

# Tax alert

Ireland

## COVID-19 Temporary Wage Subsidy Scheme (TWSS)

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The Irish government on 24<sup>th</sup> March 2020 announced a number of enhanced measures to ease the financial impact of the current Covid-19 crisis on certain employers and their employees. Similar to the special unemployment payment announced the previous week, these schemes will be administered by Revenue and they have now issued their guidance on how the scheme will operate. The full text of that publication can be found [here](#).

These new payments take effect from Thursday 26<sup>th</sup> March 2020 and are set to run for 12 weeks, although the method for delivery will change from April and Revenue have yet to issue guidance on the April payments. We have sought clarification from Revenue and will update this alert once we receive the appropriate guidance as a number of areas are unclear from the guidance issued including the definition of qualifying employer, who are eligible employees and how the scheme will be administered from April.

The enhanced payments announced on 24<sup>th</sup> March were:

1. An increase of the Covid-19 Pandemic Unemployment Payment from €203 to €350 for laid off employees.
2. An increase of the Covid-19 Pandemic Illness Benefit from €203 to €350.
3. A new Temporary Wage Subsidy Scheme. This will refund qualifying employers up to a maximum of €410 per each qualifying employee.

### **Covid-19 Pandemic Unemployment Payment**

This was announced on 18<sup>th</sup> March and payable directly by the Department of Employment Affairs and Social Protection (DEASP) where an employee was already laid off. Where the employee was still on an employer's payroll on 15<sup>th</sup> March 2020 the employer could make this payment through payroll and would be refunded directly by Revenue. This payment could only be made where no other payments were being made to the employee.

Whilst this payment has been increased to €350 from 26<sup>th</sup> March, it is not clear whether an employer will be required to administer this going forward and clarification has been sought from Revenue on this.

### **Temporary Wage Subsidy Scheme**

The new Temporary Wage Subsidy Scheme (TWSS) is effective from 26<sup>th</sup> March. Revenue's guidance states that a qualifying employer can pay a non-taxable amount equal to the employee's net take home pay or €410 whichever is the lesser from 26<sup>th</sup> March. The TWSS will move to a subsidy payment based on 70% of the weekly average take home pay from April for each employee up to a maximum of €410. We will issue further guidance on this once Revenue issue their instructions.

### **Key Features of the TWSS**

- Income tax, USC and employee PRSI will not apply to the TWSS payment.
- Employer's PRSI will not apply to the TWSS payment and a rate of 0.5% will apply to any top up payment.
- Employers pay the TWSS through the normal payroll process as a non-taxable payment.
- Employers will then be reimbursed for amounts paid to employees and notified to Revenue via the payroll process, usually within two days of receipt by Revenue of the payroll submission.
- Any tax refunds generated to the employee can be reimbursed through payroll.

### **Qualifying Criteria**

The TWSS only applies to employees for whom a payroll submission has already been made to Revenue in the period from 1 February 2020 to 15 March 2020. In addition, an 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

- be unable to pay normal wages and normal outgoings fully
- retain their employees on the payroll.

### **Registering for the Temporary Wage Subsidy Scheme**

Any employer who already registered within the last week for the Employer COVID-19 Refund Scheme may make payroll submissions from 26<sup>th</sup> March 2020 under the TWSS arrangements on the same basis and €410 will be refunded in respect of each eligible employee per week.

Employers, who fulfil the qualifying criteria, not already registered are advised to do so as soon as possible as follows:

Log on to ROS myEnquiries and select the category '**Covid-19: Temporary Wage Subsidy**'.

Read the "**Covid-19: Temporary Wage Subsidy Self-Declaration**" and press the '**Submit**' button.

Ensure bank account details on Revenue record are correct. These can be checked in ROS and in '**Manage bank accounts**', '**Manage EFT**', enter the refund bank account to which the refund is to be made.

### **Penalties for abuse**

Revenue have stated that penalties will apply to any abuse of the TWSS by self-declaring incorrectly, not providing funds to employees or non-adherence to Revenue, and any other relevant, guidelines. In addition, the names of all employers operating this scheme will be published on Revenue's website in due course, after the scheme has expired.

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