

Example of how the Government Wage Subsidy and Leave Payment is taxed

The wage subsidy and leave payment are subject to tax and become part of gross taxable income for the employee.

Example of the Wage Subsidy:

A full-time employee (working more than 20 hours per week) would normally be paid \$1000 gross per week.

The company has been hit hard from the COVID-19 pandemic and applies for the government wage subsidy to keep staff employed (12 weeks).

The wage subsidy becomes part of the \$1000 gross, so the employer does not have to pay the full amount (providing some relief to the employer and security to the employee).

The breakdown of the \$1000 gross is:

- \$585.80 (wage subsidy)
- \$414.20 (employer payment)
- Total: \$1000.00 (total gross amount)

Employees details are:

- PAYE taxed at (M)
- Paid weekly
- Also has KiwiSaver at 3% (employee and employer contributions)

All employees: Total PAYE to withhold		All employees: Employer contributions	
Total gross income (salary / wages)	1,000.00	Total KiwiSaver employer contribution value (Gross)	30.00
Total PAYE (including earners' levy)	179.66	Total KiwiSaver net employer contribution (Payable to IR)	24.75
Total child support deductions	0.00	Total complying fund employer contribution value (Gross)	0.00
Total student loan deductions	0.00	Total complying fund net employer contribution (Payable to provider)	0.00
Total KiwiSaver employee deductions	30.00	Total employer ESCT	5.25
Total tax credit for payroll donations	0.00		
Total net payment	790.34		
Total payroll giving donation amount	0.00		
Total net payment less payroll giving donation	790.34		

The employee is receiving what they normally receive in this example and the subsidy amount becomes part of the gross income for the employee.

This will mean it will be part of gross earnings for leave but the employer is not paying more than they would normally pay the employee.

Example of the Leave Payment:

If the employee meets the criteria to get the leave payment (has to self-isolate (under MOH requirements) and cannot work from home, is sick or is caring for a dependent that is sick) then the employer can on the employees behalf apply for this payment.

The payment can be up to 8 weeks and is applied for in two-week periods (so to use the whole 8 weeks the employer would be applying 4 times). The rate and criteria (part time less than 20 hours per week, full time greater than 20 hours per week) is the same as for the wage subsidy.

In this example the employee is part time working less than 20 hours per week (hours 10 hours at \$50 per hour) but has now been directed to self-isolate and cannot work from home (meeting MOH requirements).

As the employee normal gets \$500 gross a week they decide to use annual holiday entitlement to top up the leave payment from the government (their choice).

The breakdown of the \$500 gross is:

- \$350.00 (wage subsidy)
- \$150.00 (using 3 hours of annual leave on top of the leave payment from the government)
- Total: \$500.00 (total gross amount)

Employees details are:

- PAYE taxed at (MSL)
- Paid weekly

All employees: Total PAYE to withhold		All employees: Employer contributions	
Total gross income (salary / wages)	500.00	Total KiwiSaver employer contribution value (Gross)	0.00
Total PAYE (including earners' levy)	75.60	Total KiwiSaver net employer contribution (Payable to IR)	0.00
Total child support deductions	0.00	Total complying fund employer contribution value (Gross)	0.00
Total student loan deductions	15.12	Total complying fund net employer contribution (Payable to provider)	0.00
Total KiwiSaver employee deductions	0.00	Total employer ESCT	0.00
Total tax credit for payroll donations	0.00		
Total net payment	409.28		
Total payroll giving donation amount	0.00		
Total net payment less payroll giving donation	409.28		

Please note: the leave payment can be used before during or after any leave the employee has.