



EMPLOYMENT, PENSIONS AND EMPLOYEE BENEFITS

Changes to Temporary Wage Subsidy Scheme

by **Aoife Bradley**

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The Temporary Wage Subsidy Scheme (the Scheme) was introduced on 26 March 2020, for a period of 12 weeks. Its aim is to provide support to employers suffering as a result of the COVID-19 health crisis and to encourage such employers to retain employees on the payroll.

Please [click here](#) to access an article which we previously published on the operation and practicalities of the Scheme.

The Irish government have announced a number of important changes to the manner in which the Scheme will be operated. We have outlined the main changes which have been introduced below.

Employees earning less than €412 net per week (the equivalent of €24,400 per annum)

- The subsidy payment will be increased from 70% to 85% from 4 May 2020.
- Employers may pay a level of top-up beyond the outstanding 15% of previous pay in order to bring the employee's pay up to €350 per week and the subsidy payment will not be tapered as a result.

Employees earning between €412 and €500 net per week (equivalent of €24,400 - €31,000 per annum)

- A subsidy payment of up to €350 will be payable from 4 May 2020.

Employees earning between €500 and €586 net per week (equivalent of €31,000 - €38,000 per annum)

There is no change - employees will continue to receive a subsidy payment of up to 70% of previous net income, up to a maximum of €410 per week.

Employees earning in excess of €586 net per week (the equivalent of €38,000 per annum)

A tiered system which is dependant upon the amount of top-up payment being made by employers is being introduced and will come into effect from 4 May 2020.

- A subsidy of up to €350 will be payable where employers are paying up to 60% of an employee's previous net income.
- A subsidy of up to €205 per week will be payable where employers are paying between 60% and 80% of an employee's previous net income.

- A subsidy will not be payable where employers are paying over 80% of an employee's previous net income.
- The tiered payment arrangement allows for tapering of subsidy payments to ensure that the gross pay paid by the employer and the subsidy do not exceed the previous net income of the employee.

Employees whose salary was greater than €960 net per week (the equivalent of €76,000 per annum), but whose post-COVID salary has fallen below €960 net per week

- Employees whose average net pay was more than €960 per week (and who were previously excluded from the Scheme) but whose current pay has been reduced to less than €960 net per week may now be eligible to receive a subsidy payment under the Scheme.

- This change is effective from 16 April 2020.

- The tiered payment arrangement as outlined at point 4 above will apply to such employees. In practice, this means that in order to be eligible, the top-up payment which employees receive from their employer cannot be more than 80% of their previous net pay (i.e. net weekly pay in January and February 2020).

Final Thoughts

The increase in the subsidy payment for employees earning less than €24,400 per annum is a welcome development and goes a long way towards addressing the anomaly which had arisen where some employees were financially better off in claiming the COVID-19 Pandemic Unemployment Payment rather than receiving a subsidy payment through the Scheme.

However, some of the other changes being introduced have made the application of the Scheme more complex. In particular, it appears that the tiered payment arrangement which will apply to employees earning in excess of €38,000 will make it more difficult for certain employers to determine the appropriate level of top-up to be paid to employees and could result in more generous employers being penalised.

The Revenue Commissioners issued an updated guidance note on 21 April 2020 (see link - <https://www.revenue.ie/en/employing-people/documents/pmod-topics/guidance-on-operation-of-temporary-covid-wage-subsidy-scheme.pdf>) to reflect the changes in respect of employees whose salary was greater than €960 net per week but whose post-Covid salary has fallen below €960 net per week but further guidance is expected before the remaining changes come into effect on 4 May 2020.

The new changes to the Scheme being introduced are technical in nature and therefore it is important that employers participating (or considering participation) in the Scheme should pay close attention to the Revenue Commissioners guidance notes which are being regularly updated.

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