

Wage subsidy extension for employers announced as part of the 2020 Budget

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The much anticipated 2020 Budget was announced on Thursday, with \$15.9b allocated towards keeping New Zealanders in work. The Government announced a further financial support scheme as part of the budget, the COVID-19 wage subsidy extension, designed to support employers and sole traders whose businesses have suffered as a result of COVID-19.

Aptly named, the wage subsidy extension is designed to extend the benefits of the COVID-19 wage subsidy which has been available since 17 March to eligible businesses. The wage subsidy extension will be available from 10 June 2020 until 1 September 2020 on application to the Ministry of Social Development as for the wage subsidy and leave support scheme.

Key points to note about the wage subsidy extension are as follows:

- Employers cannot receive more than one COVID-19 support payment for the same employee at the same time. Where employers have received payments under the wage subsidy scheme or the leave support scheme, they cannot apply for the wage subsidy extension until the end of the respective scheme's duration (12 weeks for the wage subsidy or 4 weeks for the leave support scheme)
- To be eligible, the business must have had, or expect to have, a loss in revenue of at least 50% for the 30 days before it applies, compared to the closest period last year. This is a higher threshold than the 30% revenue loss threshold under the wage subsidy scheme
- The subsidy will cover eight weeks per employee from the date the application is submitted and will be paid as a lump sum at the same weekly rate as the wage subsidy: \$585.80 for full time workers (those working more than 20 hours per week) and \$350.00 for part time workers (those working less than 20 hours per week)
- Employers must agree to the same conditions as for the wage subsidy, including passing the subsidy on to employees and retaining those employees for the duration of the subsidy. Employers must also agree to make best efforts to pay employees at least 80% of their ordinary salary or wages and take active steps to mitigate the impact of COVID-19 on their business.

More information about the wage subsidy extension and how to apply is expected to be made available before 10 June. In the meantime, eligible businesses that have not yet applied for the wage subsidy can still apply.

Employers should also consider whether they may be eligible for the leave support scheme, which is available to assist with paying employees who can't work because Ministry of Health guidelines advise they should self-isolate.

We expect the announcement of further Government support will come as a relief to many businesses that had started to look ahead at what might come next after the 12-week wage subsidy period. The conditions of the scheme are significant however and may give rise to a number of complexities around workforce management in the longer term. We are here to support as needed if you want to discuss what is right for you and your business.

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