

COVID-19 Response (Taxation and Social Assistance Urgent Measures) Act 2020

Urgent legislation has been passed today which aims at assisting the Government's response to the economic impacts of the COVID-19 outbreak including targeted measures aimed at providing relief to those that have been economically affected.

Key changes

1. Depreciation on non-residential buildings re-stored
2. Low-value asset write-off threshold increased
3. Provisional tax threshold increased
4. Refundability of R&D tax credits brought forward
5. Use of money interest waived
6. Greater information sharing allowed
7. Wider access to the in-work tax credit
8. Working for Families tax credit entitlement for emergency benefit recipients
9. GST on COVID-19 related payments clarified
10. Winter energy payment rates increased

Depreciation on non-residential buildings re-stored

From 1 April 2020 a depreciation deduction will be allowed for commercial buildings.

This change applies to existing buildings and any subsequent capital improvements made. It will also apply to newly acquired buildings.

The depreciation rate will be 2% DV or 1.5% straight line.

There are special rules regarding calculating the cost base for these buildings and what is considered a commercial building under the depreciation rules.

Please contact us for further information.

Increase in the low value asset write off threshold

The \$500 threshold has been temporarily increased to \$5,000 for assets purchased in the 12 months from 17 March 2020. The \$500 threshold will then be permanently increased to \$1,000 for assets purchased from 17 March 2021.

Increase in the provisional tax threshold

From 1 April 2020 the residual income tax threshold (currently \$2,500) will be permanently increased to \$5,000.

If you expect your tax liability will drop significantly for the year ended 31 March 2021 as a result of the COVID-19 response and the final tax liability for that year is likely to be less than \$5,000 then these changes are likely to apply and you.

Please contact us to discuss this further.

R&D Tax credits

The government will bring forward the application date of broader refundability for the R&D tax credit by one year, to the 2019/20 income year, to help businesses retain their R&D capability during the COVID-19 outbreak.

Use of money interest remission

Normally, only in very limited circumstances will Inland Revenue remit use of money interest on tax not paid on time.

Inland Revenue will now be able to remit use of money interest on late payments where a taxpayer's ability to make the payment on time was significantly adversely affected by the COVID-19 outbreak. This will include both when a taxpayer is physically unable to make the payment on time (as a result of being quarantined for example) as well as being financially unable to pay.

This will apply to all tax payments due on or after 14 February 2020.

Requests can also be made to remit late payment penalties where the above applies. Inland Revenue have already announced on their website they will also consider a remission of penalties.

Greater information sharing allowed

Inland Revenue will be allowed to share information with other Government departments to assist those agencies in their response to the COVID-19 outbreak.

Wider access to the in-work tax credit

This is an income-tested cash payment of \$72.50 per week (\$3,770 per year) currently made to working families with children. To be eligible families must normally be working at least 20 hours a week (sole parents) or 30 hours a week (couples). The amendments remove this requirement meaning working families who have a reduction in working hours as a result of COVID-19 do not lose their eligibility. The remaining eligibility criteria will remain unchanged.

The proposal will apply from 1 July 2020.

Working for Families tax credit entitlement for emergency benefit recipients

Currently emergency benefit recipients with dependent children who are on a temporary visa do not qualify for Working for Families tax credits as they do not meet the residence criteria.

However, people on a temporary visa, who would not otherwise meet the residence criteria will now qualify if they receive an emergency benefit from the Ministry of Social Development.

Winter energy payment

This is assistance paid to help eligible people meet their household heating costs during the winter months. The rates have temporarily been doubled by an Order in Council to \$900 per year for single people with no dependent children and \$1,400 per year for couples and people with dependent children.

GST on COVID-19-related payments

An amendment order has also been made to ensure that all wage subsidy and leave payments that have been paid out from 17 March 2019 will not be subject to GST.

Please contact your Chapmans adviser for further information on how the above changes will apply to you.