

## COVID-19 Update Newsletter – Issue 5

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### 1st April 2020 – Business Finance Guarantee:

The Business Finance Guarantee will help businesses with cashflow & operating expenses, and is in conjunction with the Wage Subsidy scheme keeping people in jobs during the lockdown.

**Who can get it:** NZ based businesses with annual turnover between \$250,000 and \$80 million can apply. However, if you or your business were on your bank's credit watch list at the outset of the COVID-19 crisis, you will not be eligible for a loan under the scheme.

**How do they get it:** Businesses can apply to their banks for loans up to \$500,000, for up to 3 years. However, the maximum amount your bank is prepared to lend, will be determined by your bank. Normal lending processes will be followed by banks. Interest rates for the loans are determined by your bank. Visit your bank's website for further details.

**When:** Business can apply from now. Details are on each bank's website. Loans will be available under the scheme until 30<sup>th</sup> September 2020.

**Participating Banks:** All New Zealand registered banks are eligible to apply to join the scheme. Banks participating in the scheme include ANZ, ASB, BNZ, Heartland Bank, HSBC, Kiwibank, SBS Bank, TSB and Westpac.

**How long do you have to repay the loan** – Loans are limited to a term of 3 years. Exact loan terms will be determined by each bank. Banks will follow their usual default processes if borrowers cannot repay the loans.

### What can one use the loan for?

The loans are intended to provide businesses' current & upcoming operating cashflow needs – eg rent etc.

Once cannot borrow for:

- Capital assets/projects other than business as usual expenditure which does not exceed 5% of the principal amount of the loan
- Dividends to be distributed outside the Borrower's guaranteeing group
- Re-financing existing debt advanced before March 16th
- On-lending outside the Borrower's guaranteeing group, or excluded activities (see below)

Excluded Activities from the Loan Scheme are listed below:

- Property development and property investment
- Manufacture of cluster munitions civilian automatic, semi-automatic firearms, magazines or parts and anti-personnel mines
- Manufacture or testing of nuclear explosive devices (NEDs)
- Manufacture of tobacco
- Processing of whale meat
- Recreational cannabis
- Agriculture (but for the avoidance of doubt, agriculture doesn't include horticulture, viticulture, aquaculture or services to agriculture)
- Any other activity notified by the Crown in writing to the Approved Banks, with the effect from the date of that notification (or such later date as set out in the notification).

The scheme will offer a total of \$6.25 billion in loans to New Zealand businesses.

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### 25th March 2020: Mortgage Holiday Scheme

New Zealand's retail banks are offering to defer repayments for all residential mortgages for up to 6 months for customers financially affected by COVID-19.

If you get a mortgage repayment deferral from your bank you will not need to make principal and interest payments on your loan for up to 6 months. Deferred interest will be added to the principal amount of the loan.

Banks will assess the suitability for each customer who is asking for a deferral.

Banks will have different approaches to how they manage the

process for customers to opt into a mortgage deferral. Those details, including eligibility criteria, will be available on bank websites.

Customers should contact their bank for further details or queries about the scheme. Banks may be able to relieve the financial pressure on your loans, including:

- Reducing loan repayment amounts
- Restructuring your loan
- Taking a payment holiday

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### **3rd April 2020: Companies Act legislation changes to help companies facing insolvency due to COVID-19**

The Govt will be making changes to the Companies Act to help companies facing insolvency due to COVID-19, for entities to remain viable and keep New Zealanders in jobs.

Changes (temporary) will include:

- Giving directors "safe harbour" from insolvency liabilities under Companies Act.
- Businesses can place existing debts into hibernation, until they start trading normally again.
- Allow use of electronic signatures
- Give Registrar of Companies the power to temporarily extend deadlines imposed on companies, incorporated societies, charitable trusts and other entities under legislation.
- Giving temporary relief for entities unable to comply with constitution requirements, because of COVID-19.

Business Debt Hibernation (BDH) would only happen with agreement of 50% of a business's creditors. It will involve talking to their creditors and prioritising paying some debts, deferring others for 6 months.

There are no precise details of how the safe harbour for directors' duties or the debt hibernation will work – that will be known when the draft legislation is released (expected next week). But the Government has confirmed:

- It is only a temporary measure available for directors of companies that have suffered insolvency directly related to Covid-19 and /or the shutdown,
- It will not apply to other directors' duties, which continue to require directors to act in good faith and honestly.

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### **6th April 2020: Essential workers leave payment scheme**

There are 2 payments available to support employers affected by COVID-19; a Wage Subsidy and the Essential Workers Leave Support.

- The COVID-19 Wage Subsidy is to support your business if you're impacted by COVID-19, and face laying off staff or reducing hours.
- The COVID-19 Essential Workers Leave Support is available for essential businesses to pay their employees who:
  - can't come into work because Ministry of Health guidelines recommend they stay at home, and
  - can't work from home.
- The scheme offers the same rates as the Wage Subsidy Scheme of \$585.80 per week full-time workers and \$350.00 per week for part-time workers.
- Important – you can't receive both payments for the same employee at the same time. What payment you apply for depends on how you've been impacted.

### **Kiwisaver – Financial Hardship**

- One can suspend your Kiwisaver savings for up to a year at a time, and renew it each year thereafter. However in doing so, you are not entitled to any employer contribution or government contribution during this time.
- Significant hardship is one of the legitimate reasons to withdraw your KiwiSaver. This is for those who are unable to meet living expenses, mortgage repayments, paying for medical treatment, suffering from serious illness, paying for funeral costs for dependants etc. Note, you can't withdraw any government money that has been added.
- In short, your KiwiSaver money can be used for hardship although should be viewed as a last resort. You may want to consider your level of contributions to KiwiSaver as a first step, or move to a fund that is less volatile. Also look at other available options for people in hardship, such as the Government's wage subsidy scheme, other relief options, and tax relief etc.

That's it from us for now, stay safe and stay well!

The Team at Miller Johnson

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