

COVID-19 – PAYING YOUR EMPLOYEES ON THE WAGE SUBSIDY

If you have applied for or have received the COVID-19 Wage Subsidy, you must still undertake best endeavours to pay the employees named in your application, at least 80 percent of their usual wages.

However, if you are a business that has little income due to the COVID-19 shutdown, and workers are not working any hours (and depending on what you have agreed with your employees), the full wage subsidy still needs to be paid to your employees (i.e. at either the full-time or part-time rate).

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.

For more information on the COVID-19 Wage Subsidy, visit the [Q&A page on the Work and Income website](#).

Visit the [Employment NZ COVID-19 website](#) for information about employment law and the wage subsidy.

HOW TO CALCULATE YOUR EMPLOYEES' WAGES

Determine your employee's usual weekly wages – Hourly rate x hours worked or weekly salary rate.

If fluctuating hours – base on average over last 12 months or their period of employment if under 12 months.

\$350.00 – under 20 hours – (19.99 hours or under)

\$585.80 – over 20 hours (20 hours or more)

If your employee earns under the \$350 subsidy – (Under 19.99 hours)

Pay them their normal hours at their hourly rate – **code to Covid-19 Wages**.

(This will only be part of the \$350 subsidy you have claimed for them, the balance of the \$350 will stay in the pool.)

Employees who work over 20 hours:

- If your employee earns under the \$585.80 subsidy
Pay them their normal hours at their hourly rate - **code to Covid-19 Wages**.

(This will only be part of the \$585.80 subsidy you have claimed for them, the balance of the \$585.80 will stay in the pool.)
- If an employee earns over the \$585.80 subsidy
*Please note: For this example, we have used the reference to '80 percent of normal wages' as per the Government's recommendations. However, each business situation is different, and you may not be able to pay your employees up to 80 percent of their normal wages. If that is the case, **you will need to come to an agreement with your employees regarding the amount you are able to pay and apply that here.***

Determine the normal weekly gross, then calculate 80 percent of it (or your agreed amount).

Pay the full subsidy amount of \$585.80 - **code to Covid-19 Wages**.

- You may choose to pay 100 percent of their normal wages, then code the difference to Ordinary hours. (The total gross of both payments will equal their normal weekly gross.)

- You must try to pay 80 percent of their wages. Pay \$585.80 as **Covid-19 Wages** and the difference up to the 80 percent gross amount as 80 percent Top Up. (The total of both payments will equal 80 percent of their normal weekly gross.)
- If it isn't possible to pay 80 percent, then you must pay the subsidy amount of \$585.80 as **Covid-19 Wages**.

Accurate records must be kept by you as the employer for all Covid-19 wage subsidies paid to employees, as per the declaration you signed.

SEPARATE BANK ACCOUNT

We recommend that employers bank the subsidy they receive to a separate business bank account and only draw down on it to pay wages until such time that it is fully exhausted. This proves that all monies received have gone to all staff covered by the subsidy.

Employers will generally have received one payment for 12 weeks of the employee's subsidy rate. However, businesses operating for less than 12 months may instead receive six payments of two weeks' worth of subsidy.

PUBLIC HOLIDAY PAYMENT

If an employee normally works on a Public Holiday then they should be paid the relevant daily rate based on the week's payment amount of either 100 percent, 80 percent, agreed amount, or subsidy amount (as a minimum) e.g. the total gross divided by the number of days they normally work.

If employees are working as usual, then normal wages and leave taken apply.

WAGE DEDUCTIONS

As the wage subsidy is included as part of the normal wages, it is subject to the usual deductions i.e. PAYE, Student Loan and KiwiSaver.

COVID-19 AND THE MINIMUM WAGE INCREASE – from 1 April 2020

The increase only applies if an employee is actually working, otherwise the increase does not apply until they return to work. [Learn more here.](#)

TAX

The wage subsidy is treated as exempt from GST.

As always, if you have any questions or need any assistance, please don't hesitate to contact us.

3 April 2020