COVID19 Wage Subsidy Scheme

The Government has announced significant economic decisions as New Zealand prepares for COVID-19 Alert Level 4. Details of these announcements, as they relate to the expansion of the Wage Subsidy below. The Government has also said details of further relief packages for workers, support for mortgage holders and a business finance guarantee scheme in the coming days.

The Government's Leave Payments Scheme remains in place; however, this appears to be restricted in its application. The Leave Scheme only applies to those who are in self-isolation due to exposure to COVID-19, where the person cannot work from home. The lock down of New Zealand does not now make people eligible for both the Leave Scheme and the Wage Subsidy (this is a common question we are receiving).

Wage Subsidy

Following Prime Minister's announcement on 23 March 2020, there have been important changes to the Wage Subsidy Scheme. Our understanding is:

- Every organisation in New Zealand is able to apply for the Wage Subsidy including employers, contractors, sole traders, self-employed people, registered charities, incorporated societies, non-governmental organisations and post-settlement governance entities;
- The Wage Subsidy can be applied in respect of **all employees** for the 12-week period starting 17 March 2020, (there is no longer a cap of $150,000 per organisation);
- New businesses (e.g. that are less than one year old) and high growth firms (e.g. firms that have had significant increases in revenue) will be eligible. They will need to demonstrate the revenue loss assessment against a similar time period, for example comparing March 2020, to January 2020; and
- The other conditions of eligibility remain the same as before.

This means an organisation can claim NZ$7,029.60 for a full time employee and NZ$4,200 for a part time employee (less than 20 hours per week). The total amount is paid out in a lump sum that covers a 12-week period, and there is no longer a cap of NZ$150,000 per organisation.

If an organisation has already applied for, and been granted, the Wage Subsidy for all its employees and the Ministry of Social Development (MSD) has capped the amount paid, it doesn't need to do anything further because MSD will top up the difference.

Those that have applied for the Wage Subsidy and filled in only enough staff details to meet the previous NZ$150,000 cap will be able to reapply for a top up in relation to additional employees once the first round of subsidy has been used up.

How to apply for the Wage Subsidy and Leave Payment Scheme

If you are an **employer, use this link** to apply. If you are **self-employed / a contractor, use this link** to apply.

To prepare for the application process, you will need to:

- Have proof that you are registered and operating in New Zealand, and that your employees are legally working in New Zealand;
- Be comfortable that you meet the eligibility criteria and can agree to the declaration with MSD;
- Collect your bank account, IRD number, New Zealand Business Number (NZBN) and organisation contact details; and
- With employee consent, collect employees' names, dates of birth, IRD numbers and employment types (i.e. more or less than 20 hours of work per week).

A reminder on eligibility

The other eligibility criteria remain in place. Organisations must:

- Confirm a minimum **revenue decline** of 30% (actual or forecast) for any month between January 2020 and 9 June 2020, compared to the same month in 2019 (or a recent month for those operating for less than a year or high growth businesses).
- Confirm that you are taking **active steps** to mitigate the financial impact of COVID-19 on your business.
- Active steps might include activating a business continuity plan and seeking advice and support from a bank, financial advisors, the Chamber of Commerce, a relevant industry association, or a Regional Business Partner programme.
- Commit to making **best efforts** to retain employees and pay them a minimum of 80% of their normal income for the subsidised period.