

# Newsletter

February 2021

**COVID-19 Support:  
Resurgence Support Payment  
& Short-Term Absence Payment**



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# COVID-19 Resurgence Support Payment



Applications for the government's Covid-19 Resurgence Support Payment (RSP) opened on 23<sup>rd</sup> February 2021. The RSP has been created for viable and ongoing businesses or organisations experiencing reduced revenue due to a Covid-19 alert level increase to Alert Level 2 or higher. It can help businesses to cover expenses like wages and fixed costs.

Eligible businesses and organisations can apply for the lesser of:

- ❑ \$1,500 plus \$400 per full-time equivalent employee, up to a maximum of 50 full-time equivalent employees; *or*
- ❑ Four times the actual revenue drop the business has experienced.

To be eligible for the RSP, businesses or organisations must have experienced a minimum of 30% drop in revenue or capital-raising ability over a 7-day period after the increased alert level, as well as meet other RSP eligibility criteria.

Applications for the Covid-19 Resurgence Support Payment can be made through myIR.

For more information visit the [IRD's website](#).

# COVID-19 Short-Term Absence Payment



A short-term absence payment is available at all Covid-19 Alert Levels for employers to pay staff who follow public health guidelines and stay at home while waiting for the results of a Covid-19 test. In order to be eligible for the absence payment, staff must miss at least one shift of work and be unable to work from home. The short-term absence payment is \$350 for each worker, and it is also available to self-employed individuals, as well as parents or caregivers who are at home caring for dependents who are awaiting test results. Employers or self-employed individuals can apply for any staff member once within any 30-day period. [Click here](#) for more information.

# 5 Ways To Reduce Your Audit Costs

Many organisations are required either by the law or their foundation documents to have an annual audit or review conducted by an independent auditor. Naturally, these statutory requirements come at a price but there are lots of ways to minimise your audit costs. Here are our top five ways to reduce your audit costs.



1. Choose the **right auditors** for your organisation. Look for auditors with experience in your industry and in depth knowledge of the statutory requirements that apply specifically to you. This will make for a quicker and more efficient audit process and help to reduce your audit costs.
2. **Be prepared and organised** with your financial data and documentation. The more complete and accessible your financial documents are, the smoother the audit process will be. We at UHY Haines Norton provide a checklist of information (Client Assistance Package), so go through this thoroughly. If auditors have to chase up an unreasonable amount of documents, or review changing data that has not yet been finalised, it can lead to additional costs. Being organised also saves time for you and your staff.
3. **Be fully transparent** and disclose everything your auditors should be aware of. Leaving them to discover any issues you should have communicated at the beginning can result in additional time and expense. Have full disclosure from the outset and remember that the auditors are on your side!
4. **Establish a good working relationship and great communication** with your auditors. Yes, auditors have specialist knowledge and skills that allow them to provide these specialty services, but an audit is also an interactive process that both parties must contribute to. Lack of availability and delays in responding will only stall the audit, potentially leading to increased costs. The more available and communicative you and your team members are, the more efficient the audit will be - equalling better control of costs.
5. Improve your **organisation's internal controls** in subsequent years. A reputable audit firm that conducts quality audits, such as UHY Haines Norton, will often provide constructive feedback on any system or control weaknesses identified during the audit process (Management Letter points). Their recommendations of ways to strengthen those weaknesses and improve internal controls can be implemented for subsequent audit years. Better internal controls equal more efficient and cost-effective external audits.

Lastly remember one thing: “**The bitterness of poor quality remains long after the sweetness of low price is forgotten.**”

*Bhavin Sanghavi is an Audit Director at UHY Haines Norton. UHY Haines Norton's auditors provide quality audits for organisations of all sizes across a wide range of industries. To find out more about how we can help you, please contact Bhavin on (09) 839-0248 or email [bhavins@uhyhn.co.nz](mailto:bhavins@uhyhn.co.nz).*



# Small Business Cashflow Scheme: New Eligibility Criteria



New eligibility criteria for the Small Business Cashflow Scheme (SBCS) has come into effect. With the aim of making the scheme available to more businesses, the new loan criteria includes:

- ❑ The inclusion of new businesses established after 1st April 2020 which have been operating for six months.
- ❑ A change to the requirement that businesses must have experienced a decline in actual or predicted revenue of at least 30% in any 30-day period from January to June 2020 compared with the same period in the previous year. This has now been changed to an actual drop in revenue of at least 30% due to COVID-19 over any 14-day period in the previous 6 months, compared with the same 14-day period a year ago. Records must be supplied to support this.
- ❑ No interest will be charged if the loan is repaid within two years (this was previously one year).
- ❑ Permission for eligible businesses to draw down a second loan if they have repaid their original loan in full.
- ❑ Easing of restrictions on how the loan funds can be used. Originally the SBCS funds were to be used for core business costs, but now they can be used to invest in the business and help it to adapt to the impact of Covid-19, for example investment in new equipment and digital infrastructure.

Extension of the SBCS is one of the Government's top economic priorities to continue to provide support to SMEs. It is designed to give confidence to New Zealand's small businesses keep up the momentum of recovery. Applications are open until 31st December 2023. For more details visit the [IRD website](#).

# Tax Discounts In The First Year Of Business



Any self-employed individuals such as sole traders, contractors and partners of partnerships, who are in their first year of operating could be eligible for tax discounts by paying their income tax early.

In the first year of trading, sole traders, contractors and partners usually do not need to pay their Terminal Tax (year-end tax) for around a year or many months after the tax year ends. This is usually 7th February of the following year, or 7th April the following year if you use a tax agent. However, you could be eligible for a 6.7% discount on your income tax if you pay some or all of your income tax before the tax year ends (by or before 31st March).

Managing [cash flow](#) has become even more challenging for some sole traders, contractors and partnerships in recent times so we recommend thoroughly assessing your current and forecasted cash flow to determine if paying your income tax early is a good option for your business.

If you do decide to pay your income tax early you will need to accurately calculate what you owe. You must tick the relevant box on your tax return to apply for the discount. Your accountant can help with this, as well as advising on how to set up good systems to manage your taxes.

# Bright-Line Test Taxes: Sale Of Bare Land



The bright-line test taxes the sales of residential properties which are sold within five years of purchase (or two years of purchase if the purchase occurred between 1st October 2015 and 28th March 2018 under the original bright-line test rules). Here we look at whether the bright-line test applies to the sale of bare land.

In November 2018, Sarah purchased a block of residential zoned land in Taupaki to build a house on that would become her main residence. Her intention was to move into the Taupaki property as soon as the house was finished and sell her original property in New Lynn. However, just a few weeks after purchasing the land, Sarah took a new job based in South Auckland. She decided that she no longer wanted to build and move to her Taupaki property because of the long commute. She subsequently sold the block of land in March 2019. Will the sale be caught by the bright-line test?

Under the bright-line test, 'residential land' is defined as:

- ❑ Land with a dwelling;
- ❑ Land for which the owner has an arrangement relating to erecting a dwelling; or
- ❑ Bare land that may be used to erect a dwelling (in line with the relevant operative district plan)

In Sarah's case, her clear intention was to build a house on the Taupaki land and turn it into a residential property. The land was sold within the five year period and therefore it is caught under the bright-line test and any gain made on the sale would be taxable.

Even though Sarah was intending to use the Taupaki property as her future main home, under the bright-line test the [main home exclusion](#) only applies if the land has been used as the main residence for more than 50% of the time of ownership and more than 50% of the property was used for that purpose. As Sarah never actually built a house the main home exclusion cannot apply.

# Have A Separate Bank Account For Tax

BANK ACCOUNTS	
TOTAL BUS CHK (...7778)	\$10,190.12 Available balance
BUS SELECT HY SAV (...2780)	\$20,301.82 Available balance
Total	\$30,491.94

If you are in business one of the most useful things you can do is set up a separate bank account for tax. Setting up a separate bank account and regularly putting money into it will ensure you can pay your tax bills on time and avoid costly penalties and interest. For example, when your invoices are paid, if you are GST-registered we recommend separating out the GST portion of your invoices into your tax bank account. And likewise when you complete your payroll, transfer the PAYE owing into your tax bank account. You can also pay extra into the account at times when your cash flow is particularly healthy to be used towards your provisional tax bill.

Late fees and interest on tax owing can have a real sting on small businesses, and those tax bills seem to come around far too often. Using a separate bank account helps you to avoid accidentally spending that tax owing on other business expenses. Plus if your tax bank account is set up as a high-interest account you can put the interest accrued towards other bills (such as ACC or insurance).

# Residential Tenancies Act Law Changes



Landlords should be aware of new law changes to the Residential Tenancies Act that took effect on 11th February 2021. These include:

- ❑ It will not be possible for landlords to end a periodic tenancy without cause by providing 90 days' notice. Instead, landlords will have new termination grounds and different notice periods for periodic tenancies.
- ❑ All fixed-term tenancies will convert to periodic tenancies at the conclusion of the fixed term except under specific circumstances, such as both parties agreeing otherwise.
- ❑ Tenants can request to make changes to a property, and landlords must agree if the change is classed as being minor.
- ❑ To prevent rental bidding wars, properties must be advertised with a rental price. It is not permitted for landlords to ask or encourage tenants to bid on the rental price and pay more than the price advertised.
- ❑ Tenancy agreements must be provided in writing.
- ❑ New measures to take action against parties who are not meeting their obligations are being introduced.
- ❑ The Tenancy Tribunal now has jurisdiction to hear cases and make awards up to \$100,000 (previously \$50,000).

Note that there are further changes due to come into effect on 11th August 2021 concerning family violence and physical assault in regard to tenants.

For more details on the law changes visit the [Tenancy Services website](#).

# Taxing Matters

- ❑ The IRD has reminded businesses that they still need to file their company's tax return if they have not already done so. For companies without a tax agent's extension of time, the due date was 7 July so although the Covid-19 disruptions have been taken into account, this does still need to be actioned by businesses that traded at any time in the 2020 year. The easiest way to file your company's tax return is online in the myIR portal, however it is always advisable to engage the services of an accountant to assist you in the preparation of your company tax return. By doing so the company is also likely to receive an extension of time to file its tax returns for future years. If you have not traded for more than 12 months you must advise IRD by submitting a 'Non-active company declaration' - IR433, which can be done in myIR. However, you should obtain tax advice to ensure that the company does qualify as 'non-active' due to the other requirements that must be met before a non-active company declaration is made.
- ❑ From 1<sup>st</sup> March 2021 there will be a new section in myIR where you can apply for and manage Paid Parental Leave. In your myIR portal you will be able to view and update your paid parental leave information, including your contact and bank account details and change of circumstances. You'll also be able to request a transfer of paid parental leave entitlements to a partner in myIR.
- ❑ From 1<sup>st</sup> April 2021 all employers will need to use the new payday filing format that IRD refers to as Version 2. As most employers use payroll software or a Payroll Bureau/intermediary service, there will be no noticeable difference because this version has been in place since 1<sup>st</sup> April 2020. If, however, your organisation uses its own in-house system, Version 2 will need to be built into that system before April.
- ❑ The 2019/2020 kilometre rates have now been finalised - visit the [IRD website](#) for full details.
- ❑ The IRD have released the "National standard costs for specified livestock determination 2021". It applies to any specified livestock that the taxpayer has on hand at the end of the 2020/21 financial year where they have elected to value that livestock under the national standard cost scheme for that financial year. Visit the [IRD website](#) for full details.
- ❑ From 1<sup>st</sup> March 2021, the myIR online portal will include a New Zealand foreign trust account. This will allow you, or your accountant, to perform tasks in the portal such as manage account details, file returns and make payments.

# 2020 Xero Awards

We were honoured to be nominated in the 2020 Xero Awards for “New Zealand Large Accounting Partner Of The Year”. This category recognises a Xero accounting partner with more than 40 employees who has been doing great work supporting small New Zealand businesses. We attended the glittering awards ceremony earlier this month in Auckland, and although we didn't win it was a huge honour to be nominated amongst a large number of entries and some very tough competition. Congratulations to all of the winners and finalists!



# Staff News

We are excited to welcome on board a new Auditor, **Tim Gaszikowski**. Originally from Germany, Tim moved to New Zealand with his family when he was 10 years old, growing up right here in West Auckland. Tim graduated with an Accounting and Finance degree from the University of Auckland, and is enjoying honing his skills on the new challenges that the auditing field brings. When he is not working, Tim loves spending time outdoors and staying fit and active.



Congratulations to Accountant **Satish Kathiriya**, who has passed the Global Strategy and Leadership CPA exam to qualify as a Certified Public Accountant.

Congratulations also to Accountant **Meghna Gupta** who has passed the Audit & Assurance module of the Chartered Accountant qualification.

UHY has taken up the **Aotearoa Bike Challenge** - the fun competition for February that aims to get as many people cycling as possible. So far almost 20 staff members across all of our offices have signed up, and we are loving tracking our kilometres and comparing our tallies with other businesses. There are some of us who haven't ridden a bike for quite some time so it's been a great motivator to get started again!



OFFICE PROFILE

## UHY Haines Norton (Auckland) Ltd

Auckland region 2021

 <b>Natasha Fernandes</b> OFFICE CHAMPION <a href="#">Change?</a>	 <b>27%</b> PARTICIPATION	 <b>8</b> OUT OF 30 CYCLING	 <b>7</b> NEW RIDERS	 <b>165</b> KILOMETRES CYCLED
 <b>17</b> TRIPS CYCLED	 <b>2.7</b> COMMUTE KILOMETERS	 <b>1</b> COMMUTE TRIPS	 <b>1.4</b> KG CO2	

### 'Finance' Industry Position – Auckland

<b>UHY Haines Norton (Auckland) Ltd</b> 20 - 49 STAFF	<b>1,055</b> POINTS	<b>1<sup>st</sup></b> POSITION	<b>View Leaderboard</b>	
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### Auckland Position

<b>UHY Haines Norton (Auckland) Ltd</b> 20 - 49 STAFF	<b>1,055</b> POINTS	<b>3<sup>rd</sup></b> POSITION	<b>View Leaderboard</b>	
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### New Zealand Position

<b>UHY Haines Norton (Auckland) Ltd</b> 20 - 49 STAFF	<b>1,055</b> POINTS	<b>20<sup>th</sup></b> POSITION		
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And our Henderson Manager **Gopi Ram** and his wife **Shobi** have also been out enjoying the beautiful weather and stunning scenery in a recent trip walking the Queen Charlotte Track.

