

## **COVID -19 – Newsletter 3**

30 March 2020

This is our third newsletter in regard to the COVID-19 crisis. The main thrust of this newsletter is to look upon the current situation with hope and confidence in the future.

### **Positivity**

In these challenging times when most of what we read and hear is negative it is very easy to get down. However, we should always remember the old saying “every cloud has a silver lining”. So now is the time to take stock, regroup and plan for the future. We need to be confident that times will get better and that we will, eventually, emerge in a better position.

As part of this process I have written a poem -

The morning was dark  
All was gloom  
The afternoon saw  
A brief shard of light  
The night was black  
But the morning was  
Light

Send me yours. I look forward to posting original contributions of hope.

### **Government Economic Recovery Programmes**

The government has announced that it is now planning for the future after the COVID-19 crisis has passed. Parliament has approved a \$52b fund for economic recovery. Whilst details are only vague at the moment the main thrust seems to be a significant investment in infrastructure. This appears to me to be a good first step but also strikes me as a very 1930's solution – it worked well then when infrastructure projects (e.g. road construction) were very labour intensive. This is no longer the case and I, therefore, wonder if there are not better solutions – perhaps quite radical? Are you able to suggest any, no matter how apparently outlandish? I would like to hear any ideas from you. I also suggest that you email your ideas to Jacinda Ardern and Grant Robertson. Remember no-one has a monopoly on good ideas!

### **Government Subsidies**

If you have not applied for the Work and/or Leave Subsidy and your business has been adversely affected by the COVID-19 crisis then I recommend that you do so. For full details on the package and the application process for subsidies refer to the MSD website ([www.workandincome.govt.nz](http://www.workandincome.govt.nz)). The process is pretty simple and quick. You will need your business IRD number, NZBN and employee(s) IRD number(s). If you do not have these please contact me and I will advise these to you. Self-employed do not have a NZBN – leave that box blank (if your application gets rejected due to the lack of a NZBN then fill the box with 0's (zeroes) – this seems to do the trick). Anecdotal evidence indicates that payments are made within 72 hours – often within 24 hours.

Please note that the Wage and Leave subsidies also apply to the self-employed.

One error that we have become aware of is for clients operating via a company structure – do not tick the self-employed box – you are either an ordinary employee or a shareholder employee (an employee in both cases).

Should you require any assistance please do not hesitate to contact me.

With regard to the taxation aspects of these subsidies it has now been clarified that –

- Wage and leave subsidies are exempt GST.
- The wage subsidy is exempt income tax, however the component of wages paid to employees equivalent to the subsidy is not deductible for income tax purposes.
- The leave subsidy is subject to income tax.

### **Planning for the Future**

For many of you who are unable to operate your business, particularly those likely to continue to be affected post the lockdown, now is a good time to put in place some business plans. Consider developing a business plan, including a budget and/or cashflow forecast. Include in the plan possible future new opportunities – these can become apparent with a little thought “outside the box”, i.e. does your business have to operate how it has in the past or can you add new possibilities? To be of real use a business plan must be written, this also focuses the mind and often highlights the key/critical areas

As well as being of practical use a well written business plan can be of considerable assistance when applying for loans and may even be a requirement of a lender.

Having your plan written now may well give your business a significant advantage in the post lockdown environment – “the early bird gets the worm”.

If you are unsure of how to write a business plan or require assistance then –

- Search your banks website – some banks have templates available.
- Search the internet as there are a number of free tools available.
- Contact our office for advice.

### **Mortgage Holidays**

The government has announced a 6 month mortgage payment holiday (principal and interest) for residential mortgages. It is unclear how much this was discussed with the banks before the announcement and some banks are still yet to announce details of their scheme. It is also unclear if the payment holiday will apply to business loans secured over residential property.

Be wary of taking a mortgage holiday. As we understand it each bank will have its own rules. The announcement also advised that normal “responsible lending” rules will not apply – i.e. the banks will be under no obligation to explain the implications of taking a mortgage holiday.

Our understanding is that, in most cases, the holiday will actually be a suspension of payments with the interest being added to the loan principal meaning that in the long run interest will be charged on interest. In these cases you may get over a temporary cashflow crisis but you will end up paying more in the long run. It is our recommendation that you only take a mortgage holiday in the case of real hardship and after carefully considering the terms and long term implications. Remember, in almost all cases the sooner you pay a loan off the less you will pay in total.

Please contact us if you wish to discuss the implications of taking a mortgage holiday.

### **Employment Issues**

A reminder that all terms of Employment Agreements remain in force. Hence employers wishing to reduce staff wages or move staff on to holiday leave or make staff redundant can only do so within the terms of the relevant Employment Agreement or by mutual consent (which should be recorded in writing). Employers that have taken up the Government Wage Subsidy must continue to pay at least 80% of normal wages (refer to the MSD terms of the subsidy). If you are unsure of your legal obligations you should contact your lawyer or an employment relations expert.

### **Commercial Leases**

Many commercial leases have a clause in them regarding tenants being unable to access premises. This clause may include the ability to cease rent payments and, even, terminate the lease.

We strongly recommend that tenants and landlords consult their lawyer if they have any concerns/questions with regard to their lease.

### **Office Closure**

In accordance with advice and instructions from the Government our Harewood office is closed for the duration of the lockdown. Our practice is operating from my home until further notice. Likewise, Gail will be working from her home.

As we cannot access our post office box we recommend that you contact us either by email or telephone. If you require to forward hard copy documents to us you will need to courier them to my home – 1 Kanuka Place, Robinsons Bay 7581. If your normal courier service will not deliver to this address please contact Akaroa Couriers (ph. Mike 027 566 4036 or Nick 021 395 389).

Our contact details remain –

- Telephone our usual number – 03 366 9436.
- Email – [craig.hastie@hastieaccountants.co.nz](mailto:craig.hastie@hastieaccountants.co.nz), [gail.clarkson@hastieaccountants.co.nz](mailto:gail.clarkson@hastieaccountants.co.nz).
- Emergency contact – Craig – 021 074 6261

Our practice is continuing to function, for the most part quite normally as we have taken considerable steps in recent years to computerise our practice such that we can run it remotely. The only significant issue that we currently have is that we are unable to produce hard copy as our printer is in our Harewood office.

Until the situation normalises we ask for your patience and understanding.

With best wishes to all our clients and their families.

Craig Hastie

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