

Economic Note

You and the Government Support Package

17 March 2020

How to benefit from the Government's support package

The Government has released a \$12.1 billion support package to support employees, businesses and beneficiaries. Here is a summary of what actions you can take to ensure you benefit from the package.

For [businesses](#), the key support measures are:

- Wage subsidies for businesses substantially affected by COVID-19
- Subsidies to cover workers affected by COVID-19
- Full tax deduction on purchase of low-value assets
- Higher threshold for paying provisional tax
- Waiving of IRD interest penalties on some overdue tax payments
- Re-introduction of depreciation on commercial and industrial buildings
- A support package for the aviation sector

For [households](#), the key support measures are.

- Wage subsidies for eligible employers, which will help your employer pay your wages
- Boosts to government benefit payments, including a temporary doubling of 2020 Winter Energy Payments

ASB also has support measures available on its [COVID-19 page](#).

General Government support for businesses

Wage subsidies

If your business has been significantly impacted by COVID-19, you may be eligible for wage subsidies to help you retain your staff. The subsidy is also available for sole traders and the self-employed.

What you can get:

- A wage subsidy for 12 weeks, paid as a lump sum, up to a maximum of \$150,000 per employer
- \$585.80 per week for full-time (20 hours or more/week) employees, \$7,029.60 as a lump sum
- \$350.00 per week for part-time (less than 20 hours/week) employees, \$4,200 as a lump sum

To qualify you need to:

- Demonstrate that your business has been severely affected: show a 30% decline in revenue compared to a year earlier for any month from January 2020 to June 2020. The decline can be an actual fall in revenue, or one that you project will occur through to June 2020.
- You need to have taken some actions to attempt to mitigate the impact of the virus outbreak on your business and sign a declaration stating so. Actions could include talking to your financial advisor or bank, amongst others. Note there is no specific requirement that you do talk to your bank, and you don't require any proof that you have talked to your bank.

To apply:

- Contact the Ministry of Social Development, you can apply online at www.workandincome.govt.nz. Applications are open for 12 weeks from March 17.

Subsidies for employees on leave for COVID-19 care or self-isolation

The Government will provide wage subsidies for employees, sole traders, self-employed who are unable to work because they are sick with COVID-19, caring for those with COVID-19, or in self isolation and unable to work while in isolation. The payments do not affect leave entitlements and apply even if employees are on paid leave during their absence from work.

What you can get:

- A wage subsidy for a maximum of 8 weeks, paid fortnightly
- \$585.80 per week for full-time (20 hours or more/week) employees
- \$350.00 per week for part-time (less than 20 hours/week) employees
- Payments can be backdated to March 17

To qualify you need to:

- Apply for leave on behalf of employees who: are sick; caring for the sick, or; self-isolating in accordance with health guidelines and registered with Healthline (and unable to work from home while self-isolating).
- Pay the subsidy on to the affected worker

To apply:

- More information is available at, and applications can be made through, www.govt.nz/coronavirus.

Full tax deduction on low-value assets

Previously businesses could instantly deduct the full cost of any asset costing less than \$500. That threshold has been raised to \$5,000 for the 2020/21 income year, to incentivise businesses to make investments. From 2021/2022 the threshold will be \$1,000.

What this means for you:

- You can make asset purchases in the 2020/21 year up to \$5,000 in individual cost knowing that you can claim the full cost as a tax-deductible expense in that year rather than depreciating the asset over time.
- You don't need to actively apply, the higher threshold will form part of your income tax return for the 2020/21 year

Higher threshold for paying provisional tax

The threshold for paying provisional tax has been permanently raised from \$2,500 to \$5,000.

What this means for you:

- If you are a small business that has to make a residual tax payment of up to \$5,000 for 2019/20 tax year (and subsequent years), you will not need to make any provisional tax payments during the following year.
- Instead, you will have until February 7 in the following year to make tax payments, enabling you to hold onto cash for longer during the tax year.

Waiving of IRD interest penalties on some overdue tax payments

Businesses that are late in making tax payments usually get charged Use of Money Interest on their overdue tax obligations. The IRD will given the power for two years to waive interest rate penalties for businesses that are significantly impacted by COVID-19.

What you can get:

- If you are “significantly” affected by COVID-19 and unable to make tax payments then you may be eligible for the waiving of penalty interest.
- Any relief would apply to interest on all tax payments that are due on or after February 14 2020.

To qualify you need to:

- Meet criteria for being “significantly” impacted. The Government has yet to define these eligibility criteria. Keep an eye out for further Government or IRD announcements, and talk to your tax professional as is appropriate.

For commercial and industrial property owners

Depreciation on commercial and industrial buildings will be permanently reinstated from the 2020/21 tax year, at a 2% Diminishing Value rate.

You don't need to make any application, the depreciation will be accounted for during the filing of tax returns. The depreciation will reduce future tax liabilities, and help to reduce provisional tax payments during the coming tax year.

For businesses in the aviation sector

The Government is providing support for this sector, with the aim of protecting NZ's supply chains. The [initial support](#) announced on March 19 is mainly aimed at either freezing fees or covering government-related costs (e.g. security screening) that the aviation industry normally pays. Keep a watch out for future announcements.

For retail customers

The Government is providing a range of support that will help some members of the community directly and others indirectly through assistance to employers.

Support through your employer

If the company you work for has been significantly affected by COVID-19, it may be eligible to receive wage subsidies for 12 weeks. In return, your employer is required to keep you employed on at least 80% of your income. This could mean, for example, you work a 4-day week instead of 5 days.

Employers are also eligible to receive subsidies if you are sick with COVID-19, caring for people sick with COVID-19, or you are in self-isolation (and following set guidelines) and not able to work from home.

What you can do:

- Check in with your manager/employer to ensure the company you work for is following up on its eligibility to receive these payments

In Work Tax Credit change

From July 1 2020 the Government is removing hours worked requirements for this tax credit for working families who are not receiving a main government benefit. The credit is income tested, and also required sole parents to work at least 20 hours a week and couples 30 hours between them.

What you can do:

- If you are on a low income and work less than 20 hours as a sole parent or 30 hours combined as a couple you may qualify for this \$72.50 per week payment.
- You can find out more information about eligibility through the IRD at <https://www.ird.govt.nz/topics/working-for-families/can-i-get-working-for-families>
- You can apply for the tax credit through the IRD's online system at the following link (which includes alternative ways to register at the bottom) <https://www.ird.govt.nz/tasks/register-for-working-for-families>

Benefit payments

The Government will increase benefit payments by \$25 per week from April 1 2020. If you are on a benefit you don't need to do anything, your benefit payment will automatically increase. This increase is on top of the usual annual increase that is linked to wage increases.

Increased Winter Energy Payments for 2020

The Government will double its winter payments to beneficiaries and superannuitants, to \$40.91 per week for single people and \$63.64 per week for couples or people with dependents. If you are eligible for the Energy Payment you will automatically receive the added amount.

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