depreciated. From 2021-22 Jane is able to depreciate the building at a rate of 2%, which means her company can claim a deduction of \$60,000 in the 2021-22 year, reducing her taxable profit. This results in her company having \$16,800 less tax to pay that year (as the company tax rate is 28%).
3. Jenny is a tour guide who provides tours of the Lord of the Rings filming location sites around Wellington through her company Jenstar Tours Limited (JTL). She gets the majority of her customers from cruise ships visiting Wellington. In the 2019-20 income year JTL's tax liability was \$8000 but because of the recent changes to address the spread of COVID-19, its 2020-21 tax liability is expected to be half that amount.

The change in threshold from \$2500 to \$5000 will mean that JTL will not be a provisional taxpayer for the 2020-21 income year, so instead of paying tax throughout the year, JTL will not have to pay tax until 7 February 2022, which improves her cashflow during the year.

4. Corrine owns a small café. In the last few weeks the business experienced a sharp decline as people avoid going out due to concerns about COVID-19.

Because of the effect of COVID-19 on the business, her turnover is about half of what it was a year ago, and she won't be able to pay an upcoming tax bill in full. She's tried to get a further extension to the business overdraft from the bank but has been unsuccessful.

Inland Revenue has a range of options to help customers who are struggling to meet tax payments. Working through these options, Corrine is able to enter into an instalment arrangement to pay off the tax bill over the next six months.

This new measure will allow Inland Revenue to write off any use of money interest on this debt.

More information on the wage subsidy scheme, including how to apply, and other support for businesses can be found at www.govt.nz/coronavirus and www.business.govt.nz

For more information, please contact:

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KEY FACTS

- Tourism in New Zealand is a \$112 million per day industry. Tourism delivers around \$47 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$65 million in economic activity every day.
- Tourism is New Zealand's biggest export earner, contributing \$17.2 billion or 20.4% of New Zealand's foreign exchange earnings (year ended March 2019).
- 14.4% of the total number of people employed in New Zealand work directly or indirectly in tourism. That means 393,279 people are working in the visitor economy.
- The [Tourism 2025 & Beyond](#) sustainable growth framework/Kaupapa Whakapakari Tāpoi has a vision of growing a sustainable tourism industry that benefits New Zealanders.

Visit www.tia.org.nz for more information

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