

COVID-19 AND PAYROLL PROCESSING

If you have applied for the Covid-19 wage subsidy for your employees, then here is some information about how to deal with it:

1. If you have applied for the subsidy for your staff **YOU MUST** pass it onto them in full. You do this by paying them weekly.
2. You must advise your employee they are included in an application and you must fully disclose what is happening. We suggest this happens through a letter or email or text so it recorded. It is important that they are told they still have their job and this is how their wages are being paid. This is only happening because they cannot work.
3. You are expected to make your 'best efforts' to top up staff wages so they are receiving 80% of their normal ordinary pay. So if they got \$800 per week **Gross** normally, then their pay should be

Subsidy	585.80
Top up to 80%	54.20
Gross Pay @ 80% of normal Gross Pay	640.00

4. If 80% of their normal pay is **LESS** than the subsidy you are still required to pay the employee the full subsidy, either the \$585.50 or the \$350.00 – **this has now changed since this newsletter was issued – Please refer to our newsletter dated 30 March 2020.**
5. If you are having problems working out a normal pay, then use the method you would use to calculate statutory holidays or sick leave pay, by calculating their last 4 weeks average gross earnings. Phone us if you want some help on this calculation. – **this has now changed since this newsletter was issues – it should now be calculated based on the last 12 months average gross earnings . Please refer to our newsletter dated 30 March 2020.**
6. You put the Gross amount through your payroll system and PAYE, Kiwisaver, holiday pay and any deductions occur **as per normal**.
7. We suggest if you are using a payroll program that you create a pay type "Covid 19 subsidy" and record the top up pay as ordinary hours, annual leave (if agreed to by the employee) or sick leave so it is quite clear this is what is happening. We have set up MYOB Payroll with the earnings items "Covid-19 Full-time subsidy" and "Covid-19 Part-time subsidy". If you use Smart payroll, it has already been set up for you.
8. If you do your payroll manually, make sure your wage records clearly show how the Gross pay is worked out.
9. If you are self-employed the subsidy is to be taken as your drawings. Our understanding is you will be taxed on the amount in your tax return in the next financial year.

10. **IF** you are able to be working fully without financial constraint before the 12 week period is up, any subsidy that has not been passed onto the employee will need to be paid back to the government. We assume there will be more detail on this later. They will be auditing the payments you have received.
11. If you need to add further staff to the subsidy, for example, if you have applied for one employee because you can keep the other employee working but as time goes on this is not possible, then you can contact MSD and ask them to add new employees to your subsidy list.
12. If you have applied for the subsidy under the self-isolation funds (as opposed to the 30% drop in revenue option) then you reapply after 2 weeks to ensure continuity. This would apply to say a farmer who has employees that are self-isolating and are unable to work. This subsidy needs to be topped up to 80% too and the amounts are the same as the wages subsidy.
13. You can top up the pay to 100% using annual leave if the employee agrees.
- 14. I suggest that you remove the subsidy amount from your main bank account and transfer it back as and when the wages are paid weekly.**
- 15. THE SUBSIDY FOR YOUR EMPLOYEES IS NOT YOUR MONEY TO USE FOR NORMAL BUSINESS SPENDING. YOU ARE RECEIVING IT SO YOU CAN DISTRIBUTE IT TO THEM.**
16. The wage subsidy amount does not include GST. If you process your own GST, then please set up a “wage subsidy” code in your chart of accounts that you code the subsidy to and ensure it is set up as GST exempt.
17. Whilst the wage subsidy for your employees is excluded from taxable income, so too is the “wage subsidy” portion of the wages you pay your employees not tax deductible, so in effect, it is a tax neutral transaction. We will deal with this in both your 2019-20 and 2020-21 financial years when we prepare your financial statements.

Gunson McLean Ltd

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