



COVID-19 Economic Response Plan: Phase II

December 2020

Wage Subsidy Extension

Overview

Phase II of the Cook Islands Government's COVID-19 Economic Response Plan includes measures specifically targeted to individuals, their livelihoods and their skills base. With the aim of supporting the continuing employment of staff in the private sector.

The following document outlines the financial support provided via an extension to the Wage Subsidy at the minimum wage for a 40-hour week for employers affected by COVID-19, for up to 2 months from 01 January 2021 to 28 February 2021, subject to a monthly eligibility review.

The changes made to the Wage Subsidy Extension fact sheet will come into effect from 1 December 2020.

Estimated total cost

The estimated total cost of the extension of the Phase II Wage Subsidy initiative is \$9 million for the months of January and February 2021.

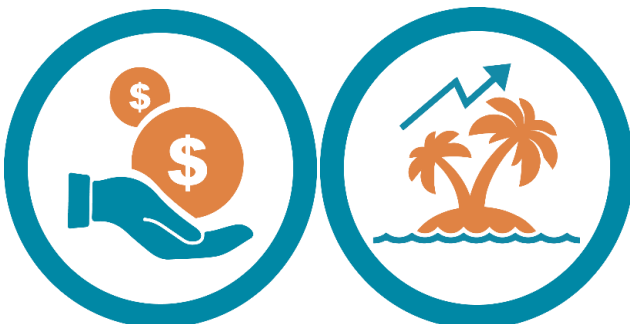
Wage subsidy

Objective

The wage subsidy measure is designed to ensure that employers keep their staff on the payroll and to keep business going as best as possible under the current circumstances.

About the wage subsidy

An employee wage subsidy based on the minimum wage for a 40-hour week will be made available to eligible businesses:



- \$320 per week for a full-time employee working 20 hours per week or more;
- \$160 per week for a part-time employee working between 5 and 19 hours per week.

The wage subsidy extension payments will be made monthly, with two payments covering a 2-month period, commencing on 1 January 2021, and ending on 28 February 2021. Total payments will be based on the number of staff employed by your business, and their hours worked, at the time of each payment.

Should you terminate an employee, or an employee leaves your employ, you will be required to declare this. If you continue to claim funds for employees that are no longer in your employ, you will be required to repay any overpayment.

The addition of new staff will be limited to those businesses who have experienced a month-on-month increase in turnover, or can provide evidence of an expected increase in the coming month.

If an employee has more than one employer they will be eligible for a maximum of one full-time and one part-time wage subsidy.

Eligibility for the wage subsidy will be assessed on a monthly basis. From December, businesses will be eligible to re-enter the wage subsidy if your business demonstrates a 30 per cent or more decline in revenue (year-on-year).

Who can access the wage subsidy?

If you're a registered business and you have received the Government wage subsidy in the month of November, you may qualify to get the COVID-19 wage subsidy. If you have not received the Government wage subsidy in November, but experienced a 30 per cent decline in revenue, and had received the wage subsidy previously, you may also be eligible. Payments will be effective from 01 December 2020.

Who is eligible?

To qualify for this measure:

- Your business must be registered with the Revenue Management Division (Revenue Management) of the Ministry of Finance and Economic Management and CINSF, and operating in the Cook Islands.
- Your business must have registered by 30 April 2020 and provide evidence that you were operating prior to 1 March 2020.
- Your employees must be legally working and currently living in the Cook Islands.
- If your business received the wage subsidy in the month of November 2020 you are eligible to apply for the extension of the subsidy.
- If you were not operating during the same period of the previous year, or your business has been substantially restructured, your income will be compared with February 2020.
- VAT returns must be submitted monthly prior to payment.
- Your business must have paid its PAYE payments for the months of April through to November, and for each month immediately prior to the payment month.
- Your business must have paid its CINSF employer and employee contributions for each month prior to subsidy payment month.
- From August 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. For this to occur, they must be

added as an employee and your 2019 income tax return must be filed with RMD showing the payment of director's fees.

- Business partnerships are eligible for the wage subsidy at the part time rate but only if partnership income is the primary source of income for the partners. Your 2019 income tax returns for the partnership and partners must be filed with RMD so we can confirm that partnership income is the primary source of income.
- Sole traders are not eligible for wage subsidy support.

How to apply

The application process for this measure is as follows:

- The employer must login to their CINSF account and apply for the wage subsidy online, providing all necessary information as instructed.
- Once verified, payment will be made directly to the employer's account.
- The employer must deduct PAYE and CINSF contributions and transfer net payments to employees.
- The employer must submit a declaration of CINSF contributions through their CINSF account before the next payment is released. If additional employees have been taken on during the month, these should be added. Payment of contributions must also be made.
- The employer must submit PAYE declarations, and make payment to CINSF and RMD before the next payment is released.

Employers are required to continue to pay their staff, at or above the minimum wage. If your employees are earning more than the minimum wage, you can continue to pay them at their normal wage rate, this payment is not required in addition, but is to ensure that you have the funds available to pay your workers.

You will be required to declare the number of employees still requiring the wage subsidy to allow for adjustments in future payments. If you have added new staff, your wage subsidy will increase accordingly and if you have reduced your staff, it will decrease. If you have workers that have been redeployed to other employers, you are not required to submit a request for the wage subsidy on their behalf, they will be paid via their new employer.

All applications for the wage subsidy will be assessed by Revenue Management. If you have queries please contact them by email at tax.info@cookislands.gov.ck and enter "Wage Subsidy" in the subject line. If you are unable to send an email, Revenue Management can be contacted on +682 29365.

For further information contact

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