

Tax alert

Ireland

EWSS - Update

Urgent Action Required

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The Financial Provisions (COVID-19) (No. 2) Act 2020 (the Act) signed into law the provision of the July Stimulus package, announced by the Minister for Finance, Paschal Donohue. Following its publication, the Collector General issued a press release and Revenue issued guidance on the operation of the employment wage subsidy scheme (EWSS). A link to Revenue's guidance can be found [here](#). Action is now **immediately** required by all employers wishing to avail of the EWSS, which is due to commence on 1 September for eligible employers.

Urgent Action Required

Unlike the Temporary Wage Subsidy (TWS) Scheme, an employer must have tax clearance to be eligible to join the EWSS and must remain tax clear to continue to receive the EWSS benefits. Of the 66,000 employers availing of the TWS, only 16,000 currently have tax clearance certificates, primarily because tax clearance is not required by many employers to conduct their day to day business.

Tax Clearance

An employer can verify their current tax clearance status through Revenue's online system (ROS). After logging in, your current tax clearance status is displayed in blue writing above the grey banner for 'My Frequently Used Services.'

If an employer does not currently hold tax clearance, an application can be made online by selecting 'Manage Tax Clearance' under the 'Other Services' section on the ROS home screen and following the online instructions while selecting 'EWSS' as the reason for applying for tax clearance.

Revenue have stated that tax clearance will be granted promptly if the tax affairs of the applicant and their connected parties are up to date.

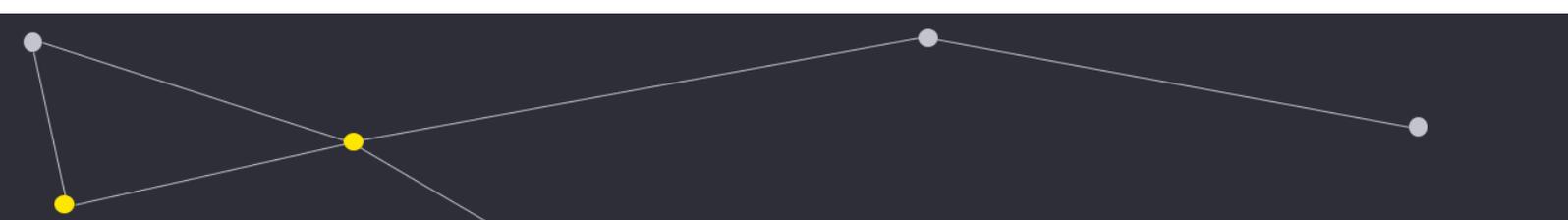
A business with COVID-19 related tax debts which have been 'warehoused' by agreement with the Collector General's office, or non-COVID-19 debts which are included in a phased payment arrangement will qualify for tax clearance, despite these debts and, provided all other conditions are met, can participate in the EWSS.

If there are outstanding returns, or liabilities (other than warehoused liabilities and liabilities already the subject of a phased payment arrangement) for the applicant or any of their connected parties, tax clearance will be refused. In such circumstances, it is necessary to ensure that all outstanding tax returns are filed, and payments made, or payment arrangements entered into to cover all outstanding liabilities. Revenue have indicated that, once an employer engages with the Collector General's office to address a historical position, all reasonable efforts will be made to facilitate participation in the EWSS.

Warehoused liabilities are unpaid VAT and PAYE amounts arising from the COVID-19 crisis for a period of 12 months after a business resumes trading. Once agreed with the Collector General's office, the debts can then be subsequently settled immediately or by way of a phased payment arrangement at a lower interest rate of 3% per annum. The period covered by the debt warehousing scheme is the time during which the business was and is unable to trade due to the COVID-19 related restrictions and includes two months after the business re-commences trading.

The Act introduced a reduced interest rate of 3% per annum to also apply to tax debts that cannot be warehoused, i.e. older debts not associated with COVID-19. The reduced rate is available across all tax types where the agreement is made by 30 September and applies from the date of the agreement.

Any employer wishing to avail of the EWSS will have to register to participate, once tax clearance is in place, irrespective of whether they were already registered for the TWS. Registration cannot be backdated.



EWSS - How It Applies From 1 September

The subsidy payable to all eligible employers is as follows:

Gross Weekly Wage paid to Employee	Subsidy Payable
Less than €151.50	Nil
€151.50<>€202.99	€151.50
€203<>€1,462	€203
>€1,462	Nil

The EWSS will be paid to the employer, on or around the 14 of the following month and is not to be included in the employee's payslip. Any employer availing of the TWS until 31 August includes the TWS on payroll, together with an optional 'top-up'. From 1 September, whilst claiming the EWSS, normal payroll is to be resumed, with corresponding PAYE/PRSI/USC applied. The gross weekly wage is the amount reported on the payroll submission and includes benefits in kind (notional pay) and is before deduction of PAYE/PRSI/USC, pensions and salary sacrifice. It excludes any DEASP benefits which employees may have mandated to be paid to the employer (e.g. illness/maternity, etc.).

The subsidy will not be payable for employees whose pay frequency exceeds one month eg the employee is paid quarterly/annually.

Whilst the Act provides for a reduced employer PRSI contribution of 0.5%, PRSI is to be calculated in the normal manner for the employee and employer. When the payroll submission is made, Revenue will credit the excess employer PRSI against the employer's liability. For example, where PRSI at Class A1 applies, the employee's PRSI liability is to be calculated at 4% and the employer's liability at 11.05%. On the monthly payroll return due date of the 14 of the following month, Revenue will credit PRSI of 10.55% on the employer's account ie 11.05% minus 0.5% and subtract from the PRSI due as reported in the payroll submission. This reduced liability is what becomes due and payable for the relevant month.

EWSS - July/August Claims

Where the TWS could not be claimed, for seasonal employees or new hires for example, an employer, eligible to claim the EWSS, may make a claim for July and August for the EWSS for such employees, before 5 September. These claims will be dealt with as part of a 'sweepback' with payment made to employers in September.

Eligible Employer

The criteria to be satisfied for an employer to claim the EWSS are as follows:

- A tax clearance for the duration of the scheme;
- A 30% reduction in turnover or orders caused by COVID-19, between 1 July and 31 December 2020, looking at the period as whole rather than on a monthly basis.
 - This reduction in turnover or orders is relative to the same period in 2019 where the business was in existence prior to 1 July 2019;
 - where the business commenced trading between 1 July and 1 November 2019, the date of commencement to 31 December 2019; or
 - where a business commenced after 1 November 2019, the projected turnover or orders for 1 July 2020 to 31st December 2020.

The scheme will be administered by Revenue on a 'self-assessment' basis. Revenue will not be looking for proof of eligibility at registration but will likely do so at a later stage.

Employers must retain evidence for the basis of entering and making ongoing claims for the EWSS on a monthly basis.

An employer is required to conduct a review on the last day of every month to confirm ongoing eligibility and evidence of such a review will likely be sought by Revenue when conducting a compliance check. If an employer no longer qualifies, they must deregister from the scheme through ROS with effect from the following day (ie the first of the month) and cease claiming the subsidy.

Revenue have confirmed that subsidies correctly claimed prior to deregistration will not be repayable but if an employer becomes aware prior to the end of the month that they will no longer meet the eligibility criteria they should deregister immediately and cease to claim the EWSS.

In the event that an employer's circumstances subsequently change such that the eligibility criteria will again be met, the employer can reregister and claim from the date of reregistration. Revenue have stated that it will not be possible to backdate the claim to include the period of deregistration.

Payroll Input

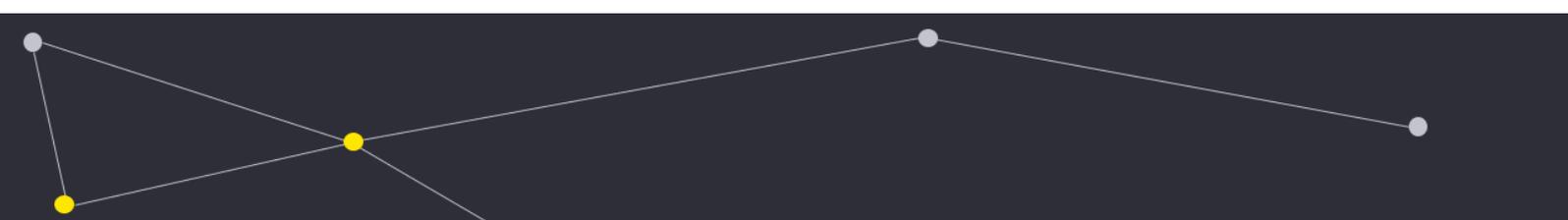
To indicate that a subsidy is being claimed for an eligible employee, the employer must include 'EWSS' as the payment type in the 'Other Payments' section on the payroll submission and input the digit zero or one cent (depending on the capability of the payroll package being utilised) as the quantum of the corresponding other payment made.

Employers should **not** include the EWSS 'Other Payment' details on the payslip they provide to the employee.

Where an employer files an EWSS payment submission without first registering, we understand the claim will be rejected.

Conclusion

Any employer wishing to avail of the EWSS needs to ensure a tax clearance is in place and then register for the scheme. If you require assistance or wish to discuss your eligibility for tax clearance, please discuss with your EY contact as soon as possible.



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119393.temp Produced by Creative (Ireland). 07/2020. ED none.

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