

SmartPayroll

Managing the Wage Subsidy Scheme in SmartPayroll

The information contained in this document is current at the time of writing. Given the situation is rapidly evolving, we recommend referring to [Business New Zealand](#) so you can stay up to date as new information becomes available.

Wage subsidies will be available for all employers that are significantly impacted by COVID-19 and are struggling to retain employees as a result. [Get more information from Employment New Zealand](#)

How should I manage this in SmartPayroll?

The Wage Subsidy does not need to be recorded in SmartPayroll in any way

Please do not use the new COVID-19 components – these are only for the COVID-19 Leave Payment Scheme for eligible employees who are self-isolating and unable to work. If you want to note that the wage subsidy was used to make up the employees pay, then please use the admin note feature available on the Pay Details screen.

Continue to pay employees for their hours worked as normal

If you can only pay 80% of normal wages/salary, or only the wage subsidy amount, you will need to reduce the number of hours an employee works to reflect this.

An example:

In this example, an employee's normal hourly rate is \$25 per hour and they normally work a 40-hour week receiving \$1000 per week.

If the employer is only able to pay the employee 80% of the normal wages/salary, an amount of \$800, the employer will need to reduce the number of hours the employee works to 32 hours in SmartPayroll @ \$25 per hour to pay \$800.

You can only expect your employees to work the number of hours that they have been paid for at their agreed rate of pay. Otherwise, the employer would be at risk of paying below minimum wage and/or in breach of contract. For any reduction in an employee's hours, this will need mutual agreement between employee and employer.

Topping up an employee's pay

You may, by agreement, allow an employee to take another paid leave type to top up their pay, e.g. annual leave. If this is used, the employee would not be expected to come to work for the time they were on annual leave.

Annual Leave Entitlements

Employees may be working less hours than what they would normally work during this time. This will affect the amount they are paid and what is considered a “week” for that employee for annual leave purposes. Employees are still required to receive 4 weeks of annual leave per year, but what constitutes a week for them, may have changed.

Updating how you use ‘One Touch Pay’ Employees

- If you normally use One Touch Pay to pay your employee's with standard hours and you need to pay them for reduced hours of work, you will need to either:
 - Go to the Pay Details screen and manually reduce the hours to the actual hours worked each pay period, OR
 - The employee should submit a leave request for Leave Without Pay, and once approved then the hours will be automatically reduced when you do a One Touch Pay.
- If it's likely the reduction in your employee's hours will continue for some time or indefinitely, consider changing your employee's Standard Hours. You will need to work through your own internal processes to manage this e.g. consider whether you need to seek a variation to their employment agreement. Any outstanding annual leave balances will also need to be recalculated.
- If it is likely that a reduction in your employee's hours is only temporary, and they don't have Standard Hours, no additional action is required. The employee will continue to be paid based on the hours that come through on their timesheet.

Frequently Asked Questions

Who can get the wage subsidy?

To qualify:

- your business must be registered and operating in New Zealand
- your employees must be legally working in New Zealand
- the business must have experienced a minimum 30% decline in actual or predicted revenue over the period of a month when compared with the same month last year, and that decline is related to COVID-19
- your business must have taken active steps to mitigate the impact of COVID-19
- you must make best efforts to retain employees and pay them a minimum of 80% of their normal income for the subsidised period.

How much can I get?

The COVID-19 Wage Subsidy will be paid at a **flat rate** of:

- \$585.80 (un-taxed) for people working 20 hours or more per week
- \$350.00 (un-taxed) for people working less than 20 hours per week

The subsidy is paid as a lump sum and covers 12 weeks per employee. The Government has since removed the original cap of \$150,000 per business.

Is the Wage Subsidy taxable?

The Wage Subsidy is intended to assist employers struggling to retain their employees. So any payments of hours worked and paid leave taken are taxable just as they normally would be.