



To our valued clients

We've been experiencing a high volume of enquiries around the Wage Subsidy and employer treatment of payroll. This is intended as a general advice update to our clients that employ staff and is based on the current information available at the time of writing this.

Full details on how to access financial support is available at covid19.govt.nz

COVID-19 Wage Subsidy August 2021

The Wage Subsidy August 2021 is a payment to support employers so they can continue to pay employees and protect jobs for businesses affected by the increase to Alert Level 4 on 17 August 2021.

To be eligible for the COVID-19 Wage Subsidy August 2021 you must:

- Operate a business in New Zealand that employs and pays the employees (including shareholder-employees) named in your application.
- Meet the revenue decline test set out in the declaration, and
- Meet the other eligibility criteria set out in the declaration.

The declaration and application is available on the [Work and Income website](#) from 9.00 am today, Friday 20 August 2021.

Please be mindful of the declaration you are agreeing to when you apply for the subsidy. The declaration will list all eligibility criteria in full and will be available to review on the website when applications open. We recommend you review this carefully before you submit your application.

We are unable to process the application on your behalf given the declaration that needs to be made when applying.

The Wage Subsidy August 2021 will cover a two week period at the rate of:

- \$600 per week for each full-time employee retained (works 20 hours per week or more)
- \$359 per week for each part-time employee retained (works less than 20 hours per week)

Liaising with your staff

Keep in mind that each of your staff members will be impacted in different ways. As an employer, your overarching obligation is to act in good faith which includes being open and communicative with your staff at all times and tell them what you are intending to do during the period of disruption. You also need to be aware of your obligations under the Health and Safety at Work Act 2015 (HSWA) while also considering each staff member's employment contract.

If you are intending to pay some or all of your staff at a reduced rate, you will need to discuss this with them first.

If your staff are not able to work during the lockdown period, consider talking to them about taking annual leave or accrued sick leave as a way of helping your business through this disruptive period. Under the Holidays Act 2003 you need to discuss this with your staff and get their agreement first. However, if agreement can't be reached, you can direct your staff to take annual leave on 14 days' notice. It would be best to have this notice recorded in writing or by acknowledged email.

You cannot make an employee redundant during the wage subsidy period if you have claimed the wage subsidy in relation to their employment.

It is also important that you notify your staff that you have claimed the wage subsidy in relation to their employment.

Payroll matters

You need to process your payroll in the normal manner, including making deductions for items such as KiwiSaver and other deductions, even if their pay is agreed at a reduced rate. You must also file your employer schedules and pay the PAYE as normal and on time.

Accounting for the subsidy

The wage subsidy is not subject to GST. It is recognised as income for tax purposes but when applied against wages the tax treatment becomes neutral. To keep matters simple, follow these steps:

1. Use your existing codes that were set up during the last wage subsidy period. If you do not have existing codes, you will need to set up a new balance sheet code that is not subject to GST and code any subsidy you receive to this new account.
2. Use your existing code, or set up a new wage subsidy offset account in your profit and loss (income and expenses) section that is not subject to GST. It would be preferable to number this wage subsidy offset account close to your wages code in your chart.
3. On each pay run, if your accounting system allows, do a journal to transfer the appropriate portion of the subsidy payment from the balance sheet to the profit and loss account to recognise the number of staff utilising the wage subsidy in that pay period.

Resurgence Support Payment

The COVID-19 Resurgence Support Payment (RSP) is a payment to help support businesses or organisations affected by a COVID-19 alert level increase to level 2 or higher. The period of increased alert level has to be 7 days or longer for the RSP to be activated.

To qualify your business must have been operating for at least 6 months and have experienced at least a 30% drop in revenue, or a 30% decline in capital-raising ability, over a 7-day period due to the increased COVID-19 alert level. Further detailed information on the eligibility criteria can be found on the Inland Revenue website [here](#).

Applications for the alert level increase on 17 August will open at **8.00 am on Monday 24 August 2021**. The application process is completed through your myIR login.

Please note that you need to supply your New Zealand Business Number (NZBN) when applying. If your business operates via a Company structure you will already have one and you can find this on the Companies Office website by searching for your Company name.

If you're self-employed, a sole trader, a partnership or a trust, and you don't already have a NZBN then you can apply for a NZBN [here](#).

The RSP is not subject to income tax, therefore, tax deductions cannot be claimed for expenses to the extent they are funded by the RSP.

The RSP is subject to GST so any recipient that is registered for GST is required to account for GST on the payment received in their next GST return.

Eligible businesses can apply to receive the lesser of:

- \$1,500 plus \$400 per full-time equivalent employee (FTE) up to a maximum of 50 FTEs; or
- Four times (4x) the actual revenue decline experienced by the applicant

You can apply for both the RSP and the Wage Subsidy if you meet all of the eligibility criteria.

Other Business Support

There is other financial support available as follows:

The Small Business Cashflow Scheme (SBCS)

This scheme supports small to medium sized businesses struggling with a loss of revenue due to COVID-19. If you have already applied for the SBCS loan then you can't apply again. If you haven't previously applied then applications are open until 31 December 2023.

The Leave Support Scheme (LSS)

This payment provides a two-week lump sum payment of either \$600 per week for full-time workers or \$359 per week for part-time workers. It is available for employees who are required to self-isolate and cannot work from home. It can't be claimed in addition to the Wage Subsidy.

The Short-Term Absence Payment (STAP)

This payment provides a one-off (once per 30 days) payment of \$350 (increases to \$359 on 24 August 2021) for employees who must miss work due to a COVID-19 test and who cannot work from home.

Cashflow & Tax Obligations

As noted earlier, you must file your employer schedules and pay the PAYE as normal and on time. If you are experiencing cashflow difficulties you could consider deferring payment of GST or income tax but not PAYE. Any deferred payment of GST or income tax will still be payable but Inland Revenue have the ability to remit penalties and Use of Money Interest (UOMI) on deferred payment arrangements up to 25 March 2022. You need to have been financially impacted by COVID-19 to be eligible for the Inland Revenue to be able to remit penalties and UOMI.

We trust you will find this general advice to be helpful to you. If you have any specific questions around your particular situation please don't hesitate to contact one of our Directors.

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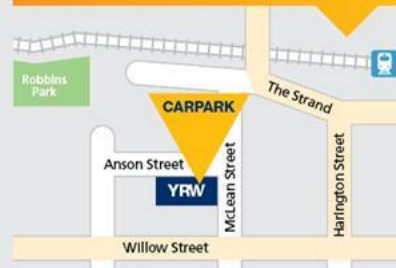
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VISIT US

Carparking

We have six client carparks available underneath our building with entry from Anson Street. Please feel free to use these when visiting our office.



IMPORTANT:

This newsletter is intended to be of a general nature only and should not be relied on in making business or personal decisions without first seeking advice from this office.