

**PSC Accountants & Advisors**  
**Guidance on the Temporary Covid-19 Wage Subsidy Scheme**

The Covid Wage Subsidy Scheme comes into operation today, Thursday 26<sup>th</sup> March 2020. The more practical aspects of this Subsidy Scheme are highlighted below, together with some worked examples and links, where you can keep yourself informed of further developments.

It is very important to bear in mind that the situation is constantly changing and that further changes may be forthcoming, either within the legislation or in Revenue practice.

The team at PSC are here to guide you through these difficult times and we have a specialist team to deal with your queries and provide regular updates. If you have any follow-on queries, please call the office for further assistance and/or the specialist team whose details are shown below.

Please read the following carefully.

**What businesses can qualify for the Subsidy Scheme?**

All businesses including companies, sole trader and partnerships may be able to qualify, subject to conditions. To qualify for the Scheme, the employer must:

- be experiencing significant negative economic disruption due to Covid-19
- be able to demonstrate, to the satisfaction of Revenue, a minimum of a 25% decline in turnover in the period 14 March 2020 to 30 June 2020: or, alternatively a drop in customer orders
- be unable to pay normal wages and normal outgoings fully and
- retain their employees on the payroll.

The Scheme is confined to employees who were on the employer's payroll as at 29 February 2020, and for whom a payroll submission has already been made to Revenue in the period from 1 February 2020 to 15 March 2020.

The Subsidy is available both to businesses that close and those that remain open. It also applies where employees have been put on a shorter working week.

**What employees are covered under the Subsidy Scheme?**

All employees of the business are covered. This includes proprietary directors, i.e., owner/managers of the business.

Employees who have already been laid off as a result of Covid-19 may be re-hired and brought within the Subsidy scheme.

It does not include a sole trader's personal earnings, although it does cover employees of that sole trader.

### **What is the situation for Sole Traders?**

Self-employed individuals cannot qualify for the Subsidy Scheme. They must apply for the Covid Pandemic Unemployment Payment of €350 per week. Application for this payment is made directly to the Department of Employment Affairs and Social Protection.

In order to qualify for this payment, the sole trader's business must have fully ceased (albeit temporarily).

### **What are the key features of the Subsidy Scheme?**

- The Scheme is expected to last 12 weeks from 26<sup>th</sup> March 2020.
- Replaces the previous Covid-19 Refund Scheme.
- Initially under Phase 1, and from this Thursday (26<sup>th</sup> 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 net pay of the employee, in aggregate, between the Subsidy and any top-up payment.
- The Subsidy Scheme applies equally to employers who top up employees' wages and those that aren't in a position to do so.
- Employers make this special support payment to their employees through their normal payroll process.
- Employers will then be reimbursed for amounts paid to employees and notified to Revenue via the payroll process.
- The reimbursement will, in general, be made within two working days after receipt of the payroll submission.

### **Is the Subsidy payment taxable?**

The Subsidy is, in the first instance, not liable to PAYE/USC/PRSI. Once calculated therefore, it can effectively be paid by the employer without deduction of payroll taxes.

However, the draft legislation states that the Subsidy payment is subject to Income Tax and USC. The Revenue Commissioners have indicated that this Income Tax/USC liability will be collected on review from the employee after the tax year end. Unless amended, this provision is likely to cause much concern.

There is an employer PRSI cost of 0.5%, under PRSI Class J9, on any top-up payment made.

The legislation provides that an employee's social welfare entitlements will not be adversely impacted by not having made a PRSI contribution during this period.

The top-up payment, if any, is liable to Income Tax/USC in the normal way.

We have outlined below some examples on the tax treatment of the subsidy and top up payments.

## **How much is the Subsidy?**

This depends on each employee's "average net weekly pay". The most recent guidance from Revenue is that:

- For employees whose "average net weekly pay" is not more than €586 per week, the Subsidy will be 70% of that "average net weekly pay", but subject to a weekly cap of €410
- For employees whose "average net weekly pay" is between €586 to €960 per week, the Subsidy will be 70% of "average net weekly pay", but subject to a weekly cap of €350
- For employees whose "average net weekly pay" exceeds €960 per week, no Subsidy is payable.

## **What is "Average Net Weekly Pay"?**

This is calculated as the average net weekly pay for the months January and February 2020 based on payroll submissions made to Revenue before 15<sup>th</sup> March 2020. To calculate the "average net weekly pay" the employer will have to calculate net pay for each week/fortnight/month and divide it by the number of pay dates during that period.

For most employees, this will be easy to calculate. For other employees, whose wages fluctuate significantly, it will be more difficult, and such employees may find themselves only being entitled to a smaller amount.

Employees who were not on the payroll in either January or February 2020 (and whose "average net weekly pay" is therefore zero) will have to apply directly to the Department of Employment Affairs and Social Protection.

Where payrolls are run either fortnightly / monthly, guidance is available [here](#) in the Revenue FAQ's (page 10) on the calculation of the subsidy.

## **As an employer, do I have to Pay a Top-Up Payment to Employees?**

No, this is purely voluntary.

## **Can the Top-Up Payment exceed 30%?**

There are provisions in place to ensure that the employee's net wages, when taking both any Subsidy and top-up payment into account, cannot exceed the net wage which the employee would have normally received during that week. If the top-up amount exceeds the 30% permissible, then there are provisions to reduce the Subsidy on a €1 for €1 basis.

For the moment, there is still some confusion as to whether the employer can pay more than 30/70ths of the Subsidy. Indications from Revenue is that this is possible, but this is subject to official Revenue clarification.

## **Are there two phases to the Subsidy Scheme?**

Yes.

Phase 1 is a short transitional phase. This will extend to no later than 20<sup>th</sup> April 2020. Under Phase 1, the Subsidy Scheme will increase the €203 payable under the Covid Refund scheme to a maximum of €410 in respect of all employees, regardless of whether the employer makes a top-up payment to the employee or not.

Phase 2 will commence no later than 20<sup>th</sup> April 2020. Under this Phase, there will be safeguards in place to ensure that the Subsidy will be based on the employee's "average net weekly pay" as outlined above.

In other words, an interim payment of €410 will be made to each employee per week during Phase 1; and in Phase 2, there will be a reconciliation done to ensure that, overall, an employee has not received more than a 70% Subsidy. This should not be a concern to employees who have been earning up to €586 per week and, for employees who have been receiving more than this, it will entail overpayments of the Subsidy being refunded to Revenue.

## **How do I claim the Subsidy?**

See link [here](#) and proceed to the heading "Registering for the Temporary Wage Subsidy Scheme".

If you already registered under the old refund scheme, there is no necessity to register under the new Subsidy Scheme.

## **Some employees may be better off without the Subsidy; Can we opt out of this?**

For many employees, the 70% Subsidy will not be as high as what they could receive by claiming the Pandemic Unemployment Payment of €350 (in the absence of a top-up payment). Many employees will therefore wish to leave the payroll for this reason; and they are free to do so.

## **As a business, how can I ensure that I qualify for the Subsidy?**

Businesses must satisfy themselves that they can qualify. In particular:

- Can the business state that it will be unable to pay the normal wages; it is uncertain how long a period has to be taken into account.
- If the employer is a sole trader, he may have personal funds outside of the business. Our understanding at the moment is that these personal funds must be taken into account in determining whether the employer can continue to afford to pay wages.
- Can the business state that its turnover will reduce by 25% in the period from 14<sup>th</sup> March 2020 to 30<sup>th</sup> June 2020 (or that customer orders will reduce during that same period)?

It would be very prudent to document on what basis the business can pass these tests, in case of future Revenue scrutiny. There is provision for interest and penalties for employers who abuse the system.

Further guidance is to be published shortly by Revenue on the above uncertainties, which is to be welcomed.

### **Where do I get Further Information/Keep up to date with developments?**

PSC Website [here](#)

Revenue Website  
Home page [here](#)

Revenue Guidance notes on the subsidy scheme [here](#)

Revenue FAQ's on the subsidy scheme [here](#)

Government information for employers [here](#)

### **Additional Supports for your Staff**

A number of income supports are available from the Department of Employment Affairs and Social Protection for your employees during a COVID-19 (Coronavirus) related absence or temporary lay-off from work:

- workers who are [not diagnosed with COVID-19 but who self-isolate](#)
- workers whose employers [do not supplement/top-up the State Illness Benefit payment \(COVID-19\)](#)
- workers who are [requested to stay at home by their employer \(COVID-19\)](#)
- workers who [need to take time off work to care for a person affected by COVID-19 \(Coronavirus\)](#)

### **Who do I contact in PSC for further assistance**

You can ring your normal contact or, alternatively, any of the following within our specialist team:

*Tralee office (066-7126333)*

- Francis Moriarty at [fmoriarty@psc.ie](mailto:fmoriarty@psc.ie)
- Kevin Bambury at [kbambury@psc.ie](mailto:kbambury@psc.ie)

*Killorglin office (066-9761275)*

- Deborah Flynn at [dflynn@psc.ie](mailto:dflynn@psc.ie)

*Limerick office (061-319603)*

- Aoife O'Kelly at [aokelly@psc.ie](mailto:aokelly@psc.ie)

<b>Temporary Covid-19 Wage Subsidy Scheme</b>		
Illustrative Examples		
Employee's "average net weekly pay (ANWP)" will need to be calculated based on the following:		
Step 1: Net weekly wages per January and February payroll submissions		
Step 2: Divide the total net wages calculated above by the number of insurable weeks		
<b>Example 1: where average weekly pay is €300</b>		
Pay date	26 March 2020 or later	
Pay frequency	Weekly or fortnightly	
Subsidy - 70% of €300 (ANWP)	210	
Employer top - up (optional)	90	
Subsidy refunded to employer	410	
Balance of subsidy due back to Revenue in phase 2	200	
<b>Example 2: where average weekly pay is €585</b>		
Pay date	26 March 2020 or later	
Pay frequency	Weekly or fortnightly	
Subsidy - 70% of €585 (ANWP)	410	
Employer top - up (optional)	176	
Subsidy refunded to employer	410	
Balance of subsidy due back to Revenue	Nil	
<b>Example 3: where average weekly pay is €800</b>		
Pay date	26 March 2020 or later	
Pay frequency	Weekly or fortnightly	
Subsidy - maximum of €350 as ANWP is between €586 and €960.	350	
Employer top - up (optional)	450	
Subsidy refunded to employer	350	
Balance of subsidy due back to Revenue	Nil	

<b>Example 4: where average weekly pay is €1,000</b>		
Pay date	26 March 2020 or later	
Pay frequency	Weekly or fortnightly	
Subsidy - not applicable where employees ANWP is over €900 per w	Nil	
Taxable pay	1,000	
Subsidy refunded to employer	Nil	
Balance of subsidy due back to Revenue	Nil	
<b>Example 5: where average monthly pay is €750</b>		
Pay date	26 to 31 March 2020	
Pay frequency	Monthly	
Subsidy - 70% of ANWP to a maximum of €812 (i.e. €203 * 4 weeks)	525	
Employer top - up (optional)	225	
Subsidy refunded to employer	525	
Balance of subsidy due back to Revenue	Nil	
<b>Comments:</b>		
The employer top-up (optional) is liable to Income Tax (IT), USC and 0.5% Employer PRSI.		
An employee being paid the temporary wage subsidy (with or without a top-up) must be returned under PRSI class J9.		
An employee who does not qualify for the temporary wage subsidy (example 4) must be returned under the PRSI class that they would normally be filed under (i.e. A1/S1 etc).		

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