



COVID-19 Economic Response Plan

Q&A

April 2020

Q&A: Financial support for Businesses

Introduction

This document provides answers to common questions on the wage subsidy and business cash grant measures being rolled out to support businesses under the Government's COVID-19 Economic Response Plan. Detailed information on the Government's business response can be found in the *COVID-19 Fact Sheet 2: Business Support* available for download on the MFEM website at: http://www.mfem.gov.ck/images/ECON/COVID19_Factsheet-2_Business_support_10420.pdf

Wage subsidy

What is the purpose of the wage subsidy?

The objective of the wage subsidy is to ensure that employers keep their staff on the payroll and to keep businesses going as best as possible under the current circumstances.

How do I apply?

All applications will need to be processed through www.cinsf.com. This portal is now live.

If you are not currently registered, please download the registration forms from www.cinsf.com. If you are registered but do not have the log-in details as an Employer for CINSF, please email: enquiry@superfund.gov.ck.

What if I don't have an online CINSF account?

If you do not have an online account, you will need to register with CINSF. Once you are registered and given your own account, you can apply online directly for both the wage subsidy and the cash grants for businesses. If you are not connected to internet, you can visit the Private Sector Taskforce, at the BTIB building, where you can get help to apply online.

What information do I need to apply?

Please ensure you have the following information at hand to use for the application:

- Your CINSF login details (emailed to you by CINSF)
- Correct Business Name and RMD and CINSF Number



- Annual Turnover for 2019 as declared in your 2019 return (if you have not completed your return, please add up your income for the full 12 months to 31 December 2019).
- Your industry Sector (use the drop-down box).
- List of full-time/part-time employees with RMD No's who are not CINSF contributors (e.g. over 60 years old).
- Business bank account name and number.
- A short factual description of how COVID-19 has impacted your business.
- Documents that verify your decrease in revenue if you have not submitted your March VAT and/or do not meet the March VAT requirement (see below)

What documents should I upload?

- If you have registered your business with the Revenue Management Division (RMD) since 1 March 2020, you will need to provide evidence that you were operating as a business before that date. You may attach invoices, bank statements, or a certificate of registration, receipt of rental space, Ministry of Health certificate or tourism accreditation.
- For all other businesses, if you have submitted your March VAT and it shows a decrease in your revenue of 30% when compared to March 2019, you do not need to submit any additional documents.
- If you have not submitted your March VAT you will need to provide evidence of an impact on revenue in the month of March, and that this will not recover in April. For example, bank statements for the last 12 months, a notice of closure from Ministry of Health, a record of forward bookings and/or cancellations, a severe impact on your cash flow, Profit/Loss statement for the last calendar year.

How long will the application assessment take and when is payment expected?

All submissions will be assessed within the first week of application, with payments expected to be made in the second week of April. Processing of payments will take approximately one week from application. The earlier you apply, the sooner you will receive payment.

When will payments be made?

Payments will be made monthly starting from April, with first payments commencing during the week of 6th April 2020. Payments will be made each month until June.

How are the wage subsidy payments calculated and paid?

The wage subsidy is paid monthly and calculated for the number of days in that month. When applying, the employer will indicate the hours worked by each employee, whether it is nil, 5-19 hours (part-time) or 20+ hours (full-time) per week during the month. For part-timers, this means a payment of \$133 per week whereas a full-timer will receive \$266 per week. All calculations are based on a 35 hour or 17.5-hour work week at the minimum rate of \$7.60 per hour.

The subsidy will be paid into the employer's bank account for payroll processing to pay each employee. Banking details have to be submitted when completing the application form on the CINSF system, Te Roro.

Can I change my worker's hours because of the subsidy?

When signing up to the wage subsidy, the employer declares that they will not make any changes to their obligations under any employment agreement, including rates of pay, hours of work and leave entitlements, without the written agreement of the relevant employee.

The employer also agrees that for the period they receive the subsidy they will:

- use their best endeavours to pay at least 80 per cent of each named employee's ordinary wages or salary; and
- pay at least the minimum wage rate to the employee.

The wage subsidy is to assist the employer in honoring their payroll. If hours of work are reduced and the full subsidy is not being used towards staffing, the employer needs to adjust the wage subsidy application before the next payment. If the wage subsidy is not being used for its purpose to support payroll, the employer will not be eligible for any further support.

Are employers required to continue paying their staff under code red conditions?

Yes. If an employer meets the requirements to access the wage subsidy, the payments will continue until June, regardless of the MOH code. In the event that MOH moves to 'code red', employers will remain obligated to pay their employees during this period, regardless of whether work can continue remotely or is stopped altogether.

The employer cannot oblige any of the named employees under the wage subsidy application to use their leave entitlements. Leave should be taken in agreement with both parties and continue to be honored throughout this period.

Is it possible to receive support for primary income on wage subsidy as well as secondary employment?

Yes. Where an employee works two jobs, either full-time and part time, or two part-time jobs; where either one or both jobs have been impacted by COVID-19; both employers will be able to apply for the wage subsidy. The CINSF system will flag an employee that shows up under multiple employers, and RMD will investigate if the employee is being claimed for more hours than registered.

Can employees access the wage subsidy other than through an employer?

No. The wage subsidy is support provided to the employers in order to maintain their payroll as best as possible under the current circumstances. Employers have a legal obligation to ensure payment of

wages for the agreed hours of work. The *Employment Relations Act (ERA) 2012* together with the employment agreements or their variations, remain in force to protect the rights and obligations of both parties.

Should the employer fail to pay the wages while benefitting from the wage subsidy, this will be treated as a breach of the ERA 2012, to be subjected to compliance and prosecution from the Labour Inspectorate.

Do employees have a right to refuse to participate in work programs set by the employer and still be entitled to the wage subsidy?

Businesses have to adjust their operations and workload to the current circumstances. Any new workplace arrangement needs to be discussed and agreed upon between the employer and the employee. The wage subsidy is provided to support employers and employees to keep the business operating as best possible. Should there be any employment grievance in regards to new job description, hours of work, rate of pay and other general working conditions, both parties are encouraged to resolve this by negotiation and mediation. Any matter that needs to be resolved can, if required, be referred to the Ministry of Internal Affairs for support and assistance under the ERA 2012.

Under the wage subsidy the employer declares that they will not make any changes to the employee's obligations under any employment agreement, including rates of pay, hours of work and leave entitlements without the written agreement of the relevant employee – this includes type of work. If the employee chooses not to undertake the new tasks as required by their employer, they will either need to be placed on leave with pay – during which time the wage subsidy will continue to be provided or leave without pay, in which case, the employer cannot receive the wage subsidy for that employee. The employee would also have the right to resign and seek alternative employment that corresponds to their skills.

How will the wage subsidy be applied fairly to all employees within a business?

The wage subsidy is paid to the employer and requires the employer to distribute the subsidy to their workers. Employers are required to pay their staff, at or above the minimum wage. If your employees are earning more than the minimum wage, you are expected to try to pay them at least 80 per cent of their normal wage. This wage subsidy is not required to be paid in addition to the worker's current wage but is to ensure that businesses have the funds available to pay their workers and that the workers continue to receive a salary.

For example, if an employer normally pays an employee at \$10.00 per hour for full-time hours, \$7.60 of that \$10.00 is subsidised.

Any reduction of wages should first be discussed with the employee and can only be applied once both parties have agreed.

If an employee believes that they are being treated unfairly they should approach the Ministry of Internal Affairs to find out their rights under the *Employment Relations Act 2012*.

What happens when an employer who is accessing the wage subsidy cannot trade?

If your business is unable to trade due to COVID-19, you are still able to claim the wage subsidy to pay your employees. Employers and employees are encouraged to engage in other tasks in replacement of the normal work duties and confirm any new agreement in writing. If this is not possible, the subsidized

employer can seek temporary re-deployment of their staff towards other businesses or community programs, or place their workers on leave with pay, to ensure continuity of their wages until June.

Can my business save the subsidy money for later?

No. Employers accessing the wage subsidy must pass on the full subsidy amount they have received to their employees at every pay period and provide a payslip in accordance with the ERA 2012.

What if my staff are classified as undertaking full-time hours but their standard hours do not make their total wage \$266?

Businesses are not expected to increase their staff hours as a result of the subsidy. Any difference between the subsidy paid by Government and the pay going to the employee should be used to cover additional staffing expenses, such as CINSF and PAYE.

However, if the worker's standard pay took them to the equivalent of the \$266 the employer cannot cut the hours of the employee to below this amount. A minimum wage of \$7.60/hour must be respected at all times.

Are business owners eligible for the subsidy?

Only employees currently on a businesses' payroll will qualify for the wage subsidy. This excludes anyone earning director fees or taking drawings from the business. Business owners should not add themselves to the payroll in an attempt to qualify for the wage subsidy but should rather apply for the Business cash grant.

How can businesses facing cash-flow issues in March qualify for the subsidy if their revenues are not showing a 30 per cent decline?

If businesses can demonstrate a 30 per cent decline in April or May they will still be eligible for later subsidy payments. Please refer to the eligibility criteria in the COVID-19 Fact Sheet 2: Business Support on the MFEM website: http://www.mfem.gov.ck/images/ECON/COVID19_Factsheet-2_Business_support_10420.pdf

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. The business grant will not be paid until the decline can be verified in a VAT return.

What evidence is required to show an employee is full or part-time?

You are not required to provide evidence up-front, however, you will be required to submit a declaration of hours by employee every month before the next payment. All submissions will be audited and monitored by Government. As per the *Employment Relations Act 2012*, employers should continue to maintain a time book and provide pay slips that the Labour Inspectorate can check at any time.

What contract or work permit evidence do I need to show for my employees?

The wage subsidy applies to all employees in the private sector regardless of citizenship. For now, you are only required make a CINSF declaration regarding your employees. However, in order to maintain fair and decent working conditions, employers should continue maintaining their obligations under the

national legislation to ensure compliance. The Labour Inspectorate will maintain inspection routines and checks as per usual process.

Once registered, do I have to demonstrate an ongoing 30 per cent COVID-19 impact?

If you have demonstrated that your business experience a 30 per cent decline in March to the satisfaction of Revenue Management, you will automatically be eligible for the wage subsidy for all three months.

If my business doesn't qualify for March, can I apply for April?

Yes, businesses that show a 30 per cent decline in April will be eligible for the May subsidy payment.

Where do I get a copy of the CINSF declaration form?

A copy of the declaration form is available on the MFEM website. The declaration form will also be made available once you have received your CINSF log in and your submission of the application will indicate that you accept the declaration.

If my business has undergone a structural change since last year will that be considered?

Businesses will be assessed based on their existing structure at the time the COVID-19 Economic Response Plan was announced by Government. If you have expanded your business significantly since March 2019, please document this in your application.

What happens in the case of employees older than 60 that aren't making superannuation contributions or not registered for superannuation?

All workers will be required to be registered to be captured in the system to qualify for the subsidy, however those over 60 will not be required to make CINSF contributions.

What is the deadline for my application in order to receive the payment in April?

There is no deadline, however the earlier the application is submitted and assessed, the sooner the payment will be made to support the business.

If my business has multiple companies (e.g. a consolidated group), do the eligibility requirements apply to each individual company or to the group?

This will depend on how companies are registered with CINSF and Revenue Management Division. If they are registered as a separate entity then they apply separately and if consolidated, they apply as one entity.

Is the wage subsidy payment exempt from VAT?

Yes. The subsidy does not form part of a businesses' taxable activity.

Can sole traders access the wage subsidy?

No. Sole traders will qualify for the business grant of \$3,000.

As an employer I had to let some of my employees go because of COVID-19. Can I rehire them and get the wage subsidy to help pay them?

Yes, you are able to claim the wage subsidy for any staff that you employ during this three month period, whether you are re-hiring former employees or engaging new employees.

If I have no work for my staff, what do I do?

If there is no work at all to keep the employees productive, employers should consider putting their employees on leave with pay, at no less than the minimum wage. If available work falls outside of the usual work duties, employers should first discuss the options with the employees. Any new work program should first be agreed upon. It is also possible for the employer and employee to agree to redeployment to other companies or community work while still being on the wage subsidy so as to maintain productivity while preserving the employment relationship until such time business is able to restart. Any termination should be done as a last resort and follow the ERA 2012 conditions.

Business cash grants

What should I do with my cash grant?

Cash grants are intended to provide an immediate cash injection to all registered businesses that are affected by the pandemic, to better enable them to keep operating during the crisis and improve their chances of returning to normal operations afterwards.

Are there any restrictions on how I use my cash grant?

Cash grants are intended to provide support registered businesses that are affected by the pandemic, as such the grant should be used to support the operations of the business, or for sole traders may supplement lost income.

Are individuals eligible for the cash grant?

No. Cash grants are only available to registered businesses, including sole traders, that are affected by COVID-19.

Is the cash grant exempt from tax?

Yes. The cash grants do not form part of a businesses' taxable activity.

When will the cash grant payments be made?

Payments to businesses that have met eligibility requirements will be made the week of the 6th of April 2020. Payments will continue to be made until June for eligible businesses.

I am self-employed and have not previously been registered for tax, how do I apply?

To be able to apply you will need to register with the Revenue Management Division of the Ministry of Finance and Economic Management and CINSF, even if you do not have any employees.

For further information contact

Natalie Cooke, Director
Economic Planning Division
Ministry of Finance and Economic Management
PO Box 120, Avarua, Rarotonga, Cook Islands

Telephone: +682 29511 ext. 8314

Email: MFEM.Economics@cookislands.gov.ck

Website: www.mfem.gov.ck

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