

Covid-19 Wage Subsidy

30 April 2020



Jillian O'Sullivan

Email: jillian.osullivan@ie.gt.com

Tel: +353 (0)87 678 0880



Frank Walsh

Email: frank.walsh@ie.gt.com

Tel: +353 (0)87 805 7542



Emer Joyce

Email: emer.joyce@ie.gt.com

Tel: +353 (0)87 826 0714

Major Recent Changes to Covid-19 Wage Subsidy

OPERATIONAL PHASE – FROM 4TH MAY

- Subsidy is calculated on the basis of Average Revenue Net Weekly Pay (“ARNWP”) in the period to the end of February 2020.
- Only available where net pay (including subsidy) falls below €960 per week.
- Subsidy is 85% of ARNWP, where base ARNWP less than €500, capped at €350.
- Subsidy is 70% of ARNWP, where base ARNWP between €500 and €586, capped at €410.
- Subsidy is €350 where base ARNWP exceeded €586 and pay reduced by 40%.
- Subsidy is €205 where base ARNWP exceeded €586 and pay reduced by 20%.
- Subsidy cannot bring pay (employer contribution + subsidy) above base ARNWP or €960, whichever is the lesser. Only exception is where pay (employer contribution + subsidy) is less than €350.
- No subsidy unless (a) new pay reduced by at least 20% and (b) new gross pay (including subsidy) is less than €960. Subsidy reduced by any excess over €960.

What is the Covid-19 Wage Subsidy?

- The Temporary Wage Subsidy Scheme (TWSS) is a scheme introduced to assist employees, who are retained on their employers payroll to receive significant supports through the payroll system.
- The subsidy is expected to be topped up unless an employer is not in a position to do so.
- Initial scheme duration is 12 weeks from 26 March.
- Employers make this special payment to their employees via their normal payroll process.
- Employers are then reimbursed by Revenue, in general, within 2 days of receipt of the payroll submission.

What is an Eligible Employer?

- The scheme is open to impacted employers in all sectors.
- To qualify, employers must self-declare to Revenue that they have,
 - (i) experienced significant negative economic disruption,
 - (ii) demonstrate a minimum of 25% decline in turnover, or customer orders,
 - (iii) an inability to pay normal wages and other outgoings, and
 - (iv) retain employees on their payroll.
- The scheme applies to employees of the employer at 29 February 2020, and for whom a payroll submission has already been made to Revenue in the period to 15 March 2020.
- The names of all employers operating this scheme **will be published** on Revenue's website.

How do I apply for the scheme?

Employers can apply to Revenue by carrying out the following steps:

1. Log on to ROS 'myEnquiries' and select the category 'COVID-19: Temporary Wage Subsidy';
2. Read the "COVID-19: Temporary Wage Subsidy Self-Declaration" and press the 'Submit' button.
3. 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.
4. Please stress the importance of entering a Bank Account see Notes below

How is the scheme operated?

1
Employers will be reimbursed by Revenue via the payroll process, within two working days after receipt of the payroll submission.

2
Income tax and USC will not be applied to the subsidy payment. Income tax and USC will apply to any top up payments made by the employers.

3
Employee PRSI will not apply to the subsidy or any top up payment by the employer.

4
Employers PRSI will not apply to the subsidy and a reduced rate from 11.05% to 0.5% will apply on the top up payment.

5
Employers must **not** operate this scheme for any employee who is making a claim for duplicate support (e.g. [the Pandemic Unemployment Payment](#)) from the Department of Employment Affairs and Social Protection.

6
The Subsidy **will be liable to Income Tax and USC on review at the end of the year**. Not clear yet how this will be collected from the employee, either direct or through payroll

DETAILS OF THE SCHEME ARE CONTINUALLY EVOLVING AS QUERIES RAISED

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What's new for High Earners?

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Covid-19 Wage Subsidy from 16th April 2020

EMPLOYEES WHO HAVE TAKEN PAY CUT BELOW €960 NET PER WEEK

- Subsidy will apply where the employee has taken a pay cut, which would mean their current Average Revenue Net Weekly Pay (“ARNWP”) has fallen, below €960 per week.
- Subsidy available as follows:
 - (i) If net pay reduction is more than 20% then a subsidy of up to €205 is payable,
 - (ii) If net pay reduction is more than 40% a subsidy of up to €350 is payable.
- To calculate which subsidy is payable, current gross top-up will be compared with ARNWP for January/February.
- This subsidy will be tapered to ensure total pay (gross top-up + subsidy) does not exceed €960 net per week.

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Steps

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Practical Steps

1. Determine ARNWP for January/ February
2. Apply pay-cut to reduce gross pay below €960 per week
3. Apply pay-cut % to determine subsidy rate, i.e. €205/€350
4. Max subsidy available is difference between €960 and new gross pay.

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Calculation for weekly paid
(Assumes no tax or USC refunds)

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Annual Salary €	Estimated Average Revenue Weekly Net Pay (ARWNP) €	% Net Pay Reduction	Employers Additional Payment €	Subsidy Due, Based on % Reduction €	Reduction in Subsidy €	Tapered Subsidy Available €	Gross Pay + Subsidy €
76,000	961	20.0%	769	205	14	191	960
80,000	998	20.0%	798	205	43	162	960
85,000	1,044	20.0%	835	205	80	125	960
90,000	1,090	20.0%	872	205	117	88	960
95,000	1,137	21.0%	898	205	143	62	960
100,000	1,183	25.0%	887	205	132	73	960
105,000	1,229	28.5%	879	205	124	81	960
110,000	1,275	32.0%	867	205	112	93	960
115,000	1,321	35.0%	859	205	104	101	960
120,000	1,367	37.5%	854	205	99	106	960
125,000	1,414	40.0%	848	350	238	112	960

Annual Salary €	Estimated Average Revenue Weekly Net Pay (ARWNP) €	% Net Pay Reduction	Employers Additional Payment €	Subsidy Due, Based on % Reduction €	Reduction in Subsidy €	Tapered Subsidy Available €	Gross Pay + Subsidy €
76,000	961	20.0%	769	205	14	191	960
76,000	961	40.0%	577	350	0	350	927
95,000	1,137	20.0%	910	205	155	50	960
95,000	1,137	40.0%	682	350	72	278	960
95,000	1,137	50.0%	568	350	0	350	918
120,000	1,367	20%	1,094	0	0	0	1,094
120,000	1,367	35%	888	205	133	72	960
120,000	1,367	40%	820	350	210	140	960
120,000	1,367	60%	547	350	0	350	897

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Calculation for Monthly paid
(Assumes no tax or USC refunds)

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Annual Salary €	Estimated Average Revenue Weekly Net Pay (ARWNP) €	% Net Pay Reduction	Employers Additional Payment €	Subsidy Due, Based on % Reduction €	Reduction in Subsidy €	Tapered Subsidy Available €	Gross Pay + Subsidy €
76,000	4,165	20.0%	3,332	888.33	60	828	4,160
80,000	4,325	20.0%	3,460	888.33	188	700	4,160
85,000	4,525	20.0%	3,620	888.33	348	540	4,160
90,000	4,725	20.0%	3,780	888.33	508	380	4,160
95,000	4,925	21.0%	3,891	888.33	619	269	4,160
100,000	5,125	25.0%	3,844	888.33	572	316	4,160
105,000	5,325	28.5%	3,807	888.33	536	353	4,160
110,000	5,525	32.0%	3,757	888.33	485	403	4,160
115,000	5,725	35.0%	3,721	888.33	450	439	4,160
120,000	5,925	37.5%	3,703	888.33	431	457	4,160
125,000	6,125	40.0%	3,675	1516.67	1,032	485	4,160

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How do the calculations work from 4th **MAY**?

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Covid-19 Wage Subsidy from 4 May 2020

Employees with net pay less than €586 per week (circa €38,000pa) - Tiered approach

Previous average net weekly pay	Weekly Subsidy available
Less than €412 per week (circa €24,400pa)	85% of ARNWP
€412 to €500 per week (circa €24,400 to €31,000 pa)	Up to 85% capped at €350
€500 to €586 per week (circa €31,000 to €38,000pa)	70% of ARNWP up to maximum of €410

Covid-19 Wage Subsidy from 4 May 2020

Employees with net pay greater than €586 per week (circa €38,000pa)

Tiered approach - Maximum subsidy of €350 per week

Gross top up amount paid by employer	Subsidy available
Up to 60% of average net weekly pay	Up to €350
Between 60% and 80% of average net weekly pay	Up to €205
Over 80% of employee's previous average net weekly pay or €960	NO SUBSIDY

Illustration – Average Weekly Net Pay less than €500

Where Average Weekly Net ('ARNWP') pay is €500 or less

- Process 85% of ARNWP pay as a non-taxable element, up to a maximum of €350
- Process the top-up payment, to bring the total pay to no more than the greater of ARNWP or €350

Example:

ARNWP pay	€400
Subsidy available (85% of €400)	€340
Maximum top-up (to equal ARNWP)	€60

- A minimum top-up of 1c must be entered to submit payroll. Top-up added to Subsidy cannot exceed the ARNWP. Tax impact may bring this below base ARNWP.

Illustration – Average Weekly Net Pay of €500 to €586

Where Average Weekly Net ('ARNWP') pay is from €500 to €586

- Process 70% of ARNWP pay as a non-taxable element, up to a maximum of €410
- Process the top-up payment, to bring the total pay to no more than the maximum of ARNWP

Example:

ARNWP pay	€550
Subsidy available (70% of €550)	€385
Maximum top-up (to equal ARNWP)	€165

- A minimum top-up of 1c must be entered to submit payroll. Top-up added to Subsidy cannot exceed the ARNWP. Tax impact may bring this below base ARNWP.

Illustration – Average Weekly Net Pay greater than €586

Where ARNWP pay is greater than €586 but less than €960 & **Top-up up to 60% of ARNWP**

- Process a subsidy of €350 as a non-taxable element
- If gross pay (subsidy plus top-up paid by employer) exceeds ARNWP, the excess will be clawed back by Revenue

Example:

ARNWP pay	€850
Subsidy available	€350
Maximum top-up (up to max 60% ARNWP)	€500

- A minimum top-up of 1c must be entered to submit payroll. Tax deducted on top-up will bring amount received below base ARNWP.
- If a gross top greater than 60% applied (i.e. greater than €510) the maximum subsidy available is up to €205.

Illustration – Average Weekly Net Pay greater than €586

Where ARNWP is greater than €586 but less than €960 & **Top-up between 60% to 80% of ARNWP**

- Process a subsidy of up to €205 as a non-taxable element
- If gross pay (subsidy plus top-up paid by employer) exceeds ARNWP, the excess will be clawed back by Revenue

Example:

ARNWP pay	€900
Subsidy available	€205
Maximum top-up (60% - 80% ARNWP)	€695

- A minimum top-up of 1c must be entered to submit payroll. Tax deducted on top-up will bring amount received below base ARNWP.
- If a gross top greater than 80% applied (i.e. greater than €720) no subsidy is available.

Illustration – Average Weekly Net Pay greater than €960

Where ARNWP is greater than €960 & current “gross” pay has fallen below €960 per week.

- Determine level of subsidy available and process a subsidy as a non-taxable element
- If gross pay (subsidy plus top-up paid by employer) exceeds ARNWP, the excess will be clawed back by Revenue

Example:

ARNWP	€1,200
Current employer contribution	€800
% Reduction	33%
Maximum Subsidy	€205
Subsidy Available (to bring pay to €960)	€160

- A minimum top-up of 1c must be entered to submit payroll. Tax deducted on top-up will bring amount received below base ARNWP.

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What records will Revenue require ?

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Revenue will focus on business records, having regard to the nature and scale of the business, that should normally be readily available for such a business.

Examples of such proofs are listed. Revenue is open to considering other relevant evidence

Documentation supporting employers rationale for the fall in turnover/orders of at least 25%;

Income/ turnover projections for Q2 2020

Actual income/ turnover for comparative period(s)

Turnover decline can be determined at company level/ business division level;

Cash-flows/ budgets based on projections for the business in absence of Covid-19 Pandemic compared with final Q2 2020;

Correspondence with Revenue to agree forbearance measures in respect of tax liabilities

Cont'd

Documentation submitted to a financial institution as part of the negotiation of forbearance measures with the financial institution

Notifications or communications to employees or Trade Unions or staff representative bodies of salary/wage cuts implemented as a direct result of the COVID-19 pandemic.

Documentation that show that any cash reserves in the business that are required to fund debt or to fund other business commitments and expansion plans. See FAQ

Evidence of reliance on the Government Credit Guarantee Scheme or overdraft facilities or other borrowings for capital purposes

In the case of start-up businesses, for example, evidence of a decline in investment by at least 25% arising from the COVID-19 crisis.

Note: This list is intended to be illustrative rather than exhaustive

Things to note

1

Revenue are currently working with the payroll software providers to have the payroll software updated to operate the scheme. You should contact your software provider to ensure you receive and can apply the upgrade.

2

In Phase 1 of the scheme being up to no later than **4th May** 2020 Employers will receive €410 regardless of the subsidy payable for the employee. The over payment will be due to be refunded to the Revenue in the future. In Phase 2 of the scheme the actual amount of the subsidy will be the amount refunded to the employer.

3

Ensure the employer bank account details on ROS for EFT is correct, this can be different to the RDI bank account details entered for payment of your normal PAYE.

3

When reconciling the refunds made to Employers, Revenue will use the Average Net Weekly Pay to determine the refund value amount for each employee. If an employer uses a value other than the Average Net Weekly Pay to determine the employee's subsidy payment, then the employer may find it difficult to reconcile the payments made to employees with the subsidy amount refunded as determined by Revenue.

4

If the employer chooses to make additional top up payments to fully or partially make up the difference between the amount provided by the subsidy scheme and the employee's normal average net weekly pay, such additional payments are regarded as gross payments (and cannot be regrossed) and are liable to Income Tax and USC. If the gross top up made is greater than the difference allowed by the scheme then the subsidy value refunded to the employer will be reduced by the excess amount when a reconciliation is performed by Revenue.

Appendix 1 – recent news coverage

Recent comments from Paschal Donohoe

Finance Minister Paschal Donohoe has admitted there's a "gap" in the temporary wage subsidy scheme that sees some workers worse off if they're kept on by their employers..... Today, he promised the government is looking at the issue. (Friday 2nd April)

He also said that companies who have cash in reserve, and who have been hit by a decline in business, can also still qualify for the scheme.

Chairman of Revenue Commissioners Niall Cody's public statements – said that

“Revenue guidelines show that even if a company has cash reserves for debt or future expansions they can still qualify for the scheme”

"absolutely not a declaration of insolvency"

he does "not believe it will be a challenge for employers to prove that their income has been reduced by more than 25% during this crisis”

“businesses applying for the scheme will have an ongoing relationship with Revenue and he does not anticipate that many businesses will need to be reviewed at the end of the scheme”

“employers should not worry about being published on the list of companies who applied for the scheme as it will be "a mark of honour for employers who did the right thing”

Minister Donohoe Seanad debate comments 27/03

- The only people who will decide whether a company meets the criteria are the Revenue Commissioners. Companies should not divert their time by approaching a Deputy or Senator, nor place a Deputy or Senator in such a position. They need to engage directly with the Revenue Commissioners.
- On the points raised by Senator Mulherin about turnover, the definition will vary as we engage with companies. The most likely way in which decline in turnover will be worked out will be to examine what the expected turnover would have been in quarter 2 and to compare that with an equivalent period, most likely quarter 2 a year ago. It is not unworkable. These are issues that companies and the Revenue Commissioners will be able to resolve very quickly between themselves.
- As for declarations of insolvency, the very outcome we are trying to avoid is companies becoming insolvent. We are trying to ensure that if companies are in a position where they are in difficulty, they will be still in a position to retain a relationship with their employees and keep them involved. Participating in this programme is all about ensuring that companies are in a position whereby when our economic health recovers, they will be able to rebound, without having put their employees on the live register.
- Where companies can add to the subsidy, we want and expect them to. We recognise, however, that it could become the case that companies simply will not have income coming in and as a result will not be in a position to pay wages to employees. What would normally happen in such circumstances is that the employer would cease to exist and the employees would become unemployed, but that is what we want to avoid happening.

Disclaimer

- These slides are not considered to be tax advice and no reliance should be placed on the information contained therein.
- These slides set out our understanding of the Covid-19 Government Supports based on information currently available. The information contained in these slides does not purport to be comprehensive but is purely for guidance and discussion purposes only.
- <https://www.revenue.ie/en/employing-people/documents/pmod-topics/guidance-on-operation-of-temporary-covid-wage-subsidy-scheme.pdf>

Contact us – COVID-19 Team

We are available to answer your questions or queries 24/7



Jillian O'Sullivan

jillian.osullivan@ie.gt.com

Tel: +353 (0)87 678 0880



Frank Walsh

frank.walsh@ie.gt.com

+353 (0)87 805 7542



Emer Joyce

emer.joyce@ie.gt.com

+353 (0)87 826 0714

Tax Partner team

We are all available 24/7 to answer your questions, queries or concerns



Vic Angley

Vic.angley@ie.gt.com

Tel: +353 (86) 7754747



Bernard Doherty

Bernard.Doherty@ie.gt.com

Tel: +353 (86) 8568453



Sasha Kerins

Sasha.Kerins@ie.gt.com

Tel: +353 (86) 8039474



John Lyons

John.Lyons@ie.gt.com

Tel: +353 (43) 3341900



Brian Murphy

Brian.Murphy@ie.gt.com

Tel: +353 (0) 1 6805703



Oliver O'Connor

Oliver.oconnor@ie.gt.com

Tel: +353 (87) 2376152



Declan O'Hanlon

Declan.ohanlon@ie.gt.com

Tel: +353 (0) 1 4182022



Jarlath O'Keefe

Jarlath.okeefe@ie.gt.com

Tel: +353 (86) 8035989



Peter Vale

Peter.vale@ie.gt.com

Tel: +353 (86) 8555232