



CHARTERED ACCOUNTANTS LIMITED

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COVID -19

We are sending this special newsletter to you to advise on various business issues arising from the COVID-19 virus and the recent actions taken by the NZ Government.

Office Procedures

In keeping with many businesses we are taking active steps to protect as best we can our staff and clients as follows –

- We are taking additional precautions in our work environment to help keep our employees healthy.
- We have positioned ourselves so that we can work remotely if necessary, yet continue to service our clients needs.

Whilst our office will continue to operate as normal, for the time being we ask that clients take sensible precautions –

- To only visit our office if absolutely necessary or for pre-arranged appointments.
- Do not visit our office if you are at all unwell, particularly with cold or flu like symptoms.

We will continue to monitor the situation in accordance with Government guidelines. We hope that the situation will normalise in the relatively near future.

Government Package

Yesterday the Government announced its \$12.1 billion package in response to the COVID-19 crisis.

The core component of the package is wage subsidies in an effort to keep people in paid employment, to provide financial assistance to those who need to stay at home, to provide for tax cuts and to boost benefits. Unfortunately, the package delivers little to directly assist business.

The main features of the Government package are –

- An initial \$500m boost for health.
- Wages subsidies (maximum \$7,026 lump sum per full time employee and \$4,200 per part time employee, with a total cap of \$150,000).
- Leave assistance to support self-isolation and those who become ill with the virus.
- An income support package for low income earners including an increase in Working for Families.
- A redeployment package.
- Business tax changes to free up cash flow.
- An aviation support package.

We have more detailed information on each of these items for those who require it. In this case please contact us. We briefly cover some of these below.

Wage Subsidy

In brief, this will be paid at a flat rate of \$585.80 per week for full-time staff and \$350 per week for part-time staff. The subsidy is paid as a lump sum and covers 12 weeks per employee and can

only be used to pay wages and to assist in keeping staff employed. This is to allow the employer time to consider changes and the future position of the business.

In order to be eligible –

- The business must operate in NZ.
- The employees must be legally working in NZ.
- The business must have experienced at least a 30% decline in actual or predicted revenue over a month (between January 2020 and June 2020) when compared to the same month last year, and that decline must be related to COVID-19. If the business has operated for less than one year then it is compared to a previous month.
- The business must have taken steps to mitigate the effect of COVID-19, including activating its business continuity plan, sought advice and support from its bank, Chamber of Commerce, relevant industry association or a regional business partner.
- The business must make its best effort to retain its employees and pay them at least 80% of their normal income for the subsidised period.

Applications for the subsidy can be made at <https://www.workandincome.govt.nz/products/a-z-benefits/covid-19-support.html#null>

Leave Payments

These are available to an employer, contractor, sole trader or self-employed person in full or part-time employment, casual employees and contractors legally working in NZ.

There are some limitations on the availability of this. We can supply further information upon request.

Applications for the subsidy can be made at <https://www.workandincome.govt.nz/products/a-z-benefits/covid-19-support.html#null>

Tax Changes

These include –

- Reinstatement of depreciation on commercial buildings (2% DV) from the 2021 year.
- Increase in value of immediate deduction for low value items to \$5,000 for the 2021 year, then reducing to \$1,000 for the 2022 and future years.
- Increasing the provisional tax threshold from \$2,500 to \$5,000. This is a permanent change.
- IRD discretion to write off Use of Money Interest for businesses affected by COVID-19.

Conclusion

We believe that the package is useful but, in reality, of limited benefit to most businesses.

Should your business be experiencing difficulty due to COVID-19 please do not hesitate to contact us for assistance.

Finally, we take the opportunity to say remain confident and positive. Like all downturns and problems, it will pass given time - hopefully sooner rather than later!

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