



COVID-19 Economic Response Plan: Phase II

July 2020

Wage and Training Support Initiative

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 and development of staff in the private sector.

In Phase II businesses have the option to continue to receive the wage subsidy, or alternatively, to receive the training with wage subsidy. The following financial support will be provided under the Wage Subsidy and Training with Wage Subsidy Support Initiative from 1 July 2020:

- **Wage Subsidy** at the minimum wage for a 40-hour week (raised from the current 35-hour week) for employers affected by COVID-19, for up to 3 months, subject to a monthly eligibility review.
- OR**
- **Training with Wage Subsidy (Training Subsidy)** at the minimum wage for a 40-hour week (raised from the current 35-hour week) for employers affected by COVID-19, for up to 3 months, for businesses that put their employees on approved training initiatives. If this option is selected the following will be provided:
 - guaranteed training subsidy, without the monthly eligibility review requirement;
 - business training grants of up to \$10,000.

Estimated total cost

The estimated total cost of the Phase II Wage and Training Support Initiative is \$19 million over the next 3 months.



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 subsidy payments will be made monthly, with three payments covering a 3-month period, commencing on 1 July 2020, and ending on 30 September 2020. 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.

Eligibility for the wage subsidy will be assessed on a monthly basis. Once a business reaches 50 per cent of their previous year's turnover, as measured by their VAT return, they will no longer be eligible for the wage subsidy and payments will cease.

Who can access the wage subsidy?

If you're a registered business and you have received the Government wage subsidy in the month of June, you may qualify to get the COVID-19 wage subsidy. If you have not received the Government wage subsidy in June, but experienced a decline in revenue you may also be eligible. Your turnover must be less than 50 per cent of your turnover in the same period last year to remain eligible for the wage subsidy extension after July.

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 employees must be legally working and currently living in the Cook Islands.
- If your business received the wage subsidy in the month of June 2020 you are eligible to apply for the extension of the subsidy.
- If your business did not receive the wage subsidy in June 2020 but experienced a 30 per cent decline in revenue in that month, you can apply for the wage subsidy for the first time on Te Roro.
- 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.

- VAT returns must be submitted monthly prior to payment.
- Your business must have paid its PAYE payments for the months of April to June, 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.
- Your company directors will be able receive the wage subsidy at the part-time rate if they had not previously been treated as employees. For this to occur, they must be added as an employee and director's drawings must be evident in either 2018 or 2019 tax returns.
- 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 from 1 July 2020 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. 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 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.

Training with Wage Subsidy (Training Subsidy)

Objective

The objective of this measure is to address the historical skills gap by encouraging businesses to upskill their workers and improve their productivity so that the economy is better able to respond when the crisis is over, and recovery begins.

About the training subsidy

An employee training 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 subsidy payments will be made monthly, with three payments covering a 3-month period, commencing on 1 July 2020, and ending on 30 September 2020. 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.

Training subsidy guaranteed for 3 months

Those businesses that have qualified for the training subsidy by providing official training for their employees, can receive the subsidy for 3 months without needing a monthly eligibility review. That is, a guaranteed training subsidy payment until 30 September 2020, regardless of whether business turnover improves prior to that date.

Approved training courses

All training courses must be endorsed or provided by an approved training provider and must run for a minimum of 80 hours. Courses may include those provided through CITTI, USP Cook Islands Campus, and other courses offered by approved training providers, such as those offered by online institutions. (refer to the Training with Wage Subsidy FAQ for information on pre-approved training providers).

Qualifying courses delivered by CITTI and USP, will be **Fees Free**. This includes Semester 2 courses offered by CITTI and a select number of Certificate courses at USP Cook Islands Campus offered between June and December 2020. Further information on Fees Free can be found in the Fees Free Factsheet.

Access to business training grants

Following at least 75 per cent of your employees completing their training, your business will be eligible for a business training grant:

- \$3,000 for those businesses with a turnover less than \$300,000;
- \$6,000 for those businesses with a turnover between \$300,000 and \$5 million;
- \$10,000 for those registered businesses with a turnover greater than \$5 million.

The grants will be made as a one-off payment to each business that qualifies. Businesses will be required to submit copies of a certificate of completion for all employees for which they have claimed the training subsidy prior to receiving the business training grant.

Who is eligible?

Businesses that were paid the **Wage Subsidy** in June 2020 can apply for the training subsidy. If your business was not paid the wage subsidy in June 2020, but has seen a decline in revenue of 30 per cent in that month you may apply for the training subsidy.

Eligibility for the training subsidy requires at least 75 per cent of your business's employees to be enrolled in an approved training course by 31 July 2020. You will need to provide evidence of this enrollment. If Directors are receiving a subsidy payment at the part-time rate they will be included in the calculation of the enrollment percentage.

How to apply

The application process for the **Training Subsidy** is as follows:

- Identify the appropriate approach to training for your employees — locally delivered courses, in house training or online courses, contact the approved providers and register your employees accordingly.
- The employer accesses their CINSF account and selects the training subsidy application, NOT the wage subsidy application.
- The Employer completes the application form, confirming the number of staff undertaking approved training and providing course details, noting that at least 75 per cent of total staff must be enrolled and complete training, and upload proof of registration.
- Applications must be received by 31 July 2020.
- Certificates of completion of training by at least 75 per cent of your staff must be submitted to be eligible for a business training grant payment.

For further information contact

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