

## COVID-19 Relief – Updates

Since our last newsletter there have been some new updates and further relief measures announced by the Government. These are discussed below.

### Tax concessions announced by Inland Revenue

Inland Revenue have released the following statement on their website:

*“If your business is unable to pay its taxes on time due to the impact of COVID-19, we understand, you don’t need to contact us right now. Get in touch with us when you can, and we’ll write-off any penalties and interest.”*

This is something to bear in mind with upcoming tax obligations, however it is important to note that any remission remains at the discretion of Inland Revenue and requests will still need to be made in writing.

When making a request for remission, taxpayers will need to state the reasons why their business has been adversely impacted by COVID-19 and provide supporting information to show the expected decline in revenue if requested.

If your business will struggle to pay its upcoming GST liability or 2019 terminal tax that was due on 7<sup>th</sup> April we recommend contacting us to discuss your options and we can assist with requesting an instalment arrangement and relief from penalties and interest.

### 2020 Provisional tax

If your balance date is 31 March, you may have recently received an email from us regarding 2020 provisional tax due on 7<sup>th</sup> May. Please note the amount payable is generally automatically calculated based on the prior year’s results.

Given the recent tax relief proposals announced, including an increase in the provisional tax threshold from \$2,500 to \$5,000 and the proposed tax loss carry-back scheme (discussed further below) if you expect your 2020 results will decline and wish to discuss your options please contact us.

### **Extension of time for filing tax returns**

Inland Revenue have recently granted an extension to 31 May for 2019 tax returns that were due to be filed by 31 March 2020 and the delay for filing was because of COVID-19.

Where this is the case late filing penalties are likely to be remitted.

It is important to note the delay must be as a result of COVID-19. Inland Revenue have stated that it is important to continue to file returns on time even where taxpayers are unable to pay on time.

### **Further tax relief measures announced**

The Government has announced additional tax relief measures to further assist businesses. These changes will form part of draft legislation expected to be released on Monday 27<sup>th</sup> April.

Summary of the proposed changes:

1. New tax loss carry-back scheme.
2. Changes to the tax loss continuity rules.
3. Greater flexibility for taxpayers in respect of statutory deadlines.
4. Measures to support commercial tenants and landlords.
5. Further businesses consultancy support.

### **New tax loss carry-back scheme**

The proposal will allow businesses who expect to make a loss in either the 2019/2020 or 2020/2021 income years to estimate the loss and use it to offset profits in the previous year.

If your business makes a loss for the year ended 31 March 2020 this can be used against any profits made in the 2019 year and a refund generated for the tax already paid on these profits.

The availability of the scheme does not appear to be limited to only those businesses impacted by COVID-19 or specific entity types, for example companies. We expect further detail of how this will apply to be confirmed when the draft legislation is released.

### **Changes to the tax loss continuity rules**

Under current legislation, where a company has more than a 51% change in ownership its available tax losses are generally lost.

The Government is proposing to introduce a 'same or similar business test' to allow the carry forward of tax losses where the company continues to operate in the same or a similar way as it did prior to the change.

This proposal is designed to assist businesses looking to raise capital by introducing new shareholding that would otherwise have resulted in a breach of shareholder continuity.

Further detail is expected to be announced when the draft legislation becomes available.

### **Greater flexibility for taxpayers in respect of statutory deadlines**

This proposal will give Inland Revenue the discretion to temporarily extend due dates and timeframes and modify procedural requirements outlined in the current legislation.

This could result in extended deadlines for filing tax returns and paying tax.

This change will apply to businesses and individuals affected by COVID-19.

### **Measures to support commercial tenants and landlords**

The Government will extend the current timeframe that commercial landlords can cancel a lease from 10 to 30 working days. This will apply for both the period the tenant is in arrears before the notice is given and the period required to remedy the breach before a landlord can cancel the lease.

The Government will also extend the timeframes for lenders from 20 to 40 working days for mortgaged land and from 10 to 20 working days for mortgaged goods. This will apply to commercial mortgages and home loans.

This change will allow more time for breaches or defaults to be remedied.

### **Further businesses consultancy support**

Businesses will be able to access free, tailored specialist support for a range of issues they may be currently facing, including business continuity planning, finance and cash flow management, HR and staffing issues, and potentially any sector-specific issues.

The Regional Business Partner Network will scale up their existing advisory services so that more businesses can receive support over the next 12 months. We note that we are in the process of registering with the Regional Business Partner Network so we should be in a position to assist you through this service in the coming weeks. Existing helplines often used by businesses will also be extended.

## **Further announcements**

### **Wage Subsidy Scheme**

#### **Recent updates**

The following has recently been clarified by the Government:

- The subsidy is to be used to pay wages only and businesses must undertake to keep employees employed for the period of the subsidy.
- Employers are to use their best endeavours to pay employees 80% of their normal salaries. Where this is not possible, they must pass on at least the amount of the subsidy.
- The full amount of the subsidy is to be passed onto an employee, except where the employee's normal wages are less than the subsidy amount. In that case any excess can be given to other employees.
- A new declaration is now required to be made for all applications made on or after 4pm on 27<sup>th</sup> March 2020 which essentially requires an undertaking by the employer to agree to the above.

Please note there are employment law issues to consider as a result of the above and it is important to remember your obligations under the Employment Relations Act. We recommend consulting with an employment lawyer / HR advisor before making changes to the terms of an employment agreement, for example hours and rates of pay.

#### **Claimed the Wage subsidy in error or received a double up?**

If you have claimed the wage subsidy in error, received a double payment or your situation has changed you can email WINZ using the following link:

[COVID19subsidy\\_overpayment@msd.govt.nz](mailto:COVID19subsidy_overpayment@msd.govt.nz)

You are only required to return the wage subsidy if your business no longer meets the above eligibility criteria. There is no requirement to return the wage subsidy if the lockdown period does not last the whole 12 weeks.

## **New Essential Workers Leave Payment Scheme**

The previous isolation leave payment scheme has now closed and has been replaced with a new scheme that applied from Monday 6<sup>th</sup> April.

The intention is to support essential workers who are required to stay at home to comply with public health guidance and whose employers are unable to keep paying them. Specifically, the scheme applies to the following types of workers:

- Workers in self isolation as a result of contracting COVID-19 or they have come into contact with someone who has contracted COVID-19 (or have a dependent they need to care for who is sick or self-isolating).
- Workers deemed as high risk and are therefore required to self-isolate (for example over 70).
- Workers who have household members who are deemed as high risk and are therefore required to self-isolate.

The scheme offers the same rates as currently offered by the Wage Subsidy Scheme, being \$585.80 per week for a full-time employee and \$350 per week for a part-time employee.

## **Business Finance Guarantee Scheme**

The government have announced a business finance guarantee scheme for small and medium sized businesses designed to provide short-term credit and protect jobs.

The main feature of the scheme is that the Government will guarantee 80% of the risk of new business loans while the bank will cover the remaining 20%.

The scheme applies to NZ based businesses who have been impacted by COVID-19. The following criteria also applies:

1. Annual turnover of \$250,000 - \$80m.
2. \$500,000 maximum loan amount.
3. Minimum term of 90 days and maximum term of 3 years.
4. Designed to support operating expenses and not capital expenditure.
5. Cannot be used to pay dividends or for on-lending outside the Group.
6. Cannot be used to refinance debt advanced before 16<sup>th</sup> March 2020.

The scheme is unfortunately not available to property investors/developers or local government organisations.

Applications for new loans are still made with the bank and your bank will have information on this, including how to apply, on their website.

Further information can be found on the below website:

<https://www.business.govt.nz/covid-19/business-finance-support-and-mortgage-holidays/>

### **Mortgage Repayment Holiday**

There is also support available for homeowners who can apply for a six-month principal and interest payment holiday on their mortgage where their income has been affected by the impact of COVID-19.

We recommend contacting your bank for further information.

### **Changes to the Companies Act**

The Government is also proposing to make legislative changes to the companies Act to assist companies that are facing insolvency due to COVID-19.

The proposed changes will allow certain affected businesses to place existing debts into hibernation until they are able to trade normally again. Temporary relief will also be provided to companies facing financial deadlines, legal requirements or significant liquidity problems.

A bill has yet to be introduced outlining the specific legislative changes. We will provide a further update once this is released. However, the below link to the Government's media release provides further information:

<https://www.beehive.govt.nz/release/further-measures-support-businesses>

### **Stay safe and be kind**

The team at Chapmans take pride in every relationship and we have strong beliefs in respect of family values and being able to do the very best for each and every relationship that we enter into.

Thank you for your continued engagement and support. Please reach out to us with any queries you may have or for any assistance whatsoever