

MONEY

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MATTERS



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LEADING CHARTERED ACCOUNTANTS AND BUSINESS ADVISERS

Keeping afloat with NZ's Business Finance Guarantee Scheme

A Business Finance Guarantee Scheme is now available to small and medium sized businesses in an effort to combat the negative economic impacts of COVID-19.

Businesses struggling to keep afloat due to difficulties caused by the coronavirus may be eligible to apply for the Crown's new support targeted loans under the Business Finance Guarantee Scheme, which aims to help small to medium sized New Zealand businesses get through the COVID-19 crisis. New Zealand-based companies with an annual turnover between \$250,000 and \$80,000,000 are eligible for the loan scheme.

What are the loan conditions?

- The facility limit for an individual loan will be a maximum of \$500,000. However, the maximum amount your bank is prepared to lend you will be determined by your bank.
- Interest rates will be determined by each individual bank under their normal lending criteria.
- Repayments can be made up to a maximum term of three years (although exact terms are determined by your bank).
- Loan applications are open until 30 September 2020.

How can you apply?

Before applying for a loan, make sure that your preferred bank is participating in the new loan scheme. While all New Zealand registered banks are able to participate, this does not mean that the bank you are looking to loan from is. Applications for the Business Finance Guarantee Scheme are made and accepted as per usual business loans at banks.

The banks will assess your business' circumstances and decide whether or not you qualify for a loan under the scheme. The Treasury (which has oversight of the compliance of participating banks through a robust monitoring and reporting process) is also strictly holding banks accountable for their assessment process. Applications cannot be made to the Government directly.

While applying for a loan with such conditions may be tempting, keep in mind that the Business Finance Guarantee Scheme aims to support businesses with urgent liquidity and bridging finance requirements and as a result, loans are only given out to a limited number of reasons which coincide with the Government's agenda. For example, you cannot access the scheme if your purpose for taking out a loan is to refinance an existing debt. For more information, visit the business government NZ website.



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Cybersecurity when working from home

Businesses that don't have adequate cybersecurity precautions in place for employees working from home may be putting their assets at serious risk.

COVID-19 is forcing many businesses to have employees work from home and the change may be difficult for some teams, especially if they haven't worked remotely before. The focus is often on your team's productivity, communication, equipment and ability, however, cybersecurity is a crucial element that should not be overlooked.

Most home networks and devices are not secure. Personal devices likely don't have the security systems that workplace devices have in place, such as anti-virus software, secure network connections and automatic online backup systems. Employees working from home may unintentionally put business assets at risk when they access work-related files on their personal devices and through personal wifi connections. Employees should therefore avoid downloading business materials onto their hard drives, desktops or their own cloud system.

Keeping this in mind, here are protective cybersecurity measures to consider when working from home:

- Use a virtual private network (VPN). This will improve your online privacy and encrypt your internet traffic, meaning that hackers who intercept it will not be able to read your data.
- Make sure home routers are secured by changing passwords, installing firmware updates, restricting inbound and outbound traffic, using a high level of encryption and switching off WPS.
- Don't use public wifi, such as libraries or shopping centres as they won't be secure.
- Equip employees with up to date security software and manufacturer software updates.
- Set up multi-factor authentication to allow you to verify your identity.
- Prohibit employees from working in public spaces where others can see their screen.
- Use encrypted communications so that it is unreadable to interceptors.
- Backup data regularly to avoid any lost data.

Dealing with client complaints

Preparing an effective complaint handling policy is key to long-term sustainable business growth and client retention.

As part of the natural process of business growth, your business is bound to come across customer or client complaints at some stage. In a matter of when and not if, here are a few key steps on how best to resolve client complaints and work towards a constructive complaint handling policy.

Acknowledge the complaint:

Never turn away a client reaching out to communicate with you. Make an effort to listen to their complaint and directly acknowledge them while being polite and courteous. By doing so, clients will feel appreciated and will more likely expand on their criticisms with constructive and civil feedback on your business hole, as well as aiding you with developing your complaint handling policy.

Discuss directly with the client:

If possible, it is best to directly contact the client (via phone or email) to gain a wholesome understanding of the sources of their complaints and any solutions or compromises they are willing to suggest. By

personally interacting with clients and gaining a customer perspective, it will be easier for you to decide if their complaints are reasonable and how best to resolve the issue. Keeping the client actively engaged with you will also improve your business image to be attentive and client-satisfaction oriented.

Commit to resolving the complaint as fast as possible:

In order to ensure that your client will not escalate the problem further, act fast and keep the customer informed of your progress when resolving their complaints. Consider setting a timeline for your response management and commit to it. It is important to keep yourself accountable for any delays in the complaints handling process and to inform your clients if any additional problems do occur.

Ask for feedback:

After resolving a client complaint, kindly ask for feedback on the handling of their issue and whether they were satisfied with your business' complaint handling policy. Ask for constructive criticism so that you can continue to develop your complaints handling procedure and improve your interactive services.

Leave entitlements for essential workers

Essential employers with employees on leave due to COVID-19 may be eligible for the Government's Essential Workers Leave Support.

Essential businesses (including grocers, pharmacies, security services, and essential equipment retailers such as construction outlets and locksmiths) may be applicable for the Essential Workers Leave Support if their employee(s) are not able to work due to COVID-19 circumstances. To be eligible, essential employers must:

- have experienced a 30% or higher reduction in revenue (actual or predicted) over at least a month when compared to the same month last year due to COVID-19; or
- are unable to sustain employee payments due to COVID-19 restrictions. This can include paying for an employee's leave as well replacement staff.

To be eligible, essential employees need to meet at least one of the following criteria:

- The employee is sick with COVID-19 and must remain in isolation until a health professional allows them to be released.
- The employee is in self-isolation due to being in contact with another person infected with COVID-19.
- The employee is responsible for dependents who have contracted

COVID-19 or are self-isolating due to close contact with an infected person.

- The employee has existing health conditions (such as severe asthma, diabetes, immunocompromising conditions, liver diseases, or they are over the age of 70) that puts them at higher risk of becoming severely ill from COVID-19, and has an agreement with their employer to avoid work for a period of time.

If employers are not eligible for Government supported leave, they still must adhere to regular employment laws when considering leave and meet contractual obligations, as well as their obligations to keep employees safe.



Supporting your employees with the COVID-19 Wage Subsidy Scheme

Changes to the Wage Subsidy Scheme have been made by the Government to offer financial support for businesses and employees during the COVID-19 national lockdown.



New changes to the Wage Subsidy Scheme may help businesses keep employees employed at their usual hours and rates to maintain business productivity. To be eligible, businesses must:

- Have had a 30% revenue drop as a result of COVID-19.
- Retain named employees for a minimum of 12 weeks during the grant.
- Pay employees at least 80% of their income and at their usual rates.
- Pay employees the full subsidy received, except when a person's income is normally less than the subsidy amount, in which case they can be paid their normal salary.

Under the COVID-19 Wage Subsidy Scheme, full-time employees (working 20 hours or more per week) will receive a gross amount of \$585.80 a week, while part-time employees

(working less than 20 hours per week) will receive \$350.00 a week. Keep in mind that you cannot apply for and receive both payments for the same employee.

The subsidy will be paid as a lump sum GST-free and covers 12 weeks per employee, consistent with applications paid to date. Employers can pass on the subsidy and additional wages through their usual pay cycles or at other intervals also.

Payments will arrive as soon as your application is approved by the Government, who will be assessing your business in addition to your information already held by Inland Revenue. There may be a delay if there is no existing information on your business with Inland Revenue. You will receive a text or email once your payment has been made and your bank will use a specific reference - "MSD COVID19C".

Applications can be made now from the Government's work and income website.

How to raise capital for your business

Raising capital is an essential process when aiming to grow or finance your business with new ideas. While it certainly isn't easy to do, here are a few tips you can keep in mind.

Build a strong company identity:

In order to attract general interest from potential investors and partners, it is recommended that you form an impressionable and cohesive company or brand identity. Try to develop an identity that is not only an accurate reflection of your company's goals and values but also memorable when you explain it to others. Make sure that your business identity highlights an aspect of your business as unique from others in the industry, whether that be an entirely new type of product, an innovative production method or even your staff culture.

By having an unforgettable company identity, it is much easier to sell your business ideas to potential investors and have them trust in your goals and abilities as well. Your confidence in

your business and its identity will naturally translate during your marketing pitches and convince your potential investors and partners to believe in your abilities as well. By making sure your business goals and identity align with each other, it becomes much easier for you and all those involved in your business to grow confident in it and invest your resources into it.

Research and approach the right investors:

When it comes to financial matters, the more options the better. While you may have a clear idea of what you want from an investor, they may not have the same opinions on you and your business. Thus it is important to consider background researching your investors, be aware of your own business position and evaluate whether or not you can meet an investor's expectations and the positive two-way relationship you can build together.

The easiest way to find the right investor for you is to widen your scope of potential investors by networking with not only business-savvy people but also those you are familiar with, such as friends, colleagues and

even family. Companies which operate purely in your niche industry are also good potential investors to consider. Keep in mind that the right investors are those who can accommodate for your funding needs in both form (some methods of funding are riskier than others) and monetary amount.

Organise a pitch:

When trying to raise capital for your business, always have a pitch ready to make to any potential investor you come across. Just like your company identity, your pitch should be unique in order for you to stand out amongst your competition. To prepare an impressive marketing pitch, here are some quick tips:

- Structure your pitch as if it is a story to engage your audience.
- Incorporate as many visual components as you can.
- Keep your pitch short and to the punch.
- Make sure that after your pitch, your audience remembers your idea/business.

Incorporating online services into your business

COVID-19 restrictions mean that businesses are being pressured to provide remote services in order to be able to continue trading while avoiding physical contact and outside exposure.

While this can seem difficult and confusing, businesses can take the opportunity to reach an even wider audience, offer customer convenience, and potentially even gain more



sales. Businesses can view this change not as an unwelcome compromise, but as a chance to grow and progress their business. Here are some things to consider to make the online shift go smoothly.

Keep customers updated:

Clients can get frustrated and feel uncared for if they are not told about important changes to your business that will affect them. Whether you're moving partially or completely online, it is important that you keep your clients updated about the changes and what it will mean for them. This can be done through a simple email, having a written sign on the front of your store, and verbally telling them either through the phone or when you see them last.

Set up a website:

Almost every business who wants to sell products and services online will need a website. Where possible, register a domain name that is original and represents your brand, as this will be part of your online identity. Your potential clients will

often be getting their first impression of your business from your website, so it is important that you have an effectively executed layout, user interface and design. On top of your products or services, customers generally expect information such as an about page, contact details, FAQs, social media links, or call to action prompt. Your website should be continually updated to provide fresh, relevant contact and correct information.

Develop your social media presence:

If you're not already on social media platforms or if your social media presence is weak, focus on creating engaging and relevant social media content for your audience. This can help you build a stronger relationship with your clients, share content they would find interesting and useful, and establish a brand image online. Having a strong social media campaign can help you gain online sales, as customers may keep you in mind as they shop online or can easily access your website through social media links.

COVID-19 tenancy protections property owners must follow

Greater protections for tenants have been introduced as part of the Government's COVID-19 Response (Urgent Management Measures) Amendment Act. Here's what landlords need to know.

The measure was introduced on 23 March 2020 and includes a freeze on residential rent increases and prevention of tenancies being terminated.

The rent freeze means that landlords will not be able to make increases to rent for an initial period of six months (the Government may decide to extend this period). Any rent increase notice from landlords will not be valid unless it has already taken effect prior to the rent freeze. After the Bill comes into effect on 26 March 2020, new rent increases will take no effect, even if the increase was negotiated prior to the Bill's release.

In most circumstances, landlords will also be prohibited from terminating tenancies during the lock-down period without the consent of the tenant. If the tenant chooses to or agrees to terminate their tenancy, this

can be undertaken as usual. Additionally, tenants will be able to revoke already existing termination notices if they need to stay in the tenancy during the lock-down period. If a landlord has already given a termination notice, but it is not set to come into effect until after the Bill, then it will have no effect.

Landlords will only be able to terminate a tenant if they:

- Make substantial damages to the premises.
- Assaults or threatens to assault the landlord or their family.
- Abandon the property.
- Undertake significant antisocial behaviour, such as harassment.
- Are 60 days behind in rent (increased from the original 21 days). In this case, the Tenancy Tribunal will determine if the tenant is making reasonable endeavours to pay rent).
- Are a sole tenant who has died.

Despite the new changes, if a tenant has not paid their landlord owed rent for over 60 days, landlords will still be able to take the

tenant to the Tenancy Tribunal. The Tribunal may decide that the tenant is liable for eviction if it is determined that they were not making reasonable efforts to pay rent.

Tenants will remain liable for rent arrears, and tenants and landlords must agree on the amount owed. If there are disputes concerning the amount owed where both parties cannot reach an agreement, the Tenancy Tribunal can be contacted to settle matters.

We Are Here To Help

Make use of us! This guide is merely a starting point, designed to help you identify areas that might have a significant impact on your personal and business planning.

We are always pleased to discuss matters with you and advise in any way we can.

