Small Business Cashflow Loan Scheme

The Government launched the Small Business Cashflow Loan Scheme (SBCS) to assist eligible small-to-medium businesses adversely affected by COVID-19. They subsequently extended the application period to help businesses, expanded eligibility, and announced further changes around the interest application and easing of restrictions on how the loan can be used.

Businesses employing up to 50 full-time staff may apply to the Inland Revenue Department for loans of $10,000 plus $1,800 per employee. The loans:

- accrue interest at the rate of 3% for a maximum term of five years
- will not be liable for interest if repaid within two years
- require no repayments for two years, although voluntary payments can be made at any time

In February 2022, Cabinet agreed to remove the first two years of accrued base interest from all borrowers who have, or will, take out a loan under the scheme. This change will mean interest will only start accruing at the beginning of year three.

A new top up loan will allow firms that have already accessed a loan to draw down an additional $10,000 with a new repayment period of five years, the first two years being interest free.

Inland Revenue administer the scheme. Applications opened on 12 May 2020 and can be submitted up to and including 31 December 2023. To apply, select 'Apply for a Small Business loan' in the 'I want to' section of myIR.

What you need to apply

To apply for the SBCS loan you need to:

- provide your New Zealand Business Number (NZBN) – obtain one, if you don't have one

- confirm that, due to COVID-19, your business has experienced a minimum 30% decline in actual or predicted revenue as a result of COVID-19 restrictions

  From February 2021, this extends to businesses that can demonstrate an actual drop in revenue of at least 30% because of COVID-19 over any 14-day period in the previous 6 months, compared with the same 14-day period a year ago. If the applicant was not in business the previous year, the 14-day period can be compared with the same or similar period in the previous month. Businesses must declare that the drop in revenue was due to COVID-19 and have records to support this.

- confirm your business or organisation:
  - existed before 1 April 2020.

    From February 2021, businesses established after 1 April 2020 and which have existed for 6 months are eligible for a loan if they meet other eligibility criteria.

  - is viable and ongoing, you have a plan to ensure it remains so, and you are keeping evidence to document this

  - will use the loan to pay for core operating costs (such as rent, insurance, utilities, supplier payments, or rates). From 9 November 2020 the loan could also be used for investment in new equipment and digital infrastructure

  - will not pass the loan through to the shareholders or owners, for example, by a dividend or a loan

- confirm you:
  - have appropriate authority to commit your business to this loan. We can't apply for you and nor can other tax agents, bookkeepers, or other representatives
  - are 18 years or over and have the legal right to apply for this loan
  - are aware Inland Revenue are not providing financial or other advice about the loan
  - agree to the loan terms
- provide the number of your full- and part-time employees together with their IRD numbers, if you have not already provided this when applying for the wage subsidy (note: if you have received the wage subsidy from Work & Income or filed an Employment Information (EI) in the last 30 days, your employees' information will already be on the application)

  - **From February 2021**, businesses applying for the Small Business Cashflow (Loan) Scheme will be measured on the number of employees they have at the point they apply. The limit to the number of employees hasn't changed, only the date at which they are calculated. Currently, employee numbers are measured at the point the business received the wage subsidy or 9 June 2020.

From February 2021, businesses were able to draw down a second loan if they met the eligibility criteria and had repaid the original loan in full. If a business has defaulted on a previous SBCS loan, they are not eligible to re-borrow.

Keep in mind

If you provide false or misleading information or receive any subsidy or payment you were not entitled to, you may be subject to investigation, including for offences under the Crimes Act 1961 or the Tax Administration Act 1994.

After the initial two-year period (when repayments aren't compulsory), Inland Revenue will notify you of the regular instalment repayments required. If you miss repayments, you will be charged interest at 3% plus the use of money interest rate (currently 7%).

Under certain circumstances, Inland Revenue may consider you to have defaulted on the loan (the terms currently available set out what constitutes an 'Event of Default'). In such circumstances, the outstanding amount will become immediately due and payable, and subject to interest at 3% (if the event of default has happened after the initial two-year period) as well as use of money interest.

Keep your longer-term finance strategy in mind. For instance, if you plan to go to your bank for funding over the next three years, consider how they will view your application if you already owe up to $100,000 plus interest to the Government via Inland Revenue. It may tip the balance against your funding application. If you're not in desperate need of working capital right now, your long-term relationship with your bank may be your better option.

Speak to us about whether the SBCS loan is right for your business and if you need support with your application.