



## A Week in Review

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### Help is out there – Covid-19 Package

A \$12 billion assistance package has been announced by the Government, comprising a mixture of 'planks' (as our Finance Minister aptly put it) from weekly wage subsidies to various tax relief measures.

#### Employers package –

To assist those employers significantly impacted by the effects of Covid-19, a 12-week wage subsidy scheme has been put in place, the primary aim being to enable employers to retain existing employees, maintaining at a minimum 80% of their existing wages.

The subsidy is available to those employers who can show that they have already suffered, or are projected to suffer (a forecast revenue statement is sufficient), at least a 30% decline in revenue compared to last year for any month between January 2020 and June 2020, as a result of Covid-19 (so pick a relevant month in 2019 and compare to same month in 2020 – special rule for those new in business also).

Those employers wishing to file a subsidy application, must:

- undertake, that on their best endeavours, they will continue to employ the affected employees at a minimum of 80% of their income (e.g. four out of five days of the week) for the duration of the subsidy period; and,
- declare in writing that they have taken active steps to mitigate the impact of COVID-19 (e.g. engaged with their bank/financial advisor).

The subsidy is a lump sum payment to cover the 12-week period, and a single employer can receive up to a maximum \$150,000. The quantum of the subsidy is \$585.80 per week for full-time employees (>20 hours per week) and \$350.00 per week for part-time employees.

Applications are made to Work and Income via their website, with MSD aiming to make the first payments no later than five working days post an application being received.



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## **Covid-19 leave package –**

This scheme will operate for the next eight weeks, effective from 17<sup>th</sup> March 2020. It is available to any person effectively (employees or self-employed), where the affected person is unable to work because either:

- they self-isolate in accordance with public health guidance and who register with Healthline;
- they are ill with COVID-19, or,
- they cannot work because they are caring for a dependent in either of the above two circumstances.

Covid-19 leave payments are not available to those:

- who can work from home during the period of self-isolation and who can be paid normally by their employer;
- who leave NZ to travel overseas from 16 March 2020, and are required to self-isolate upon their return to NZ; or,
- who are taking sick leave before 17 March 2020 and who have travelled overseas since 16 March 2020. However, these people can access the scheme for time spent on sick leave from 17 March 2020, where there has been no overseas travel post 16<sup>th</sup> March 2020; or,
- self-employed persons not earning at least the minimum weekly wage (\$756.00 per 40-hour week from 1<sup>st</sup> April 2020).

The payment rates equate to those for the employer 12-week subsidy, \$585.80 per week for full-time workers (>20 hours per week) and \$350.00 per week for part-time workers.

Employers will apply for the leave payments on behalf of their employees, and payments received from MSD must be passed on to the employee in full. MSD will pay on fortnightly cycles post receiving an application, so employers must apply every 14 days although there is no limit to the number of times they can apply in relation to eligible employees.

Employees can use their other leave entitlements during any self-isolation period, however using such entitlements has no impact on the entitlement to claim Covid-19 leave payments.

Further information regarding either the employers wage subsidy or the Covid-19 leave payments can be found here (including the applicable application forms) -

<https://www.workandincome.govt.nz/products/a-z-benefits/covid-19-support.html#null>

## **Tax relief measures –**

The announced relief measures are a mixture of temporary and permanent changes.

- Depreciation for commercial and industrial buildings – re-introduced for 2020/21 income year at a 2% diminishing value rate, applying to both new and existing buildings on a permanent basis;
- Low value asset write-off – available for assets costing up to \$5,000 acquired in the 2020/21 income year, then reducing to \$1,000 threshold permanently from 2021/22 income year (so replacing existing \$500 threshold);

- Provisional tax threshold – increasing from \$2,500 to \$5,000 from 2020/21 income year, meaning less businesses will be subject to paying their taxes in advance. So, if you expect that your actual residual income tax liability for the 2020/21 income year will be less than \$5,000, you will not be required to pay 2021 provisional tax, even though your 2019/20 tax liability exceeds the provisional tax threshold. This would result in your 2020/21 tax liability not having to be paid until 7<sup>th</sup> April 2022 (assuming you are covered by a tax agents' extension of time arrangements with IR); and,
- UOMI write-off – available to struggling taxpayers adversely impacted by the effects of Covid-19 who can demonstrate an inability to pay their tax by a due date. Relief available in respect of all tax types (provisional tax, PAYE, GST etc) due on or after 14<sup>th</sup> February 2020. Relief rules proposed to remain in place for two years, and IR will release further details shortly with respect to objective tests to be satisfied prior to relief being granted.

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## IR releases provisional tax fact sheet

Somewhat amended by the recent Covid-19 relief measures announced, IR has released the provisional tax (IR316) factsheet to assist taxpayers in finding out if they have to pay provisional tax, how much they will need to pay and when to make payment during the year.

The fact sheet explains briefly what residual income tax (RIT) is, how those in their first year of business or defined to be 'new provisional tax payers' may be affected by the provisional tax rules and provides some detail on the four methods that are available for working out provisional tax.

You can find the fact sheet here - <https://www.classic.ird.govt.nz/resources/5/a/5a0749f4-c942-4171-85e9-905fcc38cebd/ir316-apr-2020.pdf>

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If you have any questions or would like a second opinion on any national or international tax issues, please contact me [richard@gilshelp.co.nz](mailto:richard@gilshelp.co.nz)

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## KiwiSaver Taxation Bill

The Taxation (KiwiSaver, Student Loans, and Remedial Matters) Bill (158-3) has now passed its third and final reading and awaits the Royal Assent.

In brief, the three main objectives of the Bill were to:

- continue the Government's simplifying and modernising of social policy administration
- further improve the application of NZ's broad-base, low-rate framework; and,
- further encourage research and development expenditure.

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