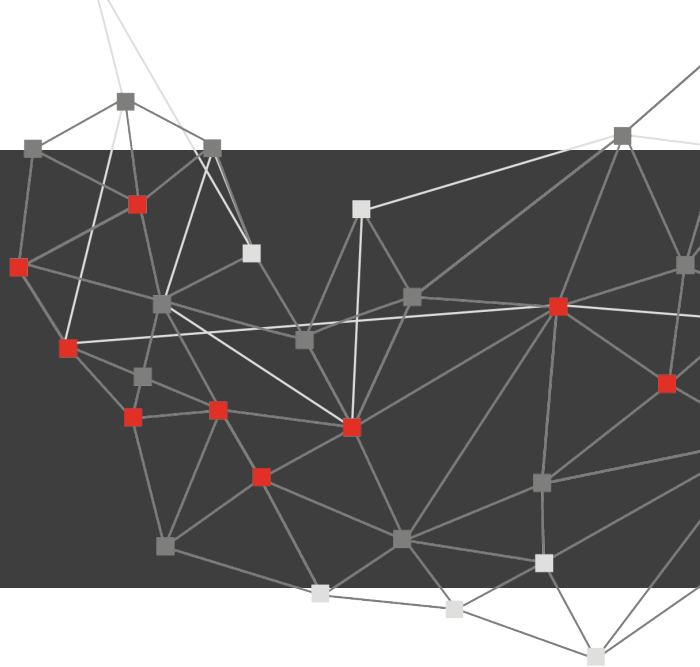


# How should businesses approach the wage subsidy and leave payment?



Businesses should assess their ability to meet requirements by applying the question “is it consistent with the Government’s policy to provide support to businesses so they can keep teams employed and paid during this pandemic?”. Approaching decisions through this lens should lead the business to a sensible outcome.

We commend the Government’s speed and agility in these unprecedented times. In an extremely short time the Government and officials have developed a wage and leave subsidy that gets cash into the hands of affected businesses as quickly as possible to ensure that those businesses can keep their people employed during the 12 week subsidy period.

Instead of having a prescriptive legislative framework, the Government has opted for an approach which simply gives the **Ministry of Social Development (MSD)** the ability and authority to administer the two measures with guidance from Cabinet. MSD in turn has responded quickly and has implemented both measures. By Thursday morning (26 March) over \$1.5bn had already been paid out to over 70,000 employers to support nearly a quarter of a million workers. An impressive effort.

This does mean that there is not a huge amount of detailed guidance for businesses to turn to when determining if they meet the various requirements based on their particular circumstances. For example, what happens if the employee works part time but earns less than \$350 per week? What if the employee is on annual leave during the subsidy period? What if I simply cannot afford to keep paying my team 80% of their wages during the whole period?

More guidance is emerging daily from MSD which is welcome. But in the absence of specific advice, in our view, we think businesses should be seeking to clarify uncertainties from the perspective of what the Government is trying to achieve. That is, the Government wants this cash support to go towards the employees and support the business to keep people employed for

as long as possible. In doing so we think the Government would expect the employees to be treated fairly and lawfully in the circumstances.

We have been working with the relevant government departments to get more clarity for businesses, but we also understand that there may simply not be enough time for businesses to wait for that certainty. Affected businesses need the cashflow now. The key focus should be helping businesses get the cash they need to keep their people employed. If you approach your application for the subsidies with best endeavours and in a sensible and fair manner consistent with the Government’s intention then the risks should be low.

The approach is high trust, whereby employer applications are largely being accepted as valid. However, in time, applications will be audited and the Government has warned that if the applications are fraudulent, or deliberately false and misleading, it will prosecute. So it’s important to follow the guidance as it becomes available, and where guidance is unavailable, resolve any uncertainties in your situation in a fair and reasonable manner that is consistent with the intent of the wage and leave subsidy policy.

## Contact us

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