

# Covid-19 Wage Subsidy August 2021: Pre-Payment Assessment

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# Introduction to Wage Subsidy Schemes

1. The New Zealand Government introduced the wage subsidy scheme to support businesses affected by the global impact of COVID-19 to retain employees. The Wage Subsidy Scheme is designed to:
  - support affected businesses to retain employees when Covid-19 restrictions impact revenue; and
  - help preserve employment connections between employers and employees and provide income for employees even when they are unable to work.
2. The wage subsidy scheme has provided payments for full-time employees at \$585.80 per week, and \$350 for part-time employees.
3. To date the Government has introduced wage subsidy schemes named below:
  - the **Original** scheme: introduced on 17 March 2020 and ending on 27 March 2020;
  - the **Enhanced** scheme: introduced on 27 March 2020 and ending on 28 March 2020;
  - the **Modified** scheme: introduced on 28 March 2020 and ending on 9 June 2020;
  - the **Extension** scheme: introduced on 10 June 2020 and ending on 1 September 2020;
  - the **Resurgence** scheme: introduced on 21 August 2020 and ending on 3 September 2020;
  - the **March 2021** scheme: introduced on 8 March 2021 and ending on 21 March 2021;
  - the **August 2021** scheme: introduced on 17 August 2021 and ending at 7am on 3<sup>rd</sup> September 2021;
  - the **August 2021 #2** scheme: introduced at 9am on 3 September 2021 and is ending on 16 September 2021;
  - the **August 2021 #3** scheme: introduced on 17 September 2021 and ending on 30 September 2021;
  - the **August 2021 #4** scheme: introduced on 1 October 2021 and ending on 14 October 2021 and
  - The **August 2021 #5** scheme: introduced at 9am on 15 October 2021 and ending on 28 October 2021
4. This document concerns the most recent scheme, the August 2021 scheme (#1, #2, #3 #4 and #5). Each scheme required applicants to make a **declaration** and complete an application form. Both the declaration and the application form comprise the application made by each recipient. The declaration requires the applicant to declare they have met the eligibility criteria for the scheme and that they will comply with the obligations specified in the scheme. The declaration forms the legal contract between MSD and the recipient of the wage subsidy.

5. This declaration applies to applications for the COVID-19 Wage Subsidy August 2021 made between 9am on 20 August 2021 and 7am on 3 September 2021 (inclusive): [Declaration – COVID-19 Wage Subsidy August 2021 - Work and Income](#)
6. This declaration applies to applications for the COVID-19 Wage Subsidy August 2021 (#2) made between 9am on 3 September 2021 and 11.59pm on 16 September 2021 (inclusive): [Declaration – COVID-19 Wage Subsidy August 2021 \(2\) - Work and Income](#)
7. This declaration applies to applications for the COVID-19 Wage Subsidy August 2021 (#3) made between 17 September 2021 and 30 September 2021 (inclusive): [Declaration – COVID-19 Wage Subsidy August 2021 \(3\) - Work and Income](#)
8. This declaration applies to applications for the COVID-19 Wage Subsidy August 2021 (#4) made between 1 October 2021 and 14 October 2021 (inclusive): [Declaration – COVID-19 Wage Subsidy August 2021 \(4\) - Work and Income](#)

## Purpose of this document and who it applies to

9. MSD is undertaking pre-payment integrity assessments (**pre-payment assessments**) in respect of applications advanced by certain applicants, as part of MSD's wider efforts to help ensure that only eligible applicants receive the August 2021 wage subsidy.
10. The purpose of this document is to set out:
  - a. who this document applies to, that is, who will be subject of the pre-payment assessments (see paragraph 8 below); and
  - b. an eight-step process for undertaking pre-payment integrity checks (see steps 1-8 at pages 8-14)
11. The applicants who will be the subject of the pre-payment assessments are those applicants who falls within one of the '**Integrity Exception**' categories set out immediately below, and outlined further on in this document (paragraph 34):

s6(c) OIA





## MSD Business Process

12. For full details and reference to August 2021 COVID-19 Wage Subsidy please click on this (external Work and Income Website) [Link](#)
13. For further details and reference to August 2021 COVID-19 Wage Subsidy please click on this (MAP) <sup>s9(2)(k) OIA</sup>
14. MSD established business processes in relation to the processing and payment of the wage subsidy schemes:
  - a. for guidance on how MSD processed wage subsidy applications please click on this <sup>s9(2)(k)</sup>
  - b. for answering questions about the wage subsidy please click on this <sup>s9(2)(k)</sup>
15. The <sup>s9(2)(k) OIA</sup> allows staff to search for and view applications made as part of the wage subsidy scheme.
16. The <sup>s9(2)(k) OIA</sup> is a case management system that allocates work for processing.

## Overview of Pre-Payment Assessment

### *Which applications will come to you*

17. The August 2021 Wage Subsidy application portal will apply certain 'exceptions' to applications. If an 'exception' applies to an application for the wage subsidy, it means the application will not be automatically approved (refer the list of exceptions at paragraph 8 above). Instead, those applications will come to your specialist team to undertake pre-payment assessments.

### *Purpose of pre-payment assessments*

18. As above, the purpose of the pre-payment assessments is to help ensure that only eligible applicants receive the August 2021 wage subsidy. A High Trust model still exists, however certain information in applications advanced by applicants can be verified in advance of a wage subsidy payment being made. Verifying the accuracy of information provided by applicants is the purpose of the pre-payment assessment. 'Verification' is achieved by obtaining documentation from the applicant or elsewhere, as appropriate, confirming that information the applicant has provided is correct.

### ***The verification information you should require***

#### *(a) Verification information about being a real business*

19. See more detail at step 3 below.

#### *(b) Verification information about decline in revenue:*

20. The decline in revenue that applicants must meet in order to be eligible for the August 2021 subsidy depends on which wage subsidy they have applied for.

### **COVID-19 Wage Subsidy August 2021**

21. The first August 2021 wage subsidy was available from 20 August and 3 September 2021. For applicants who applied for this subsidy, in all instances you should be requesting verification that the applicant has had, or is predicting it will have, a decline in revenue that is attributable to the move to Alert Level 4 on 17 August 2021 and the revenue decline is:
  - a. at least 40% over the period 17 August 2021 to 31 August 2021 (inclusive) (revenue test period), when compared to a typical 14-day consecutive period of revenue in the six weeks immediately prior to the move to Alert Level 4 on 17 August 2021 (default comparator period); or
  - b. for applicants that have highly seasonal revenue, at least 40% over the revenue test period when compared to the same 14 consecutive days in 2020 or 2019 (seasonal comparator period), provided the applicant can demonstrate that the seasonal nature of its business makes it harder to meet the 40% revenue decline using the default comparator period than if the business was not of a seasonal nature (refer to this s9(2)  
(k) and if still unable to determine please escalate through Management to obtain Operational Policy support with the decision).
22. Please note as at 26 August there was a change to the **revenue test period** for the COVID-19 Wage Subsidy August 2021 where Employers can now calculate their **revenue test period** for any 14-day consecutive period between 17 August 2021 and 31 August 2021 (inclusive), rather than 17 August 2021 to 30 August 2021.
23. Employers can use the new **revenue test period** for any application made from 20 August 2021, regardless of when they applied.
24. If an employer had already applied before the change in the current revenue test period, they may choose to re-calculate their revenue decline based on the new current revenue test period and amend their evidence documentation.

### **COVID-19 Wage Subsidy August 2021 (#2)**

25. The second August 2021 wage subsidy is available from 9am on 3 September 2021 and ends on 16<sup>th</sup> September 2021. For applicants who applied for this subsidy, in all instances you should be requesting verification that the applicant has had, or is predicting it will have, a decline in revenue that is attributable to the move to or will be affected by the continuation of Alert Levels 3 or 4 from 17 August 2021 and the applicant has had, or predicts it will have, a decline in revenue that can be attributed to the effect the continuation of Alert Levels 3 and 4 from 17 August 2021 has had on the applicant's business, and that is:
- a. at least a 40% decline in revenue over a period of 14 consecutive days between 31 August 2021 and 13 September 2021 inclusive (this is the revenue test period), compared to a typical 14 consecutive days of revenue in the six weeks immediately before to the move to Alert Level 4 on 17 August 2021 (this is the default comparator period), or
  - b. if the applicant has highly seasonal revenue, at least a 40% decline in revenue over the revenue test period compared to the same 14 consecutive days in 2020 or 2019 (this is the seasonal comparator period), provided the applicant can demonstrate that the seasonal nature of the applicant's business makes it harder to meet the 40% revenue decline using the default comparator period than if the applicant's business was not of a seasonal nature (refer to this <sup>s9(2)(k)</sup><sub>OIA</sub> and if still unable to determine please escalate through Management to obtain Operational Policy support with the decision).
26. For all subsidies we also require that applicants keep records of their revenue decline and how their business has been impacted by the rise or continuation in Alert Levels from 17 August 2021.

### **COVID-19 Wage Subsidy August 2021 (#3)**

27. The third August 2021 wage subsidy is available from 9am on 17 September 2021 and ends on 30 September 2021. For applicants who applied for this subsidy, in all instances you should be requesting verification that the business has had, or is predicting it will have, a decline in revenue that is attributable to the move to or will be affected by the continuation of Alert Levels 3 or 4 from 17 August 2021 and the business has had, or predicts it will have, a decline in revenue that can be attributed to the effect the continuation of Alert Levels 3 and 4 from 17 August 2021, and that is:
- a. at least a 40% decline over a period of 14 consecutive days between 14 September 2021 and 27 September 2021 inclusive (this is the revenue test period), compared to a typical 14 consecutive days of revenue in the six weeks immediately before to the move to Alert Level 4 on 17 August 2021 (this is the default comparator period), or
  - b. if the applicant has highly seasonal revenue, you must have at least 40% decline over the revenue test period compared to the same 14 consecutive days in 2020 or 2019 (this is the seasonal comparator period), provided it can demonstrate that the seasonal nature of the applicant's business makes it harder to meet the 40% revenue decline using the default comparator period than if the applicant's business was not of a seasonal nature (refer to this <sup>s9(2)</sup><sub>(k)</sub> and if still unable to determine please escalate through Management to obtain Operational Policy support with the decision).

28. For all subsidies we also require that applicants keep records of their revenue decline and how their business has been impacted by the rise or continuation in Alert Levels from 17 August 2021.

#### **COVID-19 Wage Subsidy August 2021 (#4)**

29. The third August 2021 wage subsidy is available from 9am on 17 September 2021 and ends on 30 September 2021. For applicants who applied for this subsidy, in all instances you should be requesting verification that the business has had, or is predicting it will have, a decline in revenue that is attributable to the move to or will be affected by the continuation of Alert Levels 3 or 4 from 17 August 2021 and the business has had, or predicts it will have, a decline in revenue that can be attributed to the effect the continuation of Alert Levels 3 and 4 from 17 August 2021, and that is:
- a. at least a 40% decline over a period of 14 consecutive days between 14 September 2021 and 27 September 2021 inclusive (this is the revenue test period), compared to a typical 14 consecutive days of revenue in the six weeks immediately before the move to Alert Level 4 on 17 August 2021 (this is the default comparator period), or
  - b. if the applicant has highly seasonal revenue, you must have at least 40% decline over the revenue test period compared to the same 14 consecutive days in 2020 or 2019 (this is the seasonal comparator period), provided it can demonstrate that the seasonal nature of the applicant's business makes it harder to meet the 40% revenue decline using the default comparator period than if the applicant's business was not of a seasonal nature (refer to this <sup>s9(2)</sup><sub>(k)</sub> and if still unable to determine please escalate through Management to obtain Operational Policy support with the decision).
30. For all subsidies we also require that applicants keep records of their revenue decline and how their business has been impacted by the rise or continuation in Alert Levels from 17 August 2021.

#### ***(c) Verification information about what they have done to mitigate their losses***

31. When applying for the wage subsidy, businesses are required to declare that they have taken active steps to mitigate the impact of COVID-19 on their business activities (includes but not limited to engaging with your bank, drawing on your cash reserves as appropriate, making an insurance claim, IRD loans, other government assistance, moved to online, employees working from home). This criterion is aimed at ensuring that a business does not apply for the wage subsidy as a matter of course but has actively explored options to reduce the impact of COVID-19 on the business. The steps listed are neither exhaustive or prescriptive but describe the practices that a business is logically expected to undertake before applying for the subsidy.
32. Employers are required to prepare and retain evidence to support their applications for the wage subsidy. Any decision an employer makes as a result of considering the active steps they can take to mitigate the impact of COVID-19 on their business activities will need to be included in this evidence.

#### ***(d) Verification information about employees***



33. You should also seek verification that the employees named in the application are employed by the business. This can be done by checking with IR. If there is a discrepancy in the number of employees in an application, for example, due to recent hiring of new employees, this could be resolved by seeking verification from the employer.

**(e) Reminder about information retention obligations**

34. While verification information is not required in respect of this last point, please take the opportunity of speaking with applicants to remind them of their obligations to retain documents, as discussed above and below.

**(f) Information sources and assessment sheets**

35. Wage Subsidy records in EES have information about previous claims, this may point you to other sources for seeking verification (e.g. if a record refers to an applicant being bankrupt, they may still be able to trade if the Official Assignee has approved this; the applicant or Official Assignee will have a record of this).
36. Your assessment sheet must document how you draw your conclusion to seek (or not seek) verification, and how you have determined that the applicant meets (or does not meet) the relevant criteria. Guidance will be provided in training sessions on the types of scenarios in which you may decide not to seek verification.
37. When seeking further information from the applicant, you will need to determine with them what is reasonable for them to provide. In some situations, MSD acknowledges it may be difficult for an applicant to provide verification documentation. This may include, for example, where records needed to verify information in an application are physically held in an office that the applicant cannot access during lockdown.
38. Assessment of all information held by MSD for Wage Subsidy records only, may also determine quite quickly that the applicant fits all of the criteria.

## **Straight to Processing (S2P) and Allocation of Work**

### **Pre-payment Assessment – Straight to Processing (S2P)**

39. The S2P is a case management system that allocates work for processing.
40. All applications received that meet one of the below Integrity Exceptions are initially triaged by a team and placed into a separate queue within the S2P system for allocation (Locked Integrity Queue).
41. Integrity Exceptions:

s6(c) OIA



42. A separate S2P reference document is attached (Appendix Three) which covers the following processing actions:
- how to login and out, how to put yourselves on break, the outcome options, and when to use each;
  - Hold Functions – Verification Required and Work in Progress;
  - Referring and resulting Open Investigation.

### Identifying and Escalating S2P Issues:

43. If staff are having user (as in training) issues please refer to s9(2)(a) OIA in the first instance. If it is a process (as opposed to user/training issue) please escalate these to s9(2)(a) OIA and cc in s9(2)(a) OIA
44. Please include the following information when raising a potential system issue, which help progressing the issue with the relevant IT teams:
- a. Which system is being used – S2P or ESS (or both)
  - b. PID reference number (S2P)
  - c. Business IR number
  - d. What the staff member was trying do in the system
  - e. What actually happened.

## Process for pre-payment integrity checks

45. The process for the pre-payment integrity check is as follows:
- a. **Step 1:** Initial information gathering phase. This will give you the necessary background information about the applicant;
  - b. **Step 2:** Obtaining information from Inland Revenue;
  - c. **Step 3:** Engaging with the applicant and seeking verification
  - d. **Step 4:** Seeking Verification;
  - e. **Step 5:** Retaining documentation of the 40% revenue decline;
  - f. **Step 6:** Verifying and assessing the information gathered;
  - g. **Step 7:** Reaching a decision on whether the applicant is eligible for the wage subsidy based on the information gathered; and
  - h. **Step 8:** Completion of the Pre-Payment Assessment Sheet.
46. Each step is explained in more detail below.

### Step 1 – Initial information gathering

47. The purpose of the initial information gathering phase is to enable you to understand:

- a. basic background information as to the applicant's type of business;
- b. what has been paid under the wage subsidy scheme;
- c. what has been noted or identified by MSD during any previous reviews or investigations; and
- d. whether any refund requests have been made, or whether the applicant has voluntarily repaid some or all of the wage subsidy.

48. To do this, you will need to do the following three things.

**(a) Search for all other Applications**

49. Search through the EES portal to locate any other applications that have been applied for by the applicant. As you find these, make a note in the comments field. This comment should read "INTEGRITY PREPAYMENT ASSESSMENT" "YOUR NAME". Complete this on every application before you start.
50. Be mindful to look for STAP and LSS payments that require exception processing in addition to the Wage Subsidy August 2021 payment.
51. If you find that an existing integrity check note has been entered into EES, (*prepayment only*) please contact the staff member who added that note before you start.
52. If you have identified from EES that the applicant is under investigation, please refer the application decision to the investigator who is managing the on-going wage subsidy investigation.

**(b) Consider Previous Assessments**

53. You may request a copy of previous assessments sheet by contacting the relevant assessor or by emailing <sup>s9(2)(k) OIA</sup> [REDACTED]

s6(c) OIA



## Step 2 – Obtaining information from Inland Revenue

57. Obtain information from Inland Revenue. The information sought must pertain solely to an application for a wage subsidy. We cannot request information that does not relate to the assessment of the wage subsidy. Guidance on the type of information you can request is contained in Appendix Four.
58. Email your information request to Out of scope using the template provided (Appendix Five). In the subject line, use 'August 2021' which will ensure priority will be given to the request. If you have not received a response within a 24 hour period, please talk with your Manager.

## Step 3 – Engaging with the Applicant and seeking verification

### Initial contact

59. Once you are satisfied that you have sufficient background information, you can then contact the applicant to gather further information.
60. The purpose of contacting the applicant is to obtain and check **documentation** verifying their eligibility for the wage subsidy, and their compliance with the obligations under the scheme. This will include obtaining **documentation** about the following:
  - a. verification that they are a real business (if applicable, you may already have this information from what you have gathered during Step 1);
  - b. information evidencing the 40% revenue decline criteria is met. This may include financial or bank statements (see also step 5 below);
  - c. what they have done to mitigate their losses;
  - d. a reconciliation of their employee numbers to confirm they employed and continue to employ all of the employees named in the application (see also step 4 below);
  - e. remind them of their obligations, including their obligations to retain documentation proving the 40% revenue decline criteria is met.
61. In the first instance, you should contact and speak with the person that submitted the wage subsidy application. It is important when contacting the applicant that you identify who you are talking to, and you confirm that they have the authority and knowledge to answer all questions. You may be referred to other relevant staff within the business to discuss the required verification such as the Finance Manager, Human Resources Manager, or payroll staff.
62. This part of the assessment allows you to check everything with the applicant.
63. More detailed questions will include but not be limited to:
  - Tell me about your business
  - Describe your business
  - How does the business operate?
  - Have you experienced or are you predicting a 40% decline in revenue over the relevant period – refer above paragraphs 18-22? (make sure to also complete **step 5** below)

- For applicants under the first August 2021 wage subsidy, is the decline in revenue attributed to the move to Alert Level 4 on 17 August 2021 and if so, how?
  - For applicants under the August 2021 (#2), (#3) and (#4) wage subsidies, is the decline in revenue attributed to the continuation of Alert Levels 3 or 4 from 17 August 2021, and if so how?
  - What actions have you taken to mitigate any decline in revenue?
  - What **documentation** can you provide to show the above? (make sure to also complete **step 5** below).
64. If talking to a business with employees, discuss the following and check if the information they are providing matches what they advised in their application:
- What number of employees was claimed for?
  - What is the nature of the employment for the employees (e.g. full time, part time, casual, contract)?
  - Confirm they understand that if they make / have made staff redundant, that they will have to pay the wage subsidy back
  - Confirming they understand their obligations around on-paying the wage subsidy to employees
  - Are all of the employees legally employed in New Zealand?
  - How are you paying your employees?  
What **documentation** can you provide to show the above? (make sure to also complete **step 4** below).
65. You should go over all other obligations/information such as:
- Are you aware that we will share information you have provided with other agencies about your business
  - Do you acknowledge that the information you have provided is true and correct
  - Do you acknowledge that you will have to repay any subsidy that you were not, or stop being entitled to
  - Per step 5, you should also ensure you remind them of their obligation to retain evidence regarding a 40% decline in revenue.

### **Applicant cannot be contacted**

66. The following is the process to enable us to make a decision where employers are unable to be contacted or not forthcoming in providing verification. Please note 5 working days for the applicant to provide the required information is the standard timeframe but this may not always be possible so you must consider each case on its own merits and allow longer periods where it is warranted (for example, if the applicant needs to access records that it does not have immediately to hand). Please note that we will not be able to get this automated so will need to be completed manually.
67. Where we have been unable to make any contact with the client following their application, we follow the existing standard Ministry procedure of three attempts at different days and times (and methods). Where those attempts are unsuccessful, you should then decline the application and send a follow up email using the following template:
- Kia ora
- Thank you for your recent COVID-19 Wage Subsidy August 2021 application. We have some questions about your application and have tried on three occasions, at different times of the day and on different days to make contact with you. Because we haven't been able to contact you to answer the questions, we're declining this

application. You are welcome to ask for this decision to be reviewed. You will receive a further email confirming the decline of your application and this will contain details on how you can review this if you do not agree with this decision.

68. Then immediately decline in EES system which will generate and send an email declining the application.

### **Applicant can be contacted but does not provide the verification**

69. Where an applicant can be contacted, but does not provide the verification requested, please make two further attempts by phone to obtain the required verification. The phone calls should then be followed by an email requesting the information be provided within 5 working days and failure to do so will result in payment being declined. Use the following template email:

Kia ora

Thank you for your recent COVID-19 Wage Subsidy August 2021 application. Unfortunately, we haven't been able to progress it because we're still waiting on information from you. We've asked for it by phone and email on xxxx. We're now asking that you please provide the information within [free text] days from this date [xx]. If we don't receive the information by [xxx], we'll need to decline this application. If your application is declined, you are able to ask for this to be reviewed if you do not agree with that decision. You will receive a further email confirming the decline of your application and this will contain details on how you can review this if you do not agree with this decision.

70. If the verification is not provided within 5 working days, then decline in EES system which will generate and send an email declining the application and provide the applicant with review rights.

### **Applicant can initially be contacted but stops responding and does not provide the verification**

Where a client can initially be contacted but stops responding and does not provide the verification, send a follow up email using the following template. Kia ora

Thank you for your recent COVID-19 Wage Subsidy August 2021 application. There's some information we need to verify before we're able to progress the application. Can you please contact us so that we can verify the information we need. If we don't hear from you in 5 days from this date [xxx], we will decline this application. You're welcome to ask for this decision to be reviewed. You will receive a further email confirming the decline of your application and this will contain details on how you can review this if you do not agree with this decision.

71. If the verification is not provided within 5 working days, then decline in EES system which will generate and send an email declining the application and provide the applicant with review rights.

## **Step 4 – Seeking verification where there is a discrepancy in employee numbers**

72. In step 3, you will have asked for verification about employee numbers. Step 4 provides a bit more detail about what to do if there is an issue.
  - c. The Wage Subsidy processing actions in HIYA have specific instructions on what to do when the number of employees listed in the application doesn't match IR

information (i.e. approve payment where the discrepancy is only one or two employees). For full details please click on this [59\(2\)\(k\) OIA](#) (refer to Processing Applications)

73. Where HIYA instructions confirm the application cannot be received, undertake pre-payment assessments about any discrepancy in the number of employees. Do this by seeking documentary verification from the applicant about past and present employee numbers, such as PAYE returns.
74. When you receive verification documents from applicants, it is important that you embed all of the documentation into the pre-payment assessment form.
75. Finally, it may be that when discussing this with the applicant, it is decided that some employees should be removed from the application. You will find more detail about this on HIYA and at paragraph 78 below.

## **Step 5 – Retaining documentation of 40% revenue decline**

76. In step 3, you will have asked for verification about revenue decline. It is important to also remind them of their obligation to **retain** records about this.
77. The applicant is required to retain records of their revenue decline assessment/calculations and how their business has been impacted by the rise in Alert Levels on 17 August 2021. If, at the time of your prepayment assessment, the applicant has information to show it has met the revenue decline criteria available (such as the reasons it calculates/predicts a 40% decline), ask the applicant to provide this as verification.
78. MSD acknowledges, however, that the nature of the scheme may mean that some applicants cannot provide verification about the 40% decline criteria at this time. In those cases, you should remind the applicant that they are required to retain documents evidencing the 40% decline criteria, and they may be contacted at a later time for those records.

## **Step 6 - Assess the information gathered**

79. This part of the integrity check allows you to make sure you have all the information you need to decide on the outcome of this application.
80. Consider the following:
  - a. Have you completed the relevant desk-based review checks?
  - b. Do you have a thorough understanding of the applicant's business?
  - c. Did the applicant meet the eligibility criteria to receive the Wage Subsidy?
  - d. Is the applicant aware of and meeting their obligations, and is there documented evidence to show the applicant is meeting those obligations?

## **Step 7 – Reach a decision on whether the applicant is eligible for the wage subsidy based on the information gathered**

81. You will now be in a position to make a decision on the outcome of the pre-payment assessment.
82. A number of decisions could be made:
  - Approve – approve the payment in full
  - Partially approved – approve part of the payment requested
  - Decline – decline the full payment
  - Undecided – Summarise your pre-payment assessment form and discuss this with your manager. Your manager may need to seek clarification if they are also undecided
83. It is vitally important to record full notes in your pre-payment assessment form including:
  - a. Conversations held with the applicant, and on what date and time
  - b. Whether verification documents were obtained and the reasoning for why/why not. As a reminder, some verification documents may not be able to be obtained depending on where those records are held. All documents received need to be embedded into the Integrity Check Template.
  - c. Instructions to applicants about retaining their assessment/calculation of the 40% revenue decline, and other reminders of their obligations
  - d. Your reasoning and justification for decisions made

## **Step 8 – Completion of the Pre-Payment Assessment Sheet**

84. A typed pre-payment assessment sheet (Appendix Six) needs to be completed for each assessment that you complete. You should complete one sheet per company (i.e. this may include the holding company and all their subsidiary numbers). This pre-payment assessment sheet should include all application ID numbers for the subsidiary businesses. You should complete one sheet per company/subsidiary company regardless of whether the application is approved or declined.
85. Save the pre-payment assessment forms in a folder within your own shared drive marked 'Wage Subsidy Aug21'. For an employer save your assessment form using the date/applicant- *Employer*/IRD number (e.g. 17042020 McDonalds 12345678).
86. If you have removed employees, you must ensure you have recorded the exact details and the reason for removal in your pre-payment assessment form. Guidance on when it may be appropriate to remove employees from an application can be found in HIYA, and you may reach that decision during Step 4 above. If you conclude it is appropriate to remove employees due to discrepancies in the available records, email the employer with the names of applicants that are being removed, together with the reason for removal. Seek confirmation from the employer that they agree the applicants can be removed and if they disagree, request further verification to enable you to resolve any discrepancies.



87. Collate your completed pre-payment assessment form and email them to s9(2)(k) OIA by 9:00am each morning.
88. After each assessment has been finalised, the results of the pre-payment assessment must be submitted via the portal. Please click on this s9(2)(k) to access the portal.

DRAFT



# Report

**Date:** 28 May 2020

**Security Level:** IN CONFIDENCE

**To:** Hon Grant Robertson, Minister of Finance  
Hon Phil Twyford, Minister for Economic Development  
Hon Carmel Sepuloni, Minister for Social Development  
Hon Iain Lees-Galloway, Minister for Workplace Relations and Safety

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## COVID-19 Wage subsidy clarifications



### Purpose of the report

- 1 The Ministry of Social Development implemented the wage subsidy scheme (WSS) to support the government response to COVID-19. Through the administration of the WSS, some further issues have arisen that require Ministerial decision.

### Recommended actions

It is recommended that you:

#### *Self-employed workers whose ordinary income is less than the subsidy rate*

- 1 **Note** that under the current scheme, self-employed workers whose earnings are usually less than the subsidy rate will receive more money than they would usually earn during that period, because of the scheme's design and flat rate payment method
- 2 **Note** that the issue is particularly acute for self-employed workers who work limited hours, as they receive significantly more than they usually earn
- 3 **Note** that the operational approach for the current scheme is that if an employer has a surplus arising from employee wages being less than the subsidy rate, then they must use the difference to contribute to the wages of other affected staff and when there are no other employees, must refund the remainder back to MSD
- 4 **s9(2)(k) OIA** 
- 5 
- 6 **Note** that Cabinet agreed that under the extended scheme, employers must use any surplus funding from the subsidy to fund other employees' wages where possible and, where this is not possible, return any surplus funding to MSD
- 7 **Agree** that in the extended scheme repayment obligations will also apply to self-employed workers, where the subsidy rate is more than usual earnings

**Agree/disagree**

### *The eligibility of employees given notice of redundancy*

- 8 **Note** that under the current scheme, if an employer gives an employee notice of redundancy during the subsidy period, the employer is required to repay the balance of any remaining amount not used for wages
- 9 **Note** that MSD has been approached by employers about the eligibility under the extended scheme of staff who have already been given notice of redundancy
- 10 **Note** that it goes against the purpose of the extended wage subsidy scheme for employers to receive the subsidy for employees to whom they have already given notice of redundancy, where they have no intention of changing that redundancy decision, as the purpose of the wage subsidy is to retain an employment connection
- 11 **Note** that employees who are made redundant may be eligible for the new COVID-19 Income Relief Payment from 8 June 2020
- 12 **Agree** that under the extended wage subsidy scheme employers who have given employees notice of redundancy before they apply for the scheme are not eligible to receive the subsidy for those employees unless the redundancy notice is withdrawn

**Agree/disagree**

### *Clarifying the period for assessing revenue loss*

- 13 **Note** that under the extended wage subsidy scheme, Cabinet agreed to amend the current 30 percent revenue loss test to a revenue loss of at least 50 percent for a continuous 30-day period prior to the application date
- 14 **Note** that the intention of the 30-day assessment period immediately prior to an application is to reflect a businesses' financial circumstances at the end of the current scheme (if they are receiving the current scheme) and limits eligibility to businesses experiencing hardship after alert level 4
- 15 **Note** that concerns have been raised whether the 30-day period is flexible enough to accommodate time needed for employers to make revenue loss calculations and to engage with employees before applying
- 16 **Agree** to amend the revenue test under the extended wage subsidy scheme so that the business must have a revenue loss of at least 50 per cent for a 30-day period in the 40 days immediately prior to the application date (but beginning no earlier than 10 May 2020) versus the nearest comparable period last year

**Agree/disagree**

### *Amendments to the declaration form*

- 17 **Note** that we are preparing changes to the declaration form completed by applicants to clarify that:
  - 17.1 the subsidy scheme does not override any employment law obligations that apply;
  - 17.2 employers must advise their employees about the outcome of an application for the subsidy;
  - 17.3 an employee's 'ordinary pay or wages' is to be calculated with reference to what is reflected in their employment contract at the point of applying for the wage subsidy

### *Wage Subsidy Extension implementation timeframe*

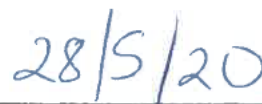
- 18 **Note** that the current COVID-19 Wage Subsidy Scheme will end at 11.59pm on 9 June 2020, and that the Wage Subsidy Extension will begin at 9am on 10 June 2020
- 19 **Note** that Cabinet agreed that an employer cannot simultaneously claim under the targeted extension to the Wage Subsidy Scheme, the current Wage Subsidy Scheme, or the COVID-19 leave support scheme in respect of the same employee
- 20 **Note** that employers who applied for the original wage subsidy on the first day of application will have their 12-week subsidy end on 8 June 2020, which means that there is an additional day that employers could attempt to apply for the original subsidy a second time on 9 June 2020
- 21 **Note** that employers will only be able to apply for the current COVID-19 Wage Subsidy once per employee and the Wage Subsidy Extension once per employee

### *Next steps*

- 22 **Note** that for the Wage Subsidy Extension Cabinet delegated authority to the Minister of Finance, the Minister for Economic Development, the Minister for Social Development, and the Minister for Workplace Relations and Safety to make technical or minor implementation changes, and agreed that these Ministers will report back to Cabinet on any changes [CAB-19-MIN-0219.01 refers]
- 23 **Note** that if you agree to recommendations 7, 12 and 16, Cabinet will need to be notified of these decisions
- 24 **Note** that to ensure applicants are given sufficient time to be aware of the changes and their obligations under the extended subsidy, we require decisions to be made as soon as practicable



Megan Beecroft  
Policy Manager, Employment and Labour Market Policy



Date

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Hon Grant Robertson  
Minister of Finance

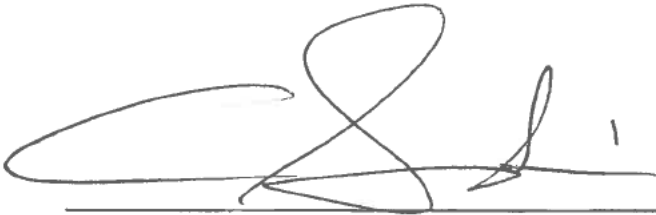
Date

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Hon Phil Twyford  
Minister for Economic Development

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Date



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Hon Carmel Sepuloni  
Minister for Social Development

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2/6/2020  
Date

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Hon Iain Lees-Galloway  
Minister for Workplace Relations and Safety

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Date

## **Self-employed workers who are paid more than they usually earn through the Wage Subsidy Scheme**

- 1 On 16 March 2020, Cabinet agreed to implement a temporary subsidy scheme to help affected employees and businesses to adjust to the impact of COVID-19. The scheme supports employers and employees by enabling employers to retain their staff and ensure they are receiving an income [CAB-20-MIN-0108].
- 2 In order to operationalise the scheme at scale and through existing MSD processes, the subsidy payments were fixed at a flat rate. As at 21 May 2020, MSD has approved 453,732 applications, paying 1,651,535 employees and 221,548 self-employed workers. The rate of payment was set at \$585.80 per week for full-time employees, where full-time is 20 hours or more per week, and \$350.00 per week for part-time employees, where part-time is less than 20 hours per week. The subsidy is paid as a lump sum covering wages over a 12-weeks period.

### *The wage subsidy is treated differently for employees and self-employed workers*

- 3 Under the scheme, employees and self-employed workers are paid differently. Employees are paid the subsidy through their employer, who apply for the subsidy for all affected staff in the same application. The employer is paid the applicable flat rate for each employee (either the part-time or full-time rate) and then passes on the full subsidy to those employees. If an employee usually earns less than the subsidy rate paid for that employee, then the employer need only continue paying the employee's usual wages before the impact of COVID-19, resulting in a surplus for the employer.
- 4 The operational approach for the current scheme is that if an employer has a surplus arising from employee wages being less than the subsidy rate, then they must use the difference to contribute to the wages of other affected staff and when there are no other employees, must refund the remainder back to MSD.
- 5 Self-employed workers are paid at either the part-time flat rate if they work less than 20 hours per week, or the full-time flat rate if they work more than 20 hours per week. Paying this flat rate means a self-employed worker may receive more through the subsidy than they would usually earn. For example, if a self-employed person usually works for 25 hours per week, and they earn \$20 per hour, then their usual income would be \$500 per week, though if they are eligible for the wage subsidy, they would receive the full-time subsidy rate of \$585.80 per week, granting them a surplus of \$85.80.

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s9(2)(k) OIA

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### *Paying the flat subsidy rate has led to some self-employed workers gaining more through the scheme than others*

- 8 The amount a self-employed person might gain from the subsidy will depend on their usual hours and pay. The less a self-employed worker usually earns from their business, the more likely they are to gain from the flat rate subsidy payment.
- 9 The scheme's design including the flat rate amounts were necessary to implement the WSS, though this has led to windfall payments to people who might not have usually depended on their self-employed income to meet living costs. Self-employed recipients whose ordinary income is less than the applicable subsidy rate, particularly those working very low hours and earning considerably less than the subsidy rate,

are less likely to rely on the surplus amount that they have received to meet their living costs.

- 10 An example of a self-employed worker gaining a windfall payment through the scheme is eligible children and young people under 18 and below the tax threshold<sup>1</sup>. MSD has received several subsidy applications of this type from children who deliver newspapers or circulars.
- 11 Applicants in this group receive an amount of money through the subsidy far in excess of their usual income before COVID-19 for their self-employed work. An eligible child or young person who earns less than \$2,340 annually or \$45 per week would receive the part-time subsidy rate of \$350 (\$4,200 over the 12-week period), resulting in a gain of at least \$305 per week above their usual income, or \$3,660 more over the 12-week subsidy period.

*Cabinet has agreed that under the extended scheme employers will be required to return any surplus subsidy funding to MSD*

- 12 Cabinet has agreed that under the extended scheme employers must use any surplus funding from the subsidy to fund other employees' wages where possible and, where this is not possible, return any surplus funding to MSD. This agreement was silent on whether the same obligations apply to self-employed workers.
- 13 We recommend that in the extended scheme repayment obligations also apply to self-employed workers. This means under the extended scheme whenever there is excess subsidy funding, that cannot be used to support the wages of other employees, it will be required to be repaid, whether the recipient is an employer or self-employed worker.
- 14 This obligation on self-employed workers to repay any surplus will be administered under the current high trust model, which will include auditing and assurance in line with the current process. s9(2)(k) OIA  
s9(2)(k) OIA
- 15 If Ministers agrees, MSD will put out guidance so that self-employed applicants are aware of their obligations to repay any surplus.

**The eligibility of employees given notice of redundancy**

- 16 Under the current scheme an employer who has received the subsidy must retain staff for the duration of the subsidy (12 weeks). In some cases, employers have received the subsidy for their employees and part way through the subsidy period have had to make employees redundant because of financial difficulties.
- 17 Officials have clarified that in the case of redundancies an employee is eligible to receive the subsidy throughout their notice period until they cease employment. From the time the employment ceases, the employer will be required to repay any remaining balance of the subsidy for named staff. In this situation employers cannot use the subsidy to meet any redundancy payment obligation.

*Eligibility of employees given notice of redundancy for the current scheme*

- 18 A core obligation of the current scheme is that the person applying must have "employees ... legally employed by your business." In order to bring employees who have been given notice of redundancy (and whose employment ceases in the subsidy period) under the scheme within this requirement employers would need to either:

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<sup>1</sup> Children and young people under 18 (or turned 18 on or after 1 January in the previous tax year and still at school) who derive income less than \$2,340 annually from a certain type of work, such as such as newspaper delivery and lawnmowing, are exempt from paying tax. Standard wages and salaries (for example, through a part-time job at a supermarket or cafe) are subject to PAYE regardless of the employee's age and therefore are not exempt from tax.

- Cancel the redundancy notice and make some sort of furloughed or alternate leave without pay arrangement with their employees;
  - Leave the notice of redundancy in force but extend the “notice” period so the person remains engaged as an “employee” for the duration of the extended subsidy application.
- 19 Whether to cancel or alter a redundancy notice is ultimately a matter for employers and employees (and unions) to agree upon.
- 20 Officials consider that employees in the first group should be eligible for the subsidy since they would be retained by their employers. However, we advised our view was that eligibility for the second group does not appear to be consistent with the purpose of the scheme.
- 21 We note that the final parameters of the extended scheme have not been fixed and are seeking Ministers’ confirmation of the intent of the extended scheme.

*Recommended approach for employees given notice of redundancy in the extended scheme*

- 22 Officials have been approached by employers who have been engaging with unions on redundancy processes. During that process a question has arisen about the eligibility under the extended scheme of staff who have already been given notice of redundancy.
- 23 Officials consider that it is inconsistent with the purpose of the scheme for employees who have been given notice of redundancy to receive the subsidy, when the intention of the scheme is to retain an employment connection through the impact of COVID-19. In order to qualify, employers would have to artificially extend the employees’ employment for the subsidy period with no intention of retaining the employee for longer, which could be perceived as deliberately subverting the intent of the scheme.
- 24 We note that many employees who have been given notice of redundancy (and once they stop being employed) are likely to be eligible for the new COVID-19 Income Relief Payment (CIRP). This payment has been created for people who have lost their employment between March and October 2020 due to COVID-19 and is available from 8 June 2020.
- 25 On the other hand, if an employer cancels a redundancy so that they remain eligible for the extended subsidy, then the employer will be able to receive the subsidy for those employees, including in instances where an employee is furloughed or remains in employment but is not paid (in which case they would not be eligible for the CIRP).
- 26 We therefore recommend clarifying that the extended scheme is not open to employers who have given employees notice of redundancy before they apply, except where the employer and employee agree to cancel the redundancy. If you agree we will clarify that this group is not eligible via changes to the application declaration and associated guidance material.

**Clarifying the period for assessing revenue loss**

- 27 Cabinet agreed to amend the current 30 percent revenue loss test for the extended scheme. The decision was that:
- “instead of the current 30 percent revenue drop test the business must have suffered, or expect to suffer, a revenue loss of at least 50 per cent for the 30-day period prior to the application date versus the nearest comparable period last year.” [emphasis added]
- 28 The targeted extension of the WSS will be available from 10 June 2020. The effect of the amended revenue test is so that employers need to be confident that in the 30 days immediately preceding their new application they have a 50 percent revenue loss. The intention is to reflect the position of the businesses applying for the extended scheme at the end of the period of the current subsidy and to limit the primary period of assessment to operation during alert level 2 (and the end of alert



level 3 in the case of applications from 10 June to 15 June). Limiting the assessment period primarily to alert level 2 and not to earlier alert levels restricts eligibility of the extended scheme businesses who are still experiencing financial hardship.

- 29 Concerns have been raised about whether this approach is flexible enough to accommodate the time needed for employers to make reasonable calculations about their revenue flow before applying, and also the need to engage with their employees about the application once they have assessed their eligibility. We agree that some degree of flexibility in the assessment period would be helpful.

### *Recommended approach*

- 30 We recommend that applicants should be able to rely on any 30-day period within the 40 days immediately before they apply, but the 30-day period cannot commence earlier than 10 May 2020. This provides a degree of flexibility, still ties the assessment period to the end of any current wage subsidy period, but cannot be any earlier than alert level 2. If you agree we will reflect this in the declaration and associated guidance material.

### **Amendments to declaration form**

- 31 When a person applies for the wage subsidy they must agree to criteria and obligations specified in a declaration form. The declaration form provides the legal basis for obligations imposed by the scheme and a means for recovering money where a person breaches the scheme.
- 32 We are making changes to the declaration to reflect the change to the revenue test agreed by Cabinet and have been exploring whether it is necessary to make others changes and whether we can improve the clarity of existing obligations.
- 33 We have identified three changes that we are flagging for your attention:
- 33.1 The current declaration requires employers to calculate their employee's ordinary wages with reference to what was in their employment contract at 27 March. Ordinary wages are relevant to the obligation to pay at least 80 percent 'of ordinary wages or salary' or, if the employee is usually paid less than the subsidy rate, to continue to pay their "ordinary wages or salary." The 27 March date was fixed to ensure a point in time for this assessment but needs to be updated to reflect the extension of the scheme. We consider it is not necessary to rely on a fixed date and will instead require employers to use the pay reflected in employment agreements at the date they apply for subsidy to define ordinary wages for the purposes of the wage subsidy extension.
- 33.2 We are making minor modifications to clarify that nothing in the scheme overrides *any* employment law obligations;
- 33.3 We are adding an obligation on employers to notify employees once the outcome of a subsidy application is known by the employer. There have been instances of employers failing to do so. This proposed obligation will supplement existing avenues for employees to check if an employer has applied via MSD.

### **Implementing the Wage Subsidy Extension**

- 34 Cabinet recently agreed that the Wage Subsidy extension would begin on 10 June 2020. The current COVID-19 Wage Subsidy Scheme will end at 11.59pm on 9 June 2020, and that the Wage Subsidy Extension will begin at 9am on 10 June 2020.
- 35 Cabinet agreed that an employer cannot simultaneously claim under the targeted extension to the Wage Subsidy Scheme, the current Wage Subsidy Scheme, or the COVID-19 leave support scheme in respect of the same employee.
- 36 Employers who applied for the original wage subsidy on the first day of application will have their 12-week subsidy end on 8 June 2020. This means that there is an additional day that employers (who applied under the current scheme on the first day of applications) could attempt to apply for apply for the original subsidy a second time on 9 June 2020.

- 37 The policy intent is that employers should only be able to apply for the current COVID-19 Wage Subsidy once per employee and the Extended Wage Subsidy once per employee. Employers who have received the original subsidy for named employees should not be able to re-apply for this subsidy for a further 12 weeks on 9 June, and will be required to wait until 10 June to apply for the Wage Subsidy Extension.

### Next steps

- 38 Cabinet delegated authority to the Minister of Finance, the Minister for Economic Development, the Minister for Social Development, and the Minister for Workplace Relations and Safety to make technical or minor implementation changes the Wage Subsidy Extension and agreed that these Ministers will report back to Cabinet on any changes [CAB-19-MIN-0219.01 refers].
- 39 If you agree to the recommended changes, Cabinet will need to be notified of these decisions. These changes are:
- 39.1 that in the extended scheme repayment obligations will also apply to self-employed workers, where the subsidy rate is more than usual earnings
  - 39.2 that under the extended wage subsidy scheme employers who have given employees notice of redundancy before they apply for the scheme are not eligible to receive the subsidy for those employees unless the redundancy notice is withdrawn
  - 39.3 that in the revenue test for the extended subsidy, a business must have a revenue loss of at least 50 per cent for a 30-day period in the 40 days immediately prior to the application date (but beginning no earlier than 10 May 2020) versus the nearest comparable period last year.
- 40 To ensure applicants are given sufficient time to be aware of the changes and their obligations under the extended subsidy, we require decisions to be made as soon as practicable.

File ref: REP/20/5/524

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