



Documenting/proving your entitlement in case of review

If you have made a claim under the Wage Subsidy Scheme you may need to at some stage prove that you were actually entitled to have made that claim, and that you continued meeting the various requirements for the duration of the 12 week period covered by the Scheme. This is important as there is already misinformation in the media around entitlements and who should or should not have claimed. The government has also made it clear there will be audit activity around this.

The reality is, if you meet the requirements, you have an entitlement. So the thing to make sure of is that you can prove you met the requirements.

Practically...

In practical terms we recommend the following information is collated and retained in case of some form of review or audit of your entitlements and compliance with the Scheme requirements:

1. The “gross revenue” calculations used to justify their application – including financial forecasts and related information for anticipated revenue decreases. In other words how was it determined that the 30% actual or expected decline in revenue was suffered, or was expected to be suffered?
2. How each employee’s entitlement was determined. This is relevant not just for the level of subsidy paid by MSD (fulltime rate vs part-time rate) but also helps to show how an employee’s “normal earnings” were calculated for the purpose of paying subsidised wages;
3. Evidence that nominated employees (employees included in the application) were eligible to be subsidised (i.e. they were working here legally) and that they agreed to being included in a subsidy application (this latter point seems to be missed by many);
4. A summary of the “active steps” taken to mitigate the pandemic’s effect on the business (one of the criteria is that such “active steps” have been taken);
5. A summary of how these records came together at the time any claim was made under the Scheme. Create a description of what information you had, what it was saying to you, and explain other contextual factors that fed into overall decision-making. If you sought advice on it then keep a copy of that advice. All of this information will help you show you acted in good faith at that time. It will also clarify what obligations you had as an employer;
6. Details of all business-related insurance receipts since 1 January 2020. Compensation from insurers for business interruption claims related to COVID-19 can influence the extent to which wage subsidies may need to be repaid;

7. Payroll and accounting records from the date the subsidy was received to the date all proceeds were paid to employees. Be mindful that the subsidy period currently runs to 9 June 2020 and that it has always been possible to distribute subsidies to staff in a single payment.
8. A summary of the “best endeavours” the business has made and is continuing to make to retain subsidised employees, and to pay them 80% or more of their ordinary remuneration during the subsidy period. If you haven’t been able to pay some or all of them at least 80% of their normal wage/salary, explain the reasons why and keep any supporting information.

Continuing management

We also recommend that all claimants implement a process to:

- regularly review positions they have taken in respect of the Scheme; and
- update (and gather in one place) records relevant to any claim they have made. This includes all correspondence with MSD officers.

Given that there is, at the time of writing this, only 4 weeks left in the initial subsidy period and that we don’t yet know what the next round of business support will look like, unless claimants have any pressing concerns which need immediate attention the most sensible time to schedule their first full review is likely to be the week commencing 15 June, which is the first week after the Scheme has ended (as far as we know at this stage).

If you have tricky issues to resolve please discuss your situation with your usual Johnston Associates adviser.