

covid19 relief

TAX PAYMENT PENALTY AND INTEREST RELIEF

If you are experiencing (or are expecting to experience) some cashflow shortages and would like to spread this liability, some relief is available in the form of an interest free repayment arrangement with Inland Revenue.

You can either deal with the Revenue directly through the myIR portal or over the phone, or we can contact them on your behalf. To do this for you, we need to know the payment repayment terms you can afford and confirmation that COVID-19 is affecting your ability to pay.

<https://www.ird.govt.nz/managing-my-tax/debt-and-insolvency/apply-for-an-instalment-arrangement-in-myr>

WAGE SUBSIDY

There is a lot of publicity about the wage subsidy, available for a maximum of 12 weeks. Before you can apply for this you must have:

- ▲ Taken active steps to mitigate the impact of COVID-19 on your business. This might include, activating a business continuity plan or contacting your bank, financial advisor or industry association to see if they can help you in any way
- ▲ Be experiencing (or reasonably forecasting) a 30% drop in revenue at any time in the January to June 2020 period. The decline must be in relation to COVID-19
- ▲ Not have received business interruption insurance

If the requirements are not met or your situation changes you may be required to repay the wage subsidy. You must notify the Ministry of Social Development within 5 working days if anything changes that may affect your eligibility or entitlement to the subsidy, including if any of the employees named in your application end their employment relationship with you, or you with them.

You must have received your employees permission in writing to provide their names and details in the application.

Employers are required to agree that, for the duration of the subsidy, they will make best efforts to retain the employees the subsidy was paid for. Regardless of if you are receiving the COVID-19 Wage Subsidy, you must pay workers working normal hours, normally.

Otherwise, if you are receiving the COVID-19 Wage Subsidy you must:

- ▲ Try your hardest to pay staff at least 80% of their usual wages
- ▲ If that isn't possible, pay at least the rate of the subsidy that applies to that employee
- ▲ If the employee's usual wages are lower than the rate of the subsidy, continue paying their usual amount for the duration of the subsidy. Any difference should be used for the wages of other affected staff

You don't have to pay GST or income tax on receipt of the wage subsidy. When paying out the subsidy payments to your employee, this amount is also not deductible – in other words the receipt and payment of the subsidy should be neutral for tax purposes. Any top up of the subsidy to 80-100% of the employees normal wage, will continue to be a deductible expense.

Your employee (or if you are receiving the payment for yourself as you are self employed) is subject to the usual deductions, eg, PAYE, Student Loan, KiwiSaver, ACC, etc on the full amount the employee is receiving.

If you need help with determining if your drop in revenue will meet the subsidy criteria, please give us a call. Where we have your transactional records via Xero, or are regularly completing your GST we are able to analyse this for you very quickly, otherwise we might need a bit more information from you. Please also let us know if you need assistance in calculating

Application link for self employed https://services.workandincome.govt.nz/ess/trader_applications/new

Application link for employers https://services.workandincome.govt.nz/ess/employer_applications/new

OTHER TAX MEASURES ANNOUNCED

There are a range of other tax relief measures that have been proposed, including:

- ▲ The hours test is being removed from the In-Work Tax Credit from 1 July 2020
- ▲ The threshold for 2021 Provisional Tax has been increased to \$5,000, from \$2,500. For most taxpayers, this will affect the 28 August 2020 provisional payment onwards
- ▲ Depreciation on building will be reintroduced for commercial and industrial buildings
- ▲ Small asset write off deductions will be available for assets under \$5,000 for the 2021 tax year, then \$1,000 from the 2022 year onwards.

CONTACT US

If you would like clarification or assistance with any of the above, please do not hesitate to get in contact with us on 03 544 6179. For email enquiries on the wage subsidy, please email Claire Sibley on claire@caca.co.nz, otherwise your normal contact here at Craig Anderson.