



Inland Revenue
Te Tari Taake

COVID-19 – Inland Revenue Policy Initiatives

As at 26th March 2020

Please Note: This document is subject to change and some information may change in response to COVID-19



Inland Revenue Policy Initiatives

- The COVID-19 Response (Taxation and Social Assistance Urgent Measures) Bill was passed on 25th March 2020, and enacted the following measures:
 - Reintroduction of depreciation on commercial buildings;
 - Increase in the provisional tax threshold;
 - Up-front deduction of low value assets threshold increase;
 - Research & Development Tax Credit refundability;
 - Use of Money Interest relief;
 - Information sharing;
 - In Work Tax Credit eligibility criteria;
 - Working for families tax credit entitlement for emergency benefit recipients;
 - GST on Covid-19 related payments (related to the wage & leave subsidies administered by MSD)
 - Increase in the winter energy payment

DEPRECIATION ON COMMERCIAL BUILDINGS

- Reintroduced from 1 April 2020
- Does not apply to residential buildings
- Applicable rates:
 - 2% for the diminishing value method
 - 1.5% for the straight line method



Depreciation: Why are deductions being restored?

- The Bill reintroduces depreciation deductions for non-residential buildings.
- International studies indicate that commercial and industrial buildings do depreciate.
- Restoring depreciation deductions will help support businesses with cashflow in the near-term and assist with the broader economic recovery by encouraging business investment in new and existing buildings.
- The applicable depreciation rates introduced are 2% DV and 1.5% SL.
- Find out more on our website: [Depreciation & low value assets](#)



Depreciation: common questions

Why are deductions not available for residential buildings?

- Research shows these buildings have a slower rate of economic depreciation than other buildings.

Can I claim depreciation deductions for my AirB&B property?

- The definition of residential buildings includes dwellings and buildings used for short-term accommodation (such as AirB&B) with less than 4 individual units.
- Houses and rooms used as AirB&B properties will therefore be “residential buildings” and will not be entitled to depreciation deductions. These buildings are not impacted by the depreciation changes as part of the Bill.
- If there are 4 or more separate units within the same property and the property is used for short term accommodation such as AirB&B, it can be depreciated.

INCREASED PROVISIONAL TAX THRESHOLD

- Increase in the provisional tax threshold from RIT of \$2,500 to RIT of \$5,000

Effective for the 2020/21 tax year



Increase in the provisional tax threshold

- The Bill increases the provisional tax threshold from residual income tax of \$2,500 to \$5,000 from the 2020/2021 tax year.
- As a result, returns filed for the 2020 tax year will only generate a provisional tax assessment if the RIT is over \$5,000.
- Increasing the threshold for having to pay provisional tax from \$2,500 to \$5,000 allows more small taxpayers to delay paying their taxes to the end of the year.
- This means they have until 7 February, following the year they file, to pay their tax bill, instead of having to pay in instalments throughout the year.
- This lowers compliance costs for smaller taxpayers and allows them to retain cash for longer.
- Find out more on our website: [Provisional tax](#)

Provisional tax: common questions

- **Is this a permanent change?**
 - Yes. While this change is being done now in response to COVID-19 it is intended to be a permanent change.
- **How many taxpayers will be taken out of provisional tax from this measure?**
 - This reduces the number of taxpayers who have to pay provisional tax by approximately 95,000. This will give those taxpayers cash to use within their business during the year.



Provisional tax: common questions

- **Won't this measure just increase debt levels at the end of the year?**
 - The increase in the provisional tax threshold to \$5,000 removes compliance costs for smaller businesses and frees up cashflow during the year.
 - Those taxpayers who want the convenience of paying during the year they can always choose to make voluntary payments to Inland Revenue or put the money aside in a bank account.
- **When will this take effect?**
 - The reduced threshold will take effect from the 2020-21 income year which for most taxpayers will mean 1 April 2020.



LOW VALUE ASSETS

- Threshold temporarily increases from \$500 to \$5,000
Effective from 17 March 2020 – 16 March 2021
- Threshold permanently increases to \$1,000
Effective from 17 March 2021



Threshold for expensing low-value assets

- Businesses can now deduct the full cost of more low-value assets in the year they purchased them, rather than having to spread the cost over the life of the asset.
- Taxpayers were previously able to claim an immediate deduction for the purchase of assets that cost less than \$500.
- This threshold has been increased, effective from 17 March 2020, to allow the immediate expensing of assets that cost up to \$5,000.
- This will reduce compliance costs for businesses and, as it is a temporary measure, it will incentivise them to bring forward investments and encourage spending.
- This increase is temporary and will only apply until 16 March 2021. After this date the low-value asset threshold will increase permanently, but only to \$1,000.
- Find out more on our website: [Depreciation & low value assets](#)

Low value assets: common questions

Why is the increase temporary?

- Increasing the threshold to \$5,000 from 17 March 2020 until 16 March 2021 is intended to encourage businesses to continue investing in their businesses throughout the period of the COVID-19 pandemic.
- The threshold is still being permanently increased from \$500 to \$1,000 from 17 March 2021 onwards.
- This will encourage further investment by businesses as the economy begins to recover from COVID-19.

RESEARCH & DEVELOPMENT TAX CREDIT

- Refundability of the R&D tax credit has been brought forward to the 2019/20 tax year



Research & Development tax credits

- The application date of broader refundability for the R&D tax credit has been brought forward by one year, to the 2019–20 income year, to help businesses retain their R&D capability during the COVID-19 outbreak.
- The R&D tax credit currently only has limited refundability rules, which may not provide sufficient support to loss-making businesses or businesses who do not pay enough income tax to fully utilise their R&D tax credits.
- Broader refundability rules have been developed and will apply from year 2 of the regime (the 2020–21 income year); however, these rules will not apply in time to benefit R&D performers struggling with the effects of COVID-19.
- Bringing the application date of the year 2 refundability rules forward to year 1 (2019–20 income year) would provide more businesses with access to R&D tax credit refunds sooner.

R&DTC: common questions

- **If the new rules are more generous, why didn't you do this in the first place?**
 - The R&D Tax Incentive was developed under tight timeframes. The Government committed to reviewing the refundability rules so that broader refundability would be available from year 2 of the incentive (the 2020-21 income year).
 - To provide businesses performing R&D with cash now, when they need it the most, and to encourage R&D activity and innovation at a difficult economic time, these new broader rules will apply a year early.
- **Can businesses still access the old limited refundability rules in year 1?**
 - Yes, they can.
 - The broader refundability rules will apply by default, but any business who would prefer to apply the old year 1 limited refundability rules will be able to do so. Businesses can signal this preference when they file their R&D claims with Inland Revenue.

R&DTC: common questions

- **How much support will this provide businesses?**
 - We're expecting this measure to provide up to \$70 million of additional cash support to R&D performing businesses.
 - By making the broader refundability rules available early, we're helping to ensure businesses have the funds they need to keep New Zealanders in their jobs and to continue undertaking R&D activities. These businesses would have had access to this cash in year 2 of this scheme, but making this amendment provides them with this vital support a year earlier.
- **The Government has already announced business support measures – why are R&D performers getting extra support?**
 - For many businesses, R&D activities are likely to be scaled back or reduced when funds are tight which means less innovation. This, in turn, hinders our economy's ability to recover once the global situation stabilises. That's why the Government has decided to act quickly and provide extra support to R&D performers now.

USE OF MONEY INTEREST RELIEF

- Inland Revenue can remit interest on late payment if the customer's ability to make payment was significantly adversely affected by the COVID-19 outbreak

Effective for payments due on or after 14 February 2020

Use-of-money interest remission

- Business that have made late tax payments as a result of being affected by COVID-19 can apply to Inland Revenue to have any use-of-money interest (UOMI) on late payments remitted. This applies to tax payments due on or after 14 February 2020.
- The Commissioner has the discretion to remit UOMI if a taxpayer is physically unable to make a tax payment on time or is financially unable to make the tax payment on time because of the economic impacts of COVID-19. To exercise this discretion, Inland Revenue must be satisfied that the taxpayer's ability to make a tax payment on time has been significantly adversely affected by the COVID-19 outbreak.
- If you have made a late tax payment due to the impact of COVID-19 please get in touch with us (preferably via web message at this stage).
- Find out more on our website: [Use of Money Interest](#)

UOMI relief: Eligibility

- We may agree to write-off UOMI at our discretion, if we consider a business or individual has had their ability to pay tax on time significantly constrained by COVID-19. This covers all payments to us where UOMI is charged, whether they're taxes (such as income tax or GST), or other payments (such as Working for Families).
- You do not have to be in a particular region or industry to get this relief.
- You may be eligible for a UOMI write-off if you or your business:
 - has been significantly affected by COVID-19
 - has had income or revenue reduced by at least 30% compared to the same month 12 months earlier
 - have explored other options for financial support, such as talking with your bank about additional finance or re-negotiating other loans/overdrafts.
- UOMI could be remitted for a maximum of two years past the date of enactment, but the actual length will depend on the circumstances of each business or individual.

UOMI: common questions

- **How will allowing Inland Revenue to write-off interest for late tax payments assist those affected by COVID-19?**
 - For many taxpayers the impacts of COVID-19 may mean they are unable to pay their tax on time, either because of the financial impact of COVID-19 or because they are physically unable to make the payment. Allowing Inland Revenue to write-off use of money interest ensures that these taxpayers are only required to pay their core tax debt and do not also need to worry about interest.
- **Can't Inland Revenue already write-off use of money interest in certain situations?**
 - Yes. However, the existing write off rules only applied in specific situations or events, typically due to a natural disaster. These pre-existing rules are not fit for purpose to respond to the nature of the economic shock of COVID-19 where a taxpayer may be financially unable to pay their tax on time.
- **Will taxpayers still be required to pay their core tax debt?**
 - Yes. While interest can be written off the core tax debt must still be paid. Paying tax is an important way New Zealanders can contribute to the fight against COVID-19.

INFORMATION SHARING

- Amends Inland Revenue's ability to share information with other Government Departments
- Assists the efficient and effective delivery of the Government's COVID-19 response

Information Sharing

- The Bill amends the rules governing Inland Revenue's ability to share information with other government departments.
- The Bill allows Inland Revenue to share information with other government departments to assist those agencies in their response to the COVID-19 outbreak.
- This allows information to be supplied to assist the efficient and effective delivery of the Government's COVID-19 response.



Information sharing: common questions

- **How will information sharing help a struggling business or someone who has lost their job?**
 - Many government departments are working quickly to provide support to businesses and individuals struggling financially as a result of COVID-19. Inland Revenue has a lot of relevant information to enable government agencies to target those who need assistance the most and deliver the necessary support quickly. Allowing Inland Revenue the ability to share certain information will help speed up and target government assistance.
- **Why can't Inland Revenue use existing legislation to share information? Why do you need more legislation?**
 - The existing legislation enables information to be shared for defined purposes, which may not include responses to the COVID-19 outbreak. Also, Inland Revenue may be required to share information with agencies where we do not have any existing agreements.

Information sharing: common questions

- **Will the information be kept safe?**
 - Safeguards will be put in place to ensure the information is kept secure.
 - In considering whether to share information with other government agencies, the Commissioner of Inland Revenue has to consider the security of the information prior to it being disclosed.
 - Also, anyone receiving taxpayer information will be required to maintain the same confidentiality requirements imposed on Inland Revenue staff.

- **How much information will be shared with the receiving agency? Will they be able to use the information for other purposes?**
 - Only sufficient information will be shared to enable the other agency to administer the relevant COVID-19 response initiative. Information received by the other agency will not be able to be used for other non-COVID-19 initiatives.

IN WORK TAX CREDIT CHANGES

- Removes the work hours requirement from the IWTC eligibility criteria

Effective from 1 July 2020



In work tax credits

- The in-work tax credit (IWTC) is an income-tested cash payment of \$72.50 per week (\$3,770 per year) to working families with children.
- To be eligible families must be normally working at least 20 hours a week (sole parents) or 30 hours a week (couples).
- The Bill removes the work hours eligibility requirement from the IWTC.
- This means that working families who have a reduction in working hours as a result of COVID-19 do not lose their eligibility for the IWTC.
- Find out more on our website: [Support for families](#)

IWTC: common questions

- **Why are you removing the hours test eligibility requirement for the in-work tax credit?**
 - This extends eligibility for the in-work tax credit to all families who are not receiving a main benefit and have some level of employment income each week.
 - This is an important change as people may face a reduction of, or variable hours, in the wake of the COVID-19. Around 19,000 low-income families would benefit from this change.
- **Is this intended to be a temporary or permanent change?**
 - This is a permanent change.
- **When will this take effect?**
 - From 1 July 2020.



WFFTC ENTITLEMENT

- Entitlement extended to include emergency benefit recipients who are on a temporary visa



Working for Families Tax Credit entitlement criteria

- Previously, emergency benefit recipients with dependent children and who are on a temporary visa do not qualify for Working for Families (WFF) tax credits. This is because they do not meet the residence criteria for WFF.
- The result is a difference in the financial support that these families can access compared with other main benefit recipients with children.
- The Bill allows people on a temporary visa, who would not otherwise meet the WFF residence criteria, to qualify for WFF if they receive an emergency benefit from the Ministry of Social Development.
- This ensures that families on a temporary visa who receive an emergency benefit because of COVID-19 are able to access a comparable level of financial support to other recipients of main benefits.
- This change is administered by MSD and emergency benefits paid by MSD to families on a temporary visa will be increased by the amount of WFF tax credits they are eligible for.

WAGE & LEAVE SUBSIDIES

- Administered by the Ministry of Social Development
Any calls to Inland Revenue with regards to eligibility will be referred to MSD
- Income tax obligations
- GST obligations
Legislation change implemented
- PAYE obligations
- Kiwisaver impacts



Wage subsidy

- Wage subsidies are paid by the Ministry of Social Development (MSD) to employers, including sole traders and the self-employed upon application.
- An eligible employer should apply for the subsidy, which will be passed on to its employees, through MSD.
- If your employee's usual wages are less than the subsidy, you must pay them their usual wages. Any difference should be used for the wages of other affected staff.
- Further information on these subsidies, including the business eligibility criteria, is available on the [MSD website](#)

Leave subsidy

- Leave payments for self-isolation as a result of COVID-19 are also available to businesses, including the self-employed and contractors, who satisfy the eligibility criteria and are prevented from working.
- Further information on these subsidies and applications for a self-isolation leave subsidy on behalf of an affected employee are available on the [MSD website](#).
- The payment does not affect any leave entitlements that are owed and is not available for those who are able to work from home during their period of self-isolation and be paid normally by their employer.
- From 3pm 27th March 2020 the Leave Subsidy Scheme has been absorbed into the Wage Subsidy Scheme, preventing applicants from accessing both entitlements at the same time for workers. As a result, the Leave Subsidy is no longer available for employers.

Wage and leave subsidies: Income tax obligations

- The receipt of the subsidy is **exempt income** for the employer under CX 47 of the Income Tax Act;
- The employer will **not** be entitled to an income tax deduction for wages paid out of the wage subsidy pursuant to section DF 1(2) of the Act.
- The amount of wages paid *in excess* of the wage subsidy (amounts funded by the employer) are deductible as normal.

Wage and leave subsidies: GST obligations

- The employer will **not** be liable for GST on the subsidy received from MSD;

Legislation change: GST on COVID-19 related payments

- The Goods and Services Tax (Grants and Subsidies) Amendment Order 2020 added the COVID-19 wage subsidy and the COVID-19 leave payment to the schedule of **non-taxable grants and subsidies** in the Goods and Services Tax (Grants and Subsidies) Order 1992 from 24 March 2020.
- However, the wage subsidy and leave payments have been paid out from 17 March 2020. The Bill ensures that GST does not apply to payments of the COVID-19 wage subsidy and leave payments from 17 March 2020 until the date the 2020 amendment Order came into force.
- This ensures consistent GST treatment regardless of when payments were made.

Why does GST apply to the COVID-19 related payments in the first place?

- Government grants and subsidies paid to GST-registered businesses are subject to GST under the Goods and Services Tax Act 1985. If the COVID-19 subsidy payments weren't excluded from GST, this would mean that GST-registered businesses would have to return GST on the payments they receive from the government. As a result, this would mean these GST-registered businesses would have less money from the subsidy available for supporting their staff when compared to businesses which are not registered for GST.
- The recent Order in Council (the Goods and Services Tax (Grants and Subsidies) Amendment Order 2020) added the COVID-19 wage subsidy and leave payment to the schedule of non-taxable grants and subsidies for the purposes of the Goods and Services Tax Act 1985. It did not have retrospective effect, so only applies in respect of payments made from 24 March, which is when the Order in Council came into force. The change in this bill ensures that the same exclusion from GST applies to all payments made since 17 March 2020.
- COVID-19 related subsidies will therefore not be subject to GST.

Wage and leave subsidies: Employer obligations

- Wage subsidies and self-isolation leave subsidies should be passed on to the employee by the employer and processed as part of the employee's normal wages. All deductions of PAYE, Kiwisaver, Student Loans, child support etc are made as normal.
- If the total wage (subsidy + employer funded pay) amounts to the same wages as previously, the pay and deductions on their payslip should be the same.
- Whether employers top up the subsidy with cash payments or annual leave is up to them to arrange with staff. Employees cannot be forced to use their annual leave entitlement.
- Employers should keep accurate records detailing the amount of the subsidy received and details of the employees it has been paid to, this will assist the employer if MSD request to review their records later .
- If your employee's usual wages are less than the subsidy, you must pay them their usual wages. Any difference should be used for the wages of other affected staff.

Wage and leave subsidies: Kiwisaver implications

- A customer can apply for a savings suspension through MyIR:
 - Log into the MyIR account;
 - Select the 'Kiwisaver' account tile;
 - Select 'Go to My Kiwisaver' at the top left of the page;
 - Select 'Savings Suspension' and complete the required information to submit your request.
- If a customer wants to withdraw their funds from Kiwisaver they need to speak with their scheme provider (not Inland Revenue). To find out who the scheme provider is:
 - Log into the MyIR account;
 - Select the 'Kiwisaver' account tile;
 - Select 'Go to My Kiwisaver' at the top left of the page;
 - Select 'My Scheme' to find out who to contact to discuss your withdrawal request.

WINTER ENERGY PAYMENT

- Administered by MSD
- Doubled for the 2020 year
- For eligible people:
\$900 for single people with no dependent children;
\$1,400 for couples and people with dependent children.

Winter Energy Payment

- The winter energy payment (WEP) is assistance paid to help eligible people meet their household heating costs during the winter months.
- The rates for the WEP have been doubled by Order in Council to \$900 per year for single people with no dependent children and \$1,400 per year for couples and people with dependent children.
- However, this increase in the WEP rates is intended to be temporary and apply for 2020 only.
- The Bill therefore restores the WEP rates from 2021 onwards to their current rates of \$450 per year for single people with no dependent children and \$700 per year for couples and people with dependent children.



Inland Revenue
Te Tari Taake

Questions & Answers

We have had a multitude of questions, here are answers to some of the most common ones



Common questions & answers

- The following Q&A covers the following topics:
 - General
 - Due dates for filing & paying
 - Refunds
 - In Work Tax Credit & Minimum Family Tax Credit (IWTC & MFTC)
 - Goods & Services tax
 - Insurance proceeds
 - International
 - Student Loans



GENERAL INFO

- Inability to contact Inland Revenue & long wait-times
- Inland Revenue updated advice to business
- Urgent IRD Number application: Proof of identity process change
- Reduction in compliance activities

Inability to contact Inland Revenue & long wait-times

24 March 2020

- Inland Revenue is continuing to provide essential services for business and individual customers, including payments to Working for Families customers and the administration of Child Support.
- Because of the extremely difficult circumstances, we are having to prioritise the work we do and adjust the way we do it accordingly. But please be assured payments will be made.
- Contact by phone is severely limited so customers will have to make every effort to make their contacts online - preferably through MyIR.
- Please continue to respond to electronic mail from Inland Revenue.
- Importantly, we will be flexible in the way we approach filing obligations (GST and provisional tax, for example) and tax debt. More details on filing and debt will be provided as soon as possible.
- Again, please be assured that we will remain open during the Alert 4 period and will prioritise working on all critical matters related to your tax entitlement and payment obligations. We know these are matters causing real stress and uncertainty and we are working urgently to provide as much certainty as quickly as we can.
- Our thanks for your patience in what is a difficult time for everyone.
- Read on [our website](#).

Inland Revenue updated advice to business

25 March 2020

- If your business is unable to pay its 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 is used to make correct payments to people, and to help the Government continue to respond to what is happening in the economy.
- Read on [our website](#).



Inland Revenue – Our Services

26 March 2020

- Due to circumstances surrounding the current Alert 4 lockdown, we are having to reprioritise work and revisit the way we do it. Even so, we will continue to provide essential services for business and individuals, including Working for Families payments and administration of child support, during this time.
- We understand that this is a difficult time and are doing all that we can to make it as stress-free as possible. We'll be flexible in the way we approach filing obligations, such as for GST and provisional tax, and tax debt.
- If you need to get in contact with us, you should make every effort to do so online - preferably through myIR. We are experiencing unprecedented levels of calls at the moment, so phone contact is extremely limited. You should continue to respond to messages you receive from us in myIR.
- Again, be assured that we will remain open during the Alert 4 period and are prioritising work on all critical matters relating to your tax entitlement and payment obligations. We know that these matters are causing real stress and uncertainty and we're working urgently to provide as much certainty as quickly as we can.
- Read on [our website](#).

Urgent IRD Number application: Proof of identity process change

- A temporary process change to the proof of identity for urgent IRD Number applications has been implemented to accommodate customers during the COVID-19 Lockdown. The below will apply to IRD number applications until the lockdown has been lifted:
 - We will not request face to face verification for urgent IRD Numbers for both Individuals and Non-Individuals
 - We will assess the level of risk, based on the documentation provided by the customer to determine the approach and process accordingly, where required, verification checks for these customers will be conducted at a later date.
- All customers will be asked to complete the normal face to face within four weeks of the restrictions being lifted. We will be following up with customers to ensure this is completed.

DUE DATES FOR FILING & PAYING

- Income Tax
- Time bar effects of late filing
- GST
- PAYE
- Closure of Westpac branches
- Difficulty paying tax
- Basic Compliance Packages

Income tax returns due 31 March 2020

- The due date for filing income tax returns (for customers with a Tax Agent) is 31 March.
- This due date will not be extended by new, or a change in, legislation.
- Tax Agents can apply for 'deferred' status on behalf of their clients which is an approval from Inland Revenue for their client to file their return late.
- We know that Tax Agents would usually complete this process online through MyIR but the system has an automatic cut-off date of 20th March 2020.
- As a result we have agreed to a manual process for request after 20th March. Tax Agents can contact their IR Agent Account Manager and provide a list of clients who need 'deferred' status this year.
- Inland Revenue will accept and process any requests made up till 30th March 2020.

Time bar for 2019 income tax returns

[IR website](#)

- It remains important to furnish the returns as soon as possible. However, any late filing penalties will be waived in these circumstances.
- Late tax return filings will also have the effect of extending the time bar in s 108 to 31 March 2025 (instead of 31 March 2024).
- Due to the impact of COVID-19 and related potential for filing delays, as at 31 March 2024 the Commissioner will close any review or other compliance activity for any 2018/2019 income tax return which is:
 - due on or before 31 March 2020 and is furnished after 31 March but before 31 May 2020
 - not subject to any existing exclusions from the standard 4 year time bar
 - not subject to a dispute:
 - commenced by NOPA issued before 1 January 2023, and
 - involving alleged tax avoidance, or
 - having tax in dispute of greater than \$200 million.
- The Commissioner may need to clarify the circumstances of any delay in filing. This is limited to the effects of the COVID-19 virus. Read more on our website.

Difficulty paying tax

- If you're having difficulty paying outstanding tax, we can help. If you'd like to break down your payments, you can set up an instalment arrangement in myIR.
- You can also apply for a write-off due to serious hardship if you know you won't be able to pay the full amount. If we grant relief from payment due to hardship and you have losses to carry forward, these losses will be reduced in proportion to the amount written off.
- Alternatively, you can send us a disclosure of financial position form - IR590 or call us on our Adverse Events line at 0800 473 566.
- Find out more on our website: [Difficulty paying tax](#)

Closure of Westpac branches

- Westpac offices will be open one day a week (Wednesdays) during the Level- 4, four-week nationwide lockdown in response to COVID-19. As a result, taxpayers who pay their tax obligations via their local Westpac branch will be unable to do so until, and unless, they can visit a branch on its open day.
- Businesses and taxpayers who rely on Westpac's in-branch services to pay their tax, may be unable to pay their tax liability by its due date and therefore may be liable for use of money interest (UOMI) and late payment penalties (LPP).
- Taxpayers who are unable to make a tax payment on time due to the impacts of COVID-19, including those physically unable to make their payment, should get in touch with Inland Revenue, when you can, to discuss having any UOMI and LPP remitted.
- There are other ways to pay, you can find out more on [our website](#).

Extension to the due date for Basic Compliance Packages

- We can confirm that the due date for lodging your annual Basic Compliance Package has been extended to 30 June 2020.
- A letter advising of the new due date has been issued to all customers who are required to lodge a Basic Compliance Package this year.



IN WORK TAX CREDIT (IWTC)

MINIMUM FAMILY TAX CREDIT (MFTC)

- IWTC: Eligibility criteria between now and the removal of the hours requirement (1 July)
- MFTC: impact of reduced hours on eligibility

Eligibility for the IWTC & MFTC generally

- For IWTC and MFTC purposes an amount paid by an employer who receives the wage subsidy is still is still salary/wages income to the employee.
- The issue raised is whether a person receiving a subsidised salary/wage will meet the criteria of working the required hours.
 - For IWTC a person is required to *normally* work the required hours but
 - For MFTC they *must be working* the required hours.
- Note:
 - The hours requirement for eligibility for the IWTC has been removed from 1 July 2020.
 - No change is proposed to the eligibility requirements for the MFTC



IWTC: Eligibility from now until 1 July 2020

- Customers who have
 - had their hours reduced due to COVID-19 and
 - continue to receive qualifying income and
 - had an entitlement to IWTC prior to reducing hours**can** continue to receive IWTC for the period affected by COVID-19
- Customers who have had to
 - stop work due to COVID-19 and
 - are receiving a subsidised salary/wage and
 - and had an entitlement to IWTC prior to their work stopping**can** continue to receive IWTC for the period affected by COVID-19
- Customers whose hours would normally reduce at this time of the year, eg seasonal workers, should have their circumstances updated accordingly.
- If a customer is taking annual leave or sick leave – normal rules for IWTC criteria apply

IWTC: Eligibility from now until 1 July 2020

- Customers who
 - are in business and
 - received IWTC prior to COVID-19
 - are unable to work the required hours due to COVID-19**can** continue to receive IWTC for the period affected by COVID-19
- Customers who are made redundant or stop work (includes self-employed) and go onto a benefit have no further entitlement to IWTC, until they meet the criteria again.
- Customers who have stopped work,
 - met the IWTC criteria prior to COVID-19
 - **don't** go on a benefit and
 - **don't** receive a subsidised salary/wage,**can't** receive IWTC



MFTC: Eligibility when work hours reduced due to Covid-19

- Customers who have
 - had their hours reduced to below 20/30 hours due to COVID-19
 - receive qualifying income based on their reduced hours
 - had an entitlement to MFTC prior to reducing hours**can't** continue to receive MFTC for the period affected by COVID-19
- Customers who have
 - had their hours reduced to below 20/30 hours due to COVID-19
 - but continue to receive qualifying income for 20/30 hours a week and
 - had an entitlement to MFTC prior to reducing hours**can** continue to receive MFTC for the period affected by COVID-19
- Customers whose hours would normally reduce at this time of the year, eg seasonal workers, should have their circumstances updated accordingly.
- If a customer is taking annual leave or sick leave – normal rules for MFTC criteria apply

MFTC: Eligibility when work hours reduced due to Covid-19

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 - stop work due to COVID-19 and
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 - and had an entitlement to MFTC prior to their work stopping**can** continue to receive MFTC for the period affected by COVID-19
- Customers who are made redundant or stop work and go onto a benefit have no further entitlement to MFTC, until they meet the criteria again.
- Customers who have stopped work,
 - met the MFTC criteria prior to COVID-19
 - **don't** go on a benefit and
 - **don't** receive a subsidised salary/wage,**can't** receive MFTC



GOODS & SERVICES TAX

- GST on cancelled supplies
- GST adjustments for change in asset use
- GST registration cancellations

GST on cancelled supplies

- If you have returned GST on a supply that is subsequently cancelled, an entitlement to a GST adjustment arises in the period in which it becomes clear that the output tax returned is incorrect, e.g. the period in which the reimbursement was made.
- Where a tax invoice was originally issued for the supply, a credit note for the cancellation of the supply will also need to be raised to support any GST adjustment made.
- If, as a result of the cancellation of significant or multiple supplies, you make a claim for loss of income (or similar) insurance, the receipt of any insurance pay-out will be subject to GST as it is a deemed supply under section 5(13) of the GST Act.

GST adjustments for change in asset use

- If a particular asset is not being used at all for a period of time e.g. during the Covid-19 alert level 4 period then there are unlikely to be any change of use or apportionment adjustments required for GST purposes.
- If an asset e.g. a vehicle, is used both for business and private purposes and an actual use calculation is above the threshold to require an adjustment at the end of an adjustment period, primarily due to the fact that the asset could not be used for normal business use during the Covid-19 alert level 4 period, IR will apply a practical approach in accepting calculations that provide a fair and reasonable result in the circumstances.

GST registration cancellations

- If your business shuts down due to the Covid-19 Alert Level-4 situation you may need to de-register from GST.
- If a taxable activity has ceased the registered person should seek de-registration within 21 days of cessation. However, whether or not a taxable activity has ceased will depend on the facts of each case.
- After a period of making regular or frequent taxable supplies, making no taxable supplies for a 12-month period may be indicative of the taxable activity having ceased but it will depend on what other activities relating to those supplies or future intended supplies has occurred or will occur. For example, things done in relation to ending the taxable activity such as closing down operations or honouring warranty obligations for prior supplies are part of the taxable activity.
- Where a taxable activity has ceased and de-registration is appropriate, de-registration adjustments to return GST on any assets retained from the activity will be required

INSURANCE PROCEEDS

- **Individuals**
Income protection insurance
Personal sickness insurance
- **Businesses**
Income tax
GST



Individual insurance policies

ITA: CE 11, CA 1(2)

- Whether or not payments from an insurance policy are taxable will always depend on the exact terms of the policy, however in most instances the following applies:
- **Income protection insurance**
Amounts paid out under income protection insurance policies will be income to the recipient.
- **Personal sickness insurance**
Amounts paid out under personal sickness insurance policies will be income only if they are income under ordinary concepts, but are generally exempt where the amount paid out is not calculated with reference to loss of earnings.

Business insurance policies

ITA: CG 5B. GSTA: 5(13)

- Any insurance or compensation amounts received are income if:
 - Received in relation to an interruption or impairment of business activities resulting from an event; and
 - Is attributable to a loss of income that the business would have otherwise derived.
- The income can be allocated to the later of:
 - The income year that the replaced income relates to; or
 - The year in which the amount is received or is able to be reasonably estimated.
- In practical terms this means that loss of income insurance is taxable, but if received prior to 31 March 2020 it can be spread if it relates to income that would have been derived after 31 March (the 2021 year)
- Receipts of insurance for loss of income are deemed to be in the course or furtherance of a taxable activity and are therefore subject to GST.

STUDENT LOANS

- Hardship relief for NZ based borrowers
- Hardship relief for overseas based borrowers
- Unable to return to NZ



Student Loan Borrower: hardship or reducing current assessments

- If you're struggling to make your student loans payments, we might be able to reduce your repayment obligations. Alternately, you can propose an instalment arrangement to suit your situation.
- You can also apply for a student loan repayment deduction exemption if you're New Zealand based and:
 - are studying full-time, or about to start studying
 - will reasonably expect to earn under the annual repayment threshold.
- Find more information on our website:
 - [Hardship & defaulting on my student loan](#)
 - [Student loan repayment deduction exemption](#)



Student Loan Borrower: Unable to return to New Zealand

- If you were intending to travel back to New Zealand but are now unable to, you can apply for your student loan to be interest-free.
- You'll need to have been a New Zealand tax resident while you were overseas and show that you were intending to stay overseas for less than 183 days.
- You'll need to provide the following proof:
 - evidence of the reason you were delayed
 - your original flight reservations
 - a completed New Zealand tax residence questionnaire (IR886) if you were overseas for more than 325 days.
- Find more information on our website:
 - [Unexpected delay returning to NZ when I have a student loan](#)

