



DYHRBERG DRAYTON
EMPLOYMENT LAW

What's New Update: COVID-19 Wage Subsidy Extension

Overview

The government has announced an extension to the wage subsidy scheme to help businesses affected by COVID-19. The extension will support businesses and their staff to maintain an employment connection by supporting:

- employers adversely affected by COVID-19, so they can continue to pay their employees, and
- workers to ensure they continue to receive income.

The current wage subsidy scheme provides a 12-week payment per named employee. Businesses are eligible for the subsidy where they have experienced a 30 per cent decline in actual or predicted revenue related to COVID-19. This scheme expires on 9 June 2020.

From 10 June 2020, a wage subsidy extension will be available by way of an 8-week payment per named employee. Businesses must have experienced a minimum 50 per cent decline in actual or predicted revenue over the 30-day period immediately prior to applying for the extension, versus the nearest comparable period last year. There are different calculations for organisations where this calculation is not possible, such as new businesses or pre-revenue firms.

Wage Subsidy Extension Rates

The weekly rates will be the same as under the current wage subsidy, that is \$7,029.60 (\$585.80 per week) for a fulltime employee, and \$4,200 (\$350 per week) for part time employees (less than 20 hours per week). The subsidy will be paid in an 8-week lump sum. The government emphasised that the wage subsidy extension must be used to pay employees' wages and receiving it does not change existing employment law obligations.

Eligibility

The wage subsidy extension will be open to the same types of employers currently eligible for the wage subsidy, including:

- contractors;
- self-employed;
- sole traders;
- registered charities;
- incorporated societies;
- post-settlement governance entities; and
- pre-revenue research and development start-up companies that are seed or venture capital backed.

Note the subsidy is not available to state sector organisations.

Before receiving a wage subsidy extension, active steps must be taken by businesses to manage the implications of COVID-19, including negotiating financial arrangements with the bank, making an insurance claim, or activating a business continuity plan. Businesses receiving the wage subsidy extension will need to agree to:

- pass the subsidy onto employees;
- retain employees for the duration of the subsidy;
- do their best to pay employees at least 80 per cent of their normal pay; and
- take active steps to mitigate the impact of COVID-19 on their business.

Note, it is not possible to receive more than one COVID-19 payment from Work and Income NZ for the same employee at the same time. This includes the wage subsidy, the leave support scheme, and the wage subsidy extension.

Those who are eligible for the wage subsidy extension will need to re-apply through Work and Income once their current 12-week subsidy has come to an end. More information about the



payment and how to apply will be available on the Work and Income website before 10 June 2020.

If you would like more information about these changes, or their implications, please contact us on:

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