



Taking you to the **next** level



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**Well what an upheaval Covid-19 caused!** We very much adapted to the home office work life under pressured circumstances with only a few stumbling blocks along the way. This time of year is generally a challenging period in the life of an Accountant at the best of times with the end of financial year, GST and Terminal Tax payments due then followed by the final instalment of Provisional Tax. This year these all fell over lockdown! So when we add into that mix the Covid-19 subsidies and tax relief measures introduced mostly without legislation guiding us, it made this challenge a little interesting at times... but we survived and came out smiling!

We also tried to keep in contact with our clients over this time too, providing support for your changes needed in the workplace, to advise of financial measures as they were introduced and affected you and sometimes to lend a friendly ear. From what we hear it was not a 4 week holiday by any means but all our clients overcame the challenge with some creating positive enhancements to their business processes as a result.

## COVID-19 Tax Updates

There were a number of changes announced over the Covid-19 lockdown period as a way to assist taxpayers over this unpredicted time.

We have already communicated with you in detail around the following changes:

- Wage Subsidy and Leave/Isolation Support packages
- Income Support packages
- Working For Families changes
- Possible write off of Interest and Penalties
- Tax Loss Carry-Back
- Temporary changes to the Provisional Tax threshold for the 2021 year



## COVID-19 Tax Updates—Continued

Tax Relief packages since released which may be of interest to you include:

- Re-instatement of depreciation for commercial and industrial buildings only for the 2020-21 income year onwards. The depreciation rate will be 2% DV. This is a timing relief measure as you will get a tax deduction over the period of ownership however upon sale this could be repaid if the building has increased in value therefore triggering Depreciation Recovered.
- Introduction of Employee Tax Free allowances which reimburse employees working from home over the lockdown period. This allows for a \$20/week reimbursement to be made for Home Office expenses and a payment of \$400 per employee for office furniture purchased between 17 March and 17 September 2020. These payments will be tax deductible to the business.
- Low Value Asset threshold limit has been temporary increased to allow an instant write off in the year of purchase of assets up to \$5,000 (previously \$500) from 17 March 2020 to 16 March 2021. This then reverts down to \$1,000 from 17 March 2021 onwards.

The Wage Subsidy Extension and Leave Support extends the original subsidy for a further 8 weeks and is available between 10 June 2020 and 1 September 2020. Criteria must be met in order to qualify for this extension which includes a 40% decline in actual or predicted revenue over a 30-day period within 40 days prior to applying for the extension. Please take care when checking all the conditions and fine print on these applications.

The Small Business Cash-Flow loan was introduced to offer a one-off small loan to businesses impacted by Covid-19. The loan is available to businesses that employ 50 or fewer full time employees (FTE) with the payout amounts being \$10,000 for the business and \$1,800 per FTE employee. The loan will be interest free when it is repaid in full within 12 months otherwise an interest rate of 3%pa will be charged from the day of drawdown with no loan repayments required within the first 2 years. This loan scheme was recently extended with applications closing 24 July 2020. It has just this week been further extended to be available until at least 31 December 2020. To apply you need to complete the application through your MyIR login with the Inland Revenue Department.

The deadline for landlords having to provide compliance statements for the healthy homes standards has been extended from 1 July 2020 through to 1 December 2020. The standards require landlords to meet new rules in relation to heating, insulation, ventilation, moisture ingress and drainage, and draught stopping. The extended deadline for the compliance statement does not change the compliance timeline for having to comply – the date for private landlords and boarding houses is 1 July 2021.

Other tax changes hot off the press taking place from 1 July 2020 include:

- Petrol excise duty and road user charges on light vehicles increases to about 70c per litre, this is a 3.5c increase.
- Paid parental leave increases from 22 weeks to 26 weeks, and the payment also increases by \$20 per week, for babies due on 1 July 2020 or are born on or after that date. The payment for eligible employees is \$585.80 each week before tax.
- Targeted vocational training courses will become free for all ages, not just school leavers, up to 31 December 2022. This includes courses in building and construction, agriculture, manufacturing, electrical engineering, road transport and also vocational courses like community health, counselling and care work.
- Reduced building levy for consent costs, the rate will reduce from \$2.01 to \$1.75 (including GST per thousand dollars).
- Early Childhood Education teachers will get a salary increase. Currently the minimum salary is currently between \$45,491 and \$46,832, increasing to a minimum of \$49,862.
- The introduction of The Farm Mediation Scheme requiring creditors to offer mediation to farmers who default on payments before any enforcement action is taken.

If you would like further information in regards to any of these tax changes please contact either your Accounting Specialist or Lance and Michelle to discuss further.

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## Non Payment of Taxes due to a shortage in Cashflow

Please remember if you are unable to make payment of your taxes as they fall due, please advise either the IRD or our office.

There is the opportunity to request a remission of interest and penalties that will be charged on a late payment as a result of Covid-19 relief measures however this is not automatic. This has to be triggered by a request once the outstanding tax has been settled.

## Audit Shield

As at 31 July 2020 all the current Audit Shield policies come up for renewal. You have been invited to participate in this offer for the 2021 year. Audit Shield is available to all clients, and while we hope that you never have to make use of it, we do strongly recommend it.

Audit Shield covers all professional fees incurred from a simple phone call enquiry right through to an audit and it covers all tax types relating to all lodged returns within New Zealand. The invoice for professional fees could range from \$100 - \$10,000 depending on the complexity of the questions asked, the information required or the timeframe required to complete the request or audit. This year there is an exclusion from the claims cover, that is for any Covid-19 related IRD requests.

For the 2020 year, the majority of NZ Audit Shield claims were made up of GST Verification, Income Tax return disclosures and Client Risk Review. GST and Income Tax are the main taxpayer interactions with the tax system since most business owners are both registered for GST and file Income Tax returns.

We also hear that IRD continue to request information in order to determine a risk position to a tax disclosure made and they will continue to target the cash economy. There have also been situations where the IRD will contact the taxpayer directly, not the tax agent (us) to obtain information which have at times landed the taxpayer in hot water. Our recommendation is that any query is directed back to us at ALL times, that way we can communicate the correct response, saving you time and money.

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## Paying Your Taxes

If you require assistance making online payments please let us know, one of the team here at Bennetts Proactive will be more than happy to help you.

If you usually make your tax payments at a Westpac Bank branch, either by cash or EFTPOS, please remember that you are now required to have a barcode to support each payment. The new barcode system can be generated from the IRD website and can either be printed (by you or us) or shown on a mobile device at a Westpac Bank branch. Otherwise if you have a payment letter issued by the IRD then this will usually already include a barcode displayed on that letter.

The purpose of the barcode is to ensure the payment goes to the correct tax payer, the correct tax type and to the correct period – hence the reason for each payment requiring a separate barcode.



Other payment methods include Online Banking (our preferred), MyIR either Direct Debit or Credit Card payments (Not our recommendation at all) or by Money Transfer for overseas taxpayers.

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## ACC Levies

ACC have advised that their invoicing will be delayed to reduce the immediate financial impact of Covid-19 on businesses as follows:

- ACC CoverPlus invoices will be delayed until October 2020.
- ACC CoverPlus Extra invoices have been delayed 3 months and these will start to be released from 1 July 2020.

It is important that when you receive these invoices that they are checked to ensure they are correct—by not doing so could be costly. You will need to ensure that you are on the correct levy classification code. If you have an ACC CoverPlus Extra policy then you should also ensure the nominated level of cover is sufficient in the event of an accident. These tasks will fall under part of the responsibilities of our ACC specialist service provided by Miranda at ACC Made Easy if you have taken up this service.

You also need to ensure that you pay the invoice either in full by the due date or an instalment arrangement is put into place by the due date. If you are on CoverPlus Extra, failing to do so will require a new application, in the meantime you will fall back under the standard CoverPlus cover.

### ACC Levies—continued

For clients that have had an ACC payment plan in place, for the upcoming invoice, these will be issued with that same length plan already in place for the upcoming invoices. You will however need to check that your bank account details are still the same if you paid by Direct Debit as that arrangement will remain in place.

Payments of ACC will no longer be able to be made by cheque. These must now be made by Online banking, Credit Card (1.9% fee will be charged), at any Westpac Bank branch or by Direct Debit.

For those that have put invoice payments on hold over the lockdown period, these will now start coming off. The ACC Collections & Recovery team are phoning customers to determine their current financial position, re-assessment will be on a case-by-case basis to see if the hold should stay in place for longer otherwise an instalment plan will be implemented.

**Do you have the right level of ACC cover in place?** Our ACC specialist service is operated by Miranda Clark from ACC Made Easy. This service is extremely valuable, in the event of an accident you want to be absolutely sure that you are covered and have the right amount of cover. ACC is complex if you do not have a good understanding... if that is you then please contact us, we can point you in the right direction.

## Key Tax Dates

| Date                     | Taxes payable                                                                                    |
|--------------------------|--------------------------------------------------------------------------------------------------|
| <b>7 July 2020</b>       | Income Tax return due to tax payers that do not have a tax agent or have lost Extension of Time. |
| <b>20 July 2020</b>      | PAYE—Period ended 30 June 2020                                                                   |
| <b>20 August 2020</b>    | PAYE – Period ended 31 July 2020                                                                 |
| <b>28 August 2020</b>    | GST—Period ended 31 July 2020                                                                    |
|                          | 2021 Provisional Tax (1st instalment)                                                            |
| <b>21 September 2020</b> | PAYE – Period ended 31 August 2020                                                               |
| <b>28 September 2020</b> | GST—Period ended 31 August 2020                                                                  |

The first instalment of Provisional Tax for the 2021 year is due for payment on 28 August 2020. We will issue notices closer to that payment date for all clients that are required to make a payment. If you are planning on being away during that time, please let us know so we can arrange to issue you a notice at an earlier date.

## Staff Focus

### Introducing Cheryl Carter

We have recently created a new role in the office and appointed a Payroll Specialist to look after all our payroll and other associated employment tasks. Cheryl has joined the team bringing to the position extensive knowledge around employment legislation and a range of exposure to quite a number of payroll software packages.

Currently Cheryl's hours are Tuesday and Wednesdays from 10:30am until 5:00pm. As the tasks evolve her hours will increase.

Outside of the office, Cheryl enjoys weekends away in their campervan, reading and holistic wellbeing.



### Laura Drury away on maternity leave

Laura, one of our Accounting Specialists, will be taking maternity leave from 3<sup>rd</sup> July 2020 until 11<sup>th</sup> January 2021.

During her absence our accounting team will ensure that the work continues to be done in the same efficient manner. Where Laura has been responsible for clients, these have been reallocated to other members of the team and communicated to you at the beginning of the year. Your new Accounting Specialist should be your first port of call, otherwise please contact Lance or Michelle, they too will continue to be available to assist at any time.

We wish Laura and Charlie all the very best for the safe arrival of their little bundle of joy. We are also sure Heidi will be excited about becoming a big sister! We will update you all in the next newsletter.