



COVID-19 NewsBrief – 27 August 2021

Unfortunately, the Level 4 lockdown that began at midnight on the 17th appears that it may not be as short-lived as we all hoped it may be and today the PM indicated that it is likely that Auckland and Northland will remain in lockdown for another two weeks, with the rest of the country moving to Alert Level 3 from 1 September.

This means most of us will have to contend with the pressure of loss of revenues while trading activity is severely restricted for another fortnight.

RELIEF PAYMENTS

As per our last news flash, the government has reinstated Covid 19 relief payments through five schemes and they are as follows:

- Wages Subsidy Scheme
- Resurgence Support Payment
- Leave Support Scheme
- Short-Term Absence Payment
- The Small Business Cash Flow Scheme

Below we summarise these five schemes and provide links for easy access to websites with more information.

Wage Subsidy

This provides \$600 for full-time employees and \$359 for part-time employees. Applications opened on 20 August 2021 and usually remain open for up to a month. There is an extensive declaration form, with about 10 pages having to be signed.

To qualify for the subsidy the business must have had at least a 40% decline in income (exclusive of any Covid 19 subsidy payments) over the period 17 August 2021 to 30 August 2021 inclusive, when compared with a typical 14-day consecutive period of revenue in the six weeks immediately prior to 17 August 2021. There is a special rule for those who have high seasonal revenue.

Applicants need to get the consent of their employees, preferably in writing, to provide information to the Ministry of Social Development (MSD). Named employees can request access to information provided in the application.

There are provisions that cover repayment of the subsidy. If a business makes a claim and subsequently does not meet the criteria, for instance the actual decline in sales turns out to be less than a 40% decline, the money must be repaid.

A claimant can be prosecuted if they "receive any subsidy or part of the subsidy that you were not entitled to receive, including where any predicted decline in revenue of the relevant period is not realised." MSD will be carrying out audits.

Important point; quoting directly from the required declaration:

"Before making this declaration, you have taken active steps to mitigate the impact of the move to Alert Level 4 on 17 August 2021 on your business activities (including but not limited to engaging with your bank, drawing on your cash reserves as appropriate, making an insurance claim)."

From this it appears that a business may not be permitted to claim the subsidy if they have sufficient funds or can raise sufficient funds to meet their payroll.

Note the use of the words "as appropriate". If money has been put aside for tax, for example, would it be appropriate to use the money to pay wages? Arguably not. On this basis it is arguable that a business would also be entitled to reserve money to meet all other business overheads before providing for payroll requirements.

"Engaging with your bank" possibly includes making sure the business is viable before making a claim for the subsidy. More information can be found [HERE](#).

Resurgence Support Payment

If a business or organisation has had at least a 30% drop in revenue over a seven-day period due to the increased Covid 19 alert level, they can apply for this payment.

The amount is \$1500 plus \$400 per full-time equivalent employee up to a maximum of 50 full-time equivalent employees or four times the actual revenue decline, whichever is the lesser.

The Government could activate this scheme multiple times if there are multiple alert levels so watch out for this possibility. More information can be found [HERE](#).

Leave Support Scheme

This scheme is for employees, parents and caregivers of a dependent who have been required to self-isolate.

This payment is a two-week lump sum per eligible employee at the rate of \$600 a week for full-time employees who were working 20 hours or more a week. The amount for part-time workers is \$359 per week. Click [HERE](#) for more information.

Short Term Absence Payment

This scheme is for those who cannot work from home and need to miss work to stay home while waiting for a Covid 19 test result.

There is a one-off payment of \$350 for each eligible worker. Self-employed people can also apply. More information can be found [HERE](#)

Small Business Cash Flow Scheme

This scheme has been in existence for some time. If you have repaid your loan, you could probably borrow again. Click [HERE](#) for more information

TAX OBLIGATIONS

In a briefing released today the IRD reiterated the importance for due returns to be filed, notwithstanding the lockdown measures in place. They do, however, recognise that the

lockdown measures may be making it difficult for businesses to meet their payment obligations and have indicated that they are open to the granting of instalment arrangements.

The important point here is to communicate with the IRD in a timely manner. They have indicated that where the IRD has been advised that late payments are due to the Covid 19 measures and the core tax is paid as soon as practicably possible, they will forgive penalties and interest. However, they must have been advised of this in advance.

Where you have such issues, we recommend that you get in touch with your Ecovis KGA adviser as soon as possible so that we can assist you in making such arrangements. Alternatively, if you wish to do so yourself you may access the relevant facility via your My IR login.

RENT RELIEF

As per the situation in the April/May 2020 lockdown, commercial tenants who cannot trade from their leased premises due to lockdown may be able to negotiate some rent relief from their landlord.

A tenant with a standard ADLS lease who has been restricted access to their premises may be able to avail themselves of relief pursuant to Clause 27.5 of the lease. That clause allows for a fair proportion of the rent and outgoings to be withheld if there is a restriction of access to the leased premises due to an emergency.

Clause 47.1(d) of the ADLS lease defines "emergency" and it is clear that the Covid 19 lockdown falls within that definition.

The difficulty is that "fair proportion" is not defined.

We strongly recommend that, in the face of September rent payments falling due next week, commercial tenants engage with their landlords as soon as possible to negotiate a sensible commercial arrangement.

Commercial landlords are similarly advised to engage with their tenants to arrange for appropriate rental abatements rather than leaving it to chance that rent will be paid, or not. The government has avoided laying down any prescriptive processes, preferring that commercial outcomes will be negotiated by the parties to a lease agreement on their own terms.

IT SAFETY

A lockdown always seems to create fertile hunting grounds for the online scam artists and fraudsters. Their scams range from the downright ludicrous to very credible ploys that can catch anyone off guard very easily.

You are best advised to remain vigilant and to hold a high degree of scepticism at the ready when an email or online request looks odd, particularly where the request purports to come from within your organisation asking for a payment to be made.

Always check with the person appearing to make the request and, in most cases, you will find that the email has come from a bogus address that has been doctored to make it look legitimate.

Hover the mouse over the sent item and you will be able to tell straight away if it is a genuine email or not.

Other tips for online security are:

- Use multi-factor authentication (MFA). MFA is said to protect businesses from 99.9percent of cyber-attacks. MFA means you can't log in (to online services, social media, emails etc) without a code sent to your cell phone or an authentication app.
- Watch out for phishing (fraudulent messages). Do not open strange emails, websites or links that could contain malicious software that infects your systems.
- Install updates for your software as soon as they are available. Updates usually include strengthened security.
- Back up everything on the cloud or external hard drives so you can restore it all if you're attacked.

If the worst happens, go offline immediately to limit spread of the malware. A simple way to do that is to unplug your computer network cables and your router.

- Always be suspicious if something does not appear to be right. Banks, the IRD and other legitimate agencies will never ask you for your password or login information so please do not ever provide such details, no matter how credible the request appears to be.

As always, the Ecovis KGA team is here to help you with any queries you may have around the content of this NewsBrief or anything else regarding your business.

In the meantime, stay home, stay happy and stay safe