

## Covid-19 update for business customers

March | 2020 Issue no: 1

Kia ora koutou,

In these extraordinary circumstances, ensuring people get their entitlements, including their COVID-19 relief, is an essential service and Inland Revenue's top priority.

We are now required to operate very differently, including how we work with you.

Within Inland Revenue, all front office services in all localities are now closed and all our staff, except a small number of special exceptions, will be working from home.

Inland Revenue remains committed to implementing the latest round of our transformation changes in April. Maintaining the pace of IR's transformation is important and any delay increases the risk that we won't be able to meet customers' needs at this difficult time. By upgrading our systems in line with our current plan, we increase our agility to respond swiftly to situations such as COVID-19 which gives the Government more flexibility to help New Zealanders. Please be assured that the people who work at Inland Revenue will be doing their very best to make sure all New Zealanders get what they need as soon as they need it. That is our top priority.

### **Government package to combat COVID-19 impact**

Tax relief and income assistance is available to people affected by the downturn in business due to the COVID-19 (novel coronavirus). We have a range of ways to help depending on your circumstances. <https://www.ird.govt.nz/covid-19>

### **Even if you can't pay – please file**

If you are unable to pay taxes on time due to the impact of COVID-19, we understand, you don't need to contact us right now. Get in touch with us when you can, and we'll write-off any penalties and interest.

It would help if you continue to file however, as the information issued to make correct payments to people, and to help the Government continue to respond to what is happening in the economy.

### **Your COVID-19 questions**

Here are some links for you to keep up to date with clarification about the changes we are implementing to respond to the COVID-19 event:

<https://www.ird.govt.nz/covid-19/tax-relief>

### **Wage subsidy and leave payment schemes**

Inland Revenue is not administrating the wage subsidy or leave payment scheme. If you would like more detail about these, please refer to:

[www.workandincome.govt.nz/covid19support](http://www.workandincome.govt.nz/covid19support)

Inland Revenue would strongly encourage employers to pass the wage subsidy amount (which is for a 12-week period) to the employee as per their normal pay cycle.

For example: If the employee is normally paid weekly, the intention of the wage subsidy scheme is that the employee receives 1/12th of the wage subsidy lump sum each week for 12 weeks as part of their weekly pay, in addition to any potential top up from the employer each week.

Here is some information about the tax treatment of the wage subsidy:

- It is not subject to GST. An order in Council has been put in place to treat it as exempt (Section 5(6E)(B) (iii GST Act)
- 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 wages to employees (Section DF 1 Income Tax Act.
- It is taxable for the employee. It is included as part of their normal wages and subject to PAYE, Student Loan, Kiwisaver deductions etc
- If a partner in a partnership or a self-employed person receives it in their personal capacity, rather than as an employer, then it is taxable to them as it replaces a loss in income.
- If paid to shareholder-employees it is taxable to them.

Here is some information about the tax treatment of the leave payment scheme:

- The leave payment is not subject to GST. An order in Council has been put in place to treat it as exempt (Section 5(6E)(B) (iii GST Act).
- The leave payment for self-isolation paid to employees or self-employed persons is subject to tax as it is paid to replace taxable income.

### **Filing Employment Information:**

We know it's challenging for you in the current environment to continue to file Employment Information each payday. However, filing Employment Information ensures information about employees is up to date and accurate and will also help support any application for the Government's recently announced wage subsidy (if required) given the current context of COVID-19.

This information will also assist as the end of the tax year is closing – and IR will be identifying refunds (in particular) which can be sent to customers to assist during this difficult time.

## Large employers

If you're a large employer with over 100 employees, MSD have recognised that the COVID-19 Wage Subsidy form may be hard for you to use due to the number of employees you have. They have developed a large employer form and it is available here: <https://www.workandincome.govt.nz/products/a-z-benefits/covid-19-large-employers.html>

Ngā mihi

Corey Sinclair

**National Leader**

Community Compliance