

Update IV: Welcome to the latest instalment from us summarising, recapping and in some cases commenting, on government announcements about employer subsidies, loan finance and tax relief. Our earlier Covid-19 newsletters – Information for businesses, Update I, II and III are available on our [website](#). Need to contact us? You can email us directly or talk to Kay/Judy on 03 4180020 who will provide home numbers and/or cell phone numbers.

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Latest Support Measures

Small Business Loans

Loans of up to \$100,000 were announced on Friday for small businesses with 50 or fewer, full time equivalent employees. The loans will be interest free if they are paid back within a year. After year one interest will be charged at 3% although there is a payment holiday for the first two years. Loans have a maximum term of five years. Applications open on 12 May with the IRD who will administer the scheme. The amount available is \$10,000 per firm plus \$1,800 per equivalent full time employee up to a maximum of \$100,000. Eligible self-employed and sole traders with no employees can seek a loan of \$11,800. The criteria are the same as for the Wage Subsidy Scheme with a minimum 30% drop in revenue required. Businesses will have to declare that they are a viable business; they will use the money for core business operating costs and enter into a legally binding loan contract.

Leave Support Scheme Widened

The essential workers leave support scheme now includes support for all employers, including self-employed sole traders, to pay their employees who cannot come into work because Ministry of Health (MoH) guidelines recommend they stay at home [and](#) they cannot work from home. To be eligible the [employee](#) must either be:

- a [high risk person](#) as defined by MoH, or
- required to self-isolate for 14 days through contact with someone with Covid-19, or
- testing positive for Covid-19, or
- have household members who are high risk per MoH.

[And](#), the [employer](#) must have either:

- had an actual or predicted decline in revenue of 30% or more down for at least one month or more from January – June 2020 due to Covid-19, or
- had their ability to support the employee negatively affected by the Covid-19 public health restrictions.

Updates about Earlier Announcements

Tax Relief

A summary of the temporary provisions is as follows:

- Low value asset threshold lifted to \$5,000 for 12 months

- Provisional tax threshold increased to \$5,000
- Depreciation restored for non-residential buildings
- Tax loss carry back enabling losses to be carried back instead of forward
- Loosening of loss carry forward rules that will allow refinancing to take place without losing losses in some circumstances
- Increased discretion for the Commissioner (IRD) to adjust dates and remit penalties and use of money interest for those affected by Covid-19
- Wider access to the in work tax credit portion of working for families tax credits

Further good news is that it has been signalled that some of these will morph into more permanent arrangements in the future:

- The low value asset threshold will permanently move to \$1,000 from 17.03.21 (was \$500)
- Tax loss carry backs will continue in some form under a new regime to come into place next year

Employer Subsidies

Wage/working owner subsidies continue to be available for businesses who have:

- an actual or predicted drop in revenue (not profit, nor cash collection) of 30% or more down for at least one month between January – 9th June 2020 due to Covid-19
- made best endeavours to top up the subsidy to 80% or more throughout the 12-week period
- can declare that they have taken reasonable steps to mitigate the effect of Covid-19 on their business including using their own cash reserves, discussing other options with their banker, taking advice, invoking their business continuity plan and making an insurance claim

It is best to document decision-making processes, predictions about reduced revenue, actual revenue, and rationale about the need to preserve cash reserves or overdraft headroom now unless this is completely clear-cut. Details of all wage subsidy recipients are listed on a [publicly searchable register](#), and there has been media attention about the eligibility of some high profile applicants. Audits have commenced according to recent [announcements](#) and we understand that the Ministry of Social Development (MSD) is matching data with Inland Revenue to identify potential audit subjects.