

Temporary Wage Subsidy Scheme (TWSS)

1. Introduction

The following is some general guidelines to assist with the interpretation of the above scheme. Each Employer should read the guidelines and assess whether they qualify for the scheme and availing of same is suitable for the business and the financial welfare of their employees. It DOES not cover Self-employed who can claim welfare support under the COVID-19 Pandemic Unemployment Payment scheme. <https://www.gov.ie/en/service/be74d3-covid-19-pandemic-unemployment-payment/>

Laid off Employees

Employees who are currently Laid off and in receipt of the COVID-19 Pandemic Unemployment Payment of €350 per week (a form of Taxable Jobseekers Benefit) and can be rehired for the purposes of this scheme. Ideally before commencement of Phase 2 on 4th May .

Employee Short time work

For employees placed on short time, they may avail of Department of Employment Affairs and Social Protection - DEASP “Short time working support” which is **not** Taxable instead of the TWSS scheme. Depending on their Personal circumstances, dependents etc, they may be entitled to enhanced support above the basic €203 weekly benefit. See attached <https://www.gov.ie/en/service/c20e1b-short-time-work-support/>

Employees should consent to being included on the TWSS scheme.

Legislation

The relevant legislation as signed into Law is available here

<http://www.irishstatutebook.ie/eli/2020/act/2/enacted/en/print>

The scheme is expected to last 12 weeks from **26 March 2020**.

2. Key Features of the scheme

- Replaces the previous COVID-19 Refund Scheme.
- From Thursday (26 March 2020), the subsidy scheme will refund employers up to a maximum of €410 per each qualifying employee.
- However, employers should pay **no more** than the **normal** weekly/monthly **net** pay of the employee.
- Average Net Weekly Pay (**ANWP**) is defined as Gross – PAYE – USC – EE PRSI
- ANWP can be taken as the average of
 - Weekly payroll --- 1st 9 weeks of the 2020 tax year / 9
 - Monthly payroll --- Month 1 & 2 / 2
- The subsidy scheme applies to
 - employers who top up employees' wages and
 - employers that aren't in a position to do so.
- On 15th April, further amendments to the scheme were announced, effective 4th May, which will move to scheme to a subsidy payment based on the calculated "normal" net weekly pay for each employee.
- The following Taxes do NOT apply to the Subsidy payment
 - Income tax
 - USC
 - Employee PRSI
 - Employer PRSI
- For top ups by Employers, the following applies
 - PAYE payable
 - USC payable
 - Employee PRSI exempt
 - Employer's PRSI reduced to 0.5%
- Employee is credited with a week of insurable employment
- BIKs are temporarily suspended for eligible EEs and will be reviewed at year end with the taxability of the Subsidy payment
- The Employment Support is Taxable "on review" by Revenue for **EACH** Employee at year end or into 2021 (see section 5 below)

3. Scheme Eligibility

The Scheme is available to all Employers in the Private sector whose business activities are being adversely impacted by the COVID-19 pandemic. It is open to “specified employees” as outlined in Section 28 (1) of the Act, who are

- on payroll at 29th February 2020 as an Employee or DIRECTOR
- of any age with working arrangements that is full time, part time or short time
- notified as employees to Revenue for February
- February returns submitted on time ie no later than 15th March 2020
- temporarily not working or on reduced hours or reduced pay
- previously laid off and now rehired to avail of the scheme
 - for this category of employee, add via a new EE ID on Payroll software
 - all employees receiving Unemployment benefit should evidence notification to DEASP of “signing off” any such claims including Jobseekers Benefit
- in a single/multiple employment(s)

Employers must be

1. experiencing significant negative economic disruption due to Covid-19
2. able to demonstrate, to the satisfaction of Revenue, a minimum of a 25% decline in turnover or (in customer orders) between 14 March 2020 to 30 June 2020 (ref section 28 (3) of the Act. Revenue guidelines reference comparison of Q2 2020 with Q1 2020 and/or Q2 2019.
3. unable to pay normal wages and normal outgoings fully (see Note *)
4. making best efforts to pay to the employee some of the emoluments (section 28 (2) of the Act)
5. retaining their employees on the payroll.

* Revenue guidance detailed at the end of this note DOES NOT exclude a business with “strong cash reserves”.

The names of all employers operating the scheme will be published on Revenue’s website (section 28 (8) of the Act).

4. Registering for the Temporary Wage Subsidy Scheme

- Log on to ROS myEnquiries and select the category '**Covid-19: Temporary Wage Subsidy**'.
- Read the "**Covid-19: Temporary Wage Subsidy Self-Declaration**" ;and press the '**Submit**' button. (see Note *)
- Ensure bank account details on Revenue record are correct. These can be checked in ROS and in '**Manage bank accounts**', **Manage EFT**', enter the refund bank account that the refund is to be made to.

* The declaration by the employer is not a declaration of insolvency. The declaration is simply a declaration which states that, based on reasonable projections, there will be, as a result of disruption to the business caused or to be caused by the Covid-19 pandemic, a decline of at least 25% in the future turnover of, or customer orders for, the business for the duration of the pandemic and that as a result the employer cannot pay normal wages and outgoings fully but nonetheless wants to retain its employees on the payroll.

The subsidy scheme will initially refund employers up to a maximum of €410 per each **qualifying** employee, where net weekly pay is up to €960.

5. Operating the Scheme from 16th April 2020

- a) ANWP greater than €960 (equivalent to €76,000 Gross)

The Minister for Finance extended the wage subsidy to support employees where their pre-Covid ANWP was greater than €960, and their post-Covid salary has fallen below €960, subject to the tiering and tapering rules as outlined under section 6 c) below.

For employees whose **current net pay** exceeds €960 per week (€76,000 gross) no subsidy applies regardless of the level of any reduction in pay.

6. Operating the Scheme from 4th May 2020

The subsidy scheme is being amended for those whose ANWP (see definition in section 2) was :

- a) less than €500
- b) between €586 and €960

effective for payroll with

- a pay date on or after 4th May and
- submitted to Revenue on/or after 4th May

Revenue have also undertaken, before 4th May, to inform Employers of the maximum personal subsidy amount in respect of each individual employee based on their previous ANWP.

b) ANWP - up to €500

Subsidy increased to 85% (from 70%) where ANWP does not exceed €412. No reduction in the Subsidy applies where the Employer taxable “top-up” is greater than 15% as long as it only bring the employee’s net pay to an amount not greater than €350.

A flat rate subsidy of up to €350 shall be payable in the case of employees whose previous average net weekly pay is more than €412 but not more than €500.

There is no change for ANWP that is calculated as more than €500 but not greater than €586. A 70% subsidy shall be payable with the maximum cap of €410 applying.

c) ANWP in excess of €586 but less than €960

The subsidy shall not exceed €350 per week, and is determined by the amount of any additional payments made by the employer in the May payroll as follows:

The amount of the employer payment towards the current proposed weekly net pay will determine the Govt Subsidy as follows:

- a) Less than 60% of ANWP , the subsidy is €350
- b) Between 60% and 80% of ANWP, the subsidy is €205
- c) Greater than 80% of ANWP, the subsidy is NIL

7. Payroll Software (until 4th May 2020)

- Set PRSI Class to J9.
- Enter a non-taxable amount up to **70%** of the employee's net weekly pay to:
 - a maximum of €410 per week where the average net weekly pay is less than or equal to €585 or
 - a maximum of €350 per week where the average net weekly pay is greater than €586 and less than or equal to €960.
- If an employer is not making any top up payment to the employee, they should include a pay amount of €0.01 in Gross Pay.
- If an employer is making a top up payment to the employee, they should include this amount in the Gross Pay which is subject to PAYE/USC only and 0.5% ER PRSI.
- It is important that employers do not include the Temporary Wage Subsidy payment in Gross Pay.
- To avail of the wage subsidy, the wage subsidy plus any additional pay **must not exceed** the average net weekly pay.
- The payroll submission must include pay frequency and period number.

Please advise all EEs that the Subsidy will be liable to Income Tax and USC on review at the end of the year. Revenue advise that, in the absence of other refunds (excess tax credits/medical expenses) any taxes will be recovered via reduced tax credits in 2021 and beyond if necessary.

Any Income Tax and USC refunds arising (as a result of reduced pay and/or cumulative tax credits) can be repaid by the employer and Revenue will also refund this amount to the employer.

Employers must not operate this scheme for any employee who is making a claim for duplicate support (e.g. Pandemic Unemployment Payment) from the DEASP. Where an employee previously laid off has been re-hired, the employee will qualify for the Subsidy scheme if their DEASP claim is ceased. Please confirm directly and seek appropriate evidence from each relevant Employee.

Penalties will apply to any abuse of the Subsidy scheme

- by self-declaring incorrectly,
- not providing funds to employees etc

8. Revenue Guidelines that demonstrate compliance with the Financial provisions of Section 28 (3) of the Act include

- Where the ACTUAL decline in turnover in Q2 2020 is less than 25% , documentation should be maintained supporting the belief that a decline in excess of 25% was envisaged.
- Correspondence with a financial institution on Facility and repayment amendments
- Communications to employees of salary/wage cuts as a result of COVID-19 pandemic
- Evidence that cash required to fund debt is equal to or greater than reserves available
- Evidence of reliance on the Government Credit Guarantee Scheme or overdraft facilities or other borrowings for capital purposes.
- For start-ups, a decline in investment by at least 25% arising from the COVID-19 crisis.

An employer that has been hit by a significant decline in business but has strong cash reserves, that are not required to fund debt, will still qualify for the Scheme but the Government would expect the employer to continue to pay a significant proportion of the employees' wages.

This document is for guidance purposes and based on our current understanding of the COVID-19 Government supports based on information currently available. This document does not constitute tax advice and should not be relied upon without seeking appropriate relevant professional advice.

<https://www.revenue.ie/en/employing-people/documents/pmod-topics/guidance-on-operation-of-temporary-covid-wage-subsidy-scheme.pdf>

<https://www.revenue.ie/en/corporate/communications/documents/guidance-on-employer-eligibility-and-supporting-proofs.pdf>

If you have any queries in relation to any of the above, please contact **Desi Foley, Tax Director** desi.foley@gilroygannon.com or **Michael Keane, Business Advisory Director** michael.keane@gilroygannon.com or your normal Gilroy Gannon contact.