

COVID-19 Business Support update

Business Finance Guarantee Scheme	The Business Finance Guarantee Scheme supported lenders by the government taking on the default risk of up to 80% of the loan. Participating lenders were able to provide new loans, increase limits to existing loans or a revolving credit facility to eligible businesses. The scheme was extended to June 2021 but ceased after that date. Be aware that the Government guarantee does not limit your business' liability for the debt. If your business defaults on a scheme loan, the lender will follow its normal processes to recover the debt.
Compliance relief	On 3 November 2021, the Government reinstated temporary compliance relief measures for companies and registered entities affected by COVID-19 restrictions, which expired earlier in the year. The temporary provisions extend up until 30 April 2022.
Consultancy support	Businesses had access to free professional consultancy services through Regional Business Partners (RBP) with tailored specialist support for business continuity planning, finance and cash flow management, HR and staffing issues. Auckland businesses were eligible for further business advice support as the country moved to the COVID-19 Protection Framework. The RBP can advise on what support may still be available.
Debt hibernation	The business debt hibernation scheme helped businesses manage their existing debts until they can start trading normally again. It allowed qualifying businesses to defer debt repayments by up to 7 months. The scheme is now closed although where a business had already set up the arrangement, and creditors agreed, they may still receive a further six months of protection from when their creditors agreed to their proposal.
Depreciation	<p>From the 2020-21 income year onwards, depreciation is allowable for commercial and industrial buildings.</p> <p>For assets purchased on or after 17 March 2021, the low-value asset threshold permanently increases to \$1,000. For items that fall below the threshold, the depreciation loss is the item's cost. Above the threshold, items must be depreciated using the diminishing value or straight-line method.</p>
Leave support	The Leave Support Scheme (LSS) is available for employers, including the self-employed, to help pay employees who need to self-isolate and can't work from home. The scheme has now changed from two-weekly to a one-week payment to recognise the periods of self-isolation have changed.
Loss carry-back	<p>A temporary tax loss carry-back scheme, limited to a 3-year window, meant losses in the 2020- or 2021-income years could be used to offset profits made the year immediately before. For some taxpayers this also meant a refund of provisional tax previously paid. Eligible taxpayers needed to elect into the scheme.</p> <p>The Government initially indicated its intention to develop a permanent loss carry-back mechanism to apply from the 2021–22 tax year, to replace the temporary measure. This has so far not been realised.</p>
Loss continuity rules	<p>From the 2020-21 income year, under the business continuity test, you can carry forward losses for your company even if you do not meet the requirements of the shareholder continuity test.</p> <p>A 'same or similar business' test applies, meaning the business must continue in the same or a similar way it did before ownership changed. Inland Revenue will be alert to prevent loss trading and avoidance measures.</p>

Omicron and COVID-19 Support Payment	<p>A new COVID-19 Support Payment will be available for businesses struggling with a business downturn during the Omicron outbreak. Each COVID-19 Support Payment will be \$4,000 per business plus \$400 per full-time employee (FTE), capped at 50 FTEs or \$24,000. Businesses will have to show a 40% drop in 7 consecutive days within the 6 weeks prior to the shift to Phase 2 of the Omicron response on 15 February, compared to 7 days after that date.</p> <p>Applications for the first payment open on 28 February 2022 with payments starting from 1 March. The Government has announced the payments will be available on a fortnightly basis for 6 weeks (3 payments in total).</p>
Provisional tax	<p>The RIT threshold for provisional tax increased from \$2,500 to \$5,000 from the 2020-21 tax year to allow small businesses to retain cash for longer and reduce the number of provisional tax taxpayers.</p> <p>If your business is affected by COVID-19 and you need to re-estimate your provisional tax as your income falls short of the estimate and provisional tax has been overpaid, it may be possible to arrange early refunds.</p>
Research and Development (R&D)	<p>Start-up companies are able to cash-out their tax losses arising from eligible R&D expenditure and avoid carrying the losses through to the next income year. The rules around R&D expenditure are detailed and you need to keep good records of such expenditure. Eligible expenditure requires approval from Inland Revenue. If you want to claim under these rules, let us know.</p> <p>Expenditure on employees supported by the COVID-19 wage subsidy is not eligible for the R&D tax credit. However, the portion of wages not covered by the subsidy remains eligible expenditure where the employees work on R&D activities.</p>
Resurgence support	<p>The resurgence support payment (RSP) was available to help businesses directly affected due to a COVID-19 alert level increase to level 2 or higher. Eligible businesses experienced at least a 30% drop in revenue or capital-raising ability over a 7-day period after the increased alert level. Where an eligible business was one of a group of commonly owned businesses, that drop was present across the commonly owned group.</p> <p>There was provision to apply for businesses still in a start-up phase ('pre-revenue businesses') and not yet trading.</p> <p>Applications for RSP have now closed.</p>
Short-term absence payment	<p>A short-term absence payment covers eligible workers (including self-employed) needing to stay at home while awaiting COVID-19 test results. It provides a one-off (once per 30 days) \$359 payment. It also covers parents, caregivers, household members or secondary contacts of the eligible worker awaiting test results. You cannot get more than one COVID-19 payment for the same employee at the same time from Work and Income.</p>
Small Business Cashflow Loan Scheme	<p>The Small Business Cashflow Loan Scheme grants eligible businesses an interest free loan (up to a capped maximum), if they repay it within 2 years. The scheme was extended, broadening eligibility, and extending its availability to 31 December 2023. Businesses or organisations that have fully repaid their loan before the end of 2023 can re-borrow. In February 2022, the Government announced that the first two years of accrued base interest on all borrowers who have, or will, take out a loan, will be removed (meaning interest will only start accruing at the beginning of year 3).</p> <p>A new top up loan will allow firms that have already accessed a loan to draw down an additional \$10,000 with a new repayment period of five years, the first two years being interest free.</p>

Tax deadlines	Inland Revenue can help with both GST and provisional tax due. Inland Revenue has discretion to grant extensions to filing dates for some income tax returns. Extensions can't be granted for PAYE & GST returns, but late filing penalties may be remitted. Under limited circumstances, late payment penalties may also be remitted.
Tax debt	If you are unable to pay tax by the due date , Inland Revenue has discretion to write-off penalties and interest. Contact them to indicate when tax can be paid, or request instalment arrangements. You may be eligible for a UOMI write off.
Tenants and landlords	Temporary law changes were made to support tenants unable to pay rent and landlords unable to meet mortgage payments. These made it easier to retain lease arrangements and get back to business as usual after the pandemic, giving parties more time to fulfil their payment obligations or negotiate temporary changes to agreements or payment plans. These temporary changes have largely ended.
Vaccination	<p>Under the COVID-19 Protection Framework, WorkSafe guidance helps employers make a risk assessment under HSWA to decide what work requires a vaccinated employee. A vaccination assessment tool may help businesses and services decide whether they can require vaccination for different types of work. Other guidance is available from Employment NZ.</p> <p>Vaccination is required of all workers at businesses where customers are required to show COVID-19 vaccination passes — for example, those involving close contact with customers, and hospitality. Employers can collect information about their employees' vaccination status for a lawful purpose and must be handled in accordance with the Privacy Act.</p>
Wage subsidy	<p>The wage subsidy scheme (WSS) ensured employers could keep paying their employees, who could stay connected to their employers, even if unable to work their normal hours. It was in place if there was an escalation to Alert Levels 3 or 4 anywhere in New Zealand, for 7 days or more.</p> <p>Eligible employers and self-employed anywhere in the country could apply for the WSS if they expected a loss of 40% of revenue because of the alert level increase announced on 17 August.</p> <p>The COVID-19 Wage Subsidy August 2021 was available from 18 August 2021 to 9 December 2021.</p>
Wage subsidy repayments to MSD	<p>If you received the subsidy but did not pass on the full amount to your employee(s), the amount not passed on to employees must be paid back to MSD. If it is not, Inland Revenue may consider this to be taxable income which you must include in your income tax return and pay tax on it in the year it was received.</p> <p>If you claimed a subsidy and subsequently repaid it to MSD, you may be entitled to a deduction for the salary/wage expense which was previously non-deductible in the year the salary/wages were originally incurred. To claim this, you can amend your net profit in myIR and must provide supporting information. Ask us if you need help with this.</p> <p>Keep comprehensive records of wage subsidies received and passed on to employees, as well as any subsidies your business subsequently repaid, to be prepared for any adjustments required in your tax return.</p>
Wage subsidy and tax	<p>The wage subsidy is considered excluded income to businesses and is GST exempt. When passed on as wages, businesses don't get a deduction for income tax purposes. The employer funded wages paid over the amount of the wage subsidy are deductible as normal.</p> <p>Inland Revenue have noted where 2021 IR3/IR3NR Income tax returns have not reported WSS payments received in the 'Government Subsidies' field of the return. They have flagged they will follow these up. Keep all relevant information together for accurate reporting for the 2022 year.</p>

Working from home (WFH) costs and reimbursements	<p>The timeframe for tax-exempt reimbursement payments made by employers to employees for WFH costs extends to 31 March 2023. Make sure your records have enough detail to show:</p> <ul style="list-style-type: none"> ▪ what period these payments relate to ▪ payments comply with requirements for qualifying payments to be treated as exempt income ▪ where some payments are exempt and others taxable and where some portions of a payment are exempt, but others are taxable <p>For WFH payments claimed between 17 March 2020 and 31 March 2023, a de minimis option is allowed of up to \$15 per week, per employee, to be exempt income for WFH expenditure other than telecommunications costs, recognising potential increases in household costs and depreciation loss on existing depreciable assets.</p>
Working from home (WFH) reimbursements and depreciation	<p>Payments may be tax exempt reimbursing furniture or equipment purchases when WFH to reimburse depreciation on the item. The payment will typically be for the cost of the asset and the payment will still be deductible to the employer. Note the \$1,000 low-value asset threshold in place from 17 March 2021 applies here.</p>
WFH and telecommunications	<p>For telecommunications devices/plans, where staff use their own devices for work, staff reimbursements are exempt income up to \$5 per week. If reimbursement is above \$5, the exempt portion of the amount paid is:</p> <ul style="list-style-type: none"> ▪ 25% if the device/plan is used partly, ▪ 75% if used mainly, or ▪ 100% if used exclusively for employment purposes <p>WFH payments for telecommunications devices/plans claimed from 1 October 2021 to 31 March 2023 allow either:</p> <ul style="list-style-type: none"> ▪ a \$20/week reimbursement, per employee, OR ▪ if the device is used partly for work, 25% of telecommunications costs plus \$15 to be exempt income for other WFH expenditure OR ▪ if used mainly for work, 75% of telecommunications costs plus \$15 as exempt income for other WFH expenditure