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Global Tax Alert

Irish Revenue issues updated guidance on Temporary Wage Subsidy's operational phase

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Irish Revenue (Revenue) have now issued updated guidance (Version 9) on the Temporary Wage Subsidy (TWS) scheme, outlining the provisions that **apply from 4 May 2020**, during what is known as the Operational Phase. The full text of the updated guidance can be found [here](#).

A calculator of the subsidy and instructions on downloading the Revenue files issuing to employers can also be found on this link.

Previous EY alerts on the TWS scheme can be accessed [here](#).

Transitional Phase

Timeline

26 March: Commencement of the Transitional Phase, during which time Revenue refunded eligible employers €410 per week, in respect of each employee for whom a claim was made.

15 April: New provisions to the TWS are announced, to be effective from 4 May.

16 April: Where employees were initially precluded because of high earnings, a TWS claim may be made from this date, where there is a sufficient drop in earnings to bring them within the TWS thresholds.

Transitional Phase Subsidy (Payrolls submitted to Revenue 26 March to 3 May inclusive)

Average Net Weekly Pay (ANWP)*	26 March to 3 May	From 16 April
0 < €585	70% of ANWP	
€586 < €960	€350	
> €960	€0	€0/€205/€350

Operational Phase

4 May: The commencement of the Operational Phase. Revenue will calculate the ANWP*, based on January and February payroll inputs, as well as the maximum wage subsidy and provide these to employers, in an Employer .CSV file, which can be accessed on Revenue Online System (ROS). The Revenue TWS refunds after 4 May will be based on these amounts.

Operational Phase Subsidy (Payrolls submitted from 4 May)

ANWP*	4 May to 18 June
< €412	85% of ANWP
€412 < €500	€350
€500 < €586	70% of ANWP
€586 < €960	€205/€350
> €960	€0/€205/€350

* The base for determining the amount of subsidy in both the Transitional Phase and the Operational Phase is the employee payroll reports submitted to Revenue for January and February 2020. Initially, these payroll reports had to be filed by 15 March for an employer to be eligible for the subsidy. Revenue state that they will now allow a claim from an employer where an employee was included on the employer's payroll on 29 February 2020, the February 2020 payroll submission was submitted to Revenue before 1 April 2020 and payroll submissions for all previous months were submitted to Revenue before 15 March 2020.

The ANWP for each employee for whom a claim was submitted to Revenue before 2 May will be included in the 4 May 2020 Employer .CSV file. This file can be downloaded in ROS by employers and their agents. The information that will be included is the ANWP for each eligible employee, the maximum wage subsidy that is due and the maximum weekly employer top-up, before tapering will apply.

Employees ANWP to €586 per week (from 4 May)

- ▶ An 85% subsidy (i.e., up to €350) shall be payable in the case of employees whose ANWP does not exceed €412.
- ▶ A flat rate subsidy of €350 shall be payable in the case of employees whose ANWP is between €412 and €500.
- ▶ A 70% subsidy (between €350 to €410) shall be payable in the case of employees whose ANWP is between €500 and €586.

Employees ANWP between €586 and €960 per week (from 4 May)

- ▶ The amount of subsidy that will be payable depends on the percentage of the ANWP that the employer is providing by way of top-up.
- ▶ A subsidy of €350 will be payable for employees with ANWP greater than €586, where the employer pays a top-up that does not exceed 60% of the ANWP.
- ▶ A subsidy of €205 will be payable for employees with ANWP greater than €586, where the employer pays a top-up between 60% and 80% of the employee's ANWP.
- ▶ No subsidy will be payable for employees with ANWP greater than €586, where the employer pays more than 80% of the ANWP.

Pitfalls to avoid

There are four factors that are particularly important to note, to ensure eligibility for TWS refunds.

1. First, the base determining the entitlement by an employer to a refund of the TWS is the ANWP, in all instances, whether you agree with the figure identified by Revenue or not.
2. Second, the TWS payment should not be included in Gross Pay. If it is, it will be considered to form part of the employer funded payment and tapering will be applied.
3. Third, the guidance states that where the employer top-up plus the subsidy exceeds the ANWP, then the employee is not an eligible employee. Consequently, a subsidy refund will not be due to the employer and any payments made to the employee will need to be processed through payroll in the normal manner, with full Pay As You Earn (PAYE)/Universal Social Charge/ Pay Related Social Insurance (PRSI). The only exception to this is where an employer is providing a top-up to the subsidy to pay €350 in total (top-up plus subsidy) to the employee.

4. Finally, under no circumstances should the total payment (top-up plus subsidy) being made to the employee exceed €960.

The sum of payments (subsidy plus any additional gross payment but excluding tax refunds) payable to the employee, in the week being processed, cannot exceed the lesser of the ANWP or €960. There is one exception where the ANWP does not exceed €412, the gross pay plus the temporary wage subsidy can exceed the ANWP subject to a cap of €350 per week.

Rehiring staff

An employee who was included in the January and February payroll submissions and subsequently laid off, may be rehired and qualify for the TWS. Where they were rehired at any point up to 1 May, their details will be included in the .CSV files being issued by Revenue on 4 May. Revenue have confirmed that employees rehired after 1 May will not be included in the 4 May 2020 Employer .CSV file and they are investigating options to facilitate the inclusion of such rehires at a future date. Until then, PRSI Class J9 (which denotes a claim for the TWS) submissions for employees rehired after 1 May will be processed but rejected for refunding. Revenue have stated that it is their expectation, that at a future date, Revenue will reprocess all the submissions received from the employee's rehire date and refund where appropriate. Any employees who have been rehired should be advised to cease any unemployment benefit claims immediately.

Transitional Phase refunds to Revenue

During the Transitional Phase, Revenue refunded eligible employers €410 per week, in respect of each employee for whom a claim was made. In most instances, this was in excess of the actual amount of subsidy due. Revenue have stated that they will conduct a reconciliation of the subsidy due during the Transitional Phase versus the €410 paid. When that reconciliation will be conducted and the manner in which the overpaid subsidy will be recouped is currently not set.

Impact

The updated guidance is welcome, as is the information being provided to employers on the .CSV file. This should provide certainty on the amount of subsidy payable and the maximum amount of top-up an employer can make without tapering applying. What is clear is that if an employer goes outside the parameters set forth by Revenue, then it is likely that there won't be any subsidy payable, nor will the reduced employer PRSI rate of 0.5% apply to the top up payment. Employers need to ensure they understand what the new limits are and remain within them to ensure that they receive the appropriate subsidy.

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