

Covid 19 coronavirus: Paul Drum - SMEs to plot a course to safety

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Yesterday's announcement of a \$3.1 billion tax-loss carry-back scheme, among other new measures that will put cash in the hands of many business owners, is an important policy progression, particularly for small-business owners.

For most small-business owners, the present crisis is a little like flying a small plane around a locked-down airport waiting for the signal to land. Around the pilot and plane are thousands of other small craft, all circling the same little strip of runway and similarly waiting for the green light from the control tower.

All eyes are on the planes' fuel gauges. At some point every plane is going to run out of gas.

So, the Government's decision to allow businesses to claim anticipated losses against the previous year's profit and provide greater flexibility around statutory tax deadlines are necessary and welcome measures.

The Government is moving fast too. A temporary mechanism allowing businesses to claim a tax-loss refund will be included in a bill to be introduced the week starting April 27.

Between now and then, Inland Revenue will be undertaking targeted consultation with tax advisors to make the law and administrative guidance as clear as possible.

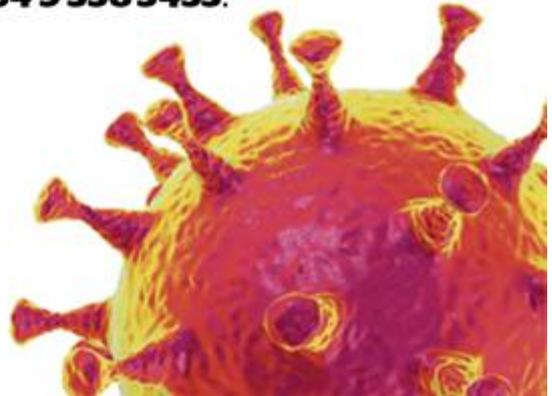
This will provide cash injections at a critical juncture when many companies won't have the financial fortitude to take on risk, a commercial imperative for economies that need to grow. And, boy, we will need to grow when the lockdown is eased.

The amendment to give Inland Revenue discretionary power to extend tax due dates and timeframes, including for provisional and terminal tax, is also necessary. This is a life-support measure that will keep many businesses alive while they try to plot a course to safety.

Demonstrating the absence of political ideology in its decision-making, the Government has also given an in-principle assurance it will change the tax-loss continuity rules, among the most stringent in the world.

What you need to know

- New Zealand has declared a **state of emergency** and is at **Level 4** (the highest level) on the Covid-19 alert system.
- Schools and non-essential services across New Zealand are closed and people are expected to stay home unless making essential trips or taking short, local walks.
- The symptoms of Covid-19 are a **cough**, a **high temperature** (at least 38C) and **shortness of breath**. These symptoms may also indicate the flu or common cold.
- Covid-19 can spread from person to person. When an infected person coughs, sneezes or talks, they may spread droplets containing the virus, which settle on surrounding surfaces.
- You may get infected by the virus if you touch those surfaces and then touch your mouth, nose or eyes.
- To stop the disease spreading, **cough or sneeze into your elbow** or cover your mouth and nose with a tissue. Put used tissues in the bin or a bag immediately and **wash your hands with soap and water** often, and for **20 seconds**.
- People should avoid close contact with others and disinfect frequently touched surfaces and objects, such as doorknobs.
- People with health concerns can call a dedicated Covid-19 healthline: **0800 358 5453**, or for international SIM cards: **+64 9 358 5453**.



This will give small businesses that need to raise capital (there will be many in this category) a level of certainty to undertake these transactions without losing the ability to offset this year's and/or next year's losses, while also giving officials time to work through the detailed design of rules that can be included in a bill in the second half of 2020.

I don't know what the future tax environment, or the business landscape for that matter, will look like in two years' time, save to note it will be a very different from what we're used to.

We're all playing a real game of Survivor right now and the goal is to keep as many businesses afloat as possible so that they might participate in the recovery, whenever that might come.

We all know that not every small business plane is going to be able to land safely on the New Zealand Inc runway. But, you can't fault the Government for trying their very best to ensure as many businesses' survival as possible.

- Paul Drum is GM of External Affairs at CPA Australia.

- [Covid19.govt.nz: The Government's official Covid-19 advisory website](https://www.covid19.govt.nz/)