

# Update on Coronavirus

## Revenue Updated FAQs on the Temporary Wage Subsidy Scheme

The Temporary Wage Subsidy Scheme (TWSS) is in place to provide payment of income supports to Employers in respect of eligible Employees where the Employer's business activities have experienced significant negative disruption due to the COVID-19 (Coronavirus) pandemic, thus assisting with staff retention and preserving the employment relationship. In operation of the scheme Revenue have consistently provided reviews and updates to their Frequently asked Questions section and for your information these are now provided below.

### **1. What is the second phase of the Temporary Wage Subsidy Scheme?**

From 4 May 2020, the operation of the scheme will commence in Phase 2 and will ensure that the Subsidy paid to Employers will be based on **each individual** Employee's Average Net Weekly Pay, subject to the maximum weekly tax-free amounts.

### **2. Why are the names of the Employers operating the scheme published?**

The Employer can register at any time during the scheme's operation and before making a payroll submission to Revenue. In line with legislative requirement and international practice, Revenue will publish a list of names and addresses of qualifying Employers who make submissions for subsidy refunds. This is a fairly standard approach to any type of grant process. Effectively the register will be available on the Revenue website after the scheme has finished. While, for many, publication will give recognition to Employers operating the scheme in support of their Employees, publication also acts as a transparency device to inform Employees that their Employers had availed of the scheme and that, consequently, they should have seen the wage subsidies reflected in their pay and payslip. Revenue's aim in this is to support Employers and Employees and Revenue will take a reasonable, fair and pragmatic approach on the operation of the scheme.

### **3. What is an additional taxable payment under the Temporary Wage Subsidy Scheme?**

Sometimes referred to as 'top-up payments', an Employer can choose to make an additional payment to the Employee to fully or partially make up the difference between the amount provided by the subsidy scheme and the Employee's Average Net Weekly Pay. Such additional payments, which cannot be regressed, are regarded as gross pay and liable to Income Tax and USC. If the Employer makes excessive additional payments, then either the subsidy value allowable for

the Employee and refundable to the Employer will be reduced, or the Employee may not be eligible for the subsidy scheme.

In determining the amount of additional payment that an Employer can make before the subsidy value is reduced it is important to be able to implement a suitable mechanism that would give a predictable result and would facilitate its implementation by all Employers. Given the range of factors that impact on the calculation of an Employee's gross pay to net pay (e.g. tax credits, taxable and non-taxable deductions and hours worked) it would not be possible to devise a universally applicable mechanism that would give a predictable and consistent result if regrossing was applied. Therefore, the calculations are based on the Employees Gross Pay as reported by the Employer in their payroll submission.

#### **4. Will the subsidy payments be considered pensionable pay for the purpose of Employee pension contributions?**

The temporary wage subsidy is part of an Employee's emoluments for tax purposes, although that amount is not subject to pension deductions under PAYE. As outlined previously by Revenue, an Employer is not permitted to deduct an Employee pension contribution from the wage subsidy. It is open to an Employee to elect to make a "non-ordinary" or "special" contribution to her/his pension scheme before their return filing date for the 2020 tax year. When doing so, as the subsidy is part of an Employee's "net relevant earnings" for pension purposes, the subsidy received will be counted towards the Employee's age-related percentage limit and overall earnings limit for the purpose of calculating allowable tax relief on the contributions.

#### **5. Will subsidy payments impact on the Employer pension contributions?**

Section 772(2) of the Taxes Consolidation Act 1997 provides that one of the conditions for tax approval of an occupational pension scheme is that an Employer should contribute to the scheme. In the current circumstances, during the applicable period of the scheme, the tax approval will not be withdrawn from an occupational pension scheme for the reason that an Employer who is in receipt of the temporary wage subsidy is not currently making contributions to the scheme. The pension tax approval provisions of the Taxes Consolidation Act do not provide that Employer contributions must be linked to Employee earnings. There may be a variety of contractual arrangements between Employers and Employees or between Employers and pension scheme providers as regards the level of Employer contributions. Revenue has stated that is not in a position to comment on these arrangements.

#### **6. How do Employers register for the Subsidy Scheme for multiple PAYE (Emp) tax registration numbers?**

If an Employer has multiple PAYE(Emp) tax registration numbers, one declaration will register the Employer to operate the scheme for all their PAYE(Emp) tax

registration numbers, however the Employer must use ROS to provide refund bank details for each of the PAYE(Emp) tax registration numbers.

**7. Have submissions made to Revenue been processed where an Employer rehired an Employee that was previously laid off and ceased on payroll?**

Prior to week commencing 13 April 2020 submissions to Revenue for rehired Employees were not included in the Revenue refund processing. From week commencing 13 April 2020 submissions for rehired Employees, including those submitted previously and not previously processed for refunds, will be processed and refunded where appropriate.

**8. What is an eligible Employee?**

An eligible Employee is someone who their Employer cannot afford to fully pay because of the COVID-19 crisis who is being kept on the books of the Employer. The Employee must be on the payroll on 29 February 2020 and the Employer must, between 1 February 2020 and 15 March 2020, have made payroll submissions for payments to the Employee to Revenue with pay-dates between 1 February 2020 and 29 February 2020. The Employee must be reported in a valid payroll submission in the required period. If the Employer made a February submission within the required period and after 15 March 2020 amended or deleted that submission, that original submission and any subsequent amendments are not valid submissions for the purposes of Employee eligibility for the scheme.

**9. Will Employees get insurable weeks?**

Although the Employer's PRSI is reduced from 11.05% to 0.5% and no Employee PRSI applies, it is intended that Employees in respect of whom a temporary wage subsidy is being properly paid will be allocated social insurance contributions appropriate to their normal employment status for the duration of the temporary wage subsidy.

**10. Is an Employee who resides overseas, or in Northern Ireland, eligible?**

Employers can claim the subsidy in respect Employees where the Employee is exercising an Irish contract of employment in the State, and where the Employer satisfies the conditions of the scheme.

**11. Is an Employee whose Employer has received a PAYE Exclusion Order from Revenue eligible for the scheme?**

A PAYE Exclusion Order is issued by Revenue to an Employer in respect of an Employee and instructs the Employer not to deduct Income Tax or Universal Social Charge (USC) from an Employee's pay through the PAYE system. There are a number of scenarios where an Exclusion order may be issued (See Revenue's Tax and Duty Manual 42-04-01). Where a PAYE Exclusion Order has issued to an Employer, a liability to PRSI (both Employee and Employer) may still

arise. Thought not obliged to do so, Employers may deduct and remit any PRSI contributions due through the PAYE system. Employees that have an Exclusion Order but who do not appear on the required payroll submissions do not meet the eligible criteria as set out in the Revenue guidance document and are not eligible for the scheme.

**12. If an Employer pays an additional payment is the Employer PRSI calculated at J9 0.5%?**

Yes, the Employers PRSI is reduced from 11.05% to 0.5% and no Employee PRSI applies. Qualifying Employees are coded as PRSI Class J9 for the purposes of reporting obligations. It is intended that Employees in respect of whom a temporary wage subsidy is being properly paid will be allocated social insurance contributions appropriate to their normal employment status for the duration of the temporary wage subsidy.

**13. What figure for Employee Average Net Weekly Pay does an Employer use to calculate an Employee's subsidy amount?**

An Employee's Average Net Weekly Pay is based on January and February payroll submissions made to Revenue by the Employer by 15 March 2020. Bonuses, commissions and other payments will be taken into account in the calculation if these were included as part of gross pay in the January and February 2020 payroll submissions.

To calculate the "Average Net Weekly Pay", using the values in the payroll submission for each pay date in January and February 2020:

- Take the Employee's "Gross pay1 " and from it subtract the "Income Tax Paid", the "USC Paid" and the "Employee PRSI paid ". (See Appendix 1 for sample screens in ROS showing these values).
- Total this figure for each pay date in Jan and Feb 2020 and divide this by the total number of insurable weeks reported.
- If the total number of insurable weeks reported exceeds 9 then use 9 as the divisor.
- If, due to an exclusion order or an Employee being PRSI exempt, there were no insurable weeks reported then use 9 as the divisor, regardless of the number of weeks actually paid or reported.
- The calculation will result in an Average Net Weekly Pay for the Employee, however, there will be a small number of cases where calculation may not be fully representative of the Employee's usual weekly wage, the calculated Average Net Weekly Pay must be used in in these cases.
- This gives you the Employee's Average Net Weekly Pay that is to be used for the subsidy amount.

**14. Can an Employer correct submissions already made for COVID refund scheme?**

Once a submission is made to Revenue with a J9 PRSI class, it is extremely important to ensure that the payroll submission is not subsequently deleted or amended. As Revenue's systems were developed quickly to cater for the Subsidy scheme, attempts to delete or amend previous Covid refund submissions may cause further difficulties for the Employer and disrupt the refund process. In any such cases, a detailed message should be submitted to Revenue through myEnquiries seeking further instructions.

The Temporary Wage Subsidy cannot be applied retrospectively. An Employer must not amend a payroll submission already reported to Revenue in order to qualify for the scheme. The original payroll has already been processed and Employees paid. Retrospective deletions and resubmission of amended submissions may be subject to verification, rejection of the submissions from the scheme and possible penalties.

### **15. What if an Employer receives too much money from Revenue, how is it returned?**

In some cases, an Employer may decide, or Revenue may instruct the Employer, to repay to Revenue some or all the subsidy refund payment received from Revenue. If making such a repayment, an Employer should ensure to consult the Revenue website to ensure instructions of the two step process are followed carefully.

*Disclaimer - The information in this section is provided to assist Employers on the implementation of the government schemes and must be read in the context of information provided by Revenue and should not be interpreted as a legal definition of any of the information provided. The information is changing constantly, and any information provided is correct of April 20, 2020 and is per information on the Revenue website as of that date and as provided in the guidance document: Frequently Asked Questions (FAQ V6.0) on the Operation of the Transitional phase of the COVID-19: Temporary Wage Subsidy Scheme.*

**For further information or advice, please contact the experienced HR team  
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