



Important message for Businesses

Recently the Government announced more tax changes to assist NZ businesses to manage the impacts of COVID-19. Legislation has now been passed to bring some of these changes into effect. They include:

- The **Loss carry-back scheme** and **new discretion to vary requirement** which we cover in more detail in this update.
- The **COVID-19 Small Business Cashflow Scheme (SBCS)**, where small to medium business owners, including sole traders and the self-employed, may be eligible for a one-off loan if they have been adversely affected by COVID-19. We will update you with more details next week. You can also keep an eye on our website at www.ird.govt.nz/covid19

In this update we will also tell you about a new **working from home determination**.

Temporary loss carry-back scheme

Businesses expecting to make a loss in either the 2020 year or the 2021 year can use that loss to offset profits they made the year before. In other words, they can carry the loss back one year to the preceding income year. This can be done before the loss year return is filed.

There are two ways to claim your loss carry-back:

- Include the carried-back loss in your tax return – we will automatically refund any overpaid tax
- Ask for a refund of any provisional tax you have paid for 2020 if you are going to carry back a loss from 2021

We can refund some or all of the tax already paid for the preceding year before the loss year has finished by enabling customers to estimate their loss. Refunds will be processed a lot faster if you use myIR.

If you choose to use the loss carry-back scheme you must first elect to participate in the scheme under the 'I want to' section of myIR. Refunds will be processed quicker for claims made through myIR. Log in or register for a myIR account today.

Note that you do not need to have filed the loss year return to claim the loss carry-back.

By when do I need to re-estimate my provisional tax?

You can re-estimate your provisional tax as many times as you need to as long as you do so before the tax return for the year is filed or due, whichever is earlier.

Subvention payments, profits paid as shareholder-employee salaries or dividends

The following situations cannot be reversed to take advantage of a loss carry-back:

- company profits that have been paid out as a dividend or shareholder employee salary in the preceding year
- a subvention payment made in a preceding year.

Shareholder-employees impacted by a 2020 loss carried-back claim

Shareholder-employees who have paid provisional tax on the basis they would receive a shareholder salary in the 2020 year may re-estimate their provisional tax if their company is going to claim a loss carry-back in 2020 which will reduce their shareholder-salary. Any overpaid provisional tax will be refunded.

Shareholder-employees must let us know they are going to re-estimate their provisional tax because of a loss carry-back by using the opt-in service in myIR (in the 'I want to' section of your income tax account in myIR account). They can then re-estimate their provisional tax up to the time their 2020 return is due or filed. In all other situations the last day for a provisional tax estimation is the 3rd provisional tax instalment date.

For more information on loss carry-back go to www.ird.govt.nz/loss-carry-back

For information on how to claim a loss carry-back go to www.ird.govt.nz/claim-loss-carry-back

New discretion to vary requirement

To help customers manage the impacts of COVID-19, Inland Revenue now has a discretion to vary a requirement when it would be impossible, impractical or unreasonable to comply as a consequence of COVID-19. Under this new discretion, we can extend a due date, deadline, time period or timeframe. It is also possible to modify a procedural or administrative requirement, such as the way that something must be done. In the next couple of days we anticipate we'll have some decisions available on the website where we have already applied this discretion. We'll let you know when any change is made through our website and other communication channels as appropriate.

Go to www.ird.govt.nz/Updates/News-Folder/covid-19-new-discretion-to-vary-a-requirement-under-an-inland-revenue-act for more information.

Working from home determination

Inland Revenue has issued a new determination which means employers can pay employees, who are working from home, up to \$20 a week tax-free for expenses such as additional heating costs, without having to estimate or show what the employee's actual expenses were.

Employers can also now make a tax-free payment of up to \$400 per employee for furniture costs, without having to work out actual expenses.

The determination is a temporary response to the Covid-19 pandemic and only applies to payments for expenses incurred between 17 March and 17 September 2020.

This determination is not intended to suggest that employers must make such payments to staff who were working from home.

For more information go to:

<https://www.taxtechnical.ird.govt.nz/determinations/miscellaneous/determination-ee002-payments-to-employees-for-working-from-home-costs-during-the-covid-19-pandemic>

Please contact your tax agent if you have any questions

You can also visit our website at www.ird.govt.nz/covid19