



## Wage Subsidy Reinstatement

March 2022

# Wage Subsidy Reinstatement: April 2022 Extension and End

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## Overview

As measures around pre-flight testing change and the ability for visitors to transit New Zealand for the Cook Islands is on the horizon, visitor arrivals are expected to grow in April. However, as arrivals have remained slow throughout the period since the border opened in January, the Cook Islands Government is extending the Wage Subsidy through to the 15<sup>th</sup> of April. This is the final extension of the Wage Subsidy, with the end coinciding with the Easter break and New Zealand school holidays, as well as being shortly after Australian visitors can return from the 12<sup>th</sup> of April.

The following document outlines the financial support provided via the Wage Subsidy Reinstatement at the minimum wage for a 40-hour week for employers affected by COVID-19, for the part of April until the 15<sup>th</sup> of the month.

These measures will continue from the Wage Subsidy Reinstatement ongoing in March 2022, pushing out the end of the program by an extra half-month.

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## Estimated total cost

The estimated total cost of the reinstatement of the Wage Subsidy initiative is \$2.0 million for the period to the 15<sup>th</sup> of April 2022.

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## 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 reinstatement payments will continue to be made once per month, continuing from the existing subsidy which is payable for the period to 31 March 2022. Total payments will be based on the number of staff employed by your business, and their hours worked, at the time of each application.

As this payment represents a half-month of Wage Subsidy, it will be paid at half the amount from March 2022<sup>1</sup>.

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.

### Who can access the wage subsidy?

If you received a wage subsidy in March or April 2021 you will be eligible to apply for an April 2022 wage subsidy based on the number of employees in your February 2021 CINSF declaration.

If you did not receive a March or April 2021 wage subsidy, RMD will conduct an assessment of your eligibility to receive a wage subsidy based on a 30% reduction in revenue for March 2022 compared to March 2019 for the March 2022 wage subsidy.

Whether or not your business received a February or March 2022 wage subsidy, you can apply for the April 2022 wage subsidy once you have submitted your March 2022 CINSF declaration. RMD will conduct an assessment of eligibility to receive a wage subsidy based on a 30% reduction in revenue for March 2022 compared to March 2019. If you were not operating in March 2019, an alternative can be used (see below).

Applications for March wage subsidies **will be available from 01 April 2022 and will close on 31 May 2022.**

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<sup>1</sup> Assuming factors such as number of employees and full-time/part-time status remain the same

## 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 at least one employee receiving the wage subsidy
- Your employees must be legally working and present in the Cook Islands.
- If your business received the wage subsidy in March or April 2021 you are automatically eligible to apply for the month of April 2022. If your business did not receive the wage subsidy in these months, you can still apply for the wage subsidy for April 2022 – provided you can demonstrate a reduction in revenue of 30% compared to March 2019 and meet the criteria listed above.
- If you were not operating during the relevant period of 2019, or your business has been substantially restructured, your income will be compared with the last full calendar month of operation, in which the border was open.
- VAT returns must be submitted monthly prior to payment.
- Your business must be up to date with filing and payments of PAYE.
- 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 full-time rate if they had not previously been treated as employees. For this to occur, they must be added as an employee and their 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.
- All businesses are required to submit their 2020 and 2021 PAYE reconciliation to be eligible to receive the wage subsidy from March 2022.
- Sole traders are not eligible for wage subsidy support, unless they are also employing staff and operating prior to 31 July 2021.

## What about businesses that began operating after the border closed?

In recognition of some businesses which prepared to open while the border was open in 2021, but **did not begin trading until after the border was subsequently closed on August 17**, the Wage Subsidy for February, March and April 2022 is available to these businesses, subject to the following conditions:

- Proof that the **business began operating on or before 31 October 2021**.
- Show a 30% reduction in revenue relative to a comparative month with borders open. As these businesses opened after the closure, this comparative month will be after January 2022. The comparative month should be the same month as the wage subsidy is received for – for example, if the wage subsidy is paid for February 2022, the comparative month should be February 2023.
- With the comparative month being in the future, the wage subsidy is paid on the assumption that the revenue **will be** 30% below the comparative month. If, when the comparative month occurs, this is not the case, the business will be required to repay any subsidy for which they were ineligible. Businesses are therefore advised to be conservative when applying for the wage subsidy under this provision.
- For businesses which are not yet registered with CINSF and RMD, they will need to register with both by 31 March 2022 in order to receive payments.

## 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 and meet the relevant criteria, your wage subsidy will increase accordingly. 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](mailto:tax.info@cookislands.gov.ck) and enter “Wage Subsidy Reinstatement” in the subject line.

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## For further information contact

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