



EMPLOYMENT, PENSIONS AND EMPLOYEE BENEFITS

COVID-19: Temporary Wage Subsidy Scheme

by **lk-shields**

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2nd April 2020 | by

The Emergency Measures in the Public Interest (COVID-19) Act 2020 (the 2020 Act) which was enacted on 27 March 2020 introduced a number of measures to address the disruption being experienced in the wake of the ongoing COVID-19 health crisis.

Chief amongst the measures introduced by the 2020 Act was the introduction of the COVID-19 Temporary Wage Subsidy Scheme (the Scheme), the aim of which is to encourage employers to retain employees by offering state support to eligible employers pay of up to 70% of employees' wages, subject to the caps below.

We have set out below some of the key considerations arising from the introduction of the Scheme.

Eligibility

The Scheme is open to employers from all sectors (excluding the public service and non-commercial semi-state sector) regardless of size, including not-for-profit organisations and charities. To avail of the Scheme, employers must retain relevant employees on the payroll during the COVID-19 health crisis. In this regard, it should be noted that it is permissible for such employees to be on lay-off or short-time.

Only employees who were on the employer's payroll as of 29 February 2020, and for whom a payroll submission has already been made to Revenue during the period from 1 February 2020 to 15 March 2020 can benefit from the Scheme. Employees who have been laid off without pay as a result of COVID-19 can be restored to the payroll and will qualify for payment under the Scheme if they meet the necessary criteria and were on the payroll at the end of February.

In order to qualify for the Scheme, employers must be able to demonstrate that, as a consequence of the COVID-19 health crisis, in the period between 14 March 2020 to 30 June 2020, there will be at least a 25% reduction either in turnover or in customer orders received.

The Revenue Commissioners has published [guidelines on the eligibility criteria and the necessary proofs required](#). It is important that employers consider these guidelines carefully before registering for the Scheme. Application for the Scheme is on a self-assessment and self-declaration basis and therefore employers will not be required to prove eligibility at the point of application. However, the Revenue Commissioners may subsequently examine applications and thus employers are advised to retain evidence and supporting documentation which demonstrate their assessment and declaration.

Employers do not have to guarantee a 25% reduction in turnover or customer orders, but they do have to demonstrate a reasonable basis for expecting that there will be such a reduction. The Revenue guidelines offer some indication as to how this might be measured by employers:

- a) a decline in orders in March 2020 when compared to February 2020;

- b) the likely turnover for Q2, 2020 when compared to Q1, 2020; or
- c) the likely turnover for Q2, 2020 as compared to Q2, 2019; or
- d) any other basis that is reasonable.

Amount of Subsidy

An eligible employer will be supported with the payment of up to 70% of an employee's take home income up to a maximum weekly tax-free payment of €410 for employees who have an average net weekly pay of less than or equal to €586 (an annual gross salary of approximately €38,000 or less). The subsidy is capped at €350 for employees who have an average net weekly pay of greater than €586 and less than or equal to €960 (annual gross salaries of approximately €38,000 to €76,000). There is no support for employees who have an average net weekly pay of greater than €960 (an annual gross salary of more than €76,000).

Requirement to top-up payments

Unless they are unable to do so, it is stipulated that employers should make "best efforts" to top-up their employees' wages to maintain employees at their current level of earnings or as close to the current level as possible. There is no specified minimum amount which an employer must pay in order to be eligible for Scheme, but the employer will need to enter at a top-up of at least €0.01 in order to run payroll.

Registration and Operation of Scheme

Employers can register for the Scheme through ROS.ie. Under the Scheme, eligible employers make payments to employees and are subsequently refunded the relevant subsidy amount.

Employers who previously registered for the Employer Refund Scheme (which has now been replaced by the COVID-19 Temporary Wage Subsidy Scheme) do not need to register for the Scheme and instead Revenue will look to confirm with the employer that they meet the qualifying criteria for the Scheme.

Please see [guidance issued by the Revenue Commissioners](#) on the practicalities of registration and operation of the Scheme.

Tax implications of the Scheme

The subsidy payments under the Scheme are exempt from income tax in real time through the PAYE system. Instead, the employee will be taxable on the subsidy amount paid to them by review at the end of the year. When such an end of year review takes place, it may be the case that an employee's unused tax credits will cover any further liability that may arise. Where this is not the case, and should a PAYE liability arise, the Revenue Commissioners have indicated that the likely approach will be to collect any tax owing in manageable amounts by reducing an individual's tax credits for a future year(s). Subsidy payments under the Scheme are exempt from employer and employee PRSI.

Any top-up payments made are subject to PAYE/USC but are exempt from employee PRSI. Employer PRSI will be applied at a reduced rate of 0.5% to top-up payments.

Length of Scheme

The Scheme is expected to be in operation for 12 weeks from 26 March 2020.

Publication

After the Scheme has expired, the names of all employers operating the scheme will be published on Revenue's website.

Potential Penalties

Penalties will apply to any abuse of the Scheme by self-declaring incorrectly, not providing funds to employees or non-adherence to relevant guidelines.

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About the Author