

## COVID - 19 GOVERNMENT SUPPORT PACKAGE

The Covid-19 virus is having an unprecedented effect on the global economy.

All of our clients will be affected and we, at Carter & Associates, will do all that we can to support our clients through this very difficult time.

We encourage you to adhere to Ministry of Health COVID-19 guidelines and advice.

The Government Support Package released on Tuesday includes wage and leave subsidies for those businesses affected by Covid-19 as well as tax relief in the form of increased deductions for the 2021 income year onwards and remission of IRD interest for Covid-19 affected businesses.

### Wage Subsidies

Wage subsidies will be available for businesses that can show a 30 percent decline in revenue for any month between January and June 2020 compared to the year before (or projected revenue for new businesses).

For eligible businesses, employers will be paid \$585.50 per week for full-time staff, and \$350 for part-time staff. Payments will be capped at \$150,000 per business and will be paid in one lump sum for up to 12 weeks.

It's not clear from the information provided, but it seems that shareholder-employees are also covered by this subsidy.

If you pay other employees, include yourself as a shareholder-employee in this application, otherwise you can also apply under the self-employed application.

Application can be made online – see the link below. The process appears to be reasonably straight forward, and information provided on the website is both helpful and reasonably easy to follow. The form filing/information requirements do not appear onerous.

### Leave Payment

Leave payments are available to those who need to self-isolate and cannot work, or who are sick or caring for a dependent who is sick with Covid-19. The Leave payment is available to employers, contractors, sole-traders and the self-employed for 8 weeks from 17 March 2020. The leave payment may be applied for more than once and must be passed on in full.

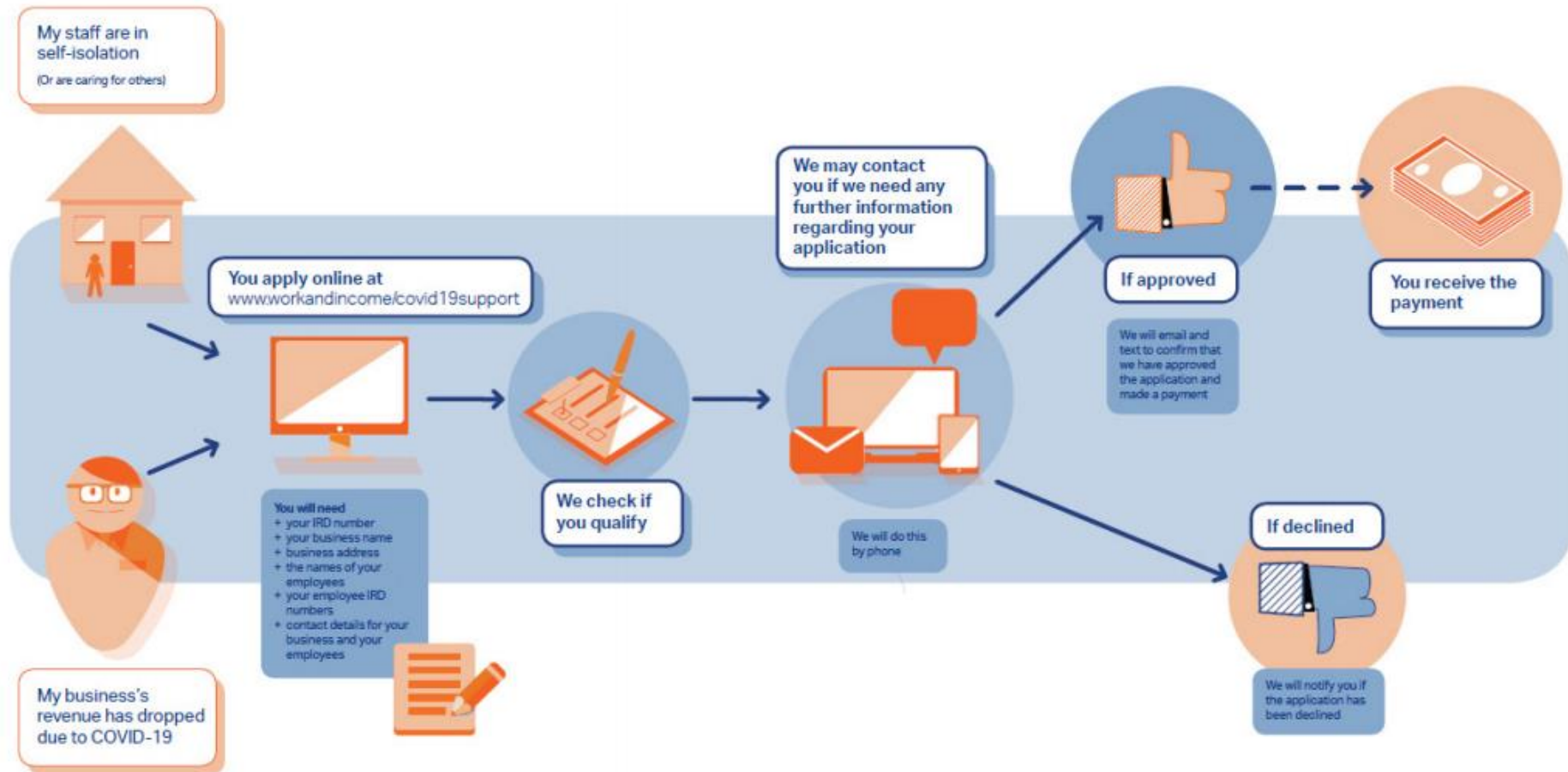
The leave payment is \$585.80 per full time employee, or \$350.00 per part time employee.

### A Cautionary Word

Under current law, the wage subsidy and leave payment would be subject to income tax (being a recovery of deductible expenditure) and would also be subject to GST (being a Government grant).

For more information on the Wage and Leave Subsidies and to apply on-line go to:  
**<https://www.workandincome.govt.nz/products/a-z-benefits/covid-19-support.html>**

Below is a helpful flow chart from the Work & Income website.



## Tax Package

The Government Support Package included a number of changes effective from 1 April 2020. While these changes do not represent an immediate cash injection, they will have future cash flow benefits for some businesses.

Tax changes include:

- Building depreciation of 2% reintroduced for commercial buildings from 1 April 2020.
- Low value asset automatic deduction threshold has increased from \$500 to \$5,000 for 2021 income year, reducing to \$1,000 from 2022.
- Provisional tax threshold will increase from \$2,500 to \$5,000.
- Ability for taxpayers affected by COVID-19 to seek remission of IRD interest.

The following link is to the Beehive website which provides fact sheets on various aspects of the Government Support Package including the tax changes

**<https://www.beehive.govt.nz/release/121-billion-support-newzealanders-and-business>**

We have included the tax fact sheet on the following four pages.

It will take some time for us to digest the various changes and as always, the devil is in the detail and we may not have that for some time. However, if we can assist in any way, please do not hesitate to contact us.

If you have any questions regarding this Notice, please don't hesitate to contact the office - 09 5799157.

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