

**Memo to** Clubs and Members  
**From** Clubs New Zealand Board and National Office  
**Date** 6 April 2020  
**Subject** Covid-19 – Business Support

---



## **Business Finance Guarantee Scheme**

On 1 April, the Minister of Finance, Hon Grant Robertson, released further details of the Business Finance Guarantee Scheme (BFGS) which forms part of the package of reforms to support the New Zealand economy during the COVID-19 pandemic.

Under the BFGS, businesses with annual revenues between NZ\$250,000 and NZ\$80 million will be able to apply to banks for loans of up to NZ\$500,000 for a period of up to three years. The loans will have 80 percent of the risk guaranteed by the Government, with the banks guaranteeing the remaining 20 percent. This is a major benefit for small to medium-sized businesses.

The loans will be entered into by the relevant banks, following normal lending processes. We would expect that each bank will want to understand the impact of COVID-19 on your club and the intended use for the funds. This could involve reviewing the trading position before the COVID-19 crisis and reviewing plans for the future and the assumptions being made. Expect to be asked for the last financial statements of the club, details of your tax position, a cash flow forecast detailing income and expenditure.

While the individual terms and conditions may slightly vary between lenders, the loan is intended to only be used to meet urgent liquidity or bridging financing needs due to disruption COVID-19 has caused your business and not for any excluded purpose.

More details of the BFGS will be available on the websites of each of New Zealand bank participating in the scheme:

- [ANZ](#)
- [ASB](#)
- [BNZ](#)
- [Heartland Bank](#)
- [HSBC](#)
- [Kiwibank](#)
- [SBS](#)
- [TSB](#)
- [Westpac](#)

## **Further Measures to Support Businesses**

On 3 April, the Minister of Finance, Hon Grant Robertson along with the Minister of Commerce and Consumer Affairs, Hon Kris Faafoi announced further measures to support businesses.

The temporary changes of interest to clubs include,

- allowing the use of electronic signatures where necessary due to COVID-19 restrictions,
- giving the Registrar of Companies the power to temporarily extend deadlines imposed on companies, incorporated societies, charitable trusts and other entities under legislation, and

- giving temporary relief for entities that are unable to comply with requirements in their constitutions or rules because of COVID-19.

## **Inland Revenue – Tax Relief**

There is a lot of information on Covid-19 and tax relief options on the [Inland Revenue website](#)

We strongly recommend that you talk with your club's accountant to see what options might be suitable for your club. Some of the tax relief options available include;

### **Reintroducing depreciation on commercial and industrial buildings:**

Depreciation deductions will be reintroduced for new and existing industrial and commercial buildings, including hotels and motels. This will help support businesses with cashflow in the near-term and assist with the broader economic recovery by stimulating business investment in new and existing buildings.

Reinstating building depreciation will support longer-term economic productivity and macroeconomic objectives by:

- encouraging investment in business premises and decreasing the cost of such premises over time.
- improving business confidence; and
- enabling the capital cost of seismic strengthening of buildings to be depreciated.

**Payments able to be applied for and received from:** A Bill containing this measure will be introduced shortly. The law will allow owners of commercial and industrial buildings (including hotels and motels) to start reducing their provisional tax payments for the 2020-21 income year immediately. There is no application process as the increased deduction will be available as part of normal tax filing processes.

### **Immediate deductions for low value assets**

Taxpayers will be able to 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 are currently able to claim an immediate deduction for the purchase of assets that cost less than \$500. This threshold will be further increased to allow the immediate expensing of assets that cost up to \$5,000, for a year (2020-21 income year). The temporary increase (to \$5,000) is designed to incentivise taxpayers to bring forward investments to encourage spending. The threshold is being permanently increased to \$1,000 (from 2021-22 income year onwards). This will reduce compliance costs for businesses and encourage businesses to continue investing.

An increase in the threshold for writing off low value assets will reduce compliance costs for businesses. It will also have the side-benefit of stimulating business purchases (although overall impacts on demand are likely to be small).

**Payments able to be applied for and received from:** This will take effect for expenditure made on or after 1 April 2020 for most taxpayers.

## **Fewer small businesses having to pay provisional tax**

Increasing the threshold for having to pay provisional tax from \$2,500 to \$5,000 allows more small taxpayers to delay paying their taxes. This means they have until 7th February following the year they file to pay their tax, 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.

**Payments able to be applied for, and received from:** Taxpayers that would have otherwise been paying provisional tax in the 2020-21 tax year will now be able to pay their tax on 7th February 2022 – providing immediate cashflow benefits estimated to be \$350 million in the 2020/21 fiscal year.

## **Writing off interest on some late payment of tax**

The Commissioner of Inland Revenue will be given the power to waive interest on late tax payments for taxpayers who have had their ability to pay their tax on time significantly adversely affected by the COVID-19 outbreak. Use of Money Interest (UOMI) is routinely charged on late tax payments.

**Payments able to be applied for and received from:** The relief will apply to interest on all tax payments (including provisional, PAYE, and GST) due on or after 14 February 2020.

## **SKY BUSINESS**

We are aware that SKY Business has contacted its commercial customers to offer an account suspension from 1 April. For clubs this is a lot of money you can be saving while the club is closed.

The email advises that all you need to do is email [skybusiness@sky.co.nz](mailto:skybusiness@sky.co.nz) so that they can action this for you, however, we have had reports that the email address was not working, if this is the case give them a call.

Larry Graham  
Chief Executive, Clubs New Zealand