



## COVID-19 NewsBrief – 1 May 2020

As we reach the end of the first week of lockdown-lite: Stage 3, we thought it appropriate to review the week's events and how they may affect you and your business.

Here is the week that was, in summary.

### **Tax Reform Package**

Yesterday Parliament, under urgency, passed the most significant single tax support package in modern history as businesses continue to suffer from the effects of the COVID-19 safety measures. These measures are expected to provide more than \$3billion in tax relief.

The backbone of this is the loss carry-back scheme, increased thresholds for write-off of capital assets and the reinstatement of depreciation on commercial and industrial buildings.

The Revenue Minister hinted at yet more government aid measures but gave no further detail on what they may be.

### **Business Finance Guarantee Scheme**

There has still been no clarity of details around how this scheme is to be applied. Our understanding is that banks are advising clients to hold off on making applications until there is some further clarity, the result being a very low uptake of the scheme thus far. The government today levelled criticism at the trading banks for not doing enough for businesses that are suffering.

Finance Minister Grant Robertson said today "It has become clear that the support that is available to our small and medium businesses from banks is not meeting their needs nor our expectations as a government".

### **Government Interest Free Loans**

As a result, the government will provide interest-free loans of up to \$100,000 to small businesses grappling with the impacts of Covid-19, after banks failed to meet the government's expectations.

The loans are available for a year and will be offered to businesses with 50 or fewer full-time equivalent staff. The scheme will provide a \$10,000 base loan to every firm and an additional \$1800 per equivalent full-time employee.

The loans are only interest-free if they are paid back within a year, after which the interest rate will be 3 per cent for a maximum term of five years. Repayments are not required for the first two years.

The rationale behind the loans is that businesses will be able to use the money to meet overheads such as rent, insurance, utilities, supplier payments and rates.

The loan cannot be passed through to shareholders or owners of businesses through dividend distributions.

A business will be eligible for a loan if it meets the existing Wage Subsidy eligibility criteria and declares that it is a viable business.

### **Rent Obligations**

We have been asked if the relaxation to level 3 means a reversion to the payment of full rental. We have taken the view that unless the level 3 relaxations have allowed a business to return to full operation, the effects are pretty much the same as at level 4 and are recommending that the arrangements reached between landlords and tenants in April should again apply to the May rent.

However, increased access under level 3 may mean that more rent has to be paid, but the fundamental position that we are taking remains consistent with previous advice; namely that commercially pragmatic discussions should take place between landlords and tenants.

Government announced an intention to increase the rectification of breach of lease terms notice period from 10 working days to 30 which will allow a greater breathing space for tenants who have not paid their rent.

**At Ecovis KGA we are privileged to have a team of experts with in-depth knowledge to assist with many of the challenges which businesses are facing right now. Please remember the firm is fully operational and we are here to help in any way we can - we are just a phone call or email away.**

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