

Processing COVID-19 Wage Subsidy Payments in Accredo

The Government's Wage Subsidy Scheme supports employers and their staff to maintain an employment connection throughout this difficult period and ensures an income for affected employees, even if the employee is unable to actually work any hours. It is available to all businesses (including the self-employed, contractors and sole traders), registered charities, incorporated societies and post settlement governance entities, that are adversely affected by COVID-19. It is also available to employers who recently let employees go because of COVID-19, provided they re-hire those employees.

To read more on the Wage Subsidy Scheme, click here:

<https://www.employment.govt.nz/leave-and-holidays/other-types-of-leave/coronavirus-workplace/wage-subsidy/>

As this is a unique situation, we thought it best to provide a little clarity around how best to handle any wage subsidy payments in Accredo.

- 1** Create a new GL Account in the Balance Sheet Liabilities section (and CB Analysis Code). Code the receipt of the funds to that with NO GST – i.e. GST code E.
- 2** Since the monies received are non-assessable for Income Tax purposes, it should not be regarded as income. And since the distributions of the monies to the employees is not a deductible expense for taxation purposes either, it is important to not show the expense in the P&L either.
- 3** By debiting the Balance Sheet Account with the portion paid out as part of each periods Payroll Journal (typically debit wages, credit net pay clearing, and IRD PAYE etc clearing a/c), it is easy to keep the one Balance Sheet Account showing all the distributions made. This ensures there is one easy to follow audit trail in the transactions listing of that account.
- 4** The simplest way to process this is to process salary/wage payments through the Cash Book as you normally would and then do an adjustment as a monthly journal in the General Ledger. When you do the salaries journal, depending on when you normally process it, the portion that is coming out of the COVID-19 Wages Subsidy code will get coded back to that.
- 5** If you don't want to set up a separate Cash Book Analysis Code in the Cash Book it could be processed as a one-off override of the GL Account Code on the dissection.
- 6** If you've done it correctly, once everything has been processed, the balance in the COVID-19 Wages Subsidy account should clear back to zero.