

**Q: Who is eligible for the Wage Subsidy Scheme?**

A: All contractors, registered charities, incorporated societies, sole traders, self-employed and employers are able to apply for a Wage Subsidy for their staff.

**Q: What is the degree of disruption an employer, sole trader or self-employed must experience before they can apply for the Wage Subsidy Scheme?**

A: Employers must have suffered:

- Minimum 30% decline in actual or predicted revenue for any month between January 2020 and June 2020, compared with the same month in 2019 (or, a recent month, for those operating for less than a year), where the decline is related to COVID-19; or
- Projected forecast revenue loss within the period of the scheme.
- The period of the scheme is effective from 17 March, 2020 to June 2020.

**Q: What criteria do employers need to recognise?**

A: Employers will need to declare that on their best endeavours, they will:

- Continue to employ the affected employees at a minimum of 80% of their income for the duration of the subsidy period (this is the equivalent of keeping people working 4 out of 5 days);
  - Employers will need to discuss and seek agreement with their employees about dropping their income to 80% if needed;
  - Employers' intentions should be to try and retain staff so when the lockdown is over and things return to normal, employees still have jobs to return to;
- Have taken active steps to mitigate the impact of COVID-19 (e.g: engaged with their bank/financial advisor) and sign a declaration form to that effect.

**Q: What is the value of the Wage Subsidy?**

A: The Wage Subsidy is calculated as:

- \$585.80 per week for a full time employee (20 hrs or more); or
- \$350.00 per week for a part time employee (less than 20 hrs).

**Q: What period of time does the Wage Subsidy payment cover?**

A: The payment covers a 12 weeks, so this means employers will receive a payment of:

- \$7,029.60 for a full time employee; and
- \$4,200 for a part time employee.

**Q: What about employees with variable hours?**

A: A common-sense approach would apply:

- For example: what would a normal period of work look like for this employee?
- A review the last 12 months of payroll history may be sufficient to establish what is 'normal'.

**Q: How should the Wage Subsidy payments be treated by an employer?**

A: Wages and salaries will be paid to full-time and part-time employees regardless of the hours employees have actually worked, even if the business is closed and employees are not able to work from home. Employers will:

- Pay employees in the normal way by putting the wages and salaries payments through their Payroll system;
- Pay their employees on the normal payroll cycle (e.g. weekly, fortnightly, monthly);
- Ensure required deductions are undertaken – for instance PAYE and Kiwisaver;
- Payroll taxes are to be paid to IR like normal on the relevant due dates.
- There is no requirement for the employer to separate the Wage Subsidy out in the employee's payslip (no code for COVID-19 is required in the payroll).

**Q: Does this mean that when a business receives a Wage Subsidy lump sum payment, it is not required to pay out a lump sum to its employees?**

A: Correct. The lump sum payment is made into an employer's bank account to assist with cash flow to enable the business to pay salaries and wages to their employees.

**Q: How does an employer receive the subsidy?**

A: Employers can:

- Apply to MSD for the subsidy from 17 March, 2020 for the next 12 weeks;
- Make application through online portal on the Work and Income website:  
[www.workandincome.govt.nz](http://www.workandincome.govt.nz).
- MSD will aim to make first payments no later than five working days from when applications are received.
- Payments will be made in lump sum.

**Q: Does the \$150,000 Wage Subsidy cap still apply?**

A: No. This cap has been removed by the Government.

**Q: Other funding sources to make payroll payments may include:**

A: The subsidy will not cover all the wage and salary payments required to be made to employees during the 12 week timeframe. The employer will need to fund the additional money from working capital or additional sources such as bank loans. The Government has introduced new financial guarantee schemes with banks to help businesses obtain loans during this time.

**Please discuss your options with your bank.**

**Notes:**

- RSM would encourage businesses to request their staff use annual leave during the lockdown period.
- This reduces the business annual leave liability.
- Employees will still accrue annual leave during lockdown.
- By law, employers must give employees 14 days' notice of requiring employees to take annual leave.
- However, it would be expected in good faith that both employer and employee can agree on taking annual leave during this time that suits both parties.
- The leave payment is no longer available. It has been combined with the wages subsidy.
- Businesses accessing the scheme must still undertake best endeavours to pay employees 80% of their pre-COVID income. Where that is not possible – in particular where a business has no activity whatsoever due to the shutdown and workers are not working any hours – they must pass on at least the whole value of the wage subsidy to each affected worker.
- Businesses must undertake to keep employees in employment for the period of the subsidy.
- The original sick leave scheme is being folded into this updated wage subsidy scheme.
- For essential workers, the Government is working on arrangements for those in essential work who require sick leave due to COVID-19.
- If your employee's usual wages are less than the subsidy, you must pay them their usual wages. Any difference should be used for the wages of other affected staff - the wage subsidy is designed to keep your employees connected to you.

## COVID-19 WAGE SUBSIDY SCHEME EXAMPLES

### Example 1: Forestry contracting gang use wage subsidy

A six person forestry contracting gang in Gisborne has been severely affected by the COVID-19 impact on logging exports and their revenue is down 90 per cent. Their Employer applies for the targeted wage subsidy.

The Employer receives \$42,117 as a lump sum payment and is able to provide just over \$7,000 gross (before tax) to each of the employees (paid in the normal course of the business's payroll process) over the next 12 weeks.

### Example 2: Tourism operator

A tourism operator in Queenstown, with 20 permanent part time employees and 40 casuals, is affected by the decrease in international visitors. Their income is down 50% from the same period last year, forward bookings over the next two months are down 30%, and the casual workforce has already been released.

The Employer receives \$84,000 as a lump sum, and uses the subsidy to keep paying all part time staff (in the normal course of payroll processing), their existing (current) income over the next 12 weeks.

More information on the wage subsidy scheme, including how to apply, and other support for businesses can be found at [www.covid19.govt.nz](http://www.covid19.govt.nz), and [www.business.govt.nz](http://www.business.govt.nz).