

Common questions on support for employers during covid-19.

Answers to some common questions about how the wage subsidy works with tax and for charities

Tax

If, as an employer I am receiving the wage subsidy on behalf of an employee, do I have to pay GST on the subsidy?

No – it will be treated as exempt from GST.

As an employer, do I have to pay tax on the wage subsidy I receive for an employee?

No, you don't have to pay tax on a wage subsidy as it's classified as excluded income.

Does an employee need to pay tax on a wage subsidy payment?

Yes, they will as the subsidy is paid to the employer as part of their normal wages. This means it is subject to the usual PAYE, Student Loan, KiwiSaver deductions, etc.

If, as an employer I am receiving the leave payment on behalf of an employee because they are in self-isolation, do I have to pay GST?

No – it will be treated as exempt from GST.

If I'm self-employed do I have to pay tax if I receive a leave payment because I am in self-isolation?

This payment will be treated as income for tax purposes.

If I'm an employee do I need to pay tax if I receive a leave payment because I am in self-isolation?

The leave payment will be paid to your employer, and you will receive it like normal wages. This means it's subject to the usual PAYE, Student Loan, KiwiSaver deductions, etc.

Charities

If I'm an employer of a registered charity, incorporated society, non-government organisation, or post settlement governance entity am I entitled to apply for the wage subsidy for my employees?

Yes, you can apply for the wage subsidy if your business has been adversely affected as a result of COVID-19 and you are struggling to retain your employees.

If I'm an employer of a registered charity, incorporated society, non-government organisation, or post settlement governance entity am I entitled to apply for the leave payment for my employees?

Yes, you can apply for the leave payment if your employees are required to self-isolate because of Ministry of Health Guidelines and cannot work from home. Employees may not be able to work from home because:

- of the nature of their occupation e.g. trades people or you cannot provide employees the ability to work from home e.g. no access to laptops.
- they have been diagnosed with COVID-19
- they are caring for dependents.

Leave Payment

If your employee is diagnosed with COVID-19, do they have to use their accrued sick leave before they are eligible for the COVID-19 leave payment?

Employees do not need to use their sick or annual leave entitlement before you can apply for the COVID-19 leave payment – it can be applied for right away. You can have a conversation with your employee about whether they would prefer to use any accrued sick or annual leave first, rather than the COVID-19 leave payment as there may be cases where the employee would receive more through their own sick leave than the COVID-19 payment.