

Date: 18 March 2020

Dear Catherine

Provisional tax helps you to manage your income tax by paying the tax in three instalments instead of paying a lump sum amount at the end of the year. If you had more than \$2,500 tax to pay at the end of the year from your last income tax return, provisional tax is to be paid for the following year. Provisional tax for the following year is calculated by estimating a 5% increase of last year's residual income tax and dividing it by 3 to pay the tax in three instalments. If the last years income tax return is not filed then provisional tax is calculated by estimating a 10% increase of the residual income tax from two years ago and dividing it by 3 to pay the tax in three instalments.

New Zealand government has offered some tax relief due to the COVID-19 (novel coronavirus). In regards to provisional tax, you may be able to make an estimate or re-estimate your provisional tax using the estimation option of calculating provisional tax and refunds will be arranged by Inland Revenue if the tax is overpaid. Provisional Tax threshold will be increased from \$2,500 to \$5,000 from the 2020/21 tax year.

If you are having difficulties in paying outstanding tax, Inland Revenue can help you set up instalment arrangements. You can also apply for a write-off due to serious hardship when you know you won't be able to pay the full amount. If a relief is granted from payment due to serious hardship and have losses to carry forward, these losses will be reduced in proportion to the amount written off.

In regards to late filing or late payment, extensions to filing dates for some income tax returns may be available. Extensions can't be granted for GST and PAYE returns, but any penalties for late filing may be remitted. Penalties for late payments incurred due to the effects of the COVID-19 may also be remitted under limited circumstances.

The other business cash flow and tax measures the government has announced are, increase in the small asset depreciation threshold from \$500 to \$1,000 for 2019/20 tax year and to \$5,000 for 2020/21 tax year. This means that any asset bought under the value of \$1,000 in the 2019/20 tax year can be treated as expenses instead of assets and any asset bought under the value of \$5,000 in the 2020/21 tax year can be treated as expenses instead of assets. Inland Revenue will also allow depreciation on commercial and industrial buildings from 2020/21 tax year.

Finally, the Government has announced a business package, to qualify businesses must declare they have had a 30% decline in revenue due to COVID-19 month-on-month for any month between January and June this year (compared to last year), and that they have talked to their bank about assistance.

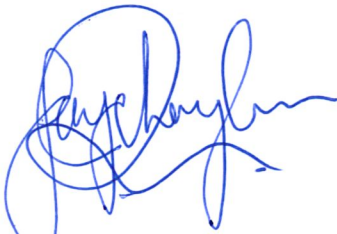


Employers can make applications for the scheme from today by filling out a simple form on the Work and Income website and making a declaration. The Ministry of Social Development have advised us that they will be able to make payments starting in five days' time.

On a practical side, we have just applied for this funding for our clients along with a cash flow forecast hoping to receive help from the government within five working days.

If your business is struggling and you would like some help in applying for this funding then please feel free to call Sachin at Orb360 Chartered Accountants on 09 390 0104.

Yours sincerely



Jay Changlani CA, CPP
Director

