

## **Covid and Cash Flow**

We are aware a number of clients have concerns around IRD commitments, especially with GST and provisional tax instalments due 28 August (which as a weekend means relevant filing/payment date is Monday 30 August).

IRD have reconfirmed their previous reasonable approach to dealing with clients with payment difficulties, we highlight some of the key issues for you below:

### **Filing returns**

Where possible continue to file returns at normal timeframes. Even if payment cannot be made.

### **Payment**

If payment cannot be made on time communicate promptly with IRD as to inability to make payment and set up an instalment arrangement. Communication before payment becomes overdue is desirable. We can assist as necessary.

### **Penalties/interest**

The IRD will favourably consider (and in our experience to date this has proven true) penalty/interest remission where a taxpayer has been unable to make payment on time due to financial impacts arising from Covid related circumstances. Prompt advice to IRD and negotiation of an agreed repayment program is essential. Once again we can assist.

IRD are conscious of stresses on taxpayers and are attempting to minimise level of supporting information required. However they can request supporting information to justify the non-payment, including 3 months bank/credit card statements, creditor/debtor details and supporting management financial information. While not always asked for taxpayers should have this information available to support their position.

### **Existing schemes of arrangement**

Taxpayers with existing schemes of arrangement which they cannot maintain due to Covid issues can similarly apply for a renegotiation of those existing terms.

### **General cash flow comment**

With many of our clients receiving one payment on the 20<sup>th</sup> of the month we expect that the impacts of lockdown will actually reflect in receipts in September. While current cash flow based on August receipts may appear normal and potentially able to meet IRD commitments we see the real pressure on cash flow arising in the September month with a shortfall in income.

Accordingly where necessary we recommend undertaking a forward short-term cash flow budget to assure yourself that meeting current IRD commitments on time does not compromise cash available in September to meet ongoing wages and other essential cash outgoings.

One of those essential cash outgoings will be finance payments. Our discussions with some financiers already indicate their willingness to consider a one month deferral on payments where contractor cash flow has been adversely affected by lockdown consequences. Similar to dealing with IRD we recommend taking a proactive approach rather than waiting until the brown smelly stuff is hitting the fan.

In summary experience is that IRD/finance companies/creditors are generally sympathetic to payment issues arising from lockdown but the key is prompt and open communication.

## At a glance, wider Government support available for businesses adversely impacted by Covid 19

	Alert Level 1	Alert Level 2	Alert Level 3	Alert Level 4
Wage Subsidy Scheme			yes	yes
Resurgence Support Payment		yes	yes	yes
Leave Support Scheme	yes	yes	yes	yes
Short-Term Absence Payments	yes	yes	yes	yes
Small Business Cashflow (Loan) Scheme)	yes	yes	yes	yes
Business Debt Hibernation	yes	yes	yes	yes

We are here to help you with any of these issues, please feel free to reach out to your client manager as necessary for assistance.

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