

Small Business Cashflow Loan Scheme expanded

The Government launched the Small Business Cashflow Loan Scheme (SBCS) in May 2020 to assist eligible small-to-medium businesses adversely affected by COVID-19. They subsequently extended the application period to help businesses and in November announced further changes.

In December 2020, the Government announced that eligibility for the scheme would be expanded, with effect from early February 2021 (see the end table for the detail).

Inland Revenue is administering [the scheme](#). Applications opened on 12 May 2020 and can now 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](#).

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

Keep in mind

Applying for the loan requires you to declare certain factors about your business's eligibility and your authority to apply for the loan. Be sure to collect and maintain supporting documentation.

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.

Don't lose sight of your longer-term finance strategy. 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.

Our Recommendation

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

What do I need to be eligible for the Small Business Cashflow (Loan) Scheme?

To apply for the SBCS loan you need to provide information and confirm conditions in your business against a number of factors. In the table below, you can see what stays the same and what changes from February.

Eligibility factors	Change from February 2021
<p>Number of staff</p> <p>You have 50 or fewer FTE employees, Currently, employee numbers are measured at the point the business received the wage subsidy or as at 9 June 2020.</p> <p>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. If you haven't provided the information already, you need to make this available.</p>	<p>The limit to the number of employees hasn't changed, only the date at which they are calculated. The number of employees will be measured at the point you apply.</p>
<p>NZBN</p> <p>Provide your New Zealand Business Number (NZBN) – obtain one, if you don't have one.</p>	
<p>Revenue decline</p> <p>Your business experienced a minimum 30% decline in actual or predicted revenue as a result of COVID-19 restrictions, as evidenced in any 30-day period from January to June 2020, compared with the same period in the previous year.</p>	<p>You 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.</p> <p>If you were not in business a year ago, the 14-day period can be compared with the same or similar period in the previous month. You must declare that the drop in revenue was due to COVID-19 and have records to support this.</p>
<p>Business longevity</p> <p>Your business or organisation existed before 1 April 2020.</p>	<p>If you established your business after 1 April 2020 and it has existed for 6 months, you will now be eligible for a loan if you meet the other criteria.</p>
<p>Business viability</p> <p>Your business is viable and ongoing, you have a plan to ensure it remains so, and you are keeping evidence to document this.</p>	

Eligibility factors

Change from February 2021

Intended use of the loan

You will use the loan to pay for core operating costs (such as rent, insurance, utilities, supplier payments, or rates). On 9 November 2020, the Government announced the loan can also be used for capital expenditure, investment in new equipment and digital infrastructure.

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

Authority to apply for the loan

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