

Covid-19 Wage Subsidy

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What is the Covid-19 Wage Subsidy?

- Eligible employers receive a subsidy up to 70% of an employee's net pay up to:
 - a maximum of €410, where the average weekly net “AWN” pay is less than €586, **or**
 - a maximum of €350 where the AWN pay is between €586 and €960.
- The subsidy does not apply where the AWN pay is greater than €960.
- 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 to 30 June.

COVID-19 Wage Subsidy – Decision Tree

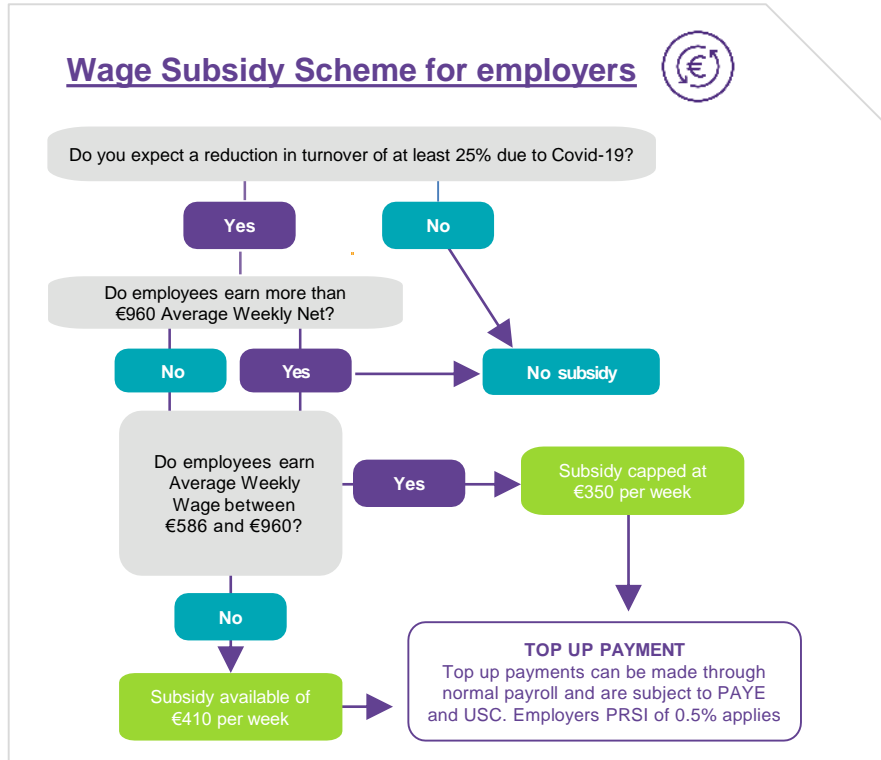
To qualify, employers must:

Be experiencing significant negative economic disruption due to COVID-19

Expect a minimum 25% decline in business

Be unable to pay wages and normal outgoings fully

Retain employees on payroll



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.

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

PLEASE NOTE THE DETAILS OF THE SCHEME ARE STILL BEING FINALISED

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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)

Actual cash-flows/ final figures for Q2 2020

Cash-flows/ budgets based on projections for the business in the absence of the Covid-19 Pandemic;

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

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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

Frequently asked questions

- 1 How is the eligibility for the scheme determined?**

Key indicators are that the employer's turnover is likely to decrease by 25% for quarter 2, 2020; that the business is unable to meet normal wages or normal outputs and any other indicators set out in the Revenue guidelines.
- 2 Am I expected to provide proof of eligibility on application for the scheme?**

Eligibility will initially be determined, largely on the basis of self-assessment and declaration by the employer concerned, combined with a risk focused follow up verification by Revenue involving an examination of relevant business records where that is considered necessary. Revenue will not be looking for proof of qualification at this stage.
- 3 What if my turnover has decreased by 25% or more but the company has strong cash reserves?**

Revenue has advised that an employer that has been hit by a significant decline in business but has strong cash reserves, that are not required to fund debt, may still qualify for the scheme but the Government would expect the employer to continue to pay a significant portion of the employee's wages.
- 4 Can I still qualify if my employees have already been temporarily laid off?**

Employees who were laid off after 29 February 2020 may be taken back onto the payroll for the purposes of this scheme.

Frequently asked questions

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My company operates two trades, for example retail and contracting, and only one trade is impacted by COVID-19 (i.e. the retail trade) and the overall company turnover does not fall by 25%?

Revenue have indicated that if the employer can demonstrate to the satisfaction of Revenue that one trade has been impacted and is able to produce relevant supporting documentation specific to that trade when requested to do so (e.g. separate management accounts) and is able to demonstrate compliance with other criteria, the employer should be eligible to claim the subsidy for the impacted trade and directly impacted employees of this trade only.

6

Is it possible that a company, who could be deemed an essential business, could avail of a more relaxed revenue approach in relation to the wage subsidy scheme? The issue the company will face is not a reduction in turnover, but a slowdown in collecting debtors from their customers.

Revenue advise this is not covered by the wage subsidy scheme.

Revenue is encouraging Firms to submit tax returns as and when due and engage early in relation to cash flow problems which give rise to difficulties in payment.

For more information on Covid-19 see our webpage

<https://www.grantthornton.ie/responding-to-the-coronavirus-covid-19/>

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How do the calculations work in practice ?

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Illustration – Average Weekly Net Pay less than €586

Where Average Weekly Net ('AWN') pay is €586 or less

- Process 70% of NET pay as a non-taxable element, up to €410
- Process up to 30% of NET pay as top up
- If top-up paid by employer exceeds 30% of AWN, the excess will be clawed back by Revenue

Example:

AWN pay	€450
Subsidy available (70%)	€315
Maximum top-up (30%)	€135
Net pay received by employee	€450

- Gross top-up must be less than the 30% and must be at least 1c to submit payroll submission. Tax impact may bring this below 30% AWN!
- If a gross top up of €200 was applied in this instance, Revenue will claw back an excess of €65 (i.e. €200 - €135)

Illustration – Average Weekly Net Pay greater than €586

Where AWN pay is greater than €586 but less than €960

- Process 70% of NET pay as a non-taxable element, to maximum of €350
- Process the top-up payment, to bring the total NET pay to no more than the maximum of AWN
- If NET pay, including top-up paid by employer, exceeds AWN, the excess will be clawed back by Revenue

Example:

AWN pay	€650
Subsidy available (lower of 70% or €350)	€350
Maximum top-up (to equal AWN)	€300

- A minimum top-up of 1c must be entered to submit payroll. Top-up added to Subsidy cannot exceed the AWN. Tax impact may bring this below normal AWN.
- If a net top up of €400 was applied in this instance, Revenue will claw back an excess of €100 (i.e. €750 - €650).

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 20 April 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 top up payments are liable to Income Tax and USC. If the top up payment 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. We are awaiting further details from Revenue on this.

Appendix 1 – useful links

- Grant Thornton – Responding to Covid
<https://www.grantthornton.ie/responding-to-the-coronavirus-covid-19/>
- Revenue – Covid 19 information page
<https://www.revenue.ie/en/corporate/communications/covid19/temporary-covid-19-wage-subsidy-scheme.aspx>
- Department of Social Protection – Covid 19
<https://www.gov.ie/en/organisation/departments-of-employment-affairs-and-social-protection/>

Appendix 2 - Seanad debate 27/03

Minister Donohoe's comments

Minister Donohoe Seanad debate 27/03

- *“Regarding the issues raised by Senators Mulherin and Higgins, I will give a brief context for this section in the legislation. Some 11,000 companies have now enrolled in this programme. That shows the breadth of the challenge that is approaching. In other circumstances one could point to that type of enrolment and feel a degree of satisfaction for putting in place a scheme that can make that type of difference to companies, but it is an indication of the challenge that is approaching and the necessity for a programme such as this. The programme was conceived at great speed. I have no doubt there are issues we will have to address and that there will be anomalies and issues of detail that will require work.*
- *I ask that companies bear with us as we work on this. If nothing else, the Revenue Commissioners will tonight become an institution of the State that pays people, which shows the kind and speed of change that is happening.*
- *On some of the issues that Senator Mulherin referred to, my explicit message, as articulated by the Chairman of the Revenue Commissioners earlier, is to encourage companies to contact the Revenue Commissioners directly. At a time of great stress for companies, when there is much uncertainty, there is no need to add to that. They should directly contact the Revenue Commissioners and gain advice on how they can participate in such a programme. There are criteria. To companies that have concerns about whether they are in or out, I ask them not to approach Members of the Houses of the Oireachtas about that. 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.*

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- *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.*
- *I am not in a position to answer the question about the deductibility of wages from corporation tax. Nevertheless, the detailed guidance from the Revenue Commissioners on how the scheme will work has been published and I hope the question will have been answered therein for those who have raised it.*

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- *On Senator Higgins's questions about the amendments she tabled, the reason we used the term "best efforts" and its corresponding definition was that it is conceivable that, as this emergency evolves, some companies will be able to add to the subsidy. If they are able to do so, we want them to do so. We want them to be in a position where they can ensure that the wages they give their employees include, and perhaps constitute the majority of, a "top-up" payment that they are able to make themselves. 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. The company would continue to exist and would be able to maintain its relationship with its employees, particularly those on lower wages. What is likely to happen in such a scenario is that the State will pay the employees' wages for a period. This is a huge change for the State but we are dealing with extraordinary circumstances and this is what we need to do.*

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- *In regard to whether an employer would be in a position to pay bonuses or higher wages to different members of the company, one of the definitions we have put in is the inability to pay normal wages. I will simply say that having put in place this scheme and then exited this scheme, hopefully, depending on the public health circumstances, if, later in the year, the Revenue Commissioners discover that employers who are benefiting from the scheme were paying higher and unchanged wages to other members of the company and paying them bonuses, it is pretty likely it would be the subject of action from the Revenue Commissioners. There are many risks with this scheme but, as I said in the Dáil last night, while there are risks, the greatest risk is that if we do not put something like this in place, many hundreds of thousands of people who are currently working might not have a job in a few weeks. We cannot let that happen, which is why we are doing this. That is why we have a reference to "best efforts". As I said, it would be our absolute expectation that if a company is in this scheme, more senior members of that company would see their own wages change."*
- See full [debate here](#)

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.

Tax Partner team

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



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