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## Welcome to the twenty-fifth edition of our newsletter and the first for 2020.

I would like to take this opportunity and thank all clients for your continued support throughout this, our eleventh year in business. Your custom is greatly appreciated.

Hello/Kia Ora Clients & Readers of our first 2020 newsletter

### COVID-19—How Can I Get My Business Through This?

Our office will be remaining open over the lockdown period to perform some essential tasks such as payroll and GST and to respond/help clients, answer questions, and contacting IRD & other government agencies during this difficult time. We are here to help you get your business financially through this period and continue to trade. The lockdown will have a huge impact on the earnings of every business owner. Most clients who I have talked to in the last week, were having a financial good year up till now.

### Things that you should/need to be doing:

- Contact me if you have any questions about your business, budgets, cashflow reports, business plans, worries about meeting IRD payments such as Income Tax, GST or PAYE, we can estimate your 2020/2021 provisional tax.
- Sales/Income will be very important after the lockdown has finished—you need to be ready to go.
- Take a good hard look at all business expenses—be brave & ruthless, any business expense that can be culled and this includes staff/wages. Ask yourself this question—do you want to still remain a business owner in 2020 & beyond?
- Contact your bank manager about the new government backed 80% business finance guarantee scheme, or if you are concerned that you may need an overdraft or an overdraft extension, a mortgage/loan repayment holiday.
- Contact your commercial landlord and about a possible reduction in rent or a rent holiday
- Contact other business owners in your industry and talk to them on how they are managing or what steps they are taking to get through this period.

### 7th May Provisional Tax—Last instalment for 2019/2020 year

For most businesses this will probably still have to be paid on this date or later. Essentially 11 months of the financial year has been and gone—so profits could be similar to last year, maybe slightly less. However, if cashflow is going to be a problem, then I strongly suggest you don't pay it. For those clients who get their provisional notice in early mid April—please contact me if you think the amount needs to not be paid, reduced or if you cannot pay it.

### 2 monthly GST—Feb/Mar 2020 & 6 monthly GST—Oct/Mar

Again this payment (if any) is due by 7th May 2020 to IRD. Please contact me if you think the business may not be able to pay the GST before the due date.

Thank you again,

*Darren Parlato*



### 2020 3RD PROVISIONAL TAX NOTICES

For those clients with provisional tax to pay, the 3rd instalment for the year ending 31 March 2020 payment is due by 7 May 2020. The 3rd provisional tax notices will be sent out in early April.



### OFFICE HOURS

8.30am–5.00pm

Monday to Friday



### FINANCIAL YEAR END 31 MARCH 2020

The 31 March 2020 year is complete and you would have received your 2020 year end questionnaires, with this newsletter.

Can you please complete where applicable, sign and bring the questionnaire in with your accounting records.

We are required to have an up to date authority on file and they do help us complete your financial accounts and income tax returns more efficiently.

**Tax donation/school fee rebates**—Please bring in receipts for these donations as you can claim a 33% rebate.

### Disclaimer

This newsletter has been carefully prepared but has been written in general terms only and therefore should not be relied upon to provide specific information without also obtaining professional advice of each particular situation.

## MINIMUM WAGE INCREASE

The Government has lifted the minimum wage from \$17.70 to \$18.90 an hour from the 1 April 2020.



The starting out and training minimum wages would also increase from \$14.16 to \$15.12 an hour, which is 80 per cent of the adult minimum wage.

## IRD PAYMENT OPTIONS

IRD are no longer accepting CHQs.



Payment options now only include:

- Paying Online through the bank
- Paying online through myIR
- Cash or Eftpos at Westpac—this option requires a barcode. This can be created on the IRD website by searching for 'Create a barcode for my payment'.

## PRESCRIBED INTEREST RATES

The prescribed rate used to calculate fringe benefit tax on low-interest, employment-related loans has decreased from 5.77% to 5.26% effective 1 October 2019.

## LOYALTY REWARD SCHEMES

A number of rural suppliers such as Farm Source, Farmlands etc. operate reward schemes where points are "earned" for purchases made. These points can then be used to purchase, amongst other things, business assets.

If you do use these loyalty points to purchase a business asset, or if you pay a business expense with them then keep in mind that:

- The amount of the purchase that you can claim for tax & GST purposes will only be the amount that you physically pay.

For example, if the total cost is \$2,000, and the value of loyalty points used is \$1,200, the actual cost for tax & GST purposes will be \$800.

## INCOME TAX RATES 2020/2021

Individual Income	Tax Rates
\$0 - \$14,000	10.5%
\$14,001 - \$48,000	17.5%
\$48,001 - \$70,000	30%
\$70,001 and over	33%

**Companies**—Any Profit left in the company the 2020/2021 year will be taxed at 28%, per last year

**Trusts**—The tax rate on trustee income remains the same as in previous years, at 33%

# Parlato & Associates Ltd

## COVID-19 WAGE SUBSIDY

MSD has 1 payment available to support employers affected by COVID-19.

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

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

- 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.
- You must make best efforts to retain employees and pay them a minimum of 80% of their normal income for the subsidised period.

**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 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.

Businesses can only get the subsidy once.

## Tax treatment of the Wage Subsidy

- The wage subsidy is not subject to GST.
- The wage subsidy paid to the employer is not taxable. It is excluded income under section CX 47 Income Tax Act.
- It is not deductible when paid by the employer as part of the wages to employees.
- It is taxable for the employee. It is included as part of their normal wages and subject to PAYE, Student Loan, Kiwi saver deductions etc.

Please refer to the work and income website for any changes to the wage subsidy as this is being updated frequently and our newsletter may not have the most up to date information from the website on here at the time of printing.

[www.workandincome.govt.nz](http://www.workandincome.govt.nz)

## IRD Proposed remission of UOMI for COVID-19 and other changes

One part of that package proposes to give Inland Revenue the ability to remit use of money interest (UOMI) for businesses or individuals who are unable to make their payments on time due to the impact of COVID-19.

In brief, this could apply for all payments due on or after 14 February 2020.

The government has also announced it will introduce legislation for four more tax changes to help businesses given the impact of COVID-19. They are:

- Provisional tax threshold from \$2,500 to \$5,000
- Increase the small asset depreciation threshold from \$500 to \$1000 and to \$5000 for the 2020/2021 tax year
- To allow depreciation on commercial and industrial buildings
- Removing the hours test from the In-Work Tax Credit from 1 July 2020

## STUDENT LOAN

Student loan repayment threshold is increasing from \$19,760 to \$20,020 for the 2020/2021 year.