

Purpose

This document serves as broad guidance for businesses seeking Government subsidies for employee wages during the COVID-19 outbreak. Acknowledgements to Tom Hollings for input. A key source of information is the Ministry of Social Development, as follows

<https://www.msd.govt.nz/about-msd-and-our-work/newsroom/2020/covid-19/index.html>.

See also Aquaculture New Zealand's 'Resource for Employers in Essential Services' for information about how to work with employees to determine whether they should continue work during the period and for further links to information about financial support for businesses. That link is

<https://www.aquaculture.org.nz/covid-19/>

Key Message

The Government is providing financial support to businesses to enable them to keep as many employees as possible during the COVID-19 outbreak. This will be New Zealand's best chance at a successful recovery in the longer term.

Employers can apply for subsidies for as many employees as they want to/can retain, provided they meet the (30%+) criteria for reduced work for each such employee. On successful application they will receive a one-off payment of around \$7k per fulltime employee (\$585 per week for 12 weeks). The employer should wherever possible make-up their pay beyond that \$585.50 to at least 80% of their former weekly pay, all at equivalent pay rates for equivalent albeit reduced (eg 20% down at 80% pay rate) work. If there is no work, (or the employee cannot work due to age or being immune-compromised) then the employee gets paid \$585.50 a week pretax and should stay at home in his/her bubble.

1. Tax Treatment -

Payments to employees under the consolidated wage subsidy scheme, and the previous COVID-19 wage subsidy and leave schemes, are wages. Therefore, they are subject to standard deductions like PAYE, ACC levies, KiwiSaver contributions and student loan repayments.

Employers can pay their employees as per their usual pay cycles, or at other intervals as agreed with the employee.

Employers must discuss any likely changes to wage payment intervals with employees, as these may have adverse tax implications for employees.

2. Eligibility

Employers will be eligible where they have a 30% revenue drop attributable to COVID-19.

The scheme provides these businesses with subsidies for any named employees (including any essential workers employed by affected employers).

Before receiving a subsidy, employers must take measures to manage the implications of COVID-19 on their business. These measures might include, but are not limited to, talking with their banks and drawing on internal cash reserves.

Visit the [Work and Income website](#) (external link) for more information.

3. Subsidy Rates

Payment rates under the modified wage subsidy scheme are unchanged from the original COVID-19 leave and wage subsidy schemes. They are:

- \$585.80 per week for full-time employees, where full-time is 20 hours or more per week
- \$350 per week for part-time employees, where part-time is less than 20 hours per week.

4. Wage Rates for Employees

If you are receiving the COVID-19 Wage Subsidy, you must try your hardest to pay the employee named in your application at least 80% of their usual wages. If that isn't possible, you need to pay at least the subsidy rate (ie, full-time or part-time).

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.

Visit the [Employment NZ website](#) (external link) for information about the usual employment law rules.

For examples of calculating wages for employees in different circumstances, please see the [case studies](#) at the end of this page.

5. Payment Frequency

The subsidy will be paid as a lump sum and covers 12 weeks per employee. This is consistent with applications paid to date.

Employers can pass on the subsidy and additional wages through their usual pay cycles, or at other intervals.

It is recommended that any changes to the frequency of salary and wage payments from usual practice be discussed with employees as this may have adverse tax implications for employees.

6. Duration

Applications for the scheme will be open for the duration of COVID-19 Alert Level 4.

The latest information on New Zealand's COVID-19 Alert Levels is available at [Unite against COVID-19](#) (external link).

7. Applications

Applications can be made via the [Work and Income website](#) (external link).

Work and Income will verify information provided in applications with Inland Revenue.

Tip: We recommend that employers ensure their IR details are up to date before they apply – you can check online on the [Inland Revenue website](#) (external link).

8. Essential Businesses

Essential businesses that are required to remain open during the Alert Level 4 period will also be eligible for the scheme if they have had a revenue drop of 30%, which means they require support

to pay or retain named employees.

A list and guidance about essential businesses is available at [COVID-19.govt.nz](https://www.covid-19.govt.nz).

[Essential businesses](#) (external link) — [COVID-19.govt.nz](https://www.covid-19.govt.nz)

9. Employers Who Have Already Applied Under the Original Wage Subsidy Scheme

If a business has already received the original wage subsidy lump sum, they are required to continue to use that funding to pay employees for the full 12-week duration as agreed to in the initial application.

Pending applications made prior to 3pm Friday 27 March 2020 will be assessed against the original criteria of the wage subsidy scheme. Only applications received from 4pm on 27 March 2020 will have new criteria and obligations applied.

The original scheme was capped at \$150,000 per business, which meant that some larger businesses couldn't claim for all their workers, but this cap has been removed. There have been no further modifications to this criteria which means the modified scheme is also uncapped.; Businesses can make new claims for any employees that they did not apply for under the original scheme.

10. Employees Who Resign After Their Employer Receives the Wage Subsidy Funding

If an employee voluntarily ends their employment relationship (that is, they resign) the employer must notify Work and Income and will not be entitled to further subsidies for that named employee.

11. Transition Out of Alert Level 4

The Government is currently considering what further changes to the scheme might be appropriate when we move out of Alert Level 4.

12. Impact on Work and Income Benefits

Most employees are likely to be better off under the modified wage subsidy scheme than they would be on Work and Income benefits, however this depends on their personal circumstances. As always, people can use the calculator from the Ministry of Social Development to check what additional assistance they may be entitled to. This includes supplementary assistance such as the accommodation supplement, temporary additional support, and other one-off assistance payments.

13. Self Employed 101

A basic guide for self employed people applying for the wage subsidy (which is likewise on successful application paid in a lump sum of ~ \$7K) is provided as follows:

1. Visit <https://workandincome.govt.nz/products/a-z-benefits/covid-19-support.html#null>
2. You need your company name as registered with IRD.
3. Business IRD number
4. Employment type – either less 20 or more than 20 – drop down box
5. Inland revenue customer name
6. NZ business number (can be obtained from Companies office online)
7. Business address

8. Contact name
9. Contact email
10. Contact mobile
11. Contact other
12. Bank account number
13. Then press submit

14. Further Information

Further information can be found at the following:

<https://www.aquaculture.org.nz/covid-19/>

<https://www.employment.govt.nz/leave-and-holidays/other-types-of-leave/coronavirus-workplace>

<https://www.msd.govt.nz/about-msd-and-our-work/newsroom/2020/covid-19/index.html>

<https://www.workandincome.govt.nz/eligibility/emergencies/2020/coronavirus.html>

<https://www.dlapiper.com/en/newzealand/insights/publications/2020/03/important-clarifications-to-wage-subsidy-and-leave-payments-for-employers-in-new-zealand>