

# Coronavirus and the Government Aid Package

The New Zealand government has made a \$12 billion aid package available to businesses that have been affected by the COVID-19 control measures. It covers various aspects and while we are uncertain as to its practical application its key features are as follows:

- **Wage Subsidy Scheme:**

- \$5.8 billion in wage subsidies for businesses affected by the COVID-19 virus.
- Businesses will need to demonstrate a 30% or greater decline in revenue due to COVID-19 for any month between January 2020 and June 2020, compared to the prior year.
- Applications can also be made based on forecast revenue loss within that period.
- To qualify the business must be registered and operating within New Zealand, the employees must be working legally in the country and the business must have taken steps to mitigate the impact of the virus, proactively (this could include activating their business continuity plan, seeking advice and support from their bank, the Chamber of Commerce, a relevant industry association or the Regional Business Partner programme).
- a business must demonstrate it has made its best efforts to retain employees and pay them a minimum of 80% of their normal income for the subsidised period. Note that "best efforts" is not a defined term.
- Employers who claim the subsidy will be paid \$585.50 per week for full-time staff and \$350 per week for part-time staff.
- Full-time is defined as working at least 20 hours per week and part time is less than 20 hours per week.
- The pay-out will be a one-off lump sum, covering a period of 12 weeks. This means \$7,029.60 for a full-time employee and \$4,200 for a part time employee. The maximum amount any one employer can receive is NZD150,000.

- **Leave Payments:**

- \$126 million to support paid leave for workers impacted by COVID-19 or self-isolation and a \$100 million work redeployment package. This benefit aims to support people and businesses where there is a need to self-isolate, or where a person cannot return to work due to their own coronavirus COVID-19 diagnosis or the diagnosis of a dependent.
- The leave payment will be paid out at a flat rate of NZD585.80 per week, for people working 20 or more hours per week, and NZD350 for those working less than 20 hours per week.
- It will be paid to employers who have eligible employees in self-isolation (as well as to eligible self-employed workers) and must be passed on to the employee in full.
- Employees are not required to have used paid leave entitlements before they can receive the leave payment
- Where the person is self-isolating, the payment can be received for 14 days, with applications for further payments to be made on an "as-needed" basis where a person must self-isolate more than once.

- Where the payment is for someone unwell or looking after a dependent, then the payment can be received for the entire period of their illness, but the employer will need to reapply every 14 days.
- The leave payment will be available for eight weeks from 17 March 2020. Applications must be made to the Ministry of Social Development (see link below to Work and Income).
- Self-employed people working in New Zealand legally are eligible for the payment provided they usually earn at least the minimum wage at the time of isolation, were expecting to work during the period of isolation and they cannot draw an income for that period.

**Any claims under the wage subsidies and leave payment package may be made through [Work and Income](#)**

When an application is made the following information must be provided

- Applicant's IRD number
- The business name and address
- The names of the employees and their IRD numbers
- Contact details for the business and the employees

We understand that the Ministry will be processing and approving applications as quickly as they can, aiming to make payments five working days after receipt of all the information required – but this will depend on the volume of applications received.

Audits and reviews – All applicant will need to declare they meet the criteria for payment as part of their application and all payments will be subject to audits and reviews.

- **Other:**
  - \$2.8 billion in assistance to those receiving benefits, via a \$25 per week increase in core benefits from 1 April and a doubling of the winter energy payment.
  - \$500 million in additional health funding, to improve the COVID-19 response.
  - \$600 million to support the aviation sector.
- **Tax measures:** part of the assistance package takes the form of tax benefits and new tax measures have been announced to support businesses affected by COVID-19:
  - **Depreciation on commercial and industrial buildings.** Depreciation deductions are reintroduced for new and existing industrial and commercial buildings, including hotels and motels. This law change will allow owners of commercial and industrial buildings to start claiming depreciation deductions at a 2% rate on a diminishing value basis. We understand this change is intended to apply for the 2020/21 income year.
  - **Immediate deductions for low value assets.** Increasing the allowance for immediately deductible low-value assets in the year of purchase. The threshold will increase from \$500 to \$5,000 for the 2020/21 income year and will be permanently increased to \$1,000 for future income years. The underlying rationale being that this should reduce tax compliance costs and encourage business to continue to invest
  - **Revision of Provisional Tax obligations for small businesses.** The threshold at which provisional tax is payable has been increased from \$2,500 to \$5,000. This is likely to benefit smaller taxpayers and potentially delay the due date for tax payments for 2020/21 income year until the terminal tax due date to 7 February 2022.
  - **Writing off interest on late payments of tax for certain taxpayers.** The IRD will be given the power to waive interest on late payments (including GST and PAYE) for taxpayers who have been significantly adversely affected by coronavirus COVID-19. A taxpayer will have to show an inability to pay tax by the due date as a result of being significantly adversely impacted by the virus. Further details on the objective tests will be finalised in the coming days.
  - **Other measures** include changes to the calculation of the in-work tax credit to remove the hours worked test and that the IRD will have greater information sharing powers to facilitate a comprehensive government response to COVID-19.

More information on the tax measures introduced may be found on the website for the IRD [here](#)

**There is still uncertainty around the practical application of the Government's newly introduced measures and the situation could change in the coming weeks.**

**We remind you that we are here to help you and ask that you please do not hesitate to get in contact with us to discuss any of the information above and how it may affect your business.**