



# JAMES F WALLACE & CO UC

Registered Office: 14 Gladstone Street • Waterford • X91 YNH1

Telephone: 051-877155 • Fax: 051-870404 • Email: accountants@jfw.ie • Web: www.jfw.ie

## TEMPORARY COVID-19 WAGES SUBSIDY SCHEME

In order to understand how the Temporary COVID-19 Wages Subsidy Scheme works it is necessary to understand the definitions which apply.

### Lay-off

Notification is given by the employer to Revenue that the employee has been laid off. Employer communicates this to Revenue through a payroll submission. The consequence of this is that the employee claims the €350 going forward (see important note below). This claim of €350 does not involve the employer.

### Subsidy wage scheme

This applies where the employee continues to be on the payroll of the employer but may or may not be physically working in their employment. The €350 flat payment does not apply to these employees although some employees might be financially better off if the employer was to lay-off these staff members and if the staff were part time then this is the matter for social welfare department not the employer.

### Phases of the subsidy scheme

Phase 1 – 15<sup>th</sup> March to 24<sup>th</sup> March 2020 / old scheme refund scheme of €203

Phase 2 – 27<sup>th</sup> March 2020 going forward / subsidy scheme

### Phase 1

The employer received a refund of €203 for the employees that were kept on the payroll of the business.

### Phase 2

From an employer's perspective the €350 does not have any significance. This however may have a significance to the employee.

GOLD PATRON OF THE TALL SHIPS' RACE 2005 (WATERFORD)



**PRINCIPAL:** FRANK J. WALLACE F.C.A.  
**ASSOCIATES:** BRIAN HEARNE B.B.S. F.C.C.A.  
ANA PERKOVIC M.E.C



Member of Institute of Chartered Accountants Ireland.  
Authorised by the Institute of Chartered Accountants in Ireland.

## **Understanding the subsidy scheme - this applies to employees on payroll**

1. The employer is entitled to reclaim 70% of the net wages from Revenue and pay this to the employee. An example would be that if an employee had an average net income of €400 then the employer would pay €280 to the employee and reclaim €280 from the Revenue.
2. The maximum amount that the employer can claim under scheme is €410 per employee. This means that if employee had an average net wage of €586 then 70 % would be paid to employee being €410 and reclaim made for €410 by the employer from Revenue.
3. If the employer chooses to top up the employees' wages in full or partially up to the 30 % shortfall the following is the implications of PAYE, PRSI and USC.
4. The subsidy amount is not subject to any PAYE, USC or PRSI and the employer is also not subject to PRSI.
5. If the employer decides to increase the net pay over and above the subsidy this gross increase is subject to PAYE and USC on the part of the employee but no employee PRSI is due on this increase.
6. Employers PRSI on this top up amount is chargeable at a rate of 0.5% a significant reduction from the usual rate of 11.05%.

### **\*Important Note**

If an employee is on a payroll it is important to remember that it is not possible for the employer to pay the flat rate of €350 to the employee and then reclaim it from the Revenue. The employer will only be able to claim 70%, being €245. Therefore, the employee would be better off if the employer laid them off as they could be entitled to more than €245 from the Social Welfare. This should be reviewed on a case by case basis given the fact that Revenue intend to review the position of laid-off staff being entitled to €350.

## **The basis on how employers will operate Temporary Covid-19 Wages Subsidy Scheme**

Employers should enter the following details when running their payroll:

- Set PRSI Class to J9 (point 0.5%).
- Enter a non-taxable amount equal to 70% of the employee's Average Net Weekly Pay to:
  - a maximum of €410 per week where the Average Net Weekly Pay is less than or equal to €586 or
  - a maximum of €350 per week where the Average Net Weekly Pay is greater than €586 and less than or equal to €960 (**this is because this employee would have greater tax refunds**).
- If an employer is not making any additional payment to the employee, they should include a pay amount of €0.01 in Gross Pay.
- If an employer is making an additional payment to the employee, they should include this amount in the Gross Pay.

- It is important that employers do not include the Temporary Wage Subsidy payment in Gross Pay.
- The total net pay (wage subsidy and additional pay if any) must not exceed previous normal pay.
- The payroll submission must include pay frequency and period number.

### **Tax Refunds**

Where an employee is due a refund of tax or USC based on the payroll being processed, the employer should pay this refund to the employee and Revenue will refund this to the employer along with the associated wage subsidy (within 48 hours).

### **Important Issues**

1. While no 'top up' payment is necessary to be paid by employer as it is completely discretionary, the employer must enter a minimum of €0.01 as a taxable payment in order to be eligible for the scheme.
2. The employer cannot 'top up' more than the average net pay per week.
3. If the business is already registered under the existing scheme there isn't any need to reapply as revenue will make contact to confirm participation.
4. Penalties will apply for any abuse of this system.

### **Conditions associated with the scheme**

The Subsidy Scheme is open to employers who self-declare to Revenue that they have experienced significant negative economic disruption due to Covid-19. They should be able to show, to the satisfaction of Revenue, that the negative disruption has led - to a minimum of 25% decline in actual or predicted turnover, to an inability to pay normal wages and outgoings and, to other circumstances as set out in soon to be published Revenue Guidelines.

### **Employers issues to Subsidy Scheme**

1. Employees registered after the 1<sup>st</sup> of March 2020 will not qualify for this scheme.
2. Revenue will be checking the eligibility of the employees by reviewing the following criteria:-
  - a) Registration date of an employee.
  - b) Employees are on the payroll submissions between 1<sup>st</sup> February 2020 and 15<sup>th</sup> March 2020.
  - c) Correct calculation of the subsidy entitlement of the employees.

## Other Issues

You can 'rehire' previously laid-off staff.

The Subsidy Scheme does not impact on redundancy.

The Subsidy Scheme does not impact on insurable weeks.

## Is the wage subsidy taxable on the employees?

1. No, the subsidy is not taxable under the PAYE system, therefore not an issue for the employer.
2. The employee will be taxed on the subsidy amount paid to them by a review by Revenue at the end of the year.

### Example of a calculation of Average Net Weekly Pay

Calculate Employee's Average Net Weekly Pay						
Pay Date	Insurable weeks	Gross Pay	Income tax paid	USC paid	Employee PRSI paid	Net weekly pay as reported to Revenue
Fri 03-Jan-20	1	270.60	3.22	1.95	0.00	265.43
Fri 10-Jan-20	1	270.60	3.22	1.95	0.00	265.43
Fri 17-Jan-20	1	270.60	3.22	1.95	0.00	265.43
Fri 24-Jan-20	1	297.66	3.54	2.15	0.00	291.97
Fri 31-Jan-20	1	297.66	3.54	2.15	0.00	291.97
Fri 07-Feb-20	1	297.66	3.54	2.15	0.00	291.97
Fri 14-Feb-20	1	297.66	3.54	2.15	0.00	291.97
Fri 21-Feb-20	1	297.66	3.54	2.15	0.00	291.97
Fri 28-Feb-20	1	297.66	3.54	2.15	0.00	291.97
Totals	9	2,597.76	30.90	18.75	0.00	2,548.11

  

Employee's Average Net Weekly Pay (ANWP) €2548.11 / 9 =	283.12
---	--------