



## FAQs: Wage Subsidy

### Introduction

This document provides answers to common questions on the wage subsidy measures being rolled out to support businesses under the Government's COVID-19 Economic Response Plan, Phase II.

Detailed information on the Government's business response can be found in the *Wage and Training Support Initiative Fact Sheet* available for download on the MFEM website at:

<http://www.mfem.gov.ck/economic-planning/erp-phase-ii>

### Wage subsidy

#### What is the purpose of the wage subsidy?

The objective of the wage subsidy is to ensure that employers keep their staff on the payroll and to keep businesses going as best as possible under the current circumstances.

#### When will payments be made?

Payments will be made monthly starting from July, with first payments commencing during the week of 6<sup>th</sup> July 2020.

#### What changes have been made to the wage subsidy policy?

There have been several changes made to the wage subsidy that will come into effect on the 1<sup>st</sup> July 2020, they are as follows:

- The wage subsidy will be calculated at the new minimum wage of \$8 per hour and on a 40 hour week, for both the full-time and the part-time rate.
- Changes to the eligibility criteria include:
  - Eligibility and payments will cease if at any time after June your business's turnover is more than 50 per cent of the same period in the previous year.
  - For August subsidies onwards, your company directors will be able receive the wage subsidy at the full-time rate if they had not previously been treated as employees and if the director's fees were their primary source of income. For this to occur, they must be added as an employee and their 2019 income tax return must be filed with RMD showing the payment of director's fees.



## How are the wage subsidy payments calculated and paid?

The wage subsidy is paid monthly and calculated for the number of days in that month. When applying, the employer will indicate the hours worked by each employee, whether it is nil, 5-19 hours (part-time) or 20+ hours (full-time) per week during the month. For part-timers, this means a payment of \$160 per week whereas a full-timer will receive \$320 per week. All calculations are based on a 40 hour or 20 hour work week at the minimum rate of \$8 per hour.

The subsidy will be paid into the employer's bank account for payroll processing to pay each employee. Banking details have to be submitted when completing the application form on the CINSF system, Te Roro.

## Can I change my worker's hours because of the subsidy?

When signing up to the subsidy the employer declares that they will not make any changes to their obligations under any employment agreement, including to rates of pay, hours of work and leave entitlement, without the written agreement of the relevant employee (i.e. any changes to employment terms must be agreed in writing between the employer and employee).

The employer also agrees that for the period they receive the subsidy they will:

- use their best endeavours to pay at least 80 per cent of each named employee's ordinary wages or salary; and
- pay at least the minimum wage rate to the employee.

Staff hours should not be cut where possible. The Subsidy received by the employer is only to fund their employees, if staff hours have been cut and the full subsidy is not being used on staffing, the employer will not be meeting their obligation under the subsidy agreement, and will not receive the subsidy for the following months.

## Are employers required to continue paying their staff under code red conditions?

Yes. If an employer meets the requirements to access the wage subsidy, the payments will be made to the employer regardless of the MOH code. In the event that MOH move to 'code red' employers are still required to pay their employees during this period as they remain responsible for their wage/salary.

The employer is unable to compel or require any of the employees named in their application to use their leave entitlements for the period the business receives the subsidy in respect of those employees.

## Is it possible to receive support for primary income on wage subsidy as well as secondary employment?

Yes. Where an employee works two jobs, either full-time and part time, or two part-time jobs; where either one or both jobs have been impacted by COVID-19; both employers will be able to apply for the wage subsidy. The CINSF system will flag an employee that shows up under multiple employers, and RMD will investigate if the employee is being claimed for more hours than in the listed scenario.

## Can employees access the wage subsidy other than through an employer?

Employers still have an obligation to ensure that their employees are paid during this period. They are still required to follow the *Employment Relations Act 2012* as well as contracts that are in place to protect employees as well as employers. This issue goes beyond the wage subsidy scheme as it may

relate to breaches in contractual as well as legislative rules, and in the case of foreign workers, immigration requirements.

If the employer fails to respond to requests from the employee for access to the wage subsidy, the employee will need to resign, and provide proof of this to receive the unemployment benefit, and subsequently be listed for the employment services.

### Do employees have a right to refuse to participate in work programs set by the employer and still be entitled to the wage subsidy?

This is a matter to be resolved between the employee and the employer. Employees and employers are bound by the terms of the employment contract signed by both parties. If either party has a grievance, this falls outside of the terms of the wage subsidy scheme, as it relates employee/employer relations and therefore falls under the *Employment Relations Act 2012*.

Under the wage subsidy the employer declares that they will not make any changes to the employee's obligations under any employment agreement, including rates of pay, hours of work and leave entitlements without the written agreement of the relevant employee – this includes type of work. If the employee chooses not to undertake the new tasks required by their employer, they will either need to be placed on leave with pay – during which time the wage subsidy will be provided, or on leave without pay. If the employee is placed on leave without pay, the employer cannot receive the wage subsidy for that employee.

### How will the wage subsidy be applied fairly to all employees within a business?

The wage subsidy is paid to the employer and requires the employer to distribute the subsidy to their workers. Employers are required to pay their staff, at or above the minimum wage. If your employees are earning more than the minimum wage, you are encouraged to pay them at least 80 per cent of their normal wage. This wage subsidy is not required to be paid in addition to the worker's current wage but is to ensure that businesses have the funds available to pay their workers and that the workers continue to receive a salary.

For example, if an employer normally pays an employee at \$10.00 per hour for full-time hours, \$8 of that \$10.00 is subsidised.

If an employee believes that they are being treated unfairly they should approach the Ministry of Internal Affairs to find out their rights under the *Employment Relations Act 2012*.

### What happens when an employer who is accessing the wage subsidy cannot trade?

If your business is unable to trade due to COVID-19, you are still able to claim the wage subsidy to pay your employees. Employers are encouraged to find other tasks for the employees, outside of their normal work program, and agree this with the employees. If this is not possible, the employer can seek temporary re-deployment of their staff, or place their workers on leave with pay and continue to receive the subsidy.

### Can my business save the subsidy money for later?

No. Employers accessing the wage subsidy must pass on the full subsidy amount they have received to their employees.

## What if my staff are classified as undertaking full-time hours but their standard hours do not make their total wage \$320?

Businesses are not expected to increase their staff hours as a result of the subsidy. Any difference between the subsidy paid by Government and the pay going to the employee should be used to cover additional staffing expenses, such as CINSF and PAYE.

However, if the worker's standard pay took them to the equivalent of the \$320 the employer cannot cut the hours of the employee to below this amount.

## Are business owners eligible for the subsidy?

For August subsidies onwards, Company directors will be able to receive the wage subsidy at the full-time rate if they had not previously been treated as employees. For this to occur, evidence of director's drawings must be evident in their 2019 tax returns and income tax returns must have been submitted.

## What evidence is required to show an employee is full or part-time?

You are not required to provide evidence up-front, rather you will need to make a declaration of hours by employee. All submissions will be audited by Government. Employers are still required to keep timesheets for all employees as per the usual process.

## Once registered, do I have to demonstrate an ongoing 30 per cent COVID-19 impact?

If you have demonstrated you are 30 per cent down in June to the satisfaction of Revenue Management, you will automatically receive the subsidy in July. However to continue to receive the wage subsidy from August you will need to demonstrate that your turnover is less than 50 per cent of that from the same month last year.

## If my business doesn't qualify for the June wage subsidy, can I apply for July?

Yes, businesses that show a 30 per cent decline in June will be eligible for the subsidy from 1 July.

## What contract or work permit evidence do I need to show for my employees?

The wage subsidy applies to all employees in the private sector regardless of citizenship. For now, you are only required to make a CINSF declaration regarding your employees. However, employers are encouraged to keep contracts, payroll records etc. in the event an audit takes place later.

## What evidence are you expecting employers to provide when making an application?

If you have registered your business with the Revenue Management Division (RMD) since 1 March 2020, you will need to provide evidence that you were operating as a business before that date. You may attach invoices, bank statements, or a certificate of registration, receipt of rental space, Ministry of Health certificate or tourism accreditation.

For all other businesses that did not receive the April to June wage subsidy, if you have submitted your June VAT and it shows a decrease in your revenue of 30% when compared to June 2019, you do not need to submit any additional documents.

If you have not submitted your June VAT you will need to provide evidence of an impact on revenue in the month of June, and that this will not recover in July. For example, bank statements for the last 12 months, a notice of closure from Ministry of Health, a record of forward bookings and/or cancellations, a severe impact on your cash flow, Profit/Loss statement for the last calendar year.

### Where do I get a copy of the wage subsidy declaration?

A copy of the declaration form is available on the MFEM website. The declaration form will also be made available once you have received your CINSF log in and your submission of the application will indicate that you accept the declaration.

### If my business has undergone a structural change since last year will that be considered?

Businesses will be assessed based on their existing structure at the time the COVID-19 Economic Response Plan was announced by Government. If you have expanded your business significantly since March 2019, please document this in your application.

### What happens in the case of employees older than 60 that aren't making superannuation contributions or not registered for superannuation?

All workers will be required to be registered to be captured in the system to qualify for the subsidy, however those over 60 will not be required to make CINSF contributions.

### How long will the application assessment take and when is payment expected?

We aim to assess the submissions within the first week with payments expected to be made in the second week of July. Processing of payments will take approximately one week from application.

### What is the deadline for my application in order to receive the payment in July?

All applications are required before 30 September 2020.

### If my business has multiple companies (e.g. a consolidated group), do the eligibility requirements apply to each individual company or to the group?

This will depend on how companies are registered with CINSF and Revenue Management Division. If they are registered as a separate entity then they apply separately and if consolidated, they apply as one entity.

### Is the wage subsidy income exempt from VAT?

Yes. The subsidy does not form part of a businesses' taxable activity.

### Can sole traders access the wage subsidy?

No. Sole traders will qualify for the business grant of \$3,000.

## As an employer I had to let some of my employees go because of COVID-19. Can I rehire them and get the wage subsidy to help pay them?

You are able to claim the wage subsidy for any staff that you employ, if you re-hire previous staff you can claim the wage subsidy for them, in addition if you take on new staff you can claim the subsidy for those staff.

### If I have no work for my staff, what do I do?

Employers may put their employees on leave however continue to pay them the minimum wage. If employers have work that falls outside of the employment contract, employers will need to discuss these new duties with their employees to gain their agreement. If this matter cannot be resolved, employers have the option to terminate in line with contractual and legislative obligations. However we urge that this option is used as a last resort.

### Can I add new staff to my business?

New staff will only be permitted if they are replacing previous employees, or if you can provide evidence of an increase in turnover since the last month, or an expected increase in turnover in the coming month.

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## For further information contact

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