

NEWSLETTER – COVID-19 UPDATE

On the 17th March 2020 Government announced a business package to assist all businesses affected by the Covid-19 pandemic. As of today, the 23rd March 2020, this package has been amended to do more to cushion the financial impact of Covid-19.

Immediate Relief

Wage subsidy scheme

The scheme is open to all businesses, which now also includes businesses less than a year old, registered charities, NGO's and incorporated societies (previously just sole traders, self-employed and employers).

You will have to declare:

- 30% or more decline (or projected decline) in revenue compared with last year for any month between January 2020 and the end of June 2020.
- Applications can also be made on the basis of forecast revenue loss within the period of the scheme.

There is no longer a cap on the wage subsidy (previously \$150,000 for any one employer).

Subsidy is based on 20 hours or more of work is \$585.80 per week or a total of \$7,029.60 for 12 weeks. For part-time workers this figure is \$350 per week or a total of \$4,200. The 12 weeks period would be reviewed and could be extended.

Employer must pay a minimum of 80% of the employee's normal wages to qualify for a claim.

Employers must also have taken active steps to mitigate the impact of Covid-19. For example, "engaged with their bank/financial adviser". A declaration has to be signed to that effect.

The scheme is administered by the Ministry of Social Development. MSD will aim to make first payments no later than 5 working days from when the applications are received.

The employer link is as follows;

https://services.workandincome.govt.nz/ess/employer_applications/new

The self employed link is as follows

https://services.workandincome.govt.nz/ess/trader_applications/new

Guaranteed lending to businesses

Government have agreed in principle to guarantee lending to businesses to help their survival. Details are being finalised.

Rent freeze

Residential Rents to be frozen – more details to be announced by Government in due course

What happens if my employees are self-isolated?

You have **options to consider** and these need to be talked about if an Employee heads into self-isolation and is unable to work from home, is sick or is not sick.

Options:

An Employee can utilise their sick leave or annual leave – if they are sick

An Employee can utilise their annual leave – if they are not sick

An Employer can apply for the *Leave Payment Subsidy* on behalf of the Employee the payment is:

\$585.80 per week per full-time Employee

\$350.00 per week per part-time Employee

The Employee can choose to take leave without pay

The Employer could agree to advance annual or sick leave

Tax Updates

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.

Businesses and individuals will need to show an inability to pay tax by the due date as a result of being significantly adversely impacted by Covid-19. Details on how this will be measured are still coming.

Commencement date - 14 February 2020 the relief will apply to interest on all tax payments due on or after.

This scheme will continue for a period of two years.

Provisional Tax Changes

The threshold for having to pay provisional tax will increase from \$2,500 residual income tax to \$5,000.

Commencement date – April 2020 for the 2021 tax year. Your 2020 residual income tax will dictate whether you meet the criteria.

This is a permanent change.

Low Value Asset Deductions

You 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.

Commencement date - April 2020 for the 2021 tax year.

The threshold is being permanently increased to \$1,000 (from April 2021 for the 2022 tax year onwards).

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 to be calculated at 2% diminishing value basis. There is no application process as the increased deduction will be available as part of normal tax filing processes.

Commencement date - April 2020 for the 2021 tax year.

This is a permanent change.

What can you do?

Know your numbers – your business operating costs, and also the costs of covering the household expenses.

Speak to the banks and find out what facilities you have to fall back on if needed.

Look after each other.

How can we help

Speak to us if you need assistance with any relief packages and setting/understanding your business/personal budgets.

We have been working with NZTE to assist you funding our Business Planning and Budgeting & Cashflow Planning services. Through the Management Capability Development Voucher Fund, your business may qualify for vouchers that will subsidise up to 50% for these services (to a maximum of \$5,000 excluding GST per annum).

We will remain here for you if a pandemic quarantine is declared.

We can remotely provide you with accountancy services and advice.

We are all in this together.

Stay safe.