

Support for Small and Medium Sized Businesses

On the 15th of April and the 1st of May the New Zealand Government announced another two rounds of initiatives to help businesses manage the impacts of COVID-19. Included in the two announcements were changes to tax legislation and the release of an Inland Revenue administered interest free loan scheme. Our specialist Accounting and Advisory partner, Ashton Wheelans, have prepared a summary of relevant points from the two announcements for small and medium sized businesses.

[Small Business Cashflow Loan Scheme](#)

Small and medium sized businesses will be able to access interest free loans with a maximum limit of \$100,000 depending on their size. To be eligible businesses must:

- Have less than 50 full-time equivalent (FTE) employees
- Have a decrease in revenue of 30% or more
- Be a viable business

All eligible businesses will be able to access a base loan amount of \$10,000 and an additional \$1,800 for every FTE employee up to a maximum of 50 employees. For example, a business who employs 5 full time employees will be eligible for \$19,000 (\$10,000 base plus \$1,800 x 5). Loans will be interest free for the first year, and then an interest rate of 3% will be applied with a maximum term of 5 years. Repayments will not be required in the first two years. The loan scheme will be administered by the IRD with applications opening on the 12th of May. Businesses will need to declare themselves as viable when applying.

[Tax Loss Carry Back Scheme](#)

Businesses expecting to make a loss in either the 2019/20 year or the 2020/21 year would be able to estimate the loss and use it to offset profits in the past year. Prior to this, businesses were only able to offset losses against future profits. In other words, they could carry the loss back and have historical tax refunded. Businesses will not need to wait until a forecasted loss is realised via a tax return as they can estimate their loss and have tax refunded on this basis. Specific details of the scheme are still to be released.

[Changes to Tax Loss Continuity Rules](#)

Our current ownership continuity threshold is one of the strictest in the world. The Government is aiming to encourage new investment in businesses by relaxing these rules. Currently companies are required to have at least 49% continuity of shareholding to carry losses forward from one tax year to the next, this means if a company has more than a 51% change in ownership it cannot keep any existing tax loss. At the time of writing the revised threshold has not yet been released. Further details on this rule will change will be available in the coming weeks.

Greater Flexibility for Business Taxpayers in Respect to Deadlines

Inland Revenue will be given greater flexibility to modify timeframes or procedural requirements for taxpayers who are impacted by COVID-19. An amendment will introduce a discretionary power into the Tax Administration Act 1994 to allow Inland Revenue to provide an extension to due dates and timeframes, or to modify procedural requirements set out in the Revenue Acts. This could include, for example, extending deadlines for filing tax returns and paying provisional and terminal tax. At this stage the power will be time-limited for a period of 18 months and will apply to businesses affected by COVID-19.

If you would like to discuss your business specific challenges please get in touch with The Chamber on 0800 50 50 96.