

LIFE AT LEVEL 3 UNDER COVID-19!

May 2020

TO ALL OUR VALUED CLIENTS

Welcome back to work (for most of you) as we return to some semblance of what passes for normality nowadays.

Most of our contracting clients are back in some form of work and we all await further details regarding Level 2 and what that means for retail, hospitality and tourism in particular who urgently need all the support they can get.

This newsletter provides a brief overview of:

- Re-cap of Existing Covid measures (as more detail comes to hand)
- Recent Covid measures
- Non Covid-related issues – yes there is actually a world beyond Covid!

We remind you of our regular updates of Covid issues through our newsletters (refer <https://www.blackburnegroup.co.nz/publication/> for those and in particular, useful summary in the 22nd April newsletter)

FREE WEBINAR on Covid Planning Issues

With our clients spread throughout the country, not to mention social distancing issues, the best way to reach out to you all is by way of a webinar, which we will host on these issues on Tuesday, 12th May 2020 at 11am. This will be no more than 45 minutes, with 15 minutes then provided for any questions that might arise. Watch your emails to register for the webinar, follow the link which will provide details regarding access, including assistance with downloading software (if necessary).

COVID—19

COVID RE-CAP

We won't repeat all the details previously covered (refer above link for those) but briefly touch on some of the queries we are getting and also clarification regarding application of some of the measures:

Wages subsidy – having (generally) returned to work after 5 weeks lockdown many clients are asking what to do with the "surplus" subsidy remaining with a number concerned about repaying this. That should not be necessary in most circumstances. Provided you have complied with the application criteria (30% Covid-related turnover decline, maintaining employment at 80% of normal wages for the 12 weeks) then any remaining credit from the subsidy remains available to you to assist in making future wage payments.

Government guaranteed loans – to date there is limited uptake of the (up to 500K) facility due to stringent criteria. Banks operate under "prudential lending" legislation meaning they cannot recklessly lend and must have confidence that a business is viable and will be able to repay. So this is not a "giveaway" and normal bank lending criteria will apply. We see these loans as being of some relevance in certain circumstances, but do not anticipate widespread uptake.

On the plus side those that do qualify will be eligible for considerably lower interest rates than normal due to the strong security provided by the government guarantee. Also we remind you that as registered consultants under the RBPN we can obtain subsidy funding of up to \$2000 to assist with cost of preparing applications.

Insolvency legislation – This covers both directors liability and debt hibernation options related to Covid issues. Full details have been provided in previous newsletters, we remind you that to obtain the benefits provided a company must have been solvent i.e. able to pay its debts as they fell due in the normal course of business, on 31 December 2019.

RECENT COVID MEASURES

Since our last newsletter one potentially significant further announcement has been made. This is of a "Small Business Cash Flow Scheme (SBCS)". We await detailed application criteria which is expected to be available by 12 May.

Information to date is that this will provide an amount of \$10,000 per business + \$1800 per employee. Eligibility criteria are the same as for the wage subsidy scheme. The scheme will be administered by IRD and applied for through myIR.

No interest will be payable if the loan is repaid within 12 months and only 3% interest charged thereafter, with loan expected to be repaid within 5 years.

Effectively this appears to be easier to access (subject to reviewing the fine print) small working capital cash flow advance that will undoubtedly benefit many of our clients. Please contact us for assistance if required, but if it is as per the wage subsidy application should be a straight forward process.

OTHER MATTERS

Yes, there is life outside Covid!. Some topical items are:

ACC

To be fair, somewhat Covid-related, as a part of assistance to business cash flow ACC have announced they will be issuing their invoices in October 2020 rather than July as normal.

IRD and Employer Deduction Payments

The IRD have changed the code for payment of PAYE, child support, kiwisaver and child support deductions. Ensure you use the code EMP so the payment is directed to the correct tax types.

Blackburne Group Invoicing

As per our previous advice, lockdown caught us in the midst of changing our management and billing systems. We have only just now been able to issue invoices in regard to March work. Unfortunately we are unable to issue statements for March. We would be grateful if you would pay the amount as per the invoice or previous statement, as appropriate. While invoices are dated March, payment in May will be treated as on time. We appreciate your assistance.

Log Markets

Many of our contracting clients will be pleased to hear that reduction of stocks and return to work in China have resulted in significantly improved market conditions. Spot market A grade log prices now in the mid \$150 range, compared to \$105 – \$110 pre-lockdown. While there are always risks that NZ forestry industry will grab high prices and flood the market, a number of buyers are offering fixed price 6 – 12 month contracts. This offers prospects of a much greater level of work certainty than historically has been the case.

Staffing

We have pluses and minuses on the staff front:

- ◆ After nearly 7 years with us Tania is leaving to pursue her Xero passion and help Xero customers, especially with their apps. We wish her all the best and will be in touch with clients she assisted to introduce your new client manager and make the transition as smooth as possible.
- ◆ Meanwhile, Monica Natta has seen the light and has escaped the Auckland rat race. Monica has worked in accounting offices for many years and is very experienced and will be an asset to the team.

Disclaimer

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.