

# SmartPayroll

## Managing the Wage Subsidy Scheme in SmartPayroll

The information contained in this document is current at the time of writing on March 27 2020 at 5.46pm. 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. We will continue to update this information as quickly as possible.

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](#)

## Things to note before processing Payroll using the Wage Subsidy

- You do not need to record that you are using the Wage Subsidy but should still process payroll through SmartPayroll to ensure taxes are paid as normal, and reporting is kept accurate.
- 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.
- By accepting the Wage Subsidy you must make best efforts to pay your employees **at least** 80% of their normal salary or wage. Any change to reduce their normal hours or a change the way in which they are paid should be discussed with your employees.

## Processing Payroll in SmartPayroll using the Wage Subsidy

- If you can afford to pay your employees their normal wage/salary, but intend to use the wage subsidy to subsidize the pay, then pay them as normal. There are no changes for you to make.
- If you can only afford to pay 80% of normal wages/salary, you will need to reduce the number of hours an employee works to reflect this. This should be discussed with your employee.

## Customer Scenarios

### We've put together some common scenarios to help you

Scenarios 1 and 2 are based on an hourly rate of \$20 per hour where the employee would normally work a 40-hour week receiving \$800 per week. Scenario 3 is based on an employee working non-standard hours.

### Scenario 1

#### An employer is paying 80% of an employee's wages/salary using the Wage Subsidy and then the employer is topping up the rest

1. Calculate their average hours per week and multiply this by 80%.
2. For example,  $40 \times 80\% = 32$ , so you would enter 32 hours into 'hours' at a rate of \$20 per hour, paying the employee \$640

Normal Pay	Hours	Rate	Amount
Wages	32	\$ 20.0000	\$640.00
Admin		\$ 20.0000	

+ Add leave item    + Add one off payment    No. of days paid: 4    Taxable periods: 1

**Total Earnings \$640.00**

Gross Pay	\$640.00
<b>Ordinary Pay Tax</b>	
PAYE	\$83.20
Deductions	\$74.20
<b>Net Pay</b>	<b>\$482.60</b>

### Scenario 2

#### An employer is paying 80% of an employee's salary/wages using the Wage Subsidy and topping up with Annual Leave

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 work for the time they were on annual leave.

1. Take subsidy amount \$585.80 and divide by their hourly rate to get the hours to enter e.g.  $\$585.80 / \$20 = 29.29$
2. Enter hours under hours e.g. 29.29 hrs under Hours
3. In this example you would need to pay \$54.20 in Annual Leave to the wages/salary up to \$640 (80% of normal pay)
  - $\$54.20 / \text{Annual Leave Rate} = \text{Annual Leave hours}$
  - $\$54.20 / \$22.15 = 2.4469$  hours
4. Enter 2.4469 hrs Annual Leave taken

Normal Pay	Hours	Rate	Amount
Wages	29.29	\$ 20.0000	\$585.80
Admin		\$ 20.0000	

Leave	Days	Hours	Rate	Amount
Annual Leave (23/03/2020 to 23/03/2020)		2.4469	\$22.1500	\$54.20

+ Add leave item    + Add one off payment    No. of days paid: 3.97    Taxable periods: 1

**Total Earnings \$640.00**

Gross Pay	\$640.00
<b>Ordinary Pay Tax</b>	
PAYE	\$64.80
ACC Earning Levy	\$8.14
<b>Extra Pay Tax</b>	
PAYE	\$16.26
ACC Earning Levy	\$0.75
Deductions	\$74.20
<b>Net Pay</b>	<b>\$475.85</b>

### Scenario 3

An employer is paying 80% of their employee's wages using the Wage Subsidy and then the Employer is topping this up, but the employee is not on standard hours

If the employee does not work standard hours, then the employee needs to work out what their typical week would be. This should be calculated based on average hours worked in the past 52 weeks as is stated by the Ministry of Social Development [here](#). You can use the average hours report in SmartPayroll to find this information.

1. Look at the Average Hours Report to get the Total Hours in the Last 52 weeks and divide by 52.

**Total Hours  
52 Weeks**

1,160.77

2. In this example that's  $1160.77 / 52 = 22.3225$  hrs
3. 22.3225 hours per week is deemed an average week for the employee
4. Now just do the same as Scenario 2 so to pay the employee 80% of what they're normally paid your calculation would be  $22.3225 \times 80\% = 17.858$
5. Enter 17.86 hrs in Hours (round up as it will only let you put in 2 decimal places)

Normal Pay	Hours	Rate	Amount
Wages	17.86	\$ 20.0000	\$357.20
Admin		\$ 20.0000	

+ Add leave item    + Add one off payment    No. of days paid: 2.23    Taxable periods: 1

**Total Earnings \$357.20**

Gross Pay	\$357.20
Ordinary Pay Tax	
PAYE	\$42.46
Deductions	\$65.71
Net Pay	\$249.03

### Other things to consider when processing pay:

- 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.

## 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 add Leave Without Pay for the hours they didn’t work or simply 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.