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Global Tax Alert

Ireland updates guidelines on Temporary Wage Subsidy

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Following the introduction of the Temporary Wage Subsidy (TWS) on 26 March 2020, Irish Revenue have been regularly updating their guidelines to address the practical challenges on implementation of the same. The latest update was published on 31 March 2020. The full text of the guidelines, as amended, can be found here.

For background on the TWS, see EY Global Tax Alert, *Ireland announces Temporary Wage Subsidy Scheme*, dated 26 March 2020. The main changes are to the Transition Phase (26 March to 20 April 2020) and provide that:

> During the Transition Phase, employers will receive a €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.

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- €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; this guidance is expected on or before commencement of the Operational Phase (21 April to 30 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, i.e., in addition to the TWS, this top-up payment must be entered gross on payroll and subject to income tax and Universal Social Charge. Employee Pay Related Social Insurance (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., Revenue Online Service (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.

While the updated guidelines are welcome, there remain some practical challenges to the operation of this scheme and as further guidance is issued, EY will issue Alerts as appropriate.

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