



## COVID-19 NewsBrief – 22 April 2020

On Monday the PM announced that the country will remain in Alert Level 4 lockdown until midnight on Monday 27 April after which we will go down to Level 3 for a two-week period, with Cabinet addressing the next stage then. We can only hope that if the present trends in terms of management of the virus continue, we will see further relaxation.

We have set out below our interpretation of the Alert Level 3 requirements and some ideas around how they may be applied to your business and your people.

### COVID-19 Alert Level 3

We understand the main emphasis of the Level 3 measures to be centred around:

- physical distancing
- hygiene, and
- tracking

The general rules are:

- **Stay home:** if not at work, school, exercising or getting essentials then people must be at home, the same as at Alert Level 4.
- **Work and learn from home** unless that is not possible: the plan is that the vast majority of people working and children and young people learning from home. Early learning centres and schools will physically be open for up to Year 10 for families that need them.
- **Making businesses COVID-19 safe:** it has spread in workplaces, so if businesses are to be able to open, they must do it in a way that doesn't spread the virus.
- **Staying regional:** people can travel to parks or beaches within their region, but the closer to home the better. Activities must be safe – keep 2 metres away from anybody not in their bubble. Make minimal trips.
- **Keep the bubble as small as possible:** if necessary, bubbles may be expanded a small amount to bring in close family, isolated people or caregivers.
- **Maintaining hygiene standards:** regular washing of hands with soap. Coughing and sneezing into elbows.
- **Keeping healthy:** in the event of sickness, stay at home and quickly seek advice from a GP or Healthline about getting a test. There is no stigma to COVID-19. We will only be successful if everyone is willing to play their part in finding it wherever it is.

### COVID-19 Safe Businesses

If a business requires close physical contact **it cannot operate**. If possible, businesses should refrain from opening and staff should work from home if they can.

**Customers cannot come onto business premises**, the exceptions still being a supermarket, dairy, petrol station, pharmacy or permitted health service.

The business must be **contactless**. Customers can pay online, over the phone or in a contactless way and delivery or pick-up must also be contactless.

**Hygiene measures** must be maintained. Physical distancing, hand washing and regularly cleaning surfaces. Workers must stay home if they are sick.

Where a business used PPE pre-COVID-19, then it should keep using it in the same way. If PPE was not used in a business before COVID-19, it is not needed now. This is advice for retailers, manufacturers and the service industries. Different advice applies to essential healthcare workers.

It is paramount for businesses to meet **health and safety standards**. Now, more than ever, businesses must provide a safe working environment for their people. Remember that directors and business owners can be held **personally liable** for illness or injury caused by health and safety breaches.

**Contact tracing and testing** will be important elements of Level 3 and businesses should be thinking about what can be done on-site to assist the health authorities with these tasks. A register of attendance should be put in place for both staff and visitors, recording the date and time of entry and exit from the premises.

### **Leases**

We have previously advised landlords and tenants to strive to reach a practical and workable arrangement around the withholding of a reasonable proportion of rent and outgoings due to not being able to access the premises.

To date, in our experience, we have seen this happen in almost all circumstances and we recommend that the arrangements reached be continued, but may need to be amended appropriately to the extent that access to premises may be allowed, but still restricted to some extent by Government guidelines. If access remains restricted because businesses have been requested not to re-open, the negotiated arrangements should remain in place until there has been further relaxation of the alert level.

We freely admit that we have no single clear answer to this predicament and reiterate our advice that the emphasis should be on practical resolutions being reached through good faith negotiations.

### **Business Finance Guarantee Scheme**

We have seen some business being granted additional credit facilities on very favourable terms by their bank even though the full details of how the Government-backed scheme will work in practice have yet to be released.

Banks appear to be applying normal credit criteria but are not necessarily requesting the same level of information as they may normally require in support of a new or extended loan facility application. We have seen some very low interest rates being applied to these new facilities.

What we have seen, though, is that notwithstanding the Government guarantee of 80% of the facility necessitated by COVID-19 measures, the existing security arrangements in place with the bank, such as personal guarantees and other business assets being pledged in some manner, generally remain in place.

Applicants for additional banking credit lines under this scheme should be mindful that while some of the new debt will be subject to a Government underwrite, there will still probably be application of existing or additional security against that new facility.

Each bank will have their own credit criteria and may relax their security requirements if requested. The message is that businesses will need to negotiate with their banks to achieve an optimal arrangement.

### **GST & PAYE**

We understand that the IRD is granting instalment arrangements for the payment of GST and PAYE liabilities but they must be requested and are not granted automatically. Anyone availing themselves of this facility must bear in mind that the instalment arrangement will be interest-bearing and is simply a temporary mechanism to assist businesses manage their COVID-19-compromised cash flows.

### **Provisional Tax**

Provisional tax instalments will fall due on 7 May for many taxpayers and we have previously advised that in the interests of preserving cash flows our clients should consider deferring payment of provisional tax and making use of tax pooling arrangements. If a loss is expected in 2020 or 2021, they should consider adopting the loss- carry-back scheme and this could also result in a lower provisional tax payment. There is no single correct answer here and we urge you to make contact with us to discuss your best options in this respect before the next provisional tax instalment date falls due.

**At Ecovis KGA we're 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.**

*This publication is not designed to provide legal or other advice and you should not take, or refrain from taking, action based solely on its content without first discussing matters with us.*