



Accounting for Covid-19 subsidies

Example scenarios for individuals
2022 Income tax returns onwards



Abbreviations

MSD	Ministry of Social Development
MCH	Ministry of Culture & Heritage
WSS	Wage Subsidy Scheme
LSS	Leave Support Scheme
STAP	Short-term Absence Payment
CSERG	Cultural Sector Emergency Relief Grant
Taxable Covid-19 receipts	WSS, LSS, STAP and CSERG payments
RSP	Resurgence Support Payment
CSP	Covid Support Payment
IITA	Individual Income Tax Assessment

Introduction

This guide provides information for self-employed persons and other individuals that received Covid-19 subsidies/payments and how these must be accounted for in their Individual Income Tax Assessment (IITA) for the 2022 year onwards¹.

Self-employed/other individuals

Covid-19 Wage Subsidy Scheme (WSS), Leave Support Scheme (LSS), Short-term Absence Payment (STAP) and the Cultural Sector Emergency Relief Grant (CSERG) payments received by self-employed applicants are taxable income as it is a payment to replace personal loss of earnings (s CG 5B ITA07). These receipts must be reported in the “Government subsidies” field of their IITA.

For the 2022 year onwards, the WSS, LSS or STAP payments from the Ministry of Social Development will be pre-populated to the IITA. Individuals/Tax Agents will be required to check the amounts pre-populated to ensure they are correct. The Cultural Sector Emergency Relief Grant (CSERG) payments made by the Ministry of Culture & Heritage will not pre-populate to the returns and will be required to be **manually added** to the WSS/LSS/STAP amounts that have pre-populated.

The Resurgence Support Payment (RSP) and Covid Support Payment (CSP) are not taxable income (therefore must not be included in the Government subsidies field) however they must be applied to expenditure and the relevant expense must be reduced by the value of the payment(s) received.

Hereafter, the Covid-19 receipts that are taxable (WSS, LSS, STAP and CSERG) will be collectively referred to as “Taxable Covid-19 receipts”.

Information concerning the **spreading of income** (where the payment from MSD or MCH falls into both the 2021–22 income years²), **ACC** and **repayments** can be found on our website at ird.govt.nz/covid-19/business-and-organisations/employing-staff/financial-support/wage-subsidy-issues-for-self-employed

Employers/Businesses

The Covid-19 WSS, LSS and STAP receipts are treated as excluded income³ (s CX 47 of the ITA07) and the portion of wage payments to staff subsidised by the WSS, LSS and/or STAP are not deductible (s DF 1(2) of the ITA07). The subsidies passed on are taxable in the hands of the employees – employers should continue to make standard deductions such as PAYE, Kiwisaver, student loan, child support etc.

Employees

WSS, LSS and STAP should have been passed on as salary/wages with PAYE and other deductions made. Where this has occurred, these will be included in their gross earnings which appear in their income profile and IITA.

Disclaimer

The example scenarios in this guide highlight the tax treatment of Covid-19 subsidy/grant receipts, but they do not provide guidance as to whether a business or individual is entitled to the underlying subsidy amount – either in full or a partial amount.

There may be instances where the businesses or individuals in the scenarios are not entitled to the Covid-19 subsidy/grant receipt and may be required to repay part or all of the subsidy/grant received.

Contact the Ministry of Social Development or Ministry of Culture & Heritage for further information on eligibility requirements and repayment obligations.

¹ Refer to the IR1251 guide (2021 version) for the treatment for the 2020 and 2021 years.

² 1 April 2020 – 31 March 2021 and 1 April 2021 – 31 March 2022

³ Excluded income to the extent that the full wage subsidy amount is passed on to employees

Summary table of Covid-19 payments

Covid-19 Scheme		Taxable income – INC	Taxable income – GST
MSD Wage Subsidy Scheme (WSS)	Employer*	X	X
	Self-employed	✓	X
MSD Leave Support Scheme (LSS)	Employer*	X	X
	Self-employed	✓	X
MSD Short-term Absence Payment (STAP)	Employer*	X	X
	Self-employed	✓	X
IR Resurgence Support Payment (RSP)		X	✓
IR Covid Support Payment (CSP)		X	✓
MCH Cultural Sector Emergency Relief Grant (CSERG)	Self-employed	✓	✓

* Excluded income to the extent it was applied to salary/wages

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Sole trader/individual – claimed subsidy personally

Taxable Covid-19 receipts must be included in the “**Government subsidies**” field of the IITA. The WSS, LSS and STAP payments should pre-populate to this field. Check that the amount showing is correct for these subsidies. If you received the CSERG payment it will not be included in the amount showing and you are required to amend the amount in the Government subsidies field to include this.

When calculating the business taxable income (net profit), do not include the Taxable Covid-19 receipts you received personally as these are required to be reported in the Government subsidies field. A self-employed recipient will report any usual business income (taxable income/net profit) in the “**Self-employed income**” field of the return.

Aroha, self-employed lighting technician

Aroha is a part-time self-employed lighting technician that gets contracts to various music events. She does not employ anyone and is not registered for GST.

Aroha receives WSS payments totalling \$5,744 from MSD during the period August to October 2021. She also receives the one off CSERG payment of \$5,000 on 24 March 2022. Total Taxable Covid-19 receipts are \$10,744 and must be included in the “Government subsidies” field. The payments from MSD will pre-populate but the CSERG payment from MCH will not and is required to be manually added to this field.

Net income received from her usual business activities/self-employment for the year ended 31 March 2022 was \$22,500 (excluding the Taxable Covid-19 receipts).

Aroha will include the following income in her IR3 (assuming no other income sources):

- \$22,500 in the “Self-employed net income” field
- \$10,744 in the “Government subsidies” field
- Aroha’s total taxable income is \$33,244.

Sole trader – claim subsidy as self-employed and for employees

Covid-19 payments received by a self-employed person for themselves must be separated from the payments received for employees.

- The portion of the payment received for the self-employed person is a Taxable Covid-19 receipt and must be included in the “Government subsidies” field of their IITA.
- When calculating the net profit of the business the portion of the receipt related to employees is not taxable income to the business when used to pay employees (it is excluded income) and the portion of salary/wage payments funded by the WSS, LSS or STAP to the employees is not deductible as an expense for salary/wages (the salary/wage expense deduction is reduced by the total amount of the Covid-19 subsidies received for the employees).

David, self-employed electrician with employees

David is a self-employed electrician with a standard balance date of 31 March. He operates his electrical business as a sole trader using his personal IRD number and not through a structure like a company or partnership. He employs Daisy part-time to assist with book-keeping and other administration work that is required within the business and has a full-time apprentice, Elijah. Both Daisy and Elijah receive regular fortnightly wages.

David receives WSS payments totalling of \$24,944 from MSD for himself (\$9,600), Daisy (\$5,744) and Elijah (\$9,600) from August to November 2021. A LSS payment of \$1,200 was received for David on 25 March 2022.

David's employees (Daisy and Elijah)

WSS payments of \$9,600 should be passed on to Elijah and \$5,744 to Daisy over the 16 weeks (August to November 2021) that the WSS receipts applied to as part of their salary/wages. These amounts will be treated as ordinary PAYE earnings in the hands of David's employees with the relevant KiwiSaver, child support, student loan and PAYE deductions withheld. This portion of the wage subsidy which relates to David's employees (\$15,344, being \$9,600 + \$5,744) will be processed in the normal manner, regularly through his payroll system and reported on the Employment Information forms.

The WSS receipts for the employees will not be included in income when calculating the net profit of the business (these receipts passed on to employees are excluded (not taxable) income). The WSS receipts totalling \$15,344 are also not deductible and must be deducted from the total salary/wage expense i.e. if salary/wages for the year totalled \$108,000, the salary/wage expense deduction that can be claimed when calculating the net profit is only \$92,656 (\$108,000 – \$15,344).

David

The remaining \$9,600 of the WSS payment and the \$1,200 LSS payment totalling \$10,800 relates to David's own work in the business. David is required to account for income tax on these payments as they relate to his personal loss of earnings, and these are required to be shown in the “Government subsidies” box of his IR3. These amounts may pre-populate and David will be required to check they are accurate.

As the LSS payment received by David on 25 March 2022 spans across two income tax years (2021-22 and 2022-23) he can spread the 2-week payment across these two years. One week relates to the 2022 year and one week relates to the 2023 year. The amount David must include in the Government subsidies box of his 2022 return is \$10,200 (\$9,600 + \$600) but note the full \$10,800 will pre-populate. If David wishes to spread the payments across the two income years, he can remove \$600 and this must then be included in his 2023 return (together with any further subsidies received in that year).

David will file his IR3 showing his regular income from the business in the “Self-employed net income” box.

David's IR3 – 2022

Assuming the total income received by the business for the year was \$285,000 (excluding the Covid-19 subsidies), salary/wage payments were \$92,656 (after reducing these by the subsidy received) and other expenses totalled \$86,344, the net profit from usual business trading was \$106,000, the following will be reported in David's 2022 IR3:

- \$106,000 (net profit) in the “Self-employed net income”
- \$10,200 (WSS and LSS) in the “Government subsidies”
- David's total taxable income \$116,200.

David's IR3 – 2023

Assuming the net profit of the business as at 31 March 2023 was \$94,000 and no further subsidies were received, David is only required to report the \$600 subsidy portion that was spread to the 2023 year. David will report the following income in his 2023 IR3 (assuming no other income):

- \$94,000 (net profit) in the “Self-employed net income”
- \$600 (remaining WSS portion) in the “Government subsidies”
- David's total taxable income \$94,600.

Sole trader/contractor – employer claimed subsidy on their behalf

Taxable Covid-19 receipts that are received by a sole trader/self-employed person are taxable and must be included in their IITA as it is a payment to replace personal loss of earnings. However, we are aware of some instances where these receipts were not claimed by the sole trader/contractor directly – an ‘employer’ may have claimed it on their behalf.

The treatment of these receipts by the sole trader/contractor then depends on how that ‘employer’ passes the receipt onto the contractor, and if they also claimed other Taxable Covid-19 receipts personally.

The following examples address the various situations:

- Tax deducted at source
- Tax NOT deducted at source; gross earnings included in Employment Information form
- Tax NOT deducted at source; gross earnings NOT included in Employment Information form
- Tax deducted at source, received additional Taxable Covid-19 receipts
- Tax NOT deducted at source, gross earnings included in Employment information form and received additional Taxable Covid-19 receipts
- Tax NOT deducted at source, gross earnings NOT included in Employment information form and received additional Taxable Covid-19 receipts.

Tax deducted at source

Where Taxable Covid-19 receipts are applied for by the employer to the contractor and the Taxable Covid-19 receipt was fully passed on by the employer to the contractor **with withholding tax deducted at source** (and included in the Employment Information form), the contractor is not required to declare this Taxable Covid-19 receipt separately on their IITA. The income and withholding tax deductions will automatically come across to their IITA in the schedular payments field.

Refer scenario below for Ramek.

Ramek, WT contractor (WT deducted on Taxable Covid-19 receipt)

Ramek contracts to Keen Buzzers Ltd as a shearing contractor. Keen Buzzers Ltd submitted their Wage Subsidy August 2021 applications for its employees and contractors, of which Ramek named as an employee in each of Keen Buzzers Ltd applications.

Total WSS payments received on behalf of Ramek was \$9,600. The full amount was passed on to him over the 16 weeks (that the subsidies related to) as part of his schedular income and withholding tax was deducted on the payments. When checking his income profile, Ramek can see his income received from Keen Buzzers Ltd with the tax deducted at source.

When it comes time to finalise his IITA for 2022, Ramek will see his income from Keen Buzzers Ltd in the “Schedular payments” section of his IITA (which included the \$9,600 WSS payments) reported with the withholding tax deducted.

Ramek doesn’t need to do anything further regarding the WSS payments received as the income is reported in his IITA.

Tax NOT deducted at source; gross earnings included in Employment Information form

Where Taxable Covid-19 receipts are applied for by the employer to the contractor and are passed on by the employer to the contractor **without withholding tax deducted at source** but the gross earnings were included in the Employment Information form (therefore the income including the Taxable Covid-19 receipt(s) shows in the person's income profile, just without any withholding tax deducted) they will not need to declare the Taxable Covid-19 receipt(s) separately on their IITA. The income will automatically come across to their IITA in the schedular payments field, but without any tax deductions showing. Tax will be payable once their IITA has been processed.

Refer scenario below for Leana.

Leana, WT contractor (WT not deducted on Taxable Covid-19 receipt, included on EI)

Leana contracts to Tidy Parks Ltd as a part-time gardening contractor. She receives weekly payments of \$396 (\$22 per hour, 18 hours per week. \$20,592). Tidy Parks Ltd submitted Wage Subsidy August 2021 applications for its employees and contractors, of which Leana was one of the parties named on the employer applications.

Tidy Parks Ltd received part-time wage subsidy payments totalling \$5,744 for Leana. The WSS payments received on behalf of Leana were passed on to her each week over the 18-week period but withholding tax (WT) was not deducted on the payments. Tidy Parks didn't realise they needed to deduct WT on the WSS payments passed on to Leana. Despite not deducting WT, the gross payment was reported on Tidy Park's Employment Information form. When checking her income profile, Leana can see her income received from Tidy Parks Ltd.

When it comes time to finalise her IITA for 2022, Leana will see the earnings from Tidy Parks Ltd reported in the "Schedular payments – total gross payments" section of her return. This includes the \$5,744. Leana doesn't need to do anything further regarding the WSS payments received as the income is reported in her IITA (although without sufficient tax deducted).

Tax NOT deducted at source; gross earnings NOT included in Employment Information form

Where Taxable Covid-19 receipts are applied for by the employer to the contractor and the Taxable Covid-19 receipt was fully passed on by the employer to the contractor **without withholding tax deducted at source** and also **not included** in the Employment Information form (therefore is not showing in the person's income profile), the contractor will need to declare this on their IITA in the "**Government subsidies**" field (will need to manually add this amount).

Refer scenario below for Stacey.

Stacey, WT contractor (WT not deducted on Taxable Covid-19 receipt, not on EI)

Stacey contracts to Quick Clean Ltd as a commercial premises cleaning contractor. Quick Clean Ltd submitted a Wage Subsidy August 2021 #1 application for its employees and contractors, of which Stacey was one of the parties named on the employer application.

Quick Clean Ltd received the WSS payment from MSD on 28 August 2021 for all parties named on the application. The WSS received on behalf of Stacey (\$1,200) was passed on to her as a lump-sum payment on 2 September 2021 without any withholding tax deducted on the payment as required. Quick Clean Ltd then terminated her contract. When checking her income profile, Stacey cannot see the WSS income received from Quick Clean Ltd in September 2021 (only showed schedular payments totalling \$14,000 received from April to August 2021). This is because Quick Clean Ltd has not included the lump-sum payment on their Employment Information form in September 2021, thinking that they didn't need to.

Stacey starts cleaning residential premises (where withholding tax is not required to be deducted on payments) and derives net income of \$10,500.

When it comes time to file her IR3 for 2022, as the WSS payments were not included on in her earnings from Quick Clean Ltd, Stacey will need to self-report the WSS payment on her return in the "Government subsidies" field.

Stacey will include the following income in her IR3 (assuming no other income sources):

- \$14,000 in the "Schedular income" field (this will pre-populate)
- \$1,200 in the "Government subsidies" field
- \$10,500 in the "Self-employed net income" field
- Stacey's total taxable income is \$25,700.

Tax deducted at source, received additional Taxable Covid-19 receipts

Where Taxable Covid-19 receipts are applied for by the employer to the contractor and the Taxable Covid-19 receipt was fully passed on by the employer applicant to the contractor **with withholding tax deducted at source** (and included in the Employment Information form), the contractor will not need to declare the Taxable Covid-19 receipt(s) separately on their IITA. The income and withholding tax deductions will automatically come across to their IITA in the schedular payments field. If the contractor ALSO received the Taxable Covid-19 receipts as a self-employed person (applied personally), the Taxable Covid-19 receipts paid directly to them (without tax deducted at source) will be required to be declared in their IITA in the **“Government subsidies”** box (and should pre-populate).

Refer scenario below for Delauney.

Delauney, WT contractor (WT deducted on Taxable Covid-19 receipt, additional Taxable Covid-19 receipt received)

Delauney contracts to ABC Builders Ltd. ABC Builders Ltd submitted applications for the Wage Subsidy August 2021 payments for its employees and contractors, of which Delauney was one of the parties named on their employer application. A total of \$9,600 was received by ABC Builders Ltd for Delauney. These WSS payments were passed on as part of his gross earnings and included on ABC Builders Ltd's Employer Information forms (with withholding tax deducted on the payment as required).

Outside of his job at ABC Builders Ltd, Delauney drives for Uber approximately 15 hours a week. In the year ended 31 March 2022 he has earned net income from Uber totalling \$15,600. In addition, Delauney applied independently for the part-time Wage Subsidy August 2021 payments on a self-employed application and received payments totalling \$2,872 directly from MSD (in relation to loss of Uber income during lockdown).

When checking his income profile, Delauney can see schedular income received from ABC Builders Ltd for the year of \$62,000 with tax deducted.

When it comes time to file his IR3 for 2022, Delauney will see his income received via ABC Builders Ltd pre-populate into the “Schedular payments” section of his IR3 which includes the full time WSS payments of \$9,600 passed on with the tax deducted at source. The part-time WSS payments he received directly from MSD for his Uber driving (\$2,872) is required to be declared separately in the “Government Subsidies” field as this did not have tax deducted at source. His net income from Uber (excluding the WSS payments) is required to be reported in the “Self-employed net income field” of his IR3.

Delauney will include the following income in his IR3 (assuming no other income sources):

- \$62,000 in “Schedular payments – total gross payments” field (pre-populated)
- \$2,872 in “Government subsidies” field (should pre-populate)
- \$15,600 in “Self-employed net income” field
- Delauney's total taxable income is \$80,472.

Tax NOT deducted at source, gross earnings included in Employment Information form and received additional Taxable Covid-19 receipts

Where Taxable Covid-19 receipts are applied for by the employer to the contractor and these amounts are passed on **without withholding tax deducted at source** but the gross earnings were included in the Employment Information form (therefore the income including the Taxable Covid-19 receipt shows in the person's income profile, just without any withholding tax deducted) they will not need to declare the Taxable Covid-19 receipt(s) separately on their IITA. The income will automatically come across to their IITA in the schedular payments field, but without any tax deductions showing for the subsidy(s). If they ALSO received additional Taxable Covid-19 receipts paid directly to them (without tax deducted at source) they will need to declare this on their IITA in the **"Government subsidies"** field (this should pre-populate).

Refer scenario below for Xiang.

Xiang, WT contractor (WT not deducted on Taxable Covid-19 receipt but included in Employment Information form, additional Taxable Covid-19 receipt received)

Xiang contracts to Big City Homes Ltd as a labour-only contractor part-time. Big City Homes Ltd submitted a Wage Subsidy August 2021 #1 application for its employees and contractors, of which Xiang was one of the parties named on the employer application.

Big City Homes Ltd received the wage subsidy payment on 22 August 2021 for all parties named on the application. The wage subsidy received on behalf of Xiang (\$718) was passed on to him as a lump-sum payment a few days later and included on the Employment Information form as gross earnings but without withholding tax deducted on the payment as required. Xiang's contract was then terminated. When checking his income profile, Xiang can see the lump sum payment received from Big City Homes Ltd in August 2021 in his gross earnings in his income profile.

Xiang also undertakes building work as a sole trader and also applied for the Wage Subsidy August 2021 #1 to #8 payments. He personally received a further \$9,600 directly from MSD.

When it comes time to file his IR3 for 2021, Xiang will see all payments from Big City Homes Ltd in the schedular receipts section, this totalled \$15,000 from April to August 2021. The wage subsidy payments totalling \$9,600 paid directly to him are required to be declared separately in the "Government subsidies" box of his IR3 and should pre-populate.

Assuming Xiang earned net profits totalling \$39,500, he will include the following income in his IR3:

- \$15,000 in the "Schedular income" field (pre-populated)
- \$39,500 in the "Self-employed net income" field
- \$9,600 in the "Government subsidies" field (should pre-populate)
- Xiang's total taxable income is \$64,100.

Tax NOT deducted at source, gross earnings NOT included in Employment Information form and received additional Taxable Covid-19 receipt

Where Taxable Covid-19 receipts are applied for by the employer to the contractor and these are passed on by the employer to the contractor **without withholding tax deducted at source** and are **not included** in the employer's Employment Information form (therefore is not showing in the contractor's income profile), the contractor will need to declare this receipt on their IITA in the "**Government subsidies**" field along with any other Taxable Covid-19 receipts paid directly to them (without tax deducted at source). The amount received from MSD directly should pre-populate to the IITA but the amount received via the employer will need to be manually added to the Government subsidies field.

Refer scenario below for Shelden.

Shelden, WT contractor (WT not deducted on Taxable Covid-19 receipt, other Taxable Covid-19 receipt received)

Shelden contracts part-time to EZ Clean Ltd as a commercial premises cleaning contractor. EZ Clean Ltd submitted a Wage Subsidy August 2021 # 1 application for its employees and contractors, of which Shelden was one of the parties named on the employer application.

EZ Clean Ltd received the WSS payment on 29 August 2021 for all parties named on the Wage Subsidy August 2021 # 1 application. The part-time wage subsidy received on behalf of Shelden (\$718) was fully passed on to him as a lump-sum payment on 2 September 2021. Withholding tax (WT) was not deducted on the payment as required. Shelden's contract was then terminated. In the months April to August 2021, Shelden had gross earnings totalling \$6,600 from EZ Clean Ltd.

Shelden carried on with his residential cleaning contracts but due to a drop in income, Shelden personally applied for and received the remaining Wage Subsidy August 2021 payments (#2 to #8) on the sole trader applications. Shelden received a further \$5,026 WSS payments directly from MSD.

Shelden also earned a net profit of \$39,050 from his cleaning business (excluding WSS receipts).

When checking his income profile, Shelden cannot see any income received from EZ Clean Ltd for the month of September 2021, only income from previous months totalling \$6,600. This is because EZ Ltd has not included the lump-sum payment on their Employment Information form, thinking that they didn't need to.

When it comes time to file his IR3 for 2022, Shelden will need to report both the WSS payment of \$718 received directly from EZ Clean Ltd (and not reported on their EI therefore did not have WT deducted) and the WSS payments of \$5,026 paid directly to him in the "Government subsidies" box. The amount he received directly from MSD will pre-populate to this field in his return. He will then need to modify that to add the extra \$718 received via EZ Clean Ltd. Total to be reported in the "Government subsidies" field is \$5,744.

Shelden will include the following income in his IR3 (assuming no other income sources):

- \$5,744 in the "Government subsidies" field (likely only \$5,026 will pre-populate and will need to be updated to include the additional \$718)
- \$6,600 in the "Schedular Payments" section of the return – this will pre-populate
- \$39,050 in the "Self-employed net income" field
- Shelden's total taxable income is \$51,394.

Children/students receiving the wage subsidy

Children and school students who earn income not taxed at source less than \$2,340 in an income year are not required to include this in their IITA, as this is treated as exempt income (s CW 55BB of the ITA07). Examples include income from lawnmowing, and dog walking.

Where a child or school student earns \$2,340 or more of income not taxed at source, the income exemption does not apply, and they are required to include and pay tax on all of the income they received (not just the amount that exceeds \$2,340).

Where a child or school student received a Taxable Covid-19 receipt, this may result in them exceeding the \$2,340 threshold and they will be required to declare both the income not taxed at source and the Taxable Covid-19 receipt(s). The Taxable Covid-19 receipt(s) must be declared in the “**Government Subsidies**” field on the IITA (and should pre-populate).

Refer scenario below for Daylen.

Daylen, school student walking dogs

Daylen is a school student who walks his neighbours' dogs twice a week. Daylen does this work as an independent contractor. On average he receives \$40 per week for all of his dog walking. This equates to \$2,080 therefore his income is usually exempt from tax and he does not need to include it in his IITA.

Daylen's dog walking was reduced by 80% in August and September 2021. Daylen applies for and receives the part time Wage Subsidy August 2021 #1 and #2 payments totalling \$1,436. His income received from dog walking for the year ending 31 March 2022 is \$1,960, rather than his usual \$2,080. His total income including the wage subsidy is \$3,396.

The income Daylen received from the dog walking is no longer exempt income because his total income not taxed at source exceeds the \$2,340 threshold and he is required to include **all income** from his dog walking for the year **and** the wage subsidy received in his IITA. The wage subsidy amount received must be included in the “Government subsidies” field on the IITA; this should pre-populate to his return.

Daylen will include the following income in his IITA (assuming no other income sources):

- \$1,436 in the “Government subsidies” field
- \$1,960 in the “Self-employed net income” field
- Daylen's total taxable income is \$3,396.

Home based childcare provider – using standard costs

An individual who provides childcare in their own home has the option of calculating their taxable income using either the Standard Cost method provided in DET 09/02 or using actual costs.

Taxable Covid-19 receipts must be included when calculating an individual's taxable income using either the Standard Cost method or actual costs.

The following example addresses individuals who choose to use the **Standard Cost method**. For individuals who choose to use actual costs, refer to the "Sole Trader – claimed subsidy personally" example above.

Taxable Covid-19 receipts must be included in the "Gross income received for childcare" calculation (Part A on the IR413).

For the period where no children were cared for, the "hours" in Part B (IR413) of the standard cost calculation will be NIL.

After completing the Standard Cost calculation:

- If the amount is a loss (negative), enter nil in the "Self-employed net income" field on the IITA.
- If the amount is a profit (positive) and:
 - less than the amount of the Taxable Covid-19 receipts, then enter the profit amount in the "**Government subsidies**" field on the IITA
 - equal to the amount of the Taxable Covid-19 receipts, then enter that amount in the "**Government subsidies**" field on the IITA
 - greater than the amount of the Taxable Covid-19 receipts,
 - enter the Taxable Covid-19 receipts amount in the "**Government subsidies**" field on the IITA
 - enter the balance of the profit (profit minus wage subsidy amount) into the "**Self-employed net income**" field on the IITA.

Note: The "**Government subsidies**" box will pre-populate with the Taxable Covid-19 receipt. Where the Standard Cost calculation is applied this may need to be altered.

Refer example below for Ester.

Ester - home based childcare provider

Ester is a home-based childcare provider. As a result of the lockdown in August 2021, she was unable to provide childcare for the period 18 August to 12 October. She applied for the Wage Subsidy August 2021 payments #1 to #4 receiving payments totalling \$4,800. This amount will pre-populate to the "Government subsidies" field of her 2022 IR3.

In previous years she has chosen to use the Standard Cost method for calculating her income and she chooses to do so again in the 2022 tax year.

Using the Standard Cost method she calculates her 2022 net income to be \$5,400. As her net income (\$5,400) exceeds the wage subsidy amount (\$4,800), she accounts for her net income in her 2022 IR3 as follows:

- \$4,800 in the "Government subsidies" field.
- \$600 in the "Self-employed net income" field representing the balance of her income (being \$5,400 minus \$4,800).
- Ester's total taxable net income is \$5,400.

Partner in partnership/look-through company owner

To be eligible for Taxable Covid-19 receipts partners/look-through company (LTC) owners needed to be either working partners/owners (s DC 4/DC 3B of the ITA07) or otherwise take regular drawings from the partnership. Where this did not apply, subsidies applied for incorrectly should be repaid to MSD.

Taxable Covid-19 receipts paid to a partnership or LTC, or amounts received by partners on behalf of the partnership and owners of behalf of the LTC, must be reported in the partnership accounts and then allocated to employees in the first instance, including working partners (s DC 4 of the ITA07) or working LTC owners (s DC 3B of the ITA07).

Where there is a working partner or owner, the Taxable Covid-19 receipts paid to the partnership or LTC (or partners/LTC owners) must first be applied to meet the normal salary/wages of the employees named in the application (including working partner/ LTC owner's regular salary/wages in accordance with ss DC 4 or DC 3B) and the necessary PAYE and other required deductions made.

The working partner/LTC owners regular salary/wage income will appear in their income profile and their IR3 (gross earnings/tax deductions fields).

Any Taxable Covid-19 receipts that are not used for the named employees (including working partners/owners) can then be applied to other working partners/owners and employees (if any) to top up their wages where their subsidy payment is less than their regular salary/wage.

Excess Taxable Covid-19 receipts that have not been passed on as salary/wages to employees (including working partners/owners) in the relevant subsidy/grant periods (the periods to which the relevant subsidy/grant relates) must then form part of the net income of the partnership or LTC and must be distributed in accordance with the partnership agreement or Partnership Law Act 2019 (PLA) for partnerships, and the LTC owners' interests in accordance with their shareholding. The excess Taxable Covid-19 receipts left will be allocated to them as part of that (without tax deducted at source) and the subsidy portion will need to be included in the "Government subsidies" field of their IR3/IR3NR separate to the amount passed to them as salary/wage income.

Therefore, when the partner/LTC owner files their IR3/IR3NR, they need to determine their Taxable Covid-19 receipts which must be included in the "Government subsidies" field. An amount may have been pre-populated based on application data but this must be amended if the calculation following the instructions above results in a different amount.

In terms of the partnership/LTC accounting for the Taxable Covid-19 receipt, the receipt will either be:

- excluded income (s CX47) to the extent it is used to pay wages (in which case those wages are then not deductible (s DF 1(2))).
See SC Partnership example below.
- taxable income in all other instances (and allocated as part of partnership profits).

Partnership example – working partner and employee

Applying the above allocation rules, the subsidy(s) must be allocated first to the working partner and employee to meet their normal salary/wage expense. Any excess is allocated as part of the partnership profits (and the amounts reported in the "Government subsidies" field).

Refer example below for the SC Partnership.

SC Partnership

The SC Partnership submitted an application for the Wage Subsidy August 2021 #1 payment on 19 August 2021 naming the partners, Sean and Callum, as well as one employee, Ester. The application stated Sean and Callum were full-time (receiving \$1,200 subsidy each) and Ester was part-time (receiving \$718 subsidy). The total amount paid to the partnership was \$3,118 on 21 August 2021. The partnership also submitted an application for the Wage Subsidy August #2 payment on 2 September 2021 just for Ester and received \$718 on 3 September 2021.

Sean and Callum also personally applied for the Wage Subsidy August #2 payments, as partners of the partnership, and received \$1,200 each on 3 September 2021.

Sean is a working partner (s DC 4) and is paid \$800 per week. Callum is not a working partner. Ester receives a weekly wage of \$350. The first pay period after receipt of the subsidy is 23 August 2021.

The partnership agreement allocates 50% of the profits to each partner.

The partnership has received wage subsidy payments totalling \$6,236 (\$3,118 + \$719 + \$1,200 + \$1,200) which must be applied to salary/wages or distributed as part of the partnership profits (and the amounts reported in the Government subsidies field).

Wage Subsidy August 2021 #1 allocation

The \$3,118 received on 21 August 2021 is allocated as follows:

- Pay period 23 August 2021 - \$800 applied to Sean, \$350 applied to Ester, total \$1,150
- Pay period 30 August 2021 - \$800 applied to Sean, \$350 applied to Ester, total \$1,150.

The total amount of the Wage Subsidy August 2021 #1 payment allocated to salary/wages within the 2-week period which it applies to is \$2,300. The excess of \$818 not utilised for salary/wages will be required to be distributed in accordance with the partnership agreement/PLA. This \$818, together with any further excess amounts for other subsidies during the year, will need to be distributed as part of the partnership profits.

Wage Subsidy August 2021 #2 allocation

The \$1,200 received by the partners personally is required to be declared in the partnership accounts. Therefore, in total \$3,118 was received by the partnership to distribute and will be allocated as follows:

- Pay period 6 September 2021 - \$800 applied to Sean, \$350 applied to Ester, total \$1,150
- Pay period 13 September 2021 - \$800 applied to Sean, \$350 applied to Ester, total \$1,150.

The total amount of the Wage Subsidy August 2021 #2 payment allocated to salary/wages within the 2-week period which it applies to is \$2,300. The excess of \$818 not utilised for salary/wages will be required to be distributed in accordance with the partnership agreement/PLA. This \$818, together with any further excess amounts for other subsidies during the year, will need to be distributed as part of the partnership profits.

SC Partnership IR7

In the financials for SC Partnership, the Taxable Covid-19 receipts will be recognised as follows:

- Salary/wage expense \$59,800 ($\$800 + \350×52 , being Sean and Ester's total annual salary and wages)
- Non-deductible salary/wage expense \$4,600 (being the salary/wages funded by the wage subsidy receipts)
- Net **deductible** salary/wage expense \$55,200 ($\$59,800 - \$4,600$)
- Excluded income of \$4,600 (being the part of SC Partnership's total wage subsidy receipt used to pay for salary and wages during the wage subsidy period, equal to non-deductible salary/wage expense above)
- Taxable income of \$1,636 ($\$6,236 - \$4,600$, being the excess of SC Partnership's total wage subsidy receipt not used to fund salary and wages during the wage subsidy period).

The excess of the WSS receipts not paid as wages during the relevant periods which must be treated as taxable income is \$1,636 ($\818×2) is available for distribution to the partners in accordance with their partnership agreement/Partnership Act.

Assuming the SC Partnership made net income of \$46,000 from trading (which includes the taxable portion of the wage subsidy of \$1,636), the partnership will report net taxable income of \$46,000 in the IR7. Sean and Callum are equal partners and therefore the IR7P will show an allocation of partnership income of \$23,000 each. Of this \$23,000, only \$22,182 is active partnership income and \$818 (50% of \$1,636) is attributed to Taxable Covid-19 receipts so must be included in the "Government subsidies" field of their IR3/IR3NR returns.

Sean's IR3

The following is what must show in Sean's IR3 (assuming no other income sources)

- \$41,600 ($\800×52) will automatically populate in the "Gross earnings" field in myIR
- \$818 in the "Government subsidies" field (share of Taxable Covid-19 receipts)
- \$22,182 in the "Active partnership income" field (balance of partnership income)
- Sean's total taxable income is \$64,600.

Callum's IR3

The following is what Callum will show in his IR3 (assuming no other income sources)

- \$818 in the "Government subsidies" field (share of Taxable Covid-19 receipts)
- \$22,182 in the "Active partnership income" field (balance of partnership income)
- Callum's total taxable income is \$23,000.

Partnership example – non-working partners/LTC owners

The Taxable Covid-19 receipts will be taxable income to the partnership and available for allocation in accordance with normal tax rules for partnerships/LTCs.

The partnership/LTC will determine the net income to be allocated to each partner/LTC owner and this will be represented in the IR7 and IR7P/IR7L.

Once the allocation is determined, this will then need to be split further to determine the 'active partnership income' or 'LTC income' and the portion funded by the Taxable Covid-19 receipt that is to be included in the respective partner/LTC owners IR3/IR3NR to ensure Taxable Covid-19 receipts are included in the **"Government subsidies"** field and ACC is not charged on the Taxable Covid-19 receipt amount.

Refer example below for the M & T Partnership.

M & T Partnership

M & T Partnership submitted Wage Subsidy August 2021 applications (rounds #1 to # 8) for Mohammed and Taji as partners. A total of \$19,200 (\$9,600 each) was paid to the partnership. Neither Mohammed nor Taji are working partners so do not receive a salary or wage during the year.

The wage subsidies received by the M & T Partnership is taxable income to the partnership and will be available for allocation via net profits. The net profit (income) of the partnership was \$62,000 from trading. This figure includes the \$19,200 wage subsidy receipts that were not paid out as salary and wages. The partnership will report net taxable income of \$62,000 in the IR7.

Mohammed and Taji are equal partners according to their partnership agreement and therefore the IR7P will show an allocation of partnership income of \$31,000 each (of which \$9,600 each represents the Taxable Covid-19 receipts passed on and required to be reported separately).

Mohammed and Taji will each declare the following in their respective IR3s (assuming no other income sources):

- \$9,600 in the "Government subsidies" field – this may pre-populate and will need to be checked and confirmed
- \$21,400 in the "Active partnership income" field (being the partnership income of \$31,000 - \$9,600 Taxable Covid-19 receipts)
- Total taxable income - \$31,000 each (which will match the IR7P).

Shareholder-employee of company – treated taxable Covid-19 receipt as 100% salary/wages

Where a company applied for Taxable Covid-19 receipts and included shareholder-employees in the application, the taxation of that Taxable Covid-19 receipt to the shareholder-employee will depend on whether it was included on the Employment Information form and had tax deducted at source or not.

The following examples address the various situations:

- Tax deducted at source
- Tax NOT deducted at source; gross earnings included in Employment Information form
- Tax NOT deducted at source; gross earnings NOT included in Employment Information form (effectively shareholder salary).

Tax deducted at source

Where the Taxable Covid-19 receipts were passed on to a shareholder-employee as part of their regular salary/wage and it was included on the Employment Information form with tax deducted at source, all of this information will appear in the shareholder's income profile in myIR and will pre-populate into the gross earnings and tax deductions boxes in their IITA. The Taxable Covid-19 receipt amount **does not** need to be included in the “Government subsidies” field in their IITA.

Refer scenario below for Nikau.

Nikau, shareholder-employee, wages with tax deducted at source

Nikau is a shareholder in a mechanic business, Repair Shop Ltd, in which he is regularly paid a salary/wage of \$650 per week.

The Repair Shop Ltd applies for the Wage Subsidy August 2021 # 1 payment on 19 August 2021 and receives \$1,200 (\$600 per week x 2) for Nikau. The Repair Shop Limited applies for the remaining Wage Subsidy August 2021 #2 to #8 payments every fortnight thereafter and receives a total of \$9,600 from MSD in the period 19 August 2021 to 25 November 2021 which it must pass on to Nikau (declarations made to MSD). As Nikau is paid regular wage payments from the company, the wage subsidy is used to fund his wages over the 18-week period the subsidy applies to being 19 August 2021 to 8 December 2021. The subsidy of \$600 per week almost funds all of his weekly salary/wages (\$600 funded by the wage subsidy, \$50 topped up by the company).

The Repair Shop Ltd files its Employment Information forms declaring the wages paid to Nikau in the normal manner through its payroll system. PAYE and Kiwisaver deductions were made on the full wage payment (\$650). For income tax, the WSS receipts are excluded income and salary/wages funded by the wage subsidy are not deductible. In the 2022 financials for Repair Shop Ltd they will report the following:

- Excluded income of \$9,600 which is the full amount of the wage subsidy applied to salary/wages
- Non-deductible salary/wage expense of \$9,600.

When it comes time for Nikau to finalise his IITA, Nikau can see his salary/wage income, partially funded by the WSS in his income profile and this will pre-populate the gross earnings field of his IITA. He does not need to report the WSS separately in the “Government Subsidies” field.

Tax NOT deducted at source; gross earnings included in Employment Information form

Where the Taxable Covid-19 receipts were included on the Employment Information form but **tax was not deducted at source**, the gross earnings will still appear in the shareholder(s) income profile in myIR and will pre-populate into the gross earnings field in their IITA and the amount of income tax payable will be calculated when the IITA is finalised. The Taxable Covid-19 receipt **does not** need to be included in the “Government subsidies” field in their IITA.

Tax NOT deducted at source; gross earnings NOT included in Employment Information form

Where a shareholder-employee takes a regular salary/wage from the company, the company should make the necessary PAYE and other tax deductions from the payment and submit Employment Information forms (s RD 3B of the ITA07 does not apply). Where **tax was not deducted at source** when required and the relevant income details were not included on an Employment Information form, the shareholder will be required to report their income from Taxable Covid-19 receipts in the “**Government Subsidies**” field in their IR3/IR3NR (as is required by a shareholder-employee taking an annual salary).

Refer scenario below for Shazmeen.

Shazmeen, shareholder employee, regular salary without tax deducted at source

Shazmeen is a shareholder in an IT company, IT Solutions Ltd, from which she regularly takes \$1,500 per week from the company (\$78,000 for the year).

IT Solutions Ltd applies for the Wage Subsidy August 2021 #1 to #8 payments listing Shazmeen as an employee and receives a total of \$9,600 WSS payments from MSD. It also received a Short-term Absence Payment (STAP) of \$359 for Shazmeen on 15 December 2021. It must pass these on to Shazmeen (declaration made to MSD at time of application). IT Solutions Ltd is not registered as an employer and has not used the PAYE system to pay Shazmeen.

For income tax, the receipt is excluded income (to the extent paid out as shareholder salary) and the portion of the shareholder salary funded by the wage subsidy is not deductible.

Since it was not processed through the PAYE system, the income will not appear in Shazmeen's gross earnings in the income profile in myIR or her IR3. The Taxable Covid-19 receipts of \$9,959 (\$9,600 + \$359) are required to be reported in the “Government subsidies” field on her IR3 and the balance of the income taken from the business in the “Shareholder-employee salary” field.

Company financials/tax return

In the 2022 financials for IT Solutions Ltd they will report the following:

- Excluded income of \$9,959 which is the full amount of the Taxable Covid-19 receipts (required to be passed on as shareholder salary)
- Shareholder salary \$78,000 (\$1,500 x 52 weeks)
- Non-deductible shareholder salary expense of \$9,959
- Net **deductible** shareholder salary expense of \$68,041 (\$78,000 - \$9,959).

The IR4S will show the following:

- Shareholder salary/non-taxed shareholder remuneration of \$78,000

Shareholder-employee IR3/IR3NR return

Shazmeen will report the following in his 2022 IR3 (assuming no other income):

- \$9,959 in the “Government subsidies” field – this should pre-populate
- \$68,041 in the “Shareholder-employee salary” field
- Shazmeen's total taxable income is \$78,000.

Shareholder-employee of company – treated taxable Covid-19 receipt as 100% shareholder salary

Where a company applied for Taxable Covid-19 receipts which included shareholder-employees in the application, the treatment of the WSS, LSS and STAP for shareholder-employees depends on whether they take a regular salary/wage from the business. Regardless of how a shareholder-employee derives income from the business, the business is required to pass the Taxable Covid-19 receipts on to the employees (including shareholder-employees) listed in its applications.

If the shareholder-employee takes a regular salary or wage from the business, the business is required to use the WSS, LSS or STAP to pay that regular salary/wage, deduct tax at source and include the relevant information on the Employment Information forms (refer discussion in the previous section).

Where the shareholder-employee does not take a regular salary or wage, it must be paid to them as a shareholder salary at year end. This is **required even if the company is in a loss position or if the shareholder salary allocation would put the company into a loss position** due to the requirements of the Covid-19 support payments/declarations made at the time of application.

The amount of the shareholder salary funded by the Taxable Covid-19 receipts must be returned in the “**Government Subsidies**” field on the shareholder-employee’s IR3/IR3NR return. This should pre-populate into the field. The balance of the shareholder salary will be reported in the “Shareholder-employee Salary” field on the return.

Refer scenario below for NPC Limited.

NPC Limited – 100% shareholder salary

NPC Ltd submitted Wage Subsidy August 2021 applications #1 to #8 for five full-time staff. Two of those listed in the application are shareholder-employees, Nellie and Pania who do not draw a regular salary/wage, only an annual shareholder salary. The first application was submitted on 19 August 2021 and every fortnight after that.

NPC Ltd received \$6,000 (\$1,200 each person) for each Wage Subsidy August 2021 application. A total of \$48,000 was received over the 8 applications. The wage subsidies were required to be passed on to the named applicants over the 18-week period from 19 August 2021 to 8 December 2021 which the subsidies apply to. In this time, no salary/wages were paid to the shareholder-employees, but the full amount received for the employees \$28,800 (which accordingly had PAYE and other deductions made) was used to subsidise their salary/wages. The remaining amount of \$19,200 for Nellie and Pania is required to be passed on to them as a shareholder salary (\$9,600 each).

The total salary and wage bill for NPC Ltd for the three employees for the 2022 year was \$109,200.

A shareholder salary is required to be declared for each of the shareholder-employees, Nellie and Pania, which at a minimum must be an amount equal to the wage subsidy received for each of them (\$9,600). The company was able to pay a shareholder salary of \$40,000 each to Nellie and Pania.

Company financials/tax return

In the 2022 financials for NPC Ltd they will report the following:

- Excluded income of \$48,000 which is the full amount of the WS received
- Shareholder salary of \$80,000 (\$40,000 x 2)
- Salary/wage expense of \$109,200 (other employees)
- Non-deductible salary/wage expense of \$28,800 (subsidies passed on to employees)
- Non-deductible shareholder salary expense of \$19,200 (subsidies passed on to shareholders).

The IR4S will show the following:

- Shareholder salary (non-taxed remuneration) of \$40,000 each

Shareholder-employees IR3/IR3NR returns

Nellie and Pania will be required to report their shareholder salary (part funded by the wage subsidy), in their respective IR3s as follows:

- \$9,600 in the “Government subsidies” field being the WS received - this should pre-populate but if not is required to be added manually
- \$30,400 in the “Shareholder-employee salary” field, being the shareholder salary amount not funded by the WS (\$40,000 - \$9,600)
- \$40,000 total taxable income each assuming no other income sources.

Shareholder-employee of company – part salary/wages & part shareholder salary

Where a company applied for Taxable Covid-19 receipts which included a shareholder-employee(s) in the application, the company should continue to pay the shareholder-employee(s) their regular salary/wages and make the necessary PAYE and other tax deductions.

Where the shareholder-employee's regular salary/wage is less than the weekly subsidy amount that was received for the relevant wage subsidy period (e.g. their standard wage is \$400 per week but the subsidy received on their behalf was \$600 per week), part of the subsidy will be applied to the regular salary/wage and the balance applied as a shareholder salary (applying the treatment in s RD 3C of the ITA07).

The portion that is required to be treated as a shareholder salary does not have tax deducted at source (e.g. \$200, using the example below) will be required to be returned in the "Government subsidies" field in their IR3/IR3NR. The balance that was paid out as salary and wages will show as gross earnings in their IR3/IR3NR.

Refer scenario below for Khaled and Daniel

Khaled and Daniel, mix of shareholder-employee income

N2021 Ltd is an engineering company which submitted a Wage Subsidy August 2021 #1 application on 19 August 2021 for seven full-time staff and received \$8,400 the same day. Further Wage Subsidy August 2021 applications were submitted every fortnight thereafter (#2 to #8). In total the company received \$67,200 ($\$8,400 \times 8$) for the seven staff which was required to be passed on during the 18-week wage subsidy period (19 August 2021 and 8 December 2021). Two of those listed in the application are shareholder-employees, Khaled and Daniel, who drew a regular salary/wage of \$400 per week each over the 18-week wage subsidy period.

Khaled was also listed on a Short-term Absence Payment (STAP) application dated 28 February 2022 and \$359 received was received by the company to pass on to Khaled as part of his salary/wages. In February 2022, the company was no longer paying regular salary/wages to Khaled and Daniel therefore this was not passed on with tax deducted at source.

The total Taxable Covid-19 receipts paid to the company was \$67,559. The total passed on to the five employees via their salary/wages which accordingly had PAYE and other tax deductions was \$48,000 (all employees are paid amounts greater than the subsidy received for them). In addition, the total wage subsidies passed on to Khaled and Daniel via their salary/wages, which accordingly had PAYE and other tax deductions at source, was \$14,400 ($\$7,200 \times 2$) – being their standard \$400 weekly salary/wage \times 18 weeks). Therefore, in total \$62,400 ($\$48,000 + \$14,400$) of the wage subsidies received by the company were passed on with tax deducted at source. The balance of \$4,800 was not passed on and relates to the shareholders (whose salary/wages were less than the subsidy amount). This amount must be passed to them as a shareholder salary (where not refunded to MSD). Khaled must be allocated a shareholder salary of at least \$2,759 ($\$2,400 + \359) and Daniel at least \$2,400.

The total salary/wage bill for the company for the 2022 year was \$245,600.

The company was able to pay an end of year shareholder salary of \$50,000 each to Khaled and Daniel. Of this, \$2,759 and \$2,400 were funded by the subsidies and must be declared in the Government subsidies field of their IR3/IR3NR return.

Company financials/tax return

In the 2022 financials for N2021 Ltd they will report the following:

- Excluded income of \$67,559 which is the full amount of the subsidies received
- Shareholder salary of \$100,000 ($\$50,000 \times 2$)
- Salary/wage expense of \$245,600
- Non-deductible salary/wage expense of \$62,400 (wage subsidies passed on to employees and shareholder-employees)
- Non-deductible shareholder salary expense of \$5,159 ($\$4,800$ wage subsidies passed on to shareholder-employees + \$359 STAP for Khaled)
- The net salary/wages and shareholder salary deductions claimed for income tax are \$278,041 ($\$100,000 + \$245,600 - \$62,400 - \$5,159$).

The IR4S will show the following:

- Shareholder salary (non-taxed remuneration) of \$50,000 each.

Shareholder-employees IR3/IR3NR returns

The salary/wages received by Khalid and Daniel through the Employment Information schedules with tax deducted at source will already pre-populate into their IR3 return in the gross earnings field.

The amounts required to be reported in their respective IR3s are as follows (assuming no other income):

Khalid

- \$17,200 will pre-populate as "Gross earnings" (\$400 x 43, salary/wages partially funded by wage subsidy; tax deducted at source)
- \$2,759 will need to be included in the "Government subsidies" field, being the balance of the wage subsidy received + STAP (without tax deducted at source)
- \$47,241 will need to be included in the "Shareholder - salary" field, being the shareholder salary amount not funded by the excess wage subsidy and STAP (\$50,000 - \$2,759)
- \$67,200 total taxable income.

Daniel

- \$17,200 will pre-populate as "Gross earnings" (\$400 x 43, salary/wages partially funded by wage subsidy; tax deducted at source)
- \$2,400 will need to be included in the "Government subsidies" field, being the balance of the wage subsidy received + STAP (without tax deducted at source)
- \$47,600 will need to be included in the "Shareholder- salary" field, being the shareholder salary amount not funded by the excess wage subsidy (\$50,000 - \$2,400)
- \$67,200 total taxable income.

Directors/chairpersons/executive office holders

Where a director, chairperson, or executive office holder received a Taxable Covid-19 receipt, either directly or indirectly via an entity with which they are associated to, the subsidy/grant received is taxable. Typically, such amounts are schedular payments and will have withholding tax deducted and returned via the PAYE system.

If the director, chairperson, or executive office holder received the subsidy without tax deducted at source (e.g. not passed on via the PAYE system), it must be included in the “**Government subsidies**” field of their IITA.

Jordan, tax deducted at source

Jordan is a director at Get Lost Ltd and typically receives a \$3,000 director’s fee every month. A Wage Subsidy August 2021 #1 application was submitted by Get Lost Ltd on 24 August 2021 which named Jordan as an employee in the application. Get Lost Ltd continued to pay Jordan his director fee of \$3,000 per month in August and September 2021 and correctly deducted withholding tax on the payments.

Jordan can see these schedular payments (which fully utilised the wage subsidy attributed to him) along with the withholding tax deducted in his income profile in myIR.

Jordan doesn’t need to do anything further regarding the wage subsidy received as the income will already appear in his IITA.

Alana, tax NOT deducted at source

Alana is a director at Expo Ltd. Alana does not receive regular director’s fees from Expo Ltd. Expo Ltd applied for and received the full-time Wage Subsidy August 2021 #1 and #2 payment for Alana (\$1,200 each). Expo Ltd passed the full \$2,400 onto Alana as a lump sum without tax deducted. As a result, this does not appear in her income profile in myIR.

Alana will need to include the \$2,400 wage subsidy receipt in the “Government Subsidies” field of her 2022 IITA.

Trustees/beneficiaries of trusts

Where a trustee or beneficiary of a trust received a Taxable Covid-19 receipt, either directly or indirectly via the trust, the amount received is taxable.

Where the trustee or beneficiary is an employee of the trust and is paid a salary/wage, the Taxable Covid-19 receipt applied for on their behalf is required to be passed on as part of their salary/wages with PAYE and other deductions made. Where the full Taxable Covid-19 receipt applied for on their behalf has been passed on and tax deductions at source made, the trustee/beneficiary is not required to do anything further. This income will appear in their income profile and their IITA as gross earnings.

If the trustee/beneficiary of the trust received the subsidy without tax deducted at source (e.g. not passed on via the PAYE system), it must be included in their IITA in the “**Government subsidies**” field.

Keira, tax deducted at source

Keira is a beneficiary of the GBK Investment Trust. She is also an employee and paid a regular wage of \$700 per week. The Trust received the full-time Wage Subsidy August 2021 #1 to #8 payments for Keira totalling \$9,600. The \$600 per week wage subsidy received by the Trust is used to fund her regular wage payments. Keira did not receive any other wage subsidy payments from the Trust.

Keira can see her gross earnings in her income profile in myIR (which fully utilised the WSS payments attributed to her).

Keira doesn't need to do anything further regarding the WSS payments received as the income will already appear in her IITA as gross earnings.

Layton, tax NOT deducted at source

Layton is a trustee of the GBK Investment Trust. The Trust received the part-time sole-trader Wage Subsidy August 2021 #1 and #2 payments for Layton totalling \$1,436. The \$1,436 received by the Trust was passed on to Layton as a lump sum without tax deducted at source.

Layton cannot see any payments from the Trust in the gross earnings in his income profile in myIR.

Layton is required to declare the \$1,436 WSS payments received in the “Government Subsidies” box on his IITA.