

# BusinessStart



National believes that we need to unleash a wave of entrepreneurialism in New Zealand.

We need thousands of new businesses to kickstart our economy and create tens of thousands of new jobs. National will deliver this with a package of incentives that provide equity and cashflow to ensure new businesses succeed through the economic crisis.

**For those who lose their jobs after 1 March 2020, National will support them if they want to get into their own business and give them the confidence to take on the challenge.**

## National will:

- Provide a one-off \$1000 voucher to buy advice and support from a Chartered Accountant or Registered Financial Adviser to develop a business plan that shows the business is a viable proposal.
- Upon that sign off, the new business owner will receive BusinessStart approval from MBIE. This will:
  - Allow the business owner to access up to \$20,000 from their KiwiSaver account, to invest in the new business.
  - Provide for those who have been made redundant, the entire taxed portion of their redundancy as a tax credit with the IRD, which can be used to pay GST or other tax obligations created by the business.
  - Provide for those who have lost their job but not received redundancy, a tax credit of \$5000 to meet tax obligations. After 90 days, a second tax credit of \$5000 will be allocated.
  - Give business owners a free Company Office registration (\$130).
  - Encourage banks to use the business plan to provide a banking finance package.
  - Provide for additional business mentoring and start up advisers under a new contestable fund of \$10 million dollars for providers of such services.
- In addition, like all business owners, BusinessStart recipients will be able to write off new investment of up to \$150,000 per new asset instantly under National's previously announced policy.

As an emergency programme, BusinessStart will begin on 1 November 2020 and run for seventeen months through to the end of the financial year, 31 March 2022.

**Example:** Jane Smith has been laid off after 20 years work, receiving a \$20,000 redundancy. Under National, Jane wants to start her own plumbing business. She needs a van and some new tools.

She meets with her accountant to develop her business plan. Her accountant sets her up on Xero or MYOB and helps put the case to the banks. She can start her business with the after-tax redundancy money plus up to \$20,000 from her KiwiSaver. Her redundancy tax paid to IRD will be topped up to a \$10,000 credit to, in part, meet tax obligations as the business establishes.

She leases a van and buys tools to get started. With National's plan she can write these tools off quickly against tax. She is highly successful and soon takes on an apprentice and a bookkeeper under National's JobStart.

**Example:** Rangi Katene was a digital video editor who has been working on his ideas for a new app for some years. He has always wanted to get into his own business. With BusinessStart, he works with his accountant to come up with a credible business plan. He works with his local tech incubator to get seed funding and is able to buy a server to make his app work. With BusinessStart he is able to take an equity stake by converting some of his KiwiSaver into a decent part of the business.

## Why are you letting people draw from their KiwiSaver?

We believe it's their money. We think they can invest that in their own future. Success in business is a great retirement strategy.

## Is \$1000 enough, why not have accountants directly bill?

It is more than most incubator schemes pay. We are giving it in a voucher form to encourage accounting and business advice firms to compete for the best package they can offer to prospective entrepreneurs. We expect that they will work with firms such as Xero and MYOB to offer additional benefits.

## Will the banks finance these businesses?

They will have a quality business plan to assess, the businesses will have cash and equity to begin their new venture. We expect that they will compete to gain these clients with special packages.

## What happens if the business fails?

The tax credit will stay with the IRD. They will not be able to use this scheme to avoid paying tax. Only businesses that make profits pay income tax.

## Can I buy an existing business?

If the business is genuinely for sale and you can demonstrate an arms-length transaction will take place. For example, buying a courier run or a coffee cart.

## What if I shut down my business to take advantage of BusinessStart?

The new business owner must be signed off by the new adviser. If MBIE detect attempts to defraud this scheme they will have the capacity to impose fines and deny BusinessStart support.

## Is a \$10,000 tax credit enough?

It is a small contribution, given the risks and stresses that going into business presents. But we would rather encourage them to do that than pay more wage subsidies.