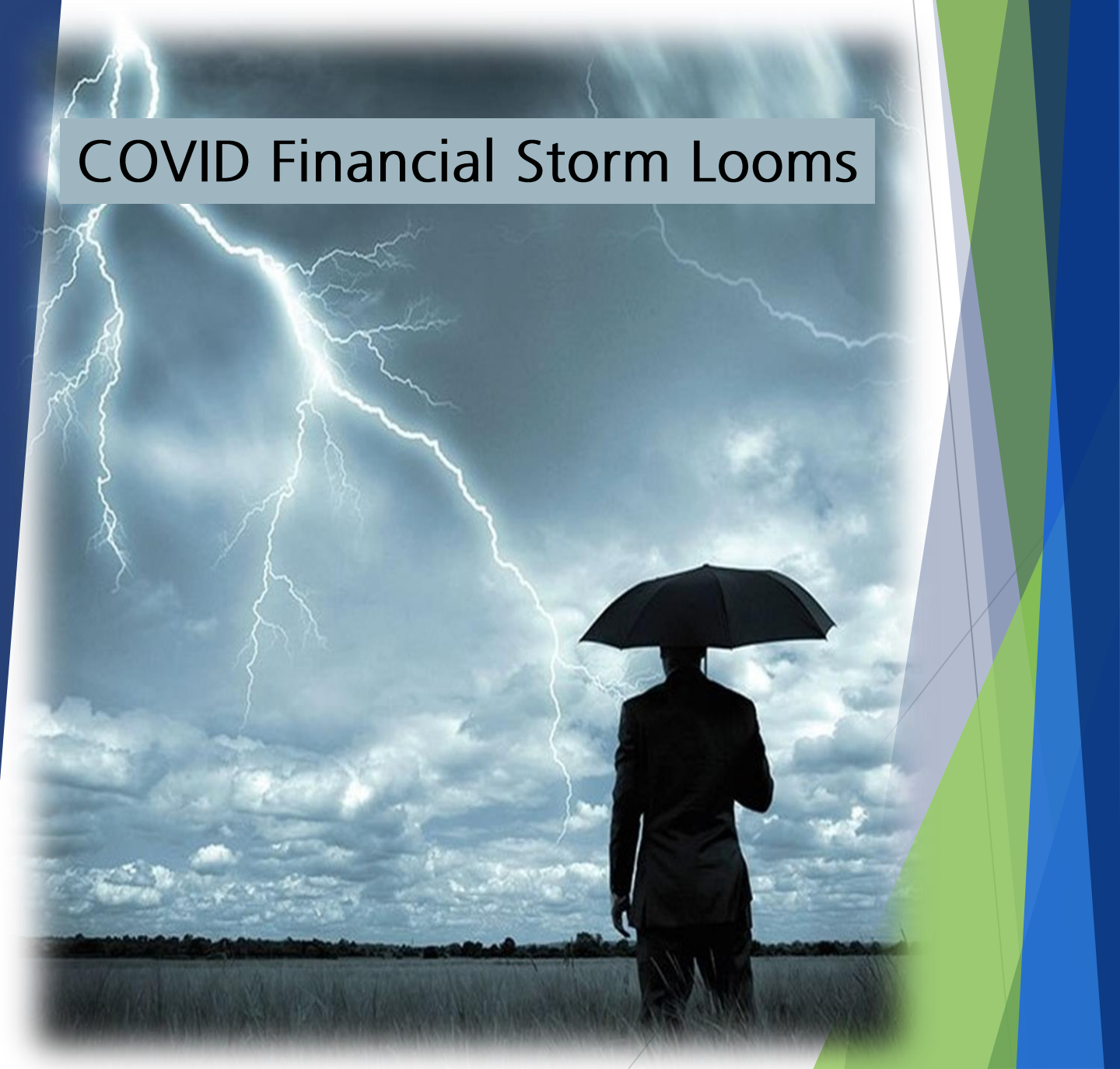


Newsletter

July 2020

COVID Financial Storm Looms



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COVID-19 Financial Storm Looms

*UHY Haines Norton's Managing Director **Grant Brownlee** shares his views on the financial storm that COVID-19 is causing.*

I was going to write an article about how the new ring-fencing of residential rental property losses rules have turned out to be a fizzer. Low interest rates have turned many loss-making properties into profit so the Government's ill-conceived policy to punish property investors has added another red tape drag on the economy with very little benefit.

However, the subject of ring-fencing seems insignificant in the context of COVID-19. Until we get a vaccine obviously there is no certainty. Despite the almost return to normal here in New Zealand, it is not over and we must prepare for the long haul. The Government holding back a large proportion of the \$20 billion COVID fund to battle the future impact of COVID is prudent and speaks volumes. No one knows what's coming.

As my daughter walked past a Jet Park Hotel van picking up COVID cases from a managed isolation hotel, she wondered whether the COVID-19 virus could drift on the breeze to her or someone else in the community. Is it only a matter of time before our incredibly successful 'go hard, go early' strategy is destroyed by some unknown transfer mechanism or some idiot jumping the fence?

In this uncertain environment it is very difficult to make plans. Whether you are a 25 year old who's had to curtail your OE, a retiree who has had to put travel plans on hold, a business owner who is counting down the days to when the wage subsidy runs out or an employee who fears losing their job it is very difficult to plan anything. There is a lot of grieving and stress occurring.

What we can be certain of is as humans we have an amazing ability to adapt. A crisis forces us to think about our changing environment and look for opportunities to survive and thrive. We are forced to review everything and put to one side the things that are not helpful. We are forced to focus on what is important. Entrepreneurs tend to fall back on their natural instincts and rise to the occasion.

Unfortunately, there will be financial failures caused by the pandemic where people and businesses do not have the financial strength or the agility required to outlast the COVID financial storm.

At level 4 we proved we can adapt quickly.
Hold those learnings, we may need them again.

Grant Brownlee is Managing Director at UHY Haines Norton.



The Wage Subsidy Extension

Is your business still being significantly impacted by COVID-19? Applications for the wage subsidy extension remain open until 1st September 2020. However, there are some conditions you should be aware of before applying.



- If you applied for the original 12-week wage subsidy then you must wait 12 calendar weeks from the date of receiving that before you apply for the wage subsidy extension, i.e. until the original subsidy period has ended. You cannot receive more than one COVID-19 payment for the same employee at the same time.
- You can still apply for the extension for employees even if you did not apply for the original wage subsidy for them.
- Your business must have experienced a minimum 40% decline in revenue for a continuous 30-day period due to COVID-19 in order to be eligible for the extension. The continuous 30-day period must have occurred in the 40 days immediately preceding the date you apply, but be no earlier than 10 May 2020. The 40% decline in revenue is compared to the closest period last year.
- As with the original 12-week wage subsidy, you must have taken appropriate steps to mitigate the financial impact of COVID-19, such as contacting your bank, claiming insurance, implementing your business continuity plan or seeking advice or support through official channels such as the [Regional Business Partners Network](#).
- You should also be aware that the declaration for the wage subsidy extension is substantially different and more comprehensive than the declaration for the original subsidy:
<https://www.workandincome.govt.nz/online-services/covid-19/declaration-wage-subsidy-extension.html>.

Please [contact us](#) if you have questions regarding how the wage subsidy extension applies to you, or if you need help in determining a comparable decline in revenue.

Visit [Work And Income](#) to fill out the online application form.

Are You Paying Too Much For An Audit?

Most of the time auditors are perceived as the bad guys because they ask a lot of awkward questions and can charge steep fees. On top of that they can cause you a lot of stress and create an uncertain environment or even fear that things will be found in an audit. Going through an audit can seem quite daunting!

To allay these fears and the risk of costs blowing out, there are number of simple things that can be done. These include:

- Plan your work well in advance
- Research your auditor/s
- Get references of the work that they have done for others
- Get at least three quotes
- Interview them and see how they could add value to your business
- Check whether they really have experience in your industry
- Meet with them and communicate your requirements
- Understand the way they will approach their work
- Look at whether they will be utilising senior or junior staff
- Carefully read through the Engagement Letter
- Look out for “locking in terms” and “provisions” they are putting to charge for extra hours
- Watch out for scope creep
- See if they can improve the fee if you engage for (say) 3 years
- Have all your paperwork in good order
- Ask for a list of things that will be required for the audit
- Consider assisting the auditor with doing some aspects of the work yourself
- Allocate proper time and staffing resources
- Don't deviate from the agreed deadline
- Consider getting a second opinion on the fee estimate; and
- Negotiate, Negotiate, Negotiate



Technology and Online Capability

With the global COVID-19 pandemic, many firms have developed their online capabilities and embraced technology to a new degree. The advantage of this for clients is that some processes have been streamlined, such as minimising on-site fieldwork and utilising secure online file sharing which increases efficiencies and keeps costs low. Audit firms that embrace digital resources will be capable of delivering economical audits without compromising on quality.

As with so many things, you get what you pay for - so shopping around for a cheap audit may sometimes not be the best decision for your organisation. However, an experienced mid-tier firm with a good reputation is likely to deliver a quality and cost-effective audit.

*If you are interested in learning more about our audit services, please contact Audit and Assurance Director **Sungesh Singh** on sungeshs@uhyhn.co.nz or phone (09) 839-2184.*

Claiming Costs Of Healthy Homes Standards

The new [healthy homes standards](#) became law on 1st July 2019. These standards require residential rental properties to meet specified standards across areas including heating, ventilation, insulation and drainage. The deadline for landlords to provide a compliance statement for meeting the healthy homes standards has now been extended from 1st July 2020 to 1st December 2020. This is in recognition of the impact of COVID-19 and the limited access that landlords and tradespeople had to rental properties during the crisis. Note that the deadlines for complying with the standards have not altered, only the deadline for a compliance statement produced through a qualified inspection.



In meeting the healthy homes standards, some landlords are likely to incur a number of costs, for example with the installation of fixed heating devices, insulation, extractor fans, security stays for windows and guttering, as well as draught stopping measures. So can landlords claim these costs associated with complying with the healthy homes standards?

Unfortunately, the majority of costs incurred will be classed as capital expenses as they are improvements to the residential rental property, therefore increasing its capital value. Residential buildings are generally depreciated at zero percent so no depreciation can be claimed. The depreciation exceptions are electric panel heaters, some models of heat pumps, through-window extractor fans, window stays, door openers and stops, external door draught excluders and some fireplace blocking devices - which can all be depreciated at specific rates.

The costs that **can be claimed** as deductions are those classed as repairs or maintenance, including replacing like-for-like items. For example, replacing broken guttering is a claimable expense, but installing guttering where there previously was none is not claimable. The costs must be claimed in the income year in which they are incurred.

Any costs associated with record keeping and providing information in tenancy agreements can also be claimed as deductions.

Please [contact us](#) if you have questions regarding rental property expenses, or any aspect of [Property Accounting](#).

How To Get A New Zealand Business Number



A New Zealand Business Number (NZBN) is a unique 13-digit number for all New Zealand businesses, including companies, sole traders, partnerships, registered charities, trusts and government agencies. It is designed to make it easier for businesses to connect and interact with each other as well as government agencies. In recent times, a NZBN has become an integral part of applying for the government's COVID-19 financial support packages.

Many organisations have been automatically assigned a NZBN, including registered companies, incorporated societies and limited partnerships. To find out if your organisation already has a NZBN, [search the register here](#).

If your business does not have a NZBN, you will need to [apply for one](#). The application process is online using your RealMe login (or creating one if you don't have an existing login). You will need proof of identity in the form of a drivers' license or passport.

In most cases processing takes no more than three working days.

Note that if you are a sole trader, partnership or trust you are only eligible for a NZBN if you are currently in business.

Marketing On A Shoestring



UHY Haines Norton Marketing Coordinator Debbie Robson shares her ideas for ways that SMEs can continue marketing in the current economic climate. This is part one: Review Your Online Presence.

In March 2020 New Zealand businesses took an immediate and unprecedented financial hit. Business owners dived straight into survival mode, with most using a combination of government relief packages and drastic cost-cutting measures. For many businesses, the marketing budget was one of the first to be cut. After all, who needs to advertise if your business is struggling to retain staff and pay basic operating expenses?

Actually, now that New Zealand is open again for business, marketing should definitely be incorporated back into your activities. Without marketing your business is invisible. However, when you have lost weeks or even months of revenue, it's time to re-assess your marketing activities so you can get the maximum return on a minimal budget.

A good place to start is by reviewing your online presence. Almost 90% of purchasers begin their search for a product or service online, not instore. Having a strong, accurate and up-to-date online presence is essential for businesses. Google your business and see what comes up. This is the first impression you make on your potential customers. What does your online presence consist of? And is the information complete and accurate?

Your online presence may consist of just one element or several different listings. Often some regular time is enough to help boost your digital presence.

Google My Business Page

Consider this to be the bare minimum. It's a free business listing that includes not just essential information like contact details, opening hours and your products or services on offer, but you can also upload photos and publish posts. With Google continuing to be the dominant worldwide search engine, an up-to-date Google My Business page is essential for every business.

Facebook Business Page

As a free social media tool, a Facebook page can be very useful for businesses. Put some effort into building your followers. This doesn't have to include paid advertising campaigns: a competition give-away of your products or services can be just as effective in growing page likes and also increases awareness of your offering.

Make time to post regularly on social media but don't overdo it. A variety of content is key, so think about posting:

- Tips related to your industry
- Your products/services
- Opening hours reminders
- Relevant news
- Staff news and updates that show the human side of the business and help to foster customer relationships

Website

If your business doesn't already have a website then finding the money to invest in one might be difficult in the current environment, and I would suggest adding it to your wish list for the future. If you do have a website you should take some time to review it. At the very least, make sure your products/services are clearly and accurately displayed and your contact details are prominent.

With our shock introduction to contactless sales in recent months, e-commerce is a direction that many businesses are going in. There are affordable website plug-ins that can work with your existing site if your range of products/services for online sale isn't too comprehensive.

Online Directory Listings

This may include anything from local business guides to industry-specific directories to nationwide directories. Your listings may be free or paid, so consider which directories are actually resulting in customers. Again, review the listed information for accuracy and ensure it is as comprehensive as possible.

Debbie Robson is Marketing Coordinator at UHY Haines Norton.

Superannuation Tax Codes

When you are applying for New Zealand Superannuation you must choose a tax code. Which tax code is right for you depends on whether you are receiving other income.

If NZ Super Is Your Only Income

If NZ Super is your only income then your tax code should be M. The exception to this is if you have a student loan, in which case your correct tax code should be M SL.

If You Are Still Working

If you are still working and therefore receiving income from another source, your tax code will be different depending on whether your NZ Super is your primary or secondary source of income.

If your NZ Super is greater than the amount you earn from your wages/salary, then it is classed as being your primary/main source of income. In this case your correct tax code should be M. Again, if you have a student loan then it should be M SL.

If NZ Super is less than the amount you earn from your wages/salary, then it is classed as being your secondary source of income. In this case, your correct tax code will depend upon the total combined amount of annual income you will earn from NZ Super and your job.

If your annual total income including NZ Super is:

- a) Less than or equal to \$48,000, your secondary tax code should be S. Your NZ Super will be taxed at the rate of 17.5%.
- b) Between \$48,001 and \$70,000, your secondary tax code should be SH. Your NZ Super will be taxed at the rate of 30%.
- c) Greater than \$70,000, your secondary tax code should be ST. Your NZ Super will be taxed at the rate of 33%.

There is also the option to [apply for a special tax code](#) if you believe your tax rate is too high or too low.

If you receive income from savings or investments this income also needs to be [taxed at the correct rate](#).

Please [contact us](#) if you have questions regarding your tax codes for NZ Superannuation, or visit the government's website.



New Features In Xero Expenses



Xero has introduced two useful new features in Xero Expenses to help make managing your expenses easier and more automated.

1. Company Card Reconciliation: employees now have the ability to submit expenses they have paid for using company money.
2. Tracked Mileage: mileage claims can be tracked through an integrated map which accurately calculates distance.

For more information visit <https://www.xero.com/nz/features-and-tools/accounting-software/expenses/>.

Taxing Matters

- The IRD advises that there are several options you can explore if you are having trouble making your tax payments. One option is to set up an arrangement in myIR for paying off your tax in instalments. Or if you are paying provisional tax because of anticipating making a profit but believe that you might no longer make a profit then you can re-estimate it in myIR to reduce your tax bill. You may be able to offset last year's tax bill for a profit against this year's loss - called [tax loss carry backs](#). The IRD can also write-off penalties and interest in certain circumstances. However we strongly recommend that you first talk to your accountant (Tax Agent) before taking any of these measures. They will be able to advise you on the best course of action and can provide assistance in making the appropriate lodgements with Inland Revenue.
- The provisional tax threshold has increased from \$2,500 to \$5,000, so if you are expecting a tax bill under \$5,000 you are not required to pay instalments through the year.
- The small asset depreciation threshold has been raised to \$5,000 for assets purchased from 17th March 2020 to 16th March 2021. This allows the full cost of assets under \$5,000 purchased during this period to be written off and reduce this year's tax bill. From 17th March 2021 onwards the threshold will be reduced to \$1,000.
- Commercial and industrial buildings are now permitted to be depreciated.
- Research and development tax credits have been brought forward, so businesses who undertook R&D last year may be able to reduce this year's tax bill.
- The application date for the Small Business Cashflow Scheme has been extended to 31st December 2020.
- The [National Average Market Values of Specified Livestock Determination](#) have been issued for 2020.
- ACC has advised they are delaying invoicing until October this year. 2020/21 invoices would normally have been issued from 1st July 2020.
- Paid parental leave was increased from 22 weeks to 26 weeks on 1st July 2020.
- Although the tenancy termination restrictions ended on 25th June, landlords are still unable to increase rents until after 25th September. For more information visit [Tenancy Services](#).
- The fees for registering and renewing [trade marks](#) and patents have been decreased, making it cheaper to protect your name, logo or slogan.

Staff News

Life feels like it has largely returned to normal here at UHY with all three of our offices fully staffed as they were before the lockdown period earlier this year. While the firm adjusted extremely well to working remotely without compromising our quality or workflow, it is great to be back in the office and be able to talk to everyone face-to-face once again. We feel very fortunate to be in this position, although we continue to adhere to Alert Level 1 guidelines:

Wash



Your Hands

Cough Or Sneeze



Into A Tissue Or
Your Elbow

Stay Home



If You Are
Feeling Sick

Congratulations to **Kahu Selkirk**, who has been promoted to the position of Supervisor at our Kumeu office.

Congratulations to **Satish Kathiriya**, who has passed his Audit and Taxation exams this semester.