



**APRIL 2020**

**SNIPPETS**

## EMPLOYEE USE OF TELECOMMUNICATION TOOLS AND USAGE

Earlier this year, the Inland Revenue released a guidance statement for employers with regard to employee use of telecommunications tools and usage plans in their employment to simplify the PAYE/FBT rules for employee mobile devices, whether their phone, tablet or computer. The tax treatment depends on the arrangements and whether the amount in question is reasonable in the circumstances

With COVID 19 lockdown, many employees are working from home on a mix of employer supplied devices or personal computers with the need to increase usage plans, those guidelines will be of interest for employers.

If the device is mainly used by the employee for business purposes, the employer can reimburse 75% of the total bill.

If the tool is in the main used by the employee for private purposes, but required for business purposes, then the employer can pay the employee 25% of the bill.

In both the above cases, the income is non-taxable.

There is also provision to permit the employer to pay up to \$5 per week, maximum \$265 per year, per employee as a reimbursement for

the business' use of their personal mobile, to be treated as non-taxable income.



### Comment:

**There are a number of conditions that must be met before the above rules can be used. Please contact your advisor at Graham & Dobson if you require further advice.**

## COVID 19 INFORMATION FOR LANDLORDS

For the next three months, landlords cannot apply to the Tenancy Tribunal to end the tenancy for rent arrears unless the tenant is at least 60 days behind in rent. The Tribunal must consider whether it would be fair in the circumstances to terminate the tenancy, taking into account whether the tenant made reasonable efforts to pay the rent.

Tenants are still liable for the rent and landlords can ask tenants to pay what is due. Landlords can also seek a monetary order from the Tribunal for rent arrears even though they cannot currently ask the Tribunal to terminate the tenancy if the rent is less than 60 days in arrears. Landlords should try to reach an agreement with their tenant before taking this step.



## GRAHAM & DOBSON IN LOCKDOWN LEVEL 3

Graham & Dobson's offices will be operating with limited numbers of staff on site. If you wish to drop off records, files, annual accounts, you can do so during business hours 8.30am to 5.00pm when the front door is open. As the second internal door will be locked, you will need to leave the items in the foyer and phone 8691234, or text reception on 0273412007, or email: [post@grahamdobson.co.nz](mailto:post@grahamdobson.co.nz) to advise that the drop-off has occurred. We hope Level 2 will result in a return to normal service from our Gladstone Road offices.

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## GOVERNMENT COVID 19 BUSINESS ASSISTANCE MEASURES

The ongoing measures to provide relief for businesses during the COVID 19 lockdown include

- Greater flexibility for taxpayers in respect of statutory tax deadlines
- Changes to the tax loss continuity rules
- A tax loss carry-back scheme
- Measures to support commercial tenants and landlords, including changes to the non-residential building depreciation rate to 2% DV
- Broader R&D refundability rules brought forward to enable more business to access R&D tax credit refunds
- Business finance guarantee - businesses with annual revenue between \$250,000 and \$80million can apply to their banks for a loan up to \$500,000 for up to 3 years with the government guaranteeing 80% of risk – normal bank lending criteria applies
- Insolvency relief giving directors of companies facing significant liquidity problems because of COVID 19 a 'safe harbour' from insolvency duties under the Companies Act
- Allow the use of electronic signatures where necessary due to COVID 19 restrictions
- Giving the Registrar of Companies the power to temporarily extend deadlines normally imposed on companies, incorporated societies, charitable trusts and other entities operating under legislation
- Social assistance with winter energy payment doubled for 2020, all main benefits increased by \$25 per week from 1 April and the stand down period to apply for a benefit removed between 23 March and 23 November 2020
- Essential workers' leave extension for workers who contract COVID19, are self-isolating, have dependents who are sick or self-isolating or have household members who are at high risk – this leave is to be paid at the same level at the wage subsidy. To be eligible the employer must have had a 30% income decline or their ability to support these workers to take this leave is negatively impacted.
- Wage subsidy scheme, open to all NZ employers (including sole traders, contractors and partnerships) adversely affected by COVID 19 to continue paying employees and (after 27 March) retain those employees named in their application

### WEEKLY WAGE SUBSIDY PAID VS LUM SUM PAYMENT

A large number of employers are currently receiving or are planning to receive a payment under the Government's Wage Subsidy Scheme. This scheme provides an amount per week for both full time (\$585.80) and part time (\$350.00) employees to allow the employer to either contribute to or pay wages or salaries to their employees over 12 weeks. These subsidies should be processed as part of the employee's normal wages and all deductions of PAYE, KiwiSaver, student loans, child support etc are to be made as normal.

We are aware that some employers are considering paying out their wage subsidies as a lump sum to employees,

rather than continuing to make the payment as a substitute or alongside the employee's regular salary or wage payment. A lump sum would of course have the advantage of providing a cash in hand benefit up front to ease economic and financial pressure for the employees now, rather than being spread across the 12 weeks the scheme is applicable.

#### Comment

**While a lump sum payment may be well intentioned, this has a tax consequence to the detriment of your employees and we would strongly recommend against this approach because:**

- **The employee with regard to this lump sum should be taxed at the extra emolument rate resulting in a significantly reduced amount coming to the employee**
- **It may also have an effect on the employee's other deductions such as Student Loan and Working for Families.**

If you are finding that your employees are in hardship, it is possible to make an advance of salary and wages up to \$2,000 without any adverse tax consequence: i.e. a small advance is specially excluded from being a fringe benefit.

### WAGE SUBSIDY FOR SOLE TRADERS/CONTRACTORS

Sole traders and contractors are eligible for the wage subsidy in many instances. They should treat receipt of the wage subsidy as taxable income as it is to replace lost income that would otherwise be taxable.

Although many self-employed people will have received the subsidy in the tax year ended 31 March 2020, only one or two weeks of the subsidy will relate to the 2020 income year. The Inland Revenue has stated these payments qualify as 'compensation' for tax purposes and are therefore returned in the income year to which they relate.

### WORK. SLEEP. EAT. REPEAT!

There are useful ways to create a crystal-clear line between work and the rest of your life, especially if under COVID 19 you are working from home with your business premises closed. These include:

- **Draw the line:** Switching off at the end of the day requires discipline. At good start would be to turn off your notifications (Slack, Facetime, Whatsapp everything).
- **Prioritise:** Write down what you do each day for a week, and how long it takes you. You will be surprised how many opportunities you will find to better manage your time.
- **Set ground rules:** It is way too easy to ditch the walk to research that 'latest COVID19 update'. Make a list of unacceptable personal actions and make sure you are respecting your own boundaries.
- **Get your 'om' on:** Stopping to take five deep breaths does wonders for your stress levels. Next time you are waiting for that email that never comes just breathe.
- **Schedule breaks:** Schedule in your downtime as if it were another business or employee responsibility.

- Lead by example: Striking the right balance between your work and personal life flows on to your staff.

### KEEPING EMAIL ADDRESSES UP-TO-DATE IN myIR

Inland Revenue reports a growing number of email addresses in myIR are no longer in use or have been changed. As IRD moves further into digital services, it is important that they have up-to-date emailed contacts so it would be advisable for you to review the information held in myIR.

### THE MAKING OF ANZAC DAY

After an ANZAC day like no other, it is interesting to learn how the ceremonies of Anzac Day were established. The core elements of Anzac Day, as we know it, began to take shape almost as soon as news reached New Zealand of the landing of soldiers on the Gallipoli Peninsular on 25 April 1915. Within a few years of that date the ceremonies of the day with the sacredness of the commemoration had become enshrined in New Zealand’s traditions.

When the dramatic news received our shores that New Zealanders had landed at Gallipoli, four or five thousand attended a hastily organisation ‘demonstration; in the grounds of Parliament. Wider public recognition of the landings came later and a half-day holiday was declared for government offices, flags flown and patriotic meetings held. People eagerly read descriptions of the landings and newspapers gushed about the heroism of our soldiers.

However, the casualty lists that were published from early May 1915 made for far grimmer reading.

From outset the landings evoked national pride. The eventual failure of the Gallipoli operation enhanced its sanctity for many; there may have been no military victory but there was victory of the spirit as New Zealand soldiers showed courage in the face of adversity and sacrifice.

In 1916 New Zealanders started to demand some form of remembrance on the anniversary of the Gallipoli landings.



This became both a means of rallying support for the war effort and a public expression of grief – for no bodies were brought home. On 5 April 1916 a half holiday for all on 25 April was gazetted and church services along with recruiting meetings were proposed! At first the meetings extolled unity and imperial loyalty.

Returned Servicemen wanted something else – they did not want to go to different churches and certainly did not want to hear people who have not been to war ‘to spout on and pass resolutions!’ Returned servicemen preferred a public service conducted by an army chaplain and they soon claimed ownership of the day’s ceremonies and so it became the norm for commemorations on 25 April.

On 31 August 1916, after much lobbying by returned soldiers, the use of the word ANZAC for trade or business purposes was prohibited.

When the war was over, the form of the ceremony on 25 April was gradually standardised to become a form of a military funeral. It also became more explicitly a remembrance of the war dead and less a patriotic event. The ceremony become the short version of a military burial service conducted around a bier of wreaths and a serviceman’s hat. Three volleys are fired before the last post is played and the ceremony ends with a prayer and hymn.

Employee type	MINIMUM HOURLY WAGE RATES FROM 1 APRIL 2020	Old Minimum Rate	New Minimum Rate
Adult minimum wage	All employees, including 16 & 17 years olds after six months of employment with the same employer, excluding those meeting the criteria in the categories below	\$17.70 plus 8% for employees on a pay-as-you-go holiday pay agreement = \$19.12 per hour	\$18.90 plus 8% for employees on a pay-as-you-go holiday pay agreement = \$20.41 per hour
Children	Aged 15 years or under	No minimum applies	No minimum applies
Starting-out	<ul style="list-style-type: none"> <li>• 16 &amp; 17 year olds in the first six months with a new employer if they are not training or supervising others</li> </ul>	<b>\$14.16</b> plus 8% for employees on a pay-as-you-go holiday pay agreement = \$15.29	<b>\$15.12</b> plus 8% for employee on a pay-as-you-go holiday pay agreement = \$16.32
	<ul style="list-style-type: none"> <li>• 16 to 19 year olds on an Employment Agreement specifying the requirement of an industry training programme involving at least 40 credits a year, not training or supervising others</li> </ul>		
	<ul style="list-style-type: none"> <li>• 18 and 19 year olds, previously on a benefit for six months or more, not yet completed six months’ continuous employment with any employer, not training or supervising others</li> </ul>		
Training	<ul style="list-style-type: none"> <li>• Aged 20 and older on an industry training programme involving at least 60 credits a year</li> </ul>	<b>\$14.16</b> plus 8% for employees on a pay-as-you-go holiday pay agreement = \$15.29	<b>\$15.12</b> plus 8% for employee on a pay-as-you-go holiday pay agreement = \$16.32

