



HETHERINGTON JOHNSTON

# COVID-19 business support

## Tax sheet

The Government has announced new relief measures to boost confidence and help small and medium-sized businesses get through the COVID-19 crisis.

The package includes:

- a tax loss carry-back scheme
- changes to the tax loss continuity rules
- greater flexibility for taxpayers in respect of statutory tax deadlines
- measures to support commercial tenants and landlords, and
- further business consultancy support.

### Tax loss carry-back scheme

This enables a business to offset a loss in a particular tax year against a profit in a previous year, producing a refund of the tax paid in the previous profitable year, boosting cashflow. Businesses expecting to make a loss in either the 2019/20 year or the 2020/21 year can estimate the loss and use it to offset profits in the previous year.

A tax bill being introduced the week beginning 27 April will include a temporary mechanism for this. The Government proposes a permanent scheme, subject to public consultation in the second half of 2020, to apply for the 2021/22 and later income years.

[Inland Revenue's website](#) notes taxpayers "do not need to rush to re-estimate their provisional tax before 7 May. Part of the proposed law change would make it possible for them to re-estimate it after the date of the final instalment. This will give them more time to work out any estimated loss for the 2020/21 income year."

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## Change to tax loss continuity rules

The tax loss continuity rules will be relaxed from the 2020/21 income year to support businesses trying to raise capital. Currently, if a company has more than a 51% change in ownership it cannot keep its tax losses. The change allows more businesses to carry forward losses. A tax bill for introduction in the second half of 2020 will set out the detail. The new rules will include a 'same or similar business' test, meaning the business must continue in the same or a similar way it did before ownership changed.

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## Greater flexibility around tax deadlines

Inland Revenue will have greater discretionary power to extend due dates and timeframes, or to modify procedural requirements set out in the Revenue Acts. This could include extending deadlines for filing tax returns and paying provisional and terminal tax. At this stage, the power will be time-limited for a period of 18 months and will apply to businesses affected by COVID-19.

It's expected that the tax bill for introduction on 27 April will include amendments to the Tax Administration Act 1994.

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## Our recommendation

We expect to see further support for businesses and households as we go on. Meanwhile, contact us at [team@hj.co.nz](mailto:team@hj.co.nz) or phone [04 566 3302](tel:045663302) so we can work together on how these changes could support your business recovery.

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## Supporting commercial tenants and landlords

The current timeframe for commercial landlords to cancel a lease will be extended from 10 to 30 working days. The changes allow for more time for breaches or defaults to be remedied, covering:

- the period the tenant is in arrears before notice is given, and
- the period required to remedy the breach before the landlord can cancel the lease and the mortgagee can exercise their rights to sale or repossession.

The Government is also extending timeframes for commercial mortgages and home loans. The timeframe for lenders will be extended:

- from 20 to 40 working days, for mortgaged land, and
- from 10 to 20 working days, for mortgaged goods.

These changes are included in the bill to be introduced on April 27 and will apply retrospectively once passed.

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## Free business consultancy support

Businesses will be able to access free, specialist support for issues including business continuity planning, finance and cash flow management, HR and staffing issues, and potentially any sector-specific issues. The Regional Business Partner Network will scale up advisory services, so more businesses receive support over the next year. Existing helplines often used by businesses, such as those operated by the Employers and Manufacturers Association and the Canterbury Chamber of Employment and Commerce, will also be extended.