

laydoddnews May 2020



There has been a constant stream of Government initiatives to support businesses and taxpayers over the past eight weeks.

We cover briefly all relevant tax initiatives and provide website links if you require further information on specific topics.

If you are in any doubt about these initiatives and implications for your business, then please contact our office and we will be happy to help you.

Wage Subsidy

We are probably all fully aware of the Government's first relief package.



The main component of the relief package is a wage subsidy scheme. Under this scheme, eligible businesses will be provided a lump sum payment of \$585.80 gross per week per full-time employee and \$350 gross per week per part-time employee for 12 weeks. In order to be eligible for the lump sum payment, a business will need to have suffered a 30% decline in revenue month on month for any month between January and June this year and have spoken to their bank about relief. The Government have now extended new support measures which include:

- **A targeted extension of the Wage Subsidy Scheme.** The extension is available for a further 8 week period (i.e. further to the 12 week period of the existing scheme) for those who have suffered a 50% reduction in turnover in the 30 days prior to application as compared to 2019. The Wage Subsidy extension is available from 10 June 2020.

Other key components of the package are:

- Benefits will be increased by \$25 per week.
- The Winter Energy Payment for main beneficiaries and superannuitants will be doubled from \$450 to \$900 for singles and \$700 to \$1,400 for couples.
- A \$100 million funding package to support worker redeployment and training.
- A \$500 million funding package to support the health sector.

For more information, go to:

<https://www.workandincome.govt.nz/covid-19/wage-subsidy-extension/index.html>

Tax Components of the Package – March 2020

The relief package has also been used as an opportunity to tweak tax settings in a manner consistent with the Tax Working Group's proposals from last year as well as implementing measures that businesses have been seeking for some time. Key tax components of the package are:

- Depreciation deductions for commercial and industrial buildings are being restored as of the 2021 year.
- The threshold at which taxpayers become subject to provisional tax will increase from \$2,500 to \$5,000 as of the 2021 year.
- The definition of low value assets will increase from \$500 to \$5,000 for the 2021 year before settling back to \$1,000 from the 2022 year onward.
- Inland Revenue will be given more discretion to remit use of money interest if taxpayers cannot pay their tax due to COVID-19.

For more information, go to: <https://budget.govt.nz/budget/2020/wellbeing/approach/index.htm>

Temporary Loss Carry-Back Scheme

Businesses expecting to make a loss in either the 2020 year or the 2021 year can use that loss to offset profits they made the year before. In other words, they can carry the loss back one year to the preceding income year. This can be done before the loss year return is filed.

There are two ways to claim your loss carry-back.

- Include the carried-back loss in your tax return – the IRD will automatically refund any overpaid tax.
- Ask for a refund of any provisional tax you have paid for 2020 if you are going to carry back a loss from 2021.

The IRD can refund some or all of the tax already paid for the preceding year before the loss year has finished by enabling customers to estimate their loss.

If you choose to use the loss carry-back scheme you must first elect to participate in the scheme under the 'I want to' section of myIR. Refunds will be processed quicker for claims made through myIR.

Note: You do not need to have filed the loss year return to claim the loss carry-back.

For more information, please talk to us or go to: www.ird.govt.nz/loss-carry-back



Small Business Cashflow Loan Scheme to be administered by Inland Revenue

Key features of the loan scheme are as follows:

- Up to \$100,000 to firms employing 50 or fewer full-time equivalent employees. The loan amount is calculated as \$10,000 for an applicant plus \$1,800 per full time employee.
- The eligibility criteria are:
 - The wage subsidy scheme criteria plus:
 - A declaration that the business is viable and will use the money for core business operation costs.
- The business and the IRD will have a legal binding loan contract.
- The loan will be for a maximum of 5 years, with repayments not due in the first 2 years.
- No interest is charged if the loan is repaid within the first year. A 3% interest rate applies otherwise.
- The IRD will administer and audit the scheme, with applications open from 12 May.



For more information, go to: <https://www.ird.govt.nz/covid-19/business-and-organisations/small-business-cash-flow-loan>

ACC CoverPlus Extra



The ACC acknowledge the difficult times being experienced by many businesses as a result of COVID-19 and have made the decision to delay CoverPlus Extra invoicing for three months.

During this time CoverPlus Extra payment plans will be paused and the ACC will not seek payment for outstanding balances. Rest assured all customers will remain covered at their agreed amount.

The ACC are also communicating this directly to all their CoverPlus Extra customers.

For more information, go to:

<https://www.acc.co.nz/for-business/business-updates/coverplus-extra-invoicing-delayed/>

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