

## **Wage subsidy FAQ**

Below is the Q&A that the IRD and MSD have released on the Government's Covid-19 wage and leave subsidy payments. These will be added to over time and as such please refer to [ird.govt.nz/Updates/News-Folder/covid-19-novel-coronavirus---your-questions-answered](https://ird.govt.nz/Updates/News-Folder/covid-19-novel-coronavirus---your-questions-answered).

**Q Is the wage subsidy payment subject to GST?**

**A** No – It is excluded from being a taxable grant (Section 5(6D) of the Goods and Services Tax Act 1985 (**GST Act**) was enacted yesterday)

**Q Is the wage subsidy paid to the employer taxable?**

**A** No - It is excluded income (Section CX 47 of the Income Tax Act 2007)

**Q Is the wage subsidy deductible when paid by employer as part of wages to employee?**

**A** No – it is not deductible

**Q Is the wage subsidy taxable to employee?**

**A** Yes – As it is included as part of their normal wages and is subject to the usual PAYE, Student Loan, Kiwisaver deductions, etc.

**Q Is the leave payment for self-isolation subject to GST?**

**A** No – It is excluded from being a taxable grant (Section 5(6D) of the GST Act and was enacted yesterday)

**Q Is the leave payment for self-isolation paid to employees or self-employed persons subject to tax?**

**A** Yes – It is paid to replace taxable income so is subject to tax.

**Q How do we apply for the leave and wage subsidy?**

**A** An application is required to be made to the Ministry of Social Development. Please refer to the following link which provides further information: [https://services.workandincome.govt.nz/ess/employer\\_applications/new](https://services.workandincome.govt.nz/ess/employer_applications/new)

**Q If your employee is diagnosed with COVID-19, do they have to use their accrued sick leave before they are eligible for the COVID-19 leave payment?**

**A** Employees do not need to use their sick or annual leave entitlement before you can apply for the COVID-19 leave payment – it can be applied for right away. You can have a conversation with your employee about whether they would prefer to use any accrued sick or annual leave first, rather than the COVID-19 leave payment as there may be cases where the employee would receive more through their own sick leave than the COVID-19 payment.

**Q Must the whole amount of the \$585.80 / \$350 wage subsidy be passed onto the employee?**

**A** Yes

**Q How do I process the wage subsidy through the payroll?**

**A** Because the wage subsidy is a subsidy to the employer to help them fund an employee's wages it is included as part of the employees normal wages and all deductions of PAYE, Kiwisaver, Student Loans, etc are made as normal. If the employees are paid the same wages as previously their pay and deductions on their payslip should be the same.

**Q Is there a limit to top up the payment? E.g. an employee may normally receive \$1,500 gross each week, hence are they able to use annual leave to top up the \$585.80 so that they are receiving close to their normal wage?**

**A** As MSD are making the payment this enquiry should be made to them, however whether you top it up with cash payments or annual leave is probably between you and your employee. Although to qualify for the subsidy the MSD information states the employer must make the best efforts to pay an employee a minimum of 80% of their normal income for the subsidised period. Please see our comments further below regarding the 80% requirement.

**Q If they are an NZ based employee but overseas and are having to self-isolate and cannot work, can the employer access the support for this type of employee?**

**A** This is also an enquiry for MSD. Note however that the information on their website states that to be eligible, the employee was legally working for their employer at the time they decide to self-isolate, and they were expected to work for the period of self-isolation.

**Q Is there a requirement to pay 80% of employees normal income. Or does best efforts apply and if paying them 80% would harm the financial health of the company then we can say we have made our best efforts but we can only pay them the wage subsidy?**

**A** The strict interpretation appears to mean that you should be making best endeavours to be paying as close to 80% as possible. Please note that the employer must receive an employee's approval for the wage subsidy and accordingly paying less than the 80% could cause problems and accordingly we would not recommend paying less than 80% (even if a client planned to process a top up payment to the employee to ensure the 80% requirement was met after the business was back on track).