



Polson Higgs Client Advice # III – Wage Subsidies, Payroll and Mortgage Holidays and more . . .

It has been, by any standard, a challenging week for us all. Your team at Polson Higgs has been busy working from home and with each day our understanding of the “lockdown” and what it means has improved.

Below some information which we think may be useful to you.

Wage Subsidies – This is understandably a big issue for all of us. Firstly the good news is that the process is working, and in reality given the circumstances, quite smoothly. We have heard from a range clients that their applications has been processed and funds received. Both the timelines on processing the applications and acknowledgment of receipt of the applications varies. Some have been processed in a couple of days, others longer. Some received an acknowledgement email or text, others nothing, but the funds arrived. If you haven’t applied yet, and you think you will be eligible, then you should and we can help with the application or with any questions. If you have applied, and are waiting on an acknowledgment (you didn’t get a text or email) we recommend that you monitor your bank account for the funds, rather than make another application.

Sick Pay Subsidies – This is for people that are off sick (with no sick pay left) who have the virus. Hopefully you don’t have to apply for this, but if you do then contact us on covid19@ph.co.nz and we can help if needed.

Payroll – The flip side of having received the wages subsidy is making payment to your staff, and processing it through your payroll system. You should:

- Processed payments to staff as taxable income subject to PAYE.
- Create a code called “Covid-19 Wage Subsidy” so you clearly and simply show it being paid to your staff. This code forms part of the employees gross earnings and is taxable.
- Use existing codes for any top up. For example: you might have staff topping up with leave or ordinary time. Use your existing codes.
- Use Leave without pay for any portion that is not being top upped
- Should your staff be taking annual or sick leave for their full wage, please send us an email. We will call to discuss.

If you have questions about how you do this with your payroll software then contact us on covid19@ph.co.nz

Mortgage Holidays - The trading banks have all agreed to give mortgage holders whose incomes have been affected by COVID-19, a six-month payment holiday on both the interest and principal of their mortgages. That does however mean that interest will accrue and therefore your

mortgage will increase, so if you are in a position to pay your mortgage then we recommend that you do so. What it does do is remove that worry about make the mortgage payments if cashflow is tight. Many of our clients employ staff, and are worried about if they are unable to pay wages how that will affect them, this policy was created with that in mind.

Business Loan scheme - While details are still being developed the Business Finance Guarantee Scheme will provide short-term credit to cushion the financial distress on solvent small and medium-sized firms affected by the COVID-19. This scheme leverages the Crown's financial strength, allowing banks to lend to ease the financial stress on solvent firms affected by the COVID-19. The scheme will include a limit of \$500,000 per loan and will apply to firms with a turnover of between \$250,000 and \$80 million per annum. The loans will be for a maximum of three years and expected to be provided by the banks at competitive, transparent rates. The Government will carry 80% of the credit risk, with the other 20% to be carried by the banks.

In these times having certainty about funding lines is essential to being able to make good medium and long term decisions. You should talk to us and your bank if you believe such a facility will be need.

Tax Payments - There are currently no changes to the amount or timing of tax payments. This week IRD came out with the following statement

“ If your business is unable to pay its taxes on time due to the impact of COVID-19, we understand, you don't need to contact us right now. Get in touch with us when you can, and we'll write-off any penalties and interest. It would help a lot if you continue to file however, as the information is used to make correct payments to people, and to help the Government continue to respond to what is happening in the economy.”

If you are likely to have difficulty paying your tax then contact your regular Polson Higgs advisor and we can discuss options including applying for relief of interest and penalties.

If you have a question about anything please don't hesitate to ask on covid19@ph.co.nz.

We are working on a number of projects to assist our clients during the lockdown and will have details of those for you early next week. In the meantime, I haven't checked the weather forecast, but I think it might be one of those stay at home weekends.

Stay safe and keep in touch.

Kind regards

Polson Higgs Team



PolsonHiggs
Business advisors

139 Moray Place, Dunedin 9016
PO Box 5346, Dunedin 9058. Phone 03 477 9923 ph.co.nz

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