

14 May 2020

Dear Clients

We hope this newsletter finds you and your families well.

This year has proven to be an interesting and challenging year all at the same time. For many of us, we are just getting back to working in our business (at our work places).

Now that we are back at level 2, we are open for our clients to visit us, and bring in their accounts information for the 2020 financial year.

There have been a number of things that have come into effect since the Co-Vid 19 lockdown has occurred.

Co-vid 19 Subsidies

Most of you will have applied for the 12 weeks subsidy for either your business as self-employed or for your staff.

There are a few things to note about the scheme:

1. No GST on the wage/self-employed subsidy
2. The wage subsidy for your employees is a Gross Payment.
That means that the \$350 (Part time) or \$585 you have received or each staff member is calculated as a gross payment (that is inclusive of Paye).
3. If you are self-employed, the subsidy will be apportioned over the 2020 and 2021 tax years as taxable income.

If you have not applied, you can apply for the 12 week subsidy via the link on our website: www.gcaccountants.co.nz -

Click on to the Co-Vid 19 Employer Support tab; then onto the Wage Subsidy tab, then look for the how to Apply section on this page. From there work your way through the Fill out the online

form section. Make sure you have your IRD number and your bank account details ready to complete the form.

If you need to repay part of these monies back e.g. an employee leaves, please contact us for details of how to pay back the monies you owe.

Small business cash flow loan scheme (SBCS)

If you are self-employed – you will need to have an NZBN Number – which you can do via our website. You will need to have your Passport or a driver's licence and your IRD number handy. Please be aware the if you don't have a drivers licence or passport, it may take up to 3 days for this number to be generated for you.

You will also need a MyIR – Inland Revenue Log in to apply for this loan.

[Register a myIR account for a business or organisation \(external link\)](#) –

The One-off government loan is available for businesses and organisations impacted by COVID-19, including sole traders and the self-employed, to help with cash flow. **Applications are open from 12 May to 12 June 2020** and can be made through myIR.

Eligibility

The SBCS is open to small to medium businesses with 50 or fewer full-time employee equivalents. This includes sole traders and self-employed businesses. Use this link to determine if you are eligible: [business.govt.nz SBCS eligibility tool](https://business.govt.nz/SBCS-eligibility-tool).

Loan terms and amount

Details of the loan include:

- \$10,000 to be provided to eligible businesses
- An additional \$1800 per full-time employee equivalent
- Interest free if the loans are paid back within a year
- An interest rate of 3% applies if the loan is not paid back within the first year
- Repayments not required for the first two years.
- The loan is for 5 years only, and must be repaid by 31 July 2025

The maximum amount you can borrow depends on the number of full-time and part-time employees you have. If you are a business without employees, i.e. sole trader or self-employed, you can receive a loan of up to \$11,800.

You don't have to accept the full loan amount you're offered, and can decide to take a smaller loan.

If you received the wage subsidy, the number of employees you stated in that application will be applied to your SBCS loan application.

Here's How to apply

Details about the loan and how to apply are available at:

<https://www.ird.govt.nz/covid-19/business-and-organisations/small-business-cash-flow-loan>

Most applicants will receive their loan payment in full from Inland Revenue within five working days. They will contact you if there is a problem with your application.

Be aware that you can only apply once and can't change your application once submitted. So you may want to speak to your accountant or advisor before applying to make sure the loan is the best option for you.

Loss Carry Backs

This namely applies to companies.

Businesses expecting to make a loss in either the 2020 year or the 2021 year can use that loss to offset profits they made the year before. In other words, they can carry the loss back one year to the preceding income year. This can be done before the loss year return is filed.

As part of us doing our annual financial statements and tax returns, we will review your eligibility.

There are two ways to claim your loss carry-back through the IRD:

- Include the carried back loss in your tax return – IRD will then refund any overpaid tax.
- Ask for a refund of any provisional tax you have paid for 2020 if you are going to carry back a loss from 2021.

King Regards

From the team at Garden City Accountants