



## Fact Sheet 2: Financial support for Businesses

### Overview

The Cook Islands Government's economic response to the COVID-19 pandemic includes the following financial support measures for businesses:

- Private sector wage subsidy at the minimum wage to all employers who are affected by COVID-19 for a period of up to 3 months.
- A further training subsidy at the minimum wage to support recognised training initiatives for a period of up to 3 months.
- Reduction in employer Cook Islands National Superannuation Fund (CINSF) contributions from 5 to 3 per cent for a 3-month period.
- Self-isolation support at the minimum wage for two weeks to assist eligible employees required to self-isolate by the Ministry of Health.
- Business cash grants of up to \$15,000 to assist eligible businesses.
- Electricity subsidy of 60 per cent for all businesses on Rarotonga and 100 per cent subsidy for all businesses on Aitutaki, for 3 months starting from the 19 March 2020 meter reading.

### Estimated total cost

The estimated total cost of the business support measures is \$33.2 million over the next 3 months. This includes:

- \$19.2 million for the private sector wage subsidy;
- \$3.4 million for upskilling personnel;
- \$1.9 million for the superannuation contribution reduction;
- \$2.3 million for the self-isolation payments;
- \$3.4 million for the cash grants; and
- \$3.0 million for the electricity subsidy.

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## Timing and administration

### Wage subsidy

#### Objective

The wage subsidy measure is designed to ensure that employers to 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 will be made available to eligible businesses over a 3-month period:

- \$266 per week for a full-time employee working 20 hours per week or more;
- \$133 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 30 March 2020, and ending on 30 June 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.

#### Who can access the wage subsidy?

If you're a registered business and you have experienced a revenue decline as a result of the pandemic, you may qualify to get the COVID-19 wage subsidy.

Payments will be effective from the time that businesses can show that they have experienced a 30 per cent drop in revenue, with payments backdated to the beginning of the following month. For example, a businesses that can show a reduction in revenue of 30 per cent in March 2020, will be eligible for the subsidy from 30<sup>th</sup> March 2020. A business that does not show a decrease in revenue until the month of April 2020 will be eligible for the subsidy from 30<sup>th</sup> April 2020. In either case, the business will continue to receive the wage subsidy until 30<sup>th</sup> June 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. If you are not currently registered you must register 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. Consideration may be given at a later stage, and on an individual basis for those migrant workers who are currently overseas and affected by the travel restrictions.
- You need to demonstrate a 30 per cent decline in revenue (year-on-year) in the month prior to the application month (that is, a decrease in March for April applications and so on). Your March 2020 VAT return needs to be filed with Revenue Management to verify this.

- If you undertake your accounting on a cash basis, and/or your March 2020 VAT assessment does not show a sufficient decline in revenue, you will need to provide sufficient evidence and a declaration, that your March revenue was impacted due to COVID-19 and will not recover in April, evidence of this can include a notification from MOH to close your business, a profit and loss statement for March 2020.
- In cases where sufficient evidence of an impact on revenue has been provided, the March 2020 VAT return will not be required for the April wage subsidy to be processed. However, the March and April 2020 VAT returns must be filed with Revenue Management prior to the Business cash grant (see below) and May wage subsidy being processed.
- Where a business has applied for the wage subsidy and has received it prior to the March 2020 VAT return being filed, and does not meet the 30% decline for March, that business will be required to file their April 2020 VAT return to be eligible for the Business cash grant and further wage subsidies.
- If the business fails to meet the revenue decline in their March or April 2020 VAT assessments, they will not be able to receive the June wage subsidy, even if they become eligible by May.
- If you are not VAT registered or have been in business for less than 3 months you will need to provide documentation (e.g. bank statements, market registration) to enable your loss of income to be assessed.
- Businesses must complete a declaration form to allow assessment of business tax information held by Revenue Management for this purpose.

### **How to apply**

The application process for this measure is as follows:

- The employer must login to their CINSF account from 1 April 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.
- Employer to deduct PAYE and CINSF contributions and transfer net payments to employees.
- Employer to submit a declaration of wage subsidy through their CINSF account before the next payment is released. If additional employees have been taken on during the month, these should be added.

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](mailto: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 subsidy to upskill workers

### Objective

The objective of this measure is to encourage businesses to take advantage of what may be a slow time to upskill their workers and improve their productivity so that businesses are better able to respond when the crisis is over, and the economy begins to recover.

### About the training subsidy

The training subsidy extends the wage subsidy for an additional 3 months to businesses that have already qualified for the wage subsidy and who provide official training for their employees.

This additional support will be paid from 1 July and cover a 3-month period to 30 September 2020.

The training subsidy will be paid at the same rate, and payment instalments as the wage subsidy. Course costs will be borne by the employer or employee where relevant.

All training courses must be endorsed or provided by an approved training entity and must run for a period of at least two months, at a minimum of 10 hours per week. Courses may include those provided through the Cook Islands Tertiary Training Institute, University of the South Pacific, and other courses offered by recognised official organisations, such as those offered by online institutions.

Businesses will be required to submit copies of a certificate of completion for all employees for which they have received the training subsidy.

All employees must be enrolled in training courses by 1 July 2020 and commence by 30 July 2020. If training has occurred prior to these dates, the payment will only be available from 1 July 2020, not prior.

### How to apply

The application process for this measure is as follows:

- Employer to access their CINSF account, confirm the number of staff on a training program and upload proof of registration prior to 30 June 2020.
- Once the application is reviewed and approved, payment will be made directly to the employer's bank account.
- Employer to deduct PAYE and CINSF contributions and transfer net payments to employees.
- Employer to submit a declaration of employee training through their CINSF account every month to release the next payment.

## Business cash grants

### Objective

The aim of the one-off business cash grants is to provide an immediate cash injection to all registered businesses that are affected by the pandemic, to better enable businesses to keep operating during the crisis and improve their chances of getting back on their feet afterwards.

## About the cash grants

The value of the grants are as follows

- \$3,000 for sole traders;
- \$5,000 for those businesses with a turnover less than \$300,000;
- \$10,000 for those businesses with a turnover between \$300,000 and \$5 million;
- \$15,000 for those registered businesses with a turnover greater than \$5 million.

The payment will be made as a one-off payment to each business that qualifies.

The cash scheme will be administered by the Revenue Management Division. Payments to eligible businesses will be made as soon as processed, after 1 April 2020.

## Who is eligible?

To see if your business is eligible for a Business cash grant, please see the [Wage Subsidy eligibility requirements](#) above.

## How to apply

The application process for this measure is as follows:

- The employer must login to their CINSF account from 1 April and apply for the cash grant online, providing all necessary information as instructed.
- Eligibility will be assessed by Revenue Management.
- Once verified, payment will be made directly to the employer's account.

## Reduced employer CINSF contributions

### Objective

Reductions in the mandatory employer CINSF contributions will temporarily provide additional financial support for businesses during the COVID-19 crisis. This is a complementary measure to the same reduction being applied for employee CINSF contributions.

### About the reduced contributions

A reduction in the employer CINSF compulsory contribution rate from 5 to 3 per cent will be available for all employers and members of the Cook Islands National Superannuation Fund.

All employers registered with CINSF are expected to make the necessary payroll changes if they choose to reduce their contributions to the new compulsory rate.

This measure will be in place from 01 April 2020 until 30 June 2020, at which point it will be reviewed.

### How to apply

Employers will be responsible for making the necessary adjustments through their CINSF accounts for their contribution and that of their employees.

## Self-isolation payments

### Objective

The COVID-19 self-isolation payment is aimed at supporting those businesses covering absences due to self-isolation. In prevention of a pandemic outbreak, it is important to encourage workers to respect self-isolation instructions without worrying about loss of income.

### About the self-isolation payment

Employers must apply for this support through the CINSF system on behalf of their workers, similar to the system in place for the wage subsidy. Those who are self-employed will be able to apply for themselves.

The self-isolation support does not impact on an employee's accumulated leave entitlements, which should be maintained at the same level as that prior to the self-isolation and should be paid out at the current rate of pay.

### Who is eligible?

The self-isolation support is a separate entitlement of a maximum period of 14 days at a time, at the minimum wage. It is possible that the same employee may have to self-isolate more than once throughout this pandemic, as such, the support can be requested as often as needed.

This support is available to all workers in the Cook Islands. Their employer can request this support to cover self-isolation as defined under the public health guidelines and the employee is:

- not sick, cannot perform work remotely and has been advised by the Ministry of Health to self-isolate;
- not sick but has to care for dependents who are required to self-isolate or who are sick with COVID-19.
- sick with COVID-19.

In cases where the affected employee being advised to self-isolate but can perform work remotely, they should be paid as per their usual rate of pay in agreement with their employer.

The self-isolation support is not available to employers who are already on the wage subsidy.

### How to apply

The application process for this measure is as follows:

- The employer must login to their CINSF account from 30 April and apply for the payment online, providing all necessary information as instructed.
- Eligibility will be assessed by the Ministry of Internal Affairs (INTAFF).
- Once verified, payment will be made directly to the employer's account.

If you have any queries about this measure please call INTAFF on 29370.

## **Electricity subsidy**

### **Objective**

Te Aponga Uira in Rarotonga and Te Mana Uira o Araura in Aitutaki are subsidising electricity bills to provide cashflow support to their business customers to mitigate the economic impact of the COVID-19 pandemic.

### **About the subsidy**

The subsidy, which applies to all business electricity customers, will commence from the meter reading following 19 March 2020.

Monthly electricity bills will be 60 per cent subsidised for business customers in Rarotonga by Te Aponga Uira and 100 per cent subsidised in Aitutaki by Te Mana Uira O Araura.

### **How to apply**

No application is required to access the subsidy. Customer bills will be adjusted by the two electricity companies.

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## For further information contact

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