

Wage subsidy scheme factsheet – 24 March 2020 Update

Overview: Wage subsidies will be available for all employers that are significantly impacted by COVID-19 and are struggling to retain employees as a result. The scheme will be open to sole traders and the self-employed as well as firms.

Amount of support: \$585.80 per week for a full time employee (20 hrs or more) or \$350.00 per week for a part time employee (less than 20 hrs). The payment will be made as a lump sum for a period covering 12 weeks. This means employers will receive a payment of \$7,029.60 for a full time employee and \$4,200 for a part time employee. The Government has now removed the \$150,000 cap they originally had on this.

Scale of disruption: Employers must have suffered, or are projected to suffer at least a 30% decline in revenue compared to last year for any month between January 2020 and the end of the scheme in June 2020. Applications can also be made on the basis of forecast revenue loss within the period of the scheme.

Undertakings from the Employer: Some of the key undertakings are:

- Employers will need to declare that, on their best endeavours, they will continue to employ the affected employees at a minimum of 80% of their income for the duration of the subsidy period. This is the equivalent of keeping people working 4 out of 5 days of the week.
- Employers must also have taken active steps to mitigate the impact of COVID-19 (eg. engaged with their bank/financial advisor) and sign a declaration form to that effect.

Employers can apply to MSD for the subsidy: Employers can apply from today. Applications can be made through an online portal on the Work and Income website www.workandincome.govt.nz. MSD will aim to make first payments no later than five working days from when applications are received.

Duration of the scheme: Applications can be made from today (17 March) for the next 12 weeks

Estimated total cost: Approximately \$9+ billion (was \$5+ million)

Example 1: Forestry contracting gang use wage subsidy

A six person forestry contracting gang in Gisborne has been severely affected by the COVID-19 impact on logging exports and their revenue is down 90 per cent. Their Employer applies for the targeted wage subsidy. The Employer receives \$42,117 as a lump sum payment and is able to provide just over \$7,000 gross (before tax) to each of the employees across the next 12 weeks.

Example 2: Tourism operator

A tourism operator in Queenstown, with 20 permanent part time employees and 40 casuals, is affected by the decrease in international visitors. Their income is down 50% from the same period last year, forward bookings over the next two months are down 30%, and the casual workforce has already been released.

The Employer receives \$84,000 as a lump sum, and uses the subsidy to keep paying all part time staff their existing (current) income over the next 12 weeks.

More information on the wage subsidy scheme, including how to apply, and other support for businesses can be found at www.govt.nz/coronavirus, and www.business.govt.nz.