

NEWSLETTER – COVID-19 UPDATE 2nd APRIL 2020

During this time our resources are stretched but we are still here to help.

We have set out a quick reference guide in the event you need help in a hurry.

Note these references are as of today's date. We make this statement as we have seen opinions and changes made since the original announcement on the 17th March 2020.

Wage Subsidy

Q: The wage subsidy and leave payments are exempt from tax but are the wages still deductible and are they subject to PAYE?

A: The wage subsidy and leave payments are excluded income but only to the extent they offset wages. This is the tax law as it currently stands.

Q: Are payments to employees subject to PAYE?

A: Yes, they are. The easiest thing is to pay the employee as normal with PAYE and code the total as wages.

Q: If self-employed receive a subsidy/leave payment, will that be taxable as there are no wage deductions to offset it against?

A: Yes

Q: Are the wage subsidy/leave payments or payments to self-employed subject to GST?

A: No.

Q: Where should I code the subsidy I receive?

A: We suggest you create a new Revenue code called 'Other Revenue' and make sure there is No GST.

Q: How do I make the payment in my payroll package?

A: Each provider should have published information on how to handle this payment. If in doubt email us.

Q: I have received the subsidy – what do I pay my employees?

A: Employers that utilise the Wage Subsidy must make their ‘best endeavours’ to pay Employees 80% of their pre-COVID-19 income. Where that is not possible i.e. in particular where a business has no activity due to the shutdown and Employees are not working any hours – Employers must pass on at least the whole value of the Wage Subsidy to the affected Employee. You will need to discuss this with your Employees before implementing the changes.

Q: Should I make the payment as a lump sum or spread the payment?

A: Our suggestion is that you spread the payment according to your employee’s normal pay cycles. This is because there may be several unintended consequences, including:

- Paying the 12-week subsidy to an employee as a lump sum brings up to 12 weeks of income, that would normally be earned in the next tax year, into this tax year (which ends on 31 March 2020).
- The additional income could move them into a higher marginal tax bracket and result in them receiving a tax bill when Inland Revenue completes the automatic assessment process later this year.
- If, as a result of receiving the additional income, their total gross income for the year exceeds \$48,000 they will no longer qualify for the Independent Earner Tax Credit.
- It may also impact their Working for Families Tax Credits, Child Support, Paid Parental Leave entitlements or they may receive a Student Loan bill.

Tax Payments Due to IRD – notes directly from the IRD:

“Inland Revenue will write-off any penalties and interest for businesses unable to pay taxes on time due to the impact of COVID-19. Don’t worry about contacting us right now. Get in touch with us when you can.

We’re working hard to provide essential services for business and individual customers during this stressful and difficult time. Payments, including Working for Families customers, will still be made.

To help get correct payments to people we would like employers to still file their returns as normal. This helps us work out the right amounts for people and helps the Government continue to respond to what is happening in the economy.”

Contacting IRD

“During the lockdown IRD phone services will be severely limited and the most effective way to contact them, will be online and through myIR. Within Inland Revenue, all front office services are now closed and almost all IRD staff are working from home.

Inland Revenue is still working on all critical matters related to tax entitlements and payment obligations. We know these are matters causing real stress and uncertainty and IRD are working urgently to provide as much certainty as quickly as they can.

Please use IRD online services to contact IRD – preferably through your myIR account”.