

# Tax alert

Ireland

## COVID-19

### Temporary Wage Subsidy (TWS) Scheme

(Update 01 April 2020)

#### Contacts

If you require further information, please call your regular contact in EY or contact any of the following:

Jim Ryan (*Partner*)  
E: [jim.ryan@ie.ey.com](mailto:jim.ryan@ie.ey.com)  
T: +353 1 221 2434

Michael Rooney (*Partner*)  
E: [michael.rooney@ie.ey.com](mailto:michael.rooney@ie.ey.com)  
T: +353 1 221 2857

Stephanie Bowe (*Director*)  
E: [stephanie.bowe@ie.ey.com](mailto:stephanie.bowe@ie.ey.com)  
T: +353 1 221 1856

Marie Caulfield (*Director*)  
E: [marie.caulfield@ie.ey.com](mailto:marie.caulfield@ie.ey.com)  
T: +353 1 221 1416

Owen Coyle (*Director*)  
E: [owen.coyle@ie.ey.com](mailto:owen.coyle@ie.ey.com)  
T: +353 1 221 2970

Rachel Dillon (*Director*)  
E: [rachel.dillon@ie.ey.com](mailto:rachel.dillon@ie.ey.com)  
T: +353 1 221 2554

Jennifer Sweeney (*Director*)  
E: [jennifer.sweeney1@ie.ey.com](mailto:jennifer.sweeney1@ie.ey.com)  
T: +353 1 479 4007

**Cork**  
Aileen Downes (*Director*)  
E: [aileen.downes@ie.ey.com](mailto:aileen.downes@ie.ey.com)  
T: +353 2 149 37697

**Waterford**  
Gillian Moore (*Senior Manager*)  
E: [gillian.m.moore@ie.ey.com](mailto:gillian.m.moore@ie.ey.com)  
T: + 353 1 479 2216

Following the introduction of the Temporary Wage Subsidy (TWS) on 26<sup>th</sup> March 2020, Revenue have been regularly updating their guidelines to address the practical challenges on the operation of same. The latest update was published last night, 31<sup>st</sup> March 2020. The full text of the guidelines, as amended, can be found [here](#).

Our detailed alert on the TWS was issued on 27<sup>th</sup> March 2020 and can be found [here](#). The main changes are to the Transition Phase (26<sup>th</sup> March to 20<sup>th</sup> April 2020) and provide the following:

During the Transition Phase, employers will receive €410 subsidy per week for each employee that they have made a claim for i.e. showing as PRSI Class J9 on the payroll submission. This is regardless of the amount of the subsidy actually paid to the employee. In many cases this amount will exceed the subsidy that the employee is entitled to receive for that week and in these cases, the employer is obliged to retain (and refund in due course) the excess of the subsidy payment received over the amount of subsidy actually paid to each employee.

The TWS payable to the employee is as previously advised, i.e.

- €410 or 70% of the employee's average net weekly pay, whichever is less, for employees earning less than or equal to €586 per week net.
- €350 or 70% of the employee's Average Net Weekly Pay, whichever is less, for those earning over €586 per week net and less than or equal to €960 per week net.

Employers are required to retain records of subsidy payments made to employees and of subsidy refunds received from Revenue. See 4.4 in the Revenue's guidelines. Details of both the reconciliation process and the process for employers to follow when returning excess TWS payments to Revenue will be published; expected on or before commencement of the Operational Phase (21<sup>st</sup> April to 30<sup>th</sup> June).

## Qualifying Employer

It is worth reiterating Revenue's guidance around 'qualifying employer' which states:

- *An employer that has been hit by a significant decline in business but has strong cash reserves, that are not required to fund debt, will still qualify for the Scheme but the Government would expect the employer to continue to pay a significant proportion of the employees' wages.*
- *The declaration by the employer is not a declaration of insolvency. The declaration is simply a declaration which states that, based on reasonable projections, there will be, as a result of disruption to the business caused or to be caused by the Covid-19 pandemic, a decline of at least 25% in the future turnover of, or customer orders for, the business for the duration of the pandemic and that as a result the employer cannot pay normal wages and outgoings fully but nonetheless wants to retain its employees on the payroll.*

## Top-Up Payments

Where an employer is making a top-up payment, ie in addition to the TWS, This top up payment must be entered gross on payroll and subject to income tax and USC. Employee PRSI does not apply, and employer PRSI is at 0.5% on this payment. The sum of the TWS payment and the net top up payment must not exceed the employee's normal average net weekly pay from January and February 2020 payroll records. Where it does exceed, there will be a clawback of the TWS paid to the employer.

Finally, Revenue have requested that all applicants for the scheme ensure that the bank records provided are correct i.e. ROS allows an employer to specify both a tax payment bank account and a tax refund bank account. As refunds cannot be made to a payment account, to enable refunds to be paid a valid refund bank account for PAYE EMP (PREM) refunds must be provided. This can be done through ROS in the 'Manage bank accounts' section.

Whilst the updated guidelines are welcome, there remain some practical challenges to the operation of this scheme and as further guidance issues we will issue alerts as appropriate.

**About EY**

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organisation and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organisation, please visit [ey.com](http://ey.com).

© 2020 Ernst & Young. Published in Ireland. All Rights Reserved.

The Irish firm Ernst & Young is a member practice of Ernst & Young Global Limited. It is authorised by the Institute of Chartered Accountants in Ireland to carry on investment business in the Republic of Ireland.

Ernst & Young, Harcourt Centre, Harcourt Street, Dublin 2, Ireland.

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

[ey.com](http://ey.com)