

7 Step Guide

How to process payroll in Week One of COVID-19

Current at 1 April 2020

Your payroll for the week that you went into lockdown will consist of a mixture of normal working days for Monday to Wednesday and the lockdown days for Thursday and Friday (or a variation of this), in addition you have received a Government subsidy. All of this needs to be considered when preparing payroll for the week you entered lockdown.

Step 1

Get your wage subsidy

- ✓ Meet the wage subsidy criteria
- ✓ Apply for the subsidy
- ✓ Receive your lump sum payment for 12 weeks per employee

Step 2

Determine what you are paying your employees

- Agree on a basis for paying your employees

Good faith mutual agreement is required before you can alter any terms of employment and you must ensure your payroll is based on last week's agreement with your employees, you cannot just change what you pay your employees without consultation and mutual agreement (even under COVID-19). Refer to our blog post for guidance [How do I decide whether I pay my Employees 100%, 80% or just the Wage Subsidy](#)

Step 3

Setup your payroll system to account for the wage subsidy

- Create two new Ordinary Earning types in your payroll before opening the new pay run, we suggest:
 - Special Leave COVID-19 Subsidy
 - Special Leave COVID-19 Employer Contribution (ONLY if you are going to be topping up part of your Employee's payment)

Your payroll system should now have the following "earning types"

Pay Type	Why
Ordinary Hours	Hours actually worked
Sick Leave	If genuinely sick and applied for
Annual Leave	If applied for (or if mutually agreed)
Special Leave COVID-19 Subsidy	Where the Government Wage Subsidy is applied to any of the days in the week
Special Leave COVID-19 Employer Contribution	Where the Employer has agreed to fund a portion of the wages, and the Employee has agreed to this
Unpaid Leave	Where mutually agreed

Note: We believe each of the above (with the exception of unpaid leave) will continue to accrue holiday pay entitlements. Work and Income states the wage subsidy is subject to the usual deductions (e.g. PAYE, Student Loan, KiwiSaver, ACC, etc.) as it is being paid to them as part of their normal wages.

Step 4

Identify what type of earning type makes up each day

- Determine the basis of wage payment for this week and apply across your payroll
We have created a table to visualise the components of your Employees pay that need to be paid this pay run. The table below assumes a Monday start to a pay week. Please adapt based upon your payroll start date.

e.g. For a Wednesday midnight shutdown (non-essential business) who continue to pay their Employee the same amount for their normal hours of work (100%), without using any leave entitlement and the Employer contributes the top up

	Mon	Tue	Wed	Thu	Fri	Sat	Sun
Ordinary Hours	✓	✓	✓				
Sick Leave							
Annual Leave							
Special Leave COVID-19 Subsidy				✓	✓		
Special Leave COVID-19 Employer Contribution				✓	✓		
Unpaid Leave							

Step 5

Calculate the Subsidy payment per day (or per hour) to know how to apportion for the part-week (helpful for processing last week)

- Assuming a Monday to Friday payroll (with a Wednesday midnight shutdown), in week one you have two days of subsidy payments, not a full week.

The COVID-19 Wage Subsidy will be paid at a flat rate of:

- \$585.80 for people working 20 hours or more per week (full-time rate)
- \$350.00 for people working less than 20 hours per week (part-time rate)

Therefore, you will need to allocate the subsidy to individual days:

Full Time Example

If a salaried Employee has a Basic Hourly Rate of \$20 and has a standard work pattern of 40 hours per week, \$800 gross a week

- $\$585.80$ (Subsidy amount) / $\$20$ (Basic Hourly Rate) = 29.29 hours for the week covered by the subsidy
- 29.29 hours / 5 days = 5.86 hours per day covered by the subsidy
- 5.86 hours x 2 days (Thursday and Friday mandatory shutdown) = 11.72 hours for the week covered by the subsidy
- Subsidy for two days is therefore 11.72 hours x $\$20$ = $\$234.40$
- The rest of the full-time standard hours for the 2 shutdown days can be made up of (by mutual agreement with your employee) employer contribution, annual leave or unpaid leave

Part Time Example

If a salaried Employee has a Basic Hourly Rate of \$20 and has a standard part timework pattern of 18 hours per week, \$360 gross a week

- $\$350$ (Subsidy amount) / $\$20$ (Basic Hourly Rate) = 17.5 hours for the week covered by the subsidy
- 17.5 hours / 5 days = 3.5 hours per day covered by the subsidy
- 3.5 hours x 2 days (Thursday and Friday mandatory days off) = 7 hours for the week covered by the subsidy
- Subsidy for two days is therefore 7 hours x $\$20$ = $\$140.00$
- The rest of the part-time standard hours for the 2 shutdown days can be made up of (by mutual agreement with your employee) employer contribution, annual leave or unpaid leave

Step 6

Complete your payroll for the first week

Once you have determined the basis for payment and worked out the subsidy payment per day you are able to process for payroll.

Here's an example of what this could look like:

Wednesday Midnight Shutdown, Employer tops up pay to 100%

	Mon	Tue	Wed	Thu	Fri	Sat	Sun
Ordinary Hours	✓	✓	✓				
Sick Leave							
Annual Leave							
Special Leave COVID-19 Subsidy				✓	✓		
Special Leave COVID-19 Employer Contribution				✓	✓		
Unpaid Leave							

Full Time

Continue to pay the Employee the same amount for their normal hours of work (100%), without using any leave entitlement and the Employer contributes the top up

Example: If a salaried Employee has a Basic Hourly Rate of \$20 and has a standard work pattern of 40 hours per week, \$800 gross a week

Calculate Subsidy Per Day (hours):

$\$585.80$ (Subsidy amount) / $\$20$ (Basic Hourly Rate) = 29.29 hours for the week covered by the subsidy

29.29 hours / 5 days = 5.86 hours per day covered by the subsidy

5.86 hours x 2 days (Thursday and Friday mandatory shutdown) = **11.72 hours for the week covered by the subsidy**

Calculate Employer Contribution Top-Up (hours):

Now take the Employee's standard hours for those two days (Thursday and Friday) and subtract the subsidy hours from above in order to find the amount of Employee Contribution hours to top up:

16 hours (standard 2 x 8 hour days) – 11.72 hours covered by subsidy = **4.28 hours Employer Contribution**

Payroll Entry:

Ordinary Pay (24 hours (Mon, Tues, Wed – 8hrs x 3) x \$20)	\$480.00
Special Leave COVID-19 Subsidy (11.72 hours x \$20)	\$234.40
Special Leave COVID-19 Employer Contribution (4.28 hours x \$20)	\$ 85.60
Gross Pay: \$480.00 + \$234.40 + \$85.60	\$800.00

Part Time

Continue to pay the Employee the same amount for their normal hours of work (100%), without using any leave entitlement and the Employer contributes the top up

Example: If a salaried Employee has a Basic Hourly Rate of \$20 and has a standard part timework pattern of 18 hours per week, \$360 gross a week

Calculate Subsidy Per Day (hours):

\$350 (Subsidy amount) / \$20 (Basic Hourly Rate) = 17.5 hours for the week covered by the subsidy

17.5 hours / 5 days = 3.5 hours per day covered by the subsidy

3.5 hours x 2 days (Thursday and Friday mandatory days off) = **7 hours for the week covered by the subsidy**

Calculate Employer Contribution Top-Up (hours):

Now take the Employee's standard hours for those two days (Thursday and Friday) and subtract the subsidy hours from above in order to find the amount of Employee Contribution hours to top up:

7.2 hours (standard 2 x 3.6-hour days) – 7 hours covered by subsidy = **0.2 hours Employer Contribution**

Payroll Entry:

Ordinary Pay (10.8 hours (Mon, Tues, Wed) – 3.6hrs x 3) x \$20)	\$216.00
Special Leave COVID-19 Subsidy (7 hours x \$20)	\$140.00
Special Leave COVID-19 Employer Contribution (0.2 hours x \$20)	\$ 4.00
Gross Pay: \$216.00 + \$140.00 + \$4.00	\$360.00

Step 7

Record and code the wage subsidy in your accounting system

We will provide separate guidance for this, keep an eye on our website for our blog post outlining this detail.

If you have any questions, need immediate assistance or want to gain access to more detailed scenario examples please email us at covid19@velocite.co.nz