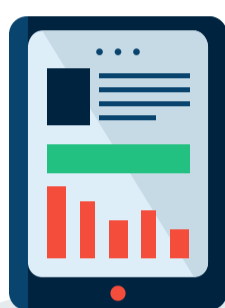


COVID-19 Wage & Leave Subsidies

With the Government providing significant COVID-19 wage and leave subsidies to employers and self-employed persons, many will have questions about how we treat these for Income Tax, GST, and Payroll purposes. Below is a summary of the key points:



WAGE SUBSIDY PAYMENT

- The payment is not subject to GST - it is exempt (s 5(6E)(b)(iii) GST Act)
- The payment to the employer will not be taxable - it is excluded income (s CX47 Income Tax Act)
- The payment is not deductible when paid by the employer as part of wages paid to the employee
- The payment will be taxable to the employee as it is included as part of their normal wages and is subject to the usual PAYE, Student Loan, KiwiSaver, etc.



LEAVE PAYMENT

- The leave payment for self-isolation is not subject to GST - it is exempt (s 5(6E)(b)(iii) GST Act)
- The leave payment for self-isolation paid to employees or self-employed persons is subject to tax, as it is paid to replace taxable income



PAYROLL SYSTEM CHANGES

- IRD have confirmed that no changes are required in your payroll system, as the payments to employees will be treated as normal and there is no requirement to keep anything separate
- From an accounting perspective, when you receive the wage subsidy, that needs to be shown as excluded income
- You will need to do journals in your accounting system to record the non-deductible portion of wage payments arising from the wages subsidy received
- You will also need to account for the timing differences arising from lump sum wage subsidy payments received before the balance date and the payments to employees extending into the next financial year



Remember during these hard times to stay **positive** and **be kind**.

For more information on the above, visit:

<https://workandincome.govt.nz/products/a-z-benefits/employer-questions-and-answers.html>