

Covid 19

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6 April 2020

Firstly to everybody working in any of the essential services businesses, we thank you.

COVID-19 Update

In this email we cover

- Tax Payments & IRD UOMI & Penalties
- The tax Treatment of the Government Wage Subsidy
- Paying your Staff
- Applying for the subsidy

Tax Payments & IRD UOMI & Penalties:

To support businesses and individuals impacted by COVID-19, the Government has recently passed legislation to allow IRD to write-off use-of-money interest (UOMI) on payments due on or after 14 February 2020.

This will be done at IRD's discretion and only apply to taxpayers whose ability to make a tax payment on time has been significantly adversely affected by the COVID-19 outbreak.

This means affected and eligible taxpayers will only have to worry about paying their core tax debt and won't have to worry about paying interest as well.

Inland Revenue have stated "We may agree to write-off UOMI at our discretion, if we consider a business or individual has had their ability to pay tax on time significantly constrained by COVID-19. This covers all payments to us where UOMI is charged, whether they're taxes (such as income tax or GST), or other payments (such as Working for Families)."

You do not have to be in a particular region or industry to get this relief.

You may be eligible for a UOMI write-off if you or your business:

- has been significantly affected by COVID-19
- has had income or revenue reduced by at least 30% compared to the same month 12 months earlier
- have explored other options for financial support, such as talking with your bank about additional finance or re-negotiating other loans/overdrafts.

So if you are not able to pay all of your tax obligations on time due to Covid-19, we suggest the following:

Pay what you can in the following order:

- PAYE – at least the PAYE on the wage subsidy passed onto employees.

- GST – due 7 May 2020
- 2019 Terminal Tax – Due 7 April 2020
- 2020 Provisional tax – Due 7 May 2020

For any shortfall can you send us an email to info@jcrb.co.nz with “Tax Deferral” in the subject line

- outlining your position
- What tax you can pay and when,
- What entities are affected.

We will then use this information to apply to IRD to write of any penalties or interest that are charged when the time is right.

Please note, we cannot apply for any remission until the core tax has been paid.

Wage Subsidy:

To clarify a number of the issues for the wage subsidy, we advise the following:

Tax consequences

The Government’s 12-week wage subsidy (available for both employees and the self-employed) is paid in one lump sum to the employer.

The tax treatment for the employer is as follows:

- the lump sum is excluded income
- no GST applies to the lump sum receipt
- when the payment is passed on to employees (either in one lump sum or spaced out so that it is paid as part of the employee’s usual wage payment cycle) no deduction can be claimed
- PAYE, Kiwisaver and other normal payroll deductions must be deducted.

The tax treatment for the employee is as follows:

- the payment is taxable remuneration and subject to PAYE, ACC levies, KiwiSaver contributions and student loan repayments at the date of payment.
- the payment is also a taxable receipt for the self-employed, shareholder-employees, partners in a partnership and sole traders (all of whom are treated as the employee for the purposes of the wage subsidy).

Paying your Staff

Please be aware, normal Employment Law still applies. So if you are considering redundancies or using holiday pay entitlements to fill the gap, please follow the process set out in your employment agreements.

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.

If you are receiving the COVID-19 Wage Subsidy, you must:

- Try your hardest to pay staff at least 80% of their usual wages;
 - If that isn't possible, pay at least the rate of the subsidy that applies to that employee

If the employee's usual wages are lower than the rate of the subsidy, continue paying that amount for the duration of the subsidy.

Applying for the Wage Subsidies

If you need any assistance applying for the Government Wage Subsidy, or need clarification if you qualify, please give us a ring for assistance.

Go to for more information

<https://workandincome.govt.nz - covid-19-Wage Subsidy>

To apply go to

[Wage Subsidy](#)

For information on the new Essential workers leave scheme

go to beehive.govt.nz/release/essential-workers