Brown Associates Accountants

Alert Level 2 Guidelines announced

The current Level 2 guidelines are:

- Physical distancing will still be required, but going to school, going out to eat and celebrating, or mourning, milestone events will become a lot easier.
- Schools will open to all students. Hospitality venues can reopen under certain conditions and larger weddings and funerals can be held.
- Borders will remain closed but business and social activity will be much less restrictive.
- There will still be limits on mass gatherings - no more than 100 indoors and 500 outdoors, and as long as you're not breaking those rules you can get back to playing sport and doing other recreational activities.
- Travel around the country will be loosened slightly in alert level 2 but under the current rules would still have to be "essential"; the tourism industry is hoping ministers have heard their pleas, and their assurances they could operate safely.

COVID-19 Small Business Cashflow Scheme (SBCS)

Small to medium business owners, including sole traders and the self-employed, may be eligible for a one-off loan if they have been adversely affected by COVID-19.
Further information will be coming over the next weeks and applications are expected to be open from May 12.

https://www.beehive.govt.nz/release/government-boosts-cashflow-support-small-businesses

In the meantime there is a calculator you can use
https://myir.ird.govt.nz/eservices/home/?link=CLCSBC

New tax-loss carry back scheme

New legislation allows taxpayers to carry back a 2020 or 2021 tax year loss one year to reduce the prior year's taxable income. Utilising this provision does of course mean you would have used your loss, so it will be unable to be used in the future.

A loss can be used to get a **refund of prior period taxes paid**, even if you forecast a loss (i.e. the loss tax return does not need to be filed to access the loss). However, **be careful** if using an estimated loss, as interest will be charged on any over-estimate.

Inland Revenue's operational guidelines indicate that, if a shareholder salary was paid to clear company profits, a loss carry-back would not permit those salaries to be reduced (i.e. the carry-back is ineffective in this scenario). We expect further debate on this point.
As with all tax law, certain criteria need to be met. Talk to your regular advisor to understand how these rules could benefit you.

Other tax changes

The Government response to Covid-19 has included various tax measures, most of which we have already commented on. To reconfirm some of these:

- **Depreciation** on commercial and industrial buildings is again permitted from the 2021/22 tax year;

- The threshold for deducting the full cost of low-value assets has been temporarily increased to $5,000 for the 2020/21 year before reducing to $1,000 thereafter; and

- The **provisional tax threshold** has increased to $5,000 from the 2020/21 year, removing some taxpayers from the requirement to pay provisional tax.

When do you need to repay the wage subsidy?
You need to repay some or all the COVID-19 Wage Subsidy if:

- you no longer meet the criteria for the subsidy
- you're not meeting your obligation to use the subsidy to retain and pay your employees
- you've received insurance (eg, business continuity insurance) for any costs covered by the subsidy
- you provided false or misleading information in your application.

With employees returning to work there may be changes you need to be aware of :

- If an employee has worked less than the amount of hours that make up the COVID subsidy wage they have been receiving they will continue to be paid as per your agreement.
- If the employees hours worked in a week have exceeded their pay while under lockdown, then the hours worked will be paid.
- If any employee is paid at $17.70 but has now restarted work, their pay rate will move to $18.90 as the new minimum wage law requires. Those who are not physically working and receiving subsidy pay will remain at $17.70 until they physically restart work.

I can’t pay my tax – what should I do?

The most important thing to do in this situation is to contact IRD. This allows a conversation to be had regarding your particular circumstances and how to get back on track, including options for tax relief. **We can do this on your behalf**.

Interest & Penalties on late payments

If you can pay, it is important you do so. However, special relief applies to those who have been significantly adversely affected by Covid-19. An installment arrangement can be entered for **tax payments of any type due after 14 February 2020**, and IRD has **new discretion to remit** interest and penalties if you physically or financially are unable to make the payment on time.
There are requirements that need to be satisfied, **we can guide you through this process**.

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