

# Coronavirus

## Update on Temporary COVID-19 wage subsidy scheme

27 MARCH 2020

### Background

The scheme, enables employees, whose employers are affected by the pandemic, to receive significant supports directly from their employer. The scheme will run for 12 weeks from **26 March 2020**.

Employers are encouraged to facilitate employees by operating the scheme, by retaining employees on their books and by making best efforts to maintain a significant, or 100% income, for the period of the scheme.

### Employer Eligibility

Application for the scheme is based on self-assessment principles, a qualifying employer declares that it is significantly impacted by the crisis.

#### Eligibility readily apparent:

- Some businesses and some sectors have had to close their premises, the impact of public health advice on individual businesses in terms of restrictions on trade, physical distancing, the nature of essential and non-essential businesses, will be obvious.

#### Other key indicators that your business is significantly impacted by Covid-19:

- Key indicators are that the employer's turnover is likely to decrease by 25% for quarter 2, 2020
- That the business is unable to meet normal wages or normal outputs and any other indicators set out in Revenue's guidelines.
- In relation to the likely reduction in turnover of 25% or more, this is a reduction in expected turnover for Q2, 2020. The employer is best placed to determine that and may base this judgement on the decline in orders in March 2020, in comparison to February 2020, or the likely turnover for the quarter compared to Q1 or if appropriate Q2, 2019, or on any other basis that is reasonable

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### Which staff are eligible?

The subsidy is limited based on the average "Net Pay" as follows;

- Average Pay from €0 to €586 is capped at €410
- Average Pay from €586 to €960 is capped at €350
- Average Pay above €960 is not entitled to the subsidy.

As the average net pay increases, the available subsidy decreases. "Net Pay" is an employees' Gross Pay less, PAYE, USC and PRSI. The average value for the "Net Pay" is based on the submissions made to Revenue for the employee between 1st January and 29th February 2020. Employers will also be able to make an additional "Top-Up" payment of up to 30% of the "Net Pay", however this top-up amount is subject to PAYE and USC and PRSI class J9.

Employers will get a reduced rate of PRSI from 11.05% to 0.5% and there is no employees PRSI. An important element is that Entitlements will not be broken for PRSI. Employee PRSI benefits will be regarded as continuing.

Furthermore and most important, employers who top up by more than 30% will have their subsidy reduced on a Euro for Euro basis, so for every Euro above the 30% threshold, the subsidy will be reduced by the equivalent amount.

Finally, whilst not taxable in the employees hand initially the employer must carry out a review by year end which may bring it into taxable income.

The average "Net Pay" and subsidy are calculated as follows:

A Normal Weekly "Net Pay"	= Gross Pay less PAYE, USC, Employees PRSI / Insurable weeks
B Tax Free COVID-19 Payment to Employee	= 70% of A
C Maximum allowed employer Top Up (taxable)	= 30% of A

### Strong Cash Balance in Business

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.

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### Producing evidence at a later date

In any check, Revenue will focus on the types of business records, having regard to the nature and scale of the business, that should normally be readily available for such a business. Where, for example, a business has negotiated forbearance measures with a financial institution, Revenue will not seek to duplicate the relevant information and the documentation from the financial institution will generally be adequate for verification purposes as evidence of financial disruption.

The proofs mentioned below are intended to be illustrative rather than exhaustive and Revenue is open to considering other relevant evidence as a reasonable demonstration of eligibility for the COVID-19 Temporary Wage Subsidy Scheme:

- If for some reason the decline in turnover was less than 25% the business should retain documentation supporting its rationale for believing that it would suffer such a decline.
- Copies of documentation submitted to a financial institution as part of the negotiation of forbearance measures with the financial institution.
- Copies of notifications or communications to employees or Trade Unions or staff representative bodies of salary/wage cuts implemented as a direct result of the COVID-19 pandemic.
- Copies of documentation that show that any cash reserves in the business that are required to fund debt that is equal or greater than the reserve amount.
- Evidence of reliance on the Government Credit Guarantee Scheme or overdraft facilities or other borrowings for capital purposes.
- In the case of start-up businesses, for example, evidence of a decline in investment by at least 25% arising from the COVID-19 crisis.

### Please note from Revenue

Revenue will not be looking for proof of qualification at this stage. Revenue may in future, based on risk criteria review eligibility. In this context employers should retain their evidence/basis for entering the scheme. It will, of course, be very clear to Revenue from their normal relationship with businesses and their normal interaction with businesses that there was no doubt about their qualification and most importantly it will be very clear that the businesses were so impacted.

#### Further Information:

- <https://revenue.ie/en/corporate/communications/covid19/temporary-covid-19-wage-subsidy-scheme.aspx>

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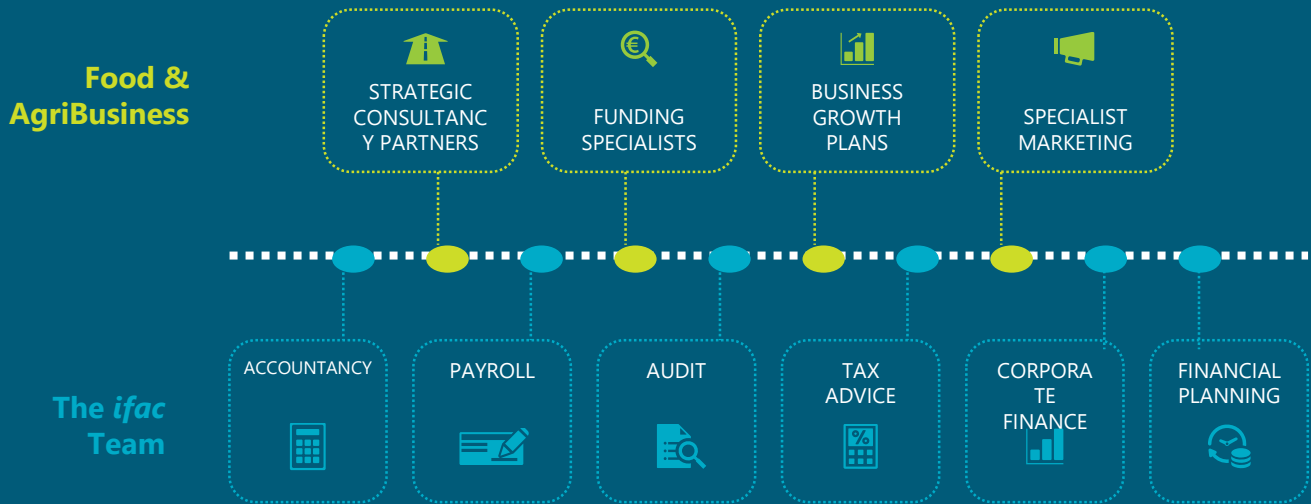


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What we do



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