

COVID-19 – what does it mean for me?

Now that the NZ Government has announced its economic support package for New Zealanders, we thought you might appreciate a practical update of what it means for you and your business.

If we haven't covered anything that is relevant to you, or any of this content is unclear, we welcome your feedback. You are also most welcome to pass this information on to anyone you think may find it useful.

This newsletter is lengthy, mostly because of the detailed information about the government's wages support. We wanted to get this out to clients urgently, and hence the long email.

Employers

The first thing businesses need to do is plan – for cash flow, remote working, supply chain interruptions, and possible staff shortages, for starts.

All employers have a responsibility to ensure a safe working environment. Best advice currently (from Know How) is:

- Manage hygiene in the workplace
- Apply social distancing – desks 1.5 metres apart, no handshakes or close contact
- Make it clear that people need to stay home if unwell
- Practice working remotely
- Stay informed and communicate any health and safety plans to your staff
- Avoid large gatherings
- Stop international travel unless critical and plan for the self-isolation impact on return

A big question for employers is "What am I required to pay my staff?"

While the authorities talk about special leave, small businesses (and later larger ones, depending on how long this continues) rarely have the luxury of making payments to employees who are not able to work. The legal requirement for payment of wages based on current government information is:

• If a worker in self-isolation does not feel sick and is willing and able, they can offer to work from home and agree with the employer to do so. They will be paid normally.

• If an employee, who has been advised to self-isolate under Ministry of Health guidelines for Covid-19, can't practicably work from home, then special paid leave should be considered. Other forms of paid leave can be considered (such as paid sick leave) and used by agreement between the employer and the employee.

• If the person is sick, or needs to care for a sick dependent, paid sick leave (and anticipated sick leave) may be used. If paid sick leave is not available, paid special leave should be considered. Other forms of paid leave can be used by agreement between the employer and the employee.

What about contractors?

Contractors are not regarded as staff, and they have a different application form. This form is straightforward, and requires very little information. We note though, that spot checks will be made to establish veracity of applications.

Wage Subsidy and Leave Payment

Employees do not have to use up their paid entitlements before the employer applies for government assistance. However note the hook in this – if an employer receives the \$585 per week for full time staff, they must be paying the employee at least 80% of their normal wage in total. There is no guidance on this yet, but it seems to us that if for example, an employee earns \$1,000 per week, the subsidy will give you \$585, and you have to top up by \$215 to bring to \$800, being 80% of the salary. It is unclear yet how or if the subsidies are taxed.

Shareholder Employees

We cannot get an answer as to whether shareholder employees should apply for the wages subsidy as self-employed or business. From the little information on the form, if your business doesn't employ any other staff, we suggest you apply as self-employed, and if you do employ other staff, include yourself in the list of employees.

We note there is a cap of \$150,000 per business on the Wage Subsidy, but none on the Leave Payment.

Wage Subsidy

This is to support your business if you're impacted by COVID and face laying off staff or reducing their hours because of COVID-19.

Who can get it

If you're an employer, contractor, sole trader or self-employed, you may qualify to get the COVID-19 wage subsidy.

To qualify:

- your business must be registered and operating in New Zealand
- your employees must be legally working in New Zealand
- the business must have experienced a minimum 30% decline in actual or predicted revenue over the period of a month when compared with the same month last year, and that decline is related to COVID-19
- your business must have taken active steps to mitigate the impact of COVID-19
- some sources state you must have contacted your bank
- you must make best efforts to retain employees and pay them a minimum of 80% of their normal income for the subsidised period.

How much can you get

The COVID-19 Wage Subsidy will be paid at a flat rate of:

- \$585.80 for people working 20 hours or more per week
- \$350.00 for people working less than 20 hours per week.

The subsidy is paid as a lump sum and covers 12 weeks per employee.

This subsidy is for wages only. It is to help you keep your staff employed while you consider changes that may be needed while the disruption continues, and to ensure the future viability of your business.

The maximum subsidy that can be paid to a business is \$150,000. Businesses can only get this subsidy once.

Leave Payment

Self-isolation is an important way to slow the spread of COVID-19. From 17 March 2020 the COVID-19 Leave Payment will be available to support people financially if they need to self-isolate, cannot work because they are sick with COVID-19 or cannot work because they are caring for dependents who are required to self-isolate or who are sick with COVID-19.

The COVID-19 Leave Payment will be available for 8 weeks from 17 March 2020. Employers will be able to apply for this more than once.

It will be paid to employers who have eligible employees and they must pass the payment onto their employees in full.

Who can get it

If you're an employer, contractor, sole trader or self-employed, you may qualify to get the COVID-19 Leave Payment.

COVID-19 Leave Payment covers full-time, part-time and casual employees, and contractors who are legally working in New Zealand and who:

- need to self isolate in line with Ministry of Health Guidelines and have registered as needing to self-isolate with Healthline, cannot work from home and their self-isolation is not because they left NZ since the travel restrictions on 16 March 2020 and have since returned or
- cannot work because the person has been diagnosed with COVID-19 or
- cannot work because they are caring for dependents who are required to self-isolate or who are sick with COVID-19

How much can you get

The COVID-19 leave payment will be paid at a flat rate of:

- \$585.80 to a person working 20 hours or more per week
- \$350.00 to a person working less than 20 hours per week

Employers receiving the payment for employees who are required to self-isolate can receive it for 14 days. As people may be required to self-isolate more than once, employers will be able to apply for this on an 'as needed' basis. It can be paid for the entire period an employee is sick (or looking after a dependent person who is sick) with COVID-19 but the employer must apply every 14 days.

Self-employed people who are legally working in New Zealand are eligible for the payment if they:

- are usually earning the minimum wage when they decide to self-isolate; and
- were expecting to work for the period of self-isolation; and
- cannot draw an income for the period of self-isolation.

Some people aren't eligible for the payment, including:

- self-employed people not earning at least the minimum wage
- people not legally working in New Zealand

What does a 30% decline in revenue mean?

This means a business has experienced a 30% decline in:

- actual revenue, or
- predicted revenue (e.g. for businesses who have seen a reduction in bookings such as accommodation providers), and
- that decline is related to COVID-19

The business must experience this decline between January 2020 and 9 June 2020.

Definition of revenue

Revenue means the total amount of money a business has earned from its normal business activities, before expenses are deducted.

Determining a decline in revenue

To determine a decline in revenue, the business must compare one month's revenue against the same month the previous year (e.g. February 2020 compared with February 2019). The revenue of the month in the affected period must be at least 30% less than it was in the month it was compared against.

Businesses operative for less than a year

Where a business has been operating for less than a year, they must compare their revenue against a previous month that gives the best estimation of the revenue decline related to COVID-19.

What are active steps to mitigate the impact of COVID-19?

A business must take active steps to mitigate the financial impact of COVID-19 on their business. This could include activating their business continuity plan and seeking advice and support from:

- their bank
- the Chamber of Commerce
- a relevant industry association
- the Regional Business Partner programme

What does retaining affected staff mean?

Employers are required to agree that, for the duration of the subsidy, they will make best efforts to:

- retain the employees the subsidy was paid for, and
- pay those employees a minimum of 80% of their normal wage or salary

Employer obligations

The subsidy is being administered under a high trust model and employers will not be asked for verification before the subsidy is approved. However MSD will have the ability to check applications and verify information at a later date. Where false or misleading information has been provided, employers can be subject to fraud investigation.

To receive the COVID-19 Wage Subsidy, the employer must agree:

- that they meet the following subsidy eligibility criteria:
 - the business is registered and operating in New Zealand
 - their business has experienced a minimum 30% decline in actual or predicted revenue over the period of a month when compared to the same month last year (or a reasonably equivalent month for a business operating less than a year) and that revenue loss is attributable to the COVID-19 outbreak
 - they have taken active steps to mitigate the financial impact of COVID-19 on their business activities
 - the employer will make best endeavours to retain the named employees and pay them a minimum of 80% of their normal wages or salary for the duration of the subsidy
- the employer has discussed the application with the named employees, who consent to the information in the application:
 - being provided to MSD; and
 - being used by MSD, and shared with other agencies, to make decisions about the application, and to review and audit any subsidy granted
- the employer consents to the information in the application being verified with other agencies
- the employer is aware that they may be audited, and if they provide false or misleading information, they may be investigated for fraud
- the employer will notify if circumstances change that affect their eligibility
- the employer will repay any amount to which they are not entitled

To apply use these links (note the same form is used for the Wage

Subsidy and the Leave Payment);

Employer:

https://services.workandincome.govt.nz/ess/employer_applications/new

Self-employed:

https://services.workandincome.govt.nz/ess/trader_applications/new

What about my KiwiSaver?

We are not financial advisers, and are not qualified to provide advice about investments. Our general comment is that, like anything else, it is best not to panic, and to take advice from a professional in the field before you make any decisions. Below is a general comment from a local investment adviser we contacted:

"Share markets around the globe (except NZX) are now starting to trade back below their long run average Price to Earnings ratios after an extended period of being very expensive. This is starting to present active managers the opportunity to purchase shares, thereby averaging into the shares at a cheaper price than a month ago. This averaging process will commence at this point with very cautious steps but will continue as the markets move lower. As to where the bottom is on this cycle no-one knows. Any aggressive moves in or out of the share markets in the short term that work out in your favour will be more good luck than good management. This decline could continue for the next 12-18 months, or it could end tomorrow due to new Covid-19 cases peaking, a vaccine being produced or the high level of stimulus from the central banks and governments.

This is an uncomfortable time for all investors but for those that maintain their longer term focus the sell-off may present a good chance to cautiously reposition their portfolios into more growth. This is not advice to buy or sell shares and is not personalised advice. All investors should seek advice from their investment advisers before electing to make any changes to their portfolio."

Mental health

These are unfamiliar and uncertain times. Don't be embarrassed if you are anxious, and be aware that others around you (including your employees or your boss) may be stressed and anxious about the situation. Again, we are far from able to advise, but have included below some information from reputable news sources that may make useful reading. Your GP, although no doubt very, very busy, will have the advice and information you need.

<https://www.theguardian.com/society/2020/mar/16/coronavirus-health-anxiety?>

We also recommend the online New York Times as a source of information on all aspects of COVID-19. They are making all virus-related articles available free of charge.

Tax Measures

The government has announced a series of tax measures; we note that most of them take effect 1 April 2020, so they are not going to help your current cash flow. Some relief from use of money interest is now possible, and generally we expect IRD to be sympathetic to taxpayers who are suffering cash flow difficulties as a result of the COVID-19 pandemic.

Key aspects of the tax package are:

- Depreciation deductions for commercial and industrial buildings are being restored as of the 2021 year
- The threshold at which taxpayers become subject to provisional tax will increase from \$2,500 to \$5,000 as of the 2021 year
- The definition of low value assets which receive a full tax deduction will increase from \$500 to \$5,000 for the 2021 year before settling back to \$1,000 from the 2022 year onward
- Inland Revenue will be given more discretion to remit use of money interest if taxpayers cannot pay their tax due to COVID-19

Summary

This is just the start... the government has signalled that more measures are coming.

Expect to see some action from banks regarding adjustments to mortgage payments, as has happened overseas.

And we are here to help – this is not an exercise to drum up business, but we can offer practical assistance with tax issues. We will make available a worksheet for calculating revenue drop, and we also believe we have an obligation to make information available to you, our clients.

We wish you well in the next few months, and no doubt we will be having some interesting and challenging conversations.

As the Prime Minister said: "we are in this together" and "wash your hands".

With warm regards from the team at Miller Johnson Chartered

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