

Covid-19

Employer Resource

Guidelines on

Wage Subsidy and Related Matters

Disclaimer

The purpose of this document is to collate a resource to provide guidelines for employers to assist them with how to navigate through Covid-19, provide some framework for understanding Covid-19 Wage Subsidy, and answer some frequently asked questions.

This resource has been collated based on information provided at the time of writing and summarises the frequently asked questions we have fielded from our clients.

The information contained in this document is current, at the time of writing. Given the situation is rapidly evolving, we recommend referring to Business New Zealand website so you can stay up to date as new information becomes available.

It is intended as a general guideline only and cannot be relied upon as a substitute to seeking professional advice. Each person's circumstances can vary and may merit seeking out professional advice.

In this time of crisis, there is no restriction on sharing these guidelines, which can be distributed, as long as the source is referenced and acknowledged.

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COVID-19 WAGE SUBSIDY

BEST PRACTICE GUIDE

Opening Remarks

This is an employer subsidy with the express purpose of enabling employers to retain employment of staff over lockdown period and ensuing weeks totalling 12 weeks.

Act in good faith as the Government has essentially provided money on trust to be used for the purposes it was intended. Effectively the subsidy is outsourced to employers to administrate and disburse, as quasi WINZ payments. Post week 12 retrenched employees will need to apply to WINZ directly.

Best Practice Guidelines

Based on the over arching purposes and spirit of the purpose of the subsidy, we recommend the following best practice guidelines:

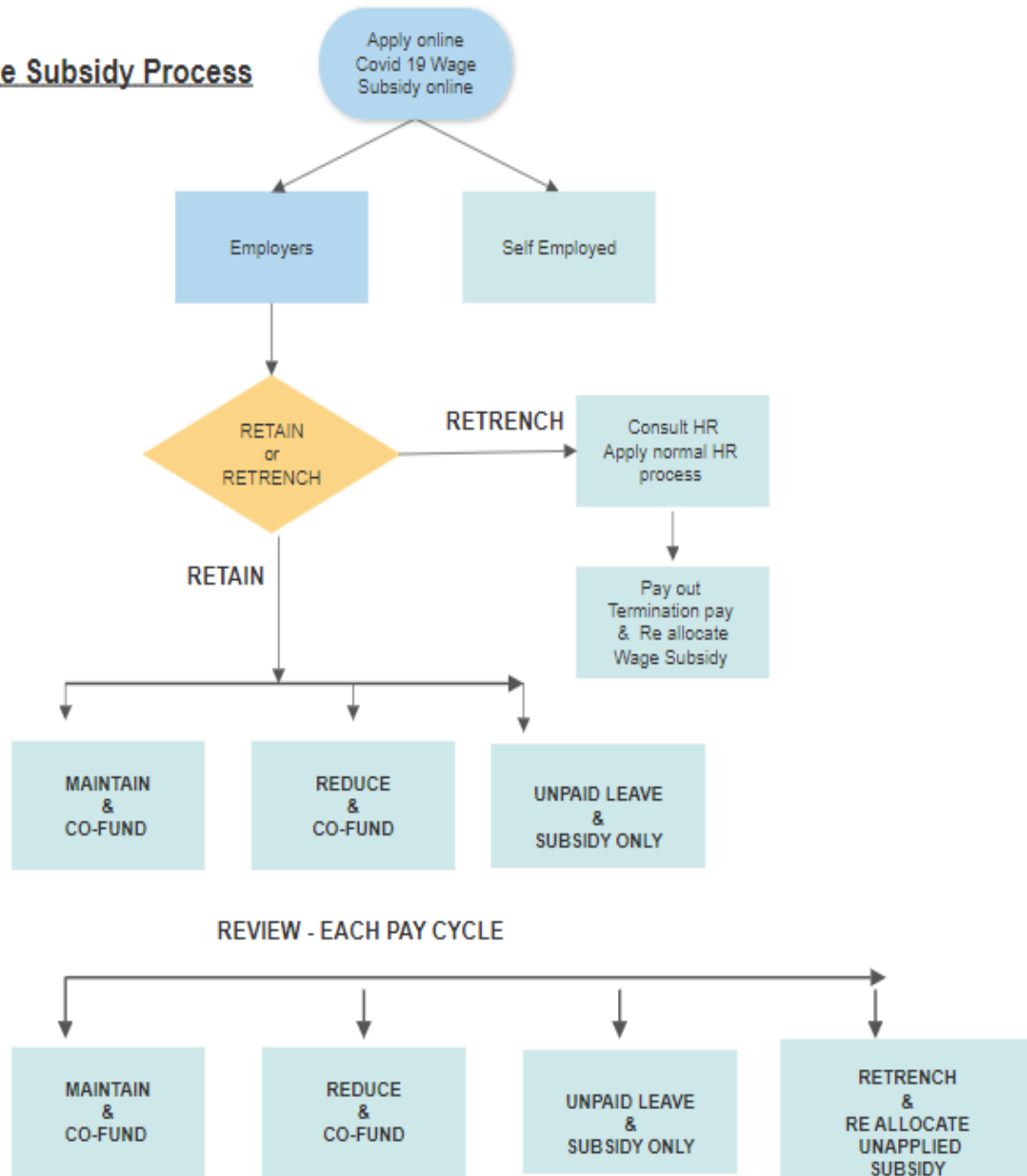
- ✓ Keep decisions around the allocation of the wage subsidy aligned with its purpose. This is to be applied to wages and not to be applied to paying other expenses of the business.
- ✓ Bank the subsidy into a separate business bank account, not your general business bank account.
- ✓ Payments from this wage subsidy to be transferred to general business bank account on each payrun.
- ✓ Prepare a reconciliation sheet to support the payments with how each employee's subsidy has been allocated e.g number of full timers and number of part timers.
- ✓ Apply the Employer Decision Tree flow chart to decisions around how you allocate the wage subsidy. (See following chart)
- ✓ Have clear records of how subsidy was allocated in order to support any subsequent audits.
- ✓ In the event you actually didn't qualify for the Wage Subsidy, over subscribed for whatever reason, or have unallocated subsidy, we recommend you repay it to WINZ.



COVID-19 WAGE SUBSIDY

EMPLOYER DECISION TREE FLOWCHART

Wage Subsidy Process



This should be read in conjunction with the commentary notes and disclaimer: Copyright Morrison & Associates 2020



COVID-19 WAGE SUBSIDY
EMPLOYER DECISION TREE FLOWCHART
COMMENTARY

Guiding Theme

Remember you are holding the subsidy payment in 'trust' to be disbursed to your employees.

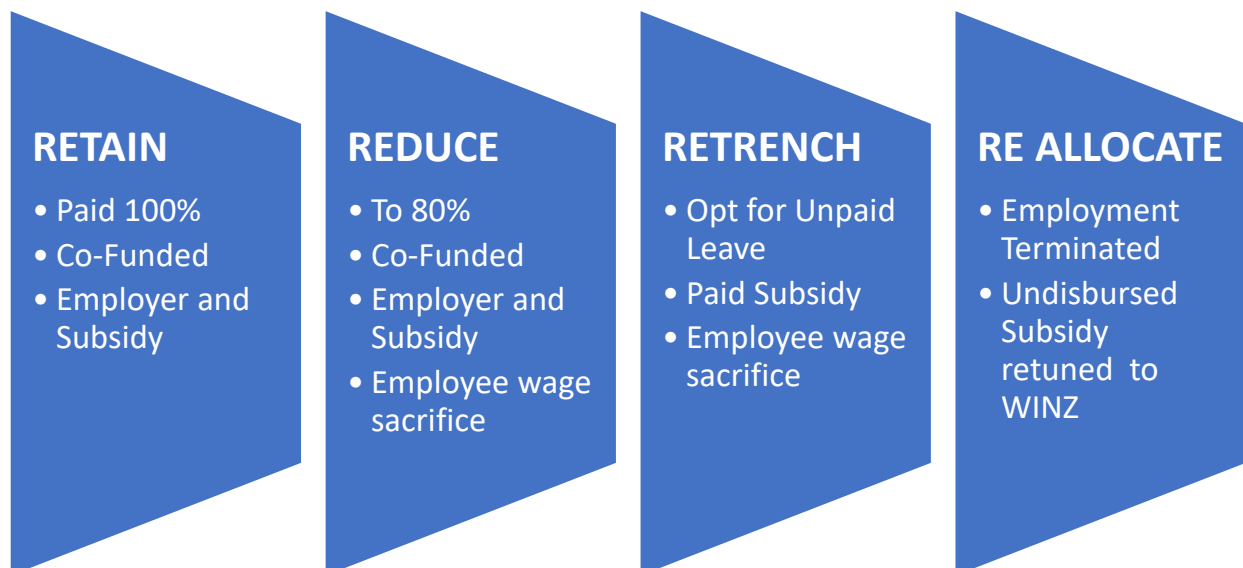
Opening Remarks

Employers are the conduit the government has chosen to channel this subsidy through. There will be greater accountability placed on employers to allocate the subsidy in good faith. Keep good records and transparency around how subsidy has been allocated to avoid subsequent potential litigation and support for any post Covid-19 audits or reviews by WINZ.

Notes - COVID-19 - Decision Making Flowchart

FOUR R's of COVID-19 Wage Subsidy process, to be reviewed each pay cycle over 12 weeks.

- 1. RETAIN**
- 2. REDUCE**
- 3. RETRENCH**
- 4. RE ALLOCATE**



Comments

- Respect employment law and redundancy protocols and seek HR advice.
- Any variations to 'Reduce' base wages by negotiation and document employee consent.
- If offered 'Retrench' option, it is by employer negotiation, with documented employee consent.
- Balance between compassion and commercialism.

COVID-19 WAGE SUBSIDY

Payroll FAQ

How do I process the Wage Subsidy when running my payrun?

The Wage Subsidy does not need to be recorded in your payroll system for processing the pay.

How do I apportion the Wage Subsidy?

Worked example : One - RETAIN (100% of Wage)

Essential Business + Able to work

Steve is an essential services worker, ensuring certainty of electricity supply. Steve is really busy, working his normal hours and getting paid at his normal rate, and his business has not been affected by Covid-19 and does not require support to pay or retain its staff.

Steve's employer does not need to apply to the Wage Subsidy scheme.

Worked example : Two - RETAIN (100% of Wage)

Non Essential Business + Unable to work

Craig is a waiter at a successful restaurant chain that also needs to close during the lockdown. Craig was getting paid \$1,000 per week. Craig's employer has committed to paying full wages to their staff as they know that such workers will be in demand when the lockdown ends. The restaurant has suffered a 30% loss in revenue due to COVID-19. Craig has agreed to take one day a week annual leave.

Craig's employer can access the Wage Subsidy scheme for Craig of \$585.80 per week, and the employer can then top that up with \$414.20 per week to ensure Craig receives his full income.

Worked example : Three - RETAIN (100% of Wage)

Non Essential Business + Unable to work

Lara is a part time waiter at a successful restaurant chain that also needs to close during the lockdown. Lara works 8 hours a week and is paid \$200 gross. Lara's employer has committed to paying full wages to their staff as they know that part time workers will be in demand as the lockdown ends. The restaurant has suffered a 30% loss in revenue due to COVID-19.

Whilst Lara's employer will pay the full gross pay of \$200. Her employer funds this from the Wage Subsidy scheme of \$350 per week. The surplus of \$150 can be re allocated to other affected staff who have been retained.

COVID-19 WAGE SUBSIDY

Payroll FAQ - Continued

Worked example : Four - REDUCE (from 100% to 80%)

Non Essential Business + Working from Home being paid 80%

Jennie is a legal executive in a small sized business and works 40 hours. The business is non-essential and operating remotely from home providing limited services. While the office is closed for the lockdown, the business has experienced a 30% loss of revenue. Jennie can do some work from home. Her normal weekly wage is \$1000 per week.

Jennie's employer can access the Wage Subsidy. Their revenues have dropped to the extent they are worried as they will be unable to retain their staff. Under employment law, Jennie must receive \$1000 per week for the hours worked. By consent Jennie has agreed to reduce her pay to 80%.

Jennie's employer can process her wage at the agreed 80%. This is funded by the Wage Subsidy scheme of \$585.80 per week, and the employer funds the top up with \$214.20 per week to ensure Jennie receives her agreed 80% income.

Worked example : Five - RETRENCH (Pay Subsidy only)

Non Essential Business + Minimum Waged Worker

James is a barista at a Wellington café. James works 40 hours a week and earns \$1000 gross. The café is closed for the lockdown and has had a 30% loss in revenue. James' employer cannot afford to pay any wage to James but wants to keep him on. James does not want to use his annual leave entitlements. James has agreed to take unpaid leave and be paid out the subsidy amount. The subsidy amount of \$585.80 is the Gross amount paid from which PAYE is deducted.

James' employer can process his wage by reducing his hours to make up the gross pay to \$585.80 matching the Wage Subsidy received. James retains his annual leave entitlements to use at a different time. This is worst case scenario. We note as employers, you have agreed to pay 80% of wage to qualify for the Wage Subsidy, so you are acting in the spirit of the scheme but there is some risk still of future repercussions.

Worked Example: Six - REALLOCATE

Take your own advice on this. Terminated employees' unallocated subsidy will be repayable to WINZ with a Government 'name and shame' scheme in place.

COVID-19 WAGE SUBSIDY

Payroll FAQ - Continued

Do I still pay PAYE?

Yes you do.

Is the Wage Subsidy taxable income?

No, if matched off by wages to staff. If retained and not required to be paid back to WINZ then it will be.

Where do I code the wage subsidy?

Recommend creating a new code in your Xero (or MYOB) software under current liabilities.

Name it “ Covid-19 Wage Subsidy” and check the GST setting is exempt or nil (not 15%).

Ask for help if you are not sure.

What about when I use it to subsidise my wages payment?

Each pay run, transfer the subsidy amount to your main business account. Keep a record of how you have allocated it to each employee so that it reconciles. For example, 6 full timers, plus 3 part timers = amount you have transferred over.

What about GST?

The Wage Subsidy is exempt from GST. So no GST. Check where you have coded it so you don't capture in your GST return and pay out GST on it.

COVID-19 : IRD SUPPORT

Announcement 17th March 2020

Business Continuity Package

Purpose is to assist businesses struggling due to the impact of the COVID-19 outbreak.

There are five proposals related to tax.

- Giving Inland Revenue the discretion to remit use-of-money interest (UOMI) for customers significantly adversely affected by COVID-19.
- Increasing the provisional tax threshold from \$2,500 to \$5,000 from 2020/2021.
- Increasing the small asset depreciation threshold from \$500 to \$1,000 – and to \$5,000 for the 2020/21 tax year.
- Allowing depreciation on commercial and industrial buildings from 2020/2021.
- Removing the hours test from the In-Work Tax Credit (IWTC) from 1 July 2020.

Announcement 14th February 2020

Discretionary Power to waive Use of Money Interest (UOMI)

Businesses and individuals impacted by COVID-19, the IRD now have discretion to allow them to write-off use-of-money interest (UOMI) on payments due on or after 14 February 2020. This will be done at IRD discretion and will only apply to taxpayers whose ability to make a tax payment on time has been significantly adversely affected by the COVID-19 outbreak.

This means affected and eligible taxpayers will only have to worry about paying their core tax debt and won't have to worry about paying interest as well. Where the criteria are met, the waiving of interest will be deferred to a maximum of 2 years past this announcement date.

Note the caveat to this announcement is applying the waiving of UOMI at the discretion of the IRD on a case by case basis.

COVID-19 : IRD SUPPORT- Continued

Late Filing 2019 Tax Returns - Time Bar

The time bar for tax agents filing 2019 Tax Returns is 31st March 2020. There appears to be some grace extended around filing 2019 and waiving of late filing fees. Some terms and conditions around this.

Other Assistance

Talk to your Chartered Accountant about tax strategies to reduce or delay Tax payments.

COVID-19

FRANCHISE ACCOUNTANTS – SUPPORT PACKAGE

We are in this together, and together we will get through this. This is about not just saving lives, but also working with business owners to save businesses, and the families they support. We want to assist our clients to navigate through this crisis and reset, revive and rebuild for post Covid-19.

Until the end of April, we are offering the following services free-of-charge, to our clients.

COMPLIMENTARY COVID-19 BUSINESS DISRUPTION /CONTINUITY CONSULTATION

All clients will receive one consultation (phone or video conference call) on what elements of their business to address to survive the Covid-19 crisis.

COMPLIMENTARY COVID-19 BUSINESS DISRUPTION – TAX PLANNING CONSULTATION

All clients will receive one consultation (phone or video conference call) guidance on what their tax planning options are to delay tax and the most appropriate tax strategies for 2021 tax year.

CASHFLOW FORECASTS – Save 50% off our standard pricing

All clients seeking a Cashflow Forecast Model built as a tool to manage the cashflow of their business will receive a 50% discount for instructions received in April. Payment options will be discussed further, one to one.

BUSINESS CONTINUITY PLANNING AND COACHING – Service Plans

For those clients wanting more ongoing one-to-one support to reset and revive their business post Covid-19 we will offer a value-for-money service plan with range of payment options. More information to follow.

BUSINESS ADVISORY BOARD

Where appropriate, we support our clients and can assist in establishing an Advisory Board and be available to participate as an independent advisor. We will make available free Advisory Board charter resources, guidance on operation and structure for those who elect to take up this service.

COVID-19

HELPFUL LINKS AND REFERENCES

Covid-19 Wage Subsidy Release – Updated 27th March 2020

<https://www.business.govt.nz/news/covid-19-latest-news-and-updates>

Covid-19 Wage Subsidy Application – Self Employed

No employees owner operator business owner

https://services.workandincome.govt.nz/ess/trader_applications/new

Covid-19 Wage Subsidy Application – Employers

https://services.workandincome.govt.nz/ess/employer_applications/new

Recommend if you have two or more shareholders on drawings annually get applied a shareholder salary and are provisional tax payers, that they apply with there employees under this section

WINZ – Covid-19 Wage Subsidy Landing page

<https://www.workandincome.govt.nz/>

What is an essential business?

<https://covid19.govt.nz/government-actions/covid-19-alert-level/essential-businesses/>

Tax relief ?

<https://www.ird.govt.nz/covid-19/tax-relief/uomi>