

COVID-19 WAGE SUBSIDY SCHEME

The Below is a summary of the updates contained in Version 7 of the Revenue FAQ's on the Operation of the Transitional Phase of the COVID-19: Temporary Wage Subsidy Scheme. The FAQ's have been updated to address queries relating to the DCYA Wage Subsidy Childcare Scheme from 20 April to 3 May. We have not addressed this section below, but can be contacted with any queries relating to same.

On 15 April 2020 The Minister of Finance announced further changes to the Scheme. These changes will be effective from 4 May 2020. Further versions of the Revenue guidance will be updated to incorporate these changes.

We have set out below a brief summary and guide on the operation of the COVID-19 Wage Subsidy Scheme. This should be read in conjunction with Part 7, COVID-19: Temporary Wage Subsidy Provisions of The Emergency Measures in the Public Interest (COVID-19) Bill 2020 https://data.oireachtas.ie/ie/oireachtas/bill/2020/4/eng/ver_a/b04a20dpdf-as-passed-by-de.pdf , Revenue's FAQ's, <https://www.revenue.ie/en/employing-people/documents/pmod-topics/guidance-on-operation-of-temporary-covid-wage-subsidy-scheme.pdf> and Revenue's Guidance on Employer Eligibility and Supporting Proofs, <https://www.revenue.ie/en/employing-people/documents/pmod-topics/guidance-on-operation-of-temporary-covid-wage-subsidy-scheme.pdf> .

- Eligibility for the scheme will operate largely on the basis of Self-Assessment and declaration by the employer concerned.
- Revenue will approach business applications on the presumption of honesty and expect businesses to approach the Scheme in a similar manner.
- The Subsidy is available to all employers across all sectors excluding the Public Service and Non-Commercial Semi-State Sector
- To qualify the business must be experiencing a significant negative economic disruption.
- A Key indicator would be that the employers turnover is likely to decrease by 25% for quarter 2, 2020 (March to May)
- Business is unable to meet normal wages or normal outputs
- The relevant Employees must have been on the payroll at 29 February 2020 and a payroll submission was made for them between 1 February 2020 and 15 March 2020
- An employer that has been hit by a significant decline in business (more than 25%) but has strong cash reserves, that are not required to fund debt, will qualify for the Scheme but the government would expect the employer to continue to pay a significant proportion of the employee's wages. We would recommend that you draft cashflow projections taking into account paying rent, utilities and suppliers to determine the strength of your cash reserves.
- The declaration by the employer is not a declaration of insolvency.
- **The Temporary Wage Subsidy cannot be applied retrospectively. An employer must not amend a payroll submission already reported to Revenue in order to qualify for the scheme. The original payroll has already been processed and employees paid. Retrospective deletions and resubmission of amended submissions may be subject to verification, rejection of the submissions from the scheme and possible penalties.**

With regard to the Subsidy Scheme operation –

If the employer claims back more than the employee's "normal" net weekly earnings they will be obliged to refund the monies to Revenue. Revenue will be conducting reviews and reconciliations.

- Scheme is open to directors.
- If an employee's net average weekly amount was €586 or less the amount from Revenue will be the lesser of €410 or 70% of the average received
- If an employee's net average weekly amount was between €586 and €960 the amount of the Subsidy will be a maximum of €350
- If an employee's net average weekly amount was over €960 then a temporary wage subsidy will not be paid. **However, from 16 April the wage subsidy is available to employees whose ARNWP was greater than €960, and their current gross pay is below €960 per week, subject to the tiered arrangements and tapering. Where the current gross pay, as reported in the payroll submission, represents a deduction from the ARNWP by:**
 - **Less than 20%, no subsidy is payable**
 - **Between 20% and 39%, a subsidy of up to €205 is payable**
 - **40% or more, a subsidy of up to €350 is payable**
 - **The maximum additional payment an employer can make, to receive the full subsidy, is the difference between the employee's Average Revenue Net weekly pay and their maximum weekly wage subsidy.**
- The net average weekly amount is based on the payroll submissions made for the period 1 January to 29 February. **It is based on the gross pay less tax, USC and Employee PRSI divided by the total number of insurable weeks as submitted to Revenue, up to a maximum of 9 weeks.**
- The 70% is not liable to PAYE, PRSI, USC or LPT deductions. However, the employee will be liable to tax on the subsidy amount paid to them by way of review at the end of the year. **You must use the most up to date RPN – this may result in the employees receiving PAYE and USC refunds now.**
- **Employees who do not wish to receive the PAYE / USC refunds at this time should contact their local tax office via MyEnquiries in their MyAccount on www.revenue.ie to have their tax cert amended from a cumulative basis to a Week 1 /Month 1 basis. Revenue should process this application in about 24 – 48 hours.**
- The 30% or the balance you give is liable to PAYE & USC. However only Employer PRSI of 0.5% applies - make sure you put the employee as Class J for PRSI purposes.
- **If you, as the employer, make excessive additional payments (to include bonuses for the current period, or to account for a pay increase that happened in March) which result in the total amount being received by the employee exceeding the Net Average Weekly Wage then either the subsidy value allowable for the employee and refundable to the employer will be reduced, or the employee may not be eligible for the subsidy scheme.**
- You can suspend the operation of BIK / notional pay for eligible employees for the period that the employee is on the scheme. However, the notional pay will be liable to tax and USC on review at the end of the year.
- **Employee pension contributions cannot be deducted from the wage subsidy. An employee can make the contributions personally to their pension scheme before filing their personal tax return for 2020. The wage subsidy will be counted towards the employee's age-related percentage limit and overall earnings limit for the purpose of calculating allowable tax relief on the contributions.**
- **Revenue have updated their online payroll submission to show a separate entry for the COVID-19 wage subsidy amount.** When you select an employee, and click on update pay and deductions; after the PRSI entries there is a section headed Other Payments and in this you enter any payments you are making to the employee relating to the COVID-19 Temporary Wage Subsidy Scheme.

Other Notes -

- Under Phase 1, Revenue are currently refunding Employers the maximum €410 per employee per week to those employers operating the Subsidy Scheme.
- In Phase 2, the operation of the scheme will ensure that the Subsidy paid to the employers will be based on each individual employee's Average Net Weekly Pay, subject to the maximum weekly amounts.
- Submissions cannot be back-dated & you can't amend a submission made to Revenue with a J9 PRSI class.
- Employees will get insurable weeks / credited contributions under Class J9
- The employer is obliged to show the amount of the subsidy on the employee's payslip
- The scheme is open to employers who file electronically through ROS.
- No age restriction for employees
- Includes those employees on Full-time, part-time and short-time work arrangements
- Employers must not operate this scheme for any employee who is making a claim for duplicate support from the DEASP. **An employer does not have to cease the employment for an employee to be able to receive PUP (Pandemic Unemployment Payment). However, if an employee is receiving both PUP and the wage subsidy scheme, DEASP will cease their PUP payments.**
- Self-employed individuals will be paid directly by the DEASP under the COVID-19 Pandemic Unemployment Payment scheme.
- **In the case of non-statutory deductions, the payment can only be deducted through the payroll if the employer is making a top-up payment, the value of which exceeds the deduction value. The employer needs written confirmation from the employee to continue with this deduction.**
- **In the case of LPT employees can access their LPT records via Revenue's MyAccount to change their payment method. They can also submit LPT payment queries online via the LPT portal**
- **Employers can claim the subsidy in respect of employees who are exercising an Irish contract of employment in the State. Cross-Border workers for example**

Subsidy Reconciliation and repayment to Revenue –

Details of both the reconciliation process and the process for employers to follow when returning excess Wage Subsidy Scheme funds to Revenue has not yet been published.

In the meantime, all employers availing of the scheme should retain records of subsidy payments made to employees, records of subsidy refunds and tax refunds received from Revenue and hold **any excess of the subsidy payments received** for offset against future subsidy payments or for future repayment to Revenue.

Making Refunds to Revenue of COVID-19 Payments –

In some cases, an employer may decide, or Revenue may instruct the employer, to repay to Revenue some or all the subsidy refund payment received from Revenue.

If making such a repayment, please ensure that the following instructions are followed carefully. The use of other banking details or providing the incorrect notification of payment to Revenue may result in incomplete repayment to Revenue and/or difficulties in reconciling the Employer's Wage Subsidy refund record.

Step 1: Transfer the repayment to Revenue:

Account Name CGs Limerick Public Bank Account

Bank AIB, 7 – 12 Dame St, Dublin 2

BIC AIBKIE2D

IBAN IE25 AIBK 9320 8646 1810 05

Please note: This account must only be used for the return of payments received under the Temporary Wage Subsidy Scheme. It should not be used for the payment of any other tax.

Use the following narrative when making the EFT payment on your online banking portal:

1234567PCovid xxxxxxxx

- where 1234567P is the employer PAYE(Emp) tax registration number**
- the 'Covid' tag**
- and xxxxxxxx represents the Payroll Run Reference.**

If you have more than one affected Run Reference, process a separate payment for each Run Reference.

Step 2: Notify Revenue of the EFT payment Once payment has been made, please send confirmation to the Collector General's Office via the myEnquiries system, providing details of the payment including the relevant Payroll Run Reference.

Make sure to select 'Other Than Above' and then 'Covid Duplicate Refund' when submitting the query through myEnquiries in ROS.

Please Note: Only use this path to report the return of payments received under the Temporary Wage Subsidy Scheme. It should not be used for any other query.

If you fail to notify Revenue the details of the EFT payment the repayment cannot be allocated to your records.

This is a brief summary and as each business is different we, here in KSi Faulkner Orr, are on hand to assist with any further queries you may have.

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