

The Peopletime Guide for Ireland Employers on the Income Support Scheme (Temporary Wage Subsidy Scheme)

As of 26th March 2020, the Government has introduced a new Income Support Scheme for employers who keep their employees on their payroll during the pandemic. It will assist with alleviating the DEASP dealing with the high volume of Pandemic Unemployment Payments. Employers who qualify for the Income Support Scheme should do their best to maintain full salaries or as close to full salaries as possible during the scheme.

A further announcement was made by the Government on 15th April 2020 regarding amendments to the Wage Subsidy Scheme which will apply from 4th May 2020.

The below, transitional phase, remains in place until the 3rd May 2020:

For eligible employers, the scheme will provide up to 70% of an employee's average weekly take home pay up to a maximum of €410. This is non-taxable by the employer. This works out as 70% of an annual salary of €38,000. The scheme will also provide supports on salaries up to €76,000 and the support will be capped at €350 per week for salaries between €38,000 and €76,000.

The **changes** applicable from the 4th May 2020 are:

- The subsidy will increase from 70% to 85% for employees with a previous average take home pay **below €412** per week
- The subsidy will be a flat rate of €350 per week for employees with a previous average take home pay **between €412 and €500** per week
- The subsidy remains the same of up to 70% capped at €410, for employees with a previous take home pay of **between €500 and €586** per week
- A tiered system has been introduced for employees with a previous take home pay of **over €586** per week and **less than €960** per week.

From the 16th April the subsidy is available to support employees whose pre Covid salary was greater than €76000 and their post Covid salary has fallen below €76000 subject to tiered arrangements and tapering to ensure the net pay does not exceed €960 per week.

In cases where the employee's earnings have now been reduced by:

- Less than 20%, no subsidy is payable

- Between 20% and 30%, a subsidy of €205 is payable.
- 40% or more, a subsidy of up to €350 is payable.

For such employees the maximum additional payment an employer can make, to receive the full subsidy is the difference between the €960 and their maximum weekly wage subsidy.

This part of the scheme, from 4th May, will operate differently to the transitional phase. Revenue will calculate employees previous average net weekly pay and their maximum personal subsidy amount and provide this information to employers. This will be in the form of a Revenue instruction in a CSV format, which employers which employers must download from within their ROS account and import into their payroll software. This ensures that employees get the correct amount of subsidy due. It will also take into consideration all other active employments the employee may have that the employer is not aware of.

There will be no back dates of payments from 4th May.

It's important to note that many employees on the scheme may received tax back during their first or subsequent payments, whereby their tax rate is no a cumulative basis. This can be repaid by the Employer to the Employee and will be refunded to the Employer by Revenue.

Revenue note the key features of the scheme are:

- Replaced the COVID 19 Refund Scheme for Employers
- From 26th March and until 3rd May, the subsidy scheme will refund Employers up to 70% capped at €410 per qualifying employee.
- From 4th May, the subsidy payment will move to a system based on the previous net weekly pay for each employee.
- Employers should pay the relevant subsidy to each employee and may make an additional payment so that the total pay does not exceed the average net weekly pay of the employee.
- The scheme applies to employers who top up employees' wages and those that don't.
- Employers will be reimbursed for amounts paid to employees as notified to Revenue through their online payroll process. Reimbursements will take approximately 2 working days.
- The subsidy payment will remain a non-taxable payment by the employer. Revenue will review the tax liability for employees at year end. Amended tax credits may be applied to recoup any tax owing from the liability.
- Employee PRSI will not be applied to the subsidy or top up payments made by the Employer. Employer PRSI will not apply to the subsidy and will be applied at a rate of 0.5% on any top up payments to employees.

All employers using the scheme will be published on Revenues website after the scheme has ceased.

Any abuse of the scheme will be subject to penalties by Revenue. Abuse of the scheme includes not providing payments to employees, incorrect self-declaration or non-adherence to Revenue and other relevant guidelines.

1. How do I know if I am an eligible employer?

The Income Support Scheme is open to all employers in all sectors, excluding public sector and non-commercial semi-state sector, whose business has been adversely affected by COVID 19. Employers will need to self-declare to Revenue that they are unable to meet 100% of their employee's salaries due to COVID 19. Employers will need to demonstrate the following to Revenue:

1. A serious economic disruption to their business
2. A minimum reduction of 25% in turnover
3. An inability to pay full wages to employees working
4. An inability to pay bills to maintain the running of your business
5. Retain employees on the payroll
6. Employees must have been on the employer's payroll on 29th February 2020 and a payroll submission made between 1st February 2020 to 15th March 2020.

2. I am already paying the €350 under the COVID 19 Refund Scheme and my employees have been retained on my books. How do I transfer over?

Any employer registered for the COVID 19 Refund Scheme does not need to take any further action. Any payroll submissions from 26th March 2020 can be carried out in the same manner as the refund scheme and the relevant amounts will be refunded for every eligible employee.

3. How do I register for the Wage Subsidy Scheme?

Employers or payroll providers on the employer's behalf, must apply through Revenue for the scheme. The following steps can be used:

- Log onto ROS. Under my enquiries there will be a section for COVID 19 Temporary Wage Subsidy.
- Read the declaration titled Covid-19 Temporary Wage Subsidy Self Declaration, carefully to ensure you are an eligible employer. Once satisfied hit submit.
- Review bank details on ROS under manage bank account followed by manage EFT to ensure they are correct. Any refunds will be sent to this bank account.

4. What will happen between 26th March and when the subsidy scheme is in full operation in April?

In April the scheme will move to a subsidy payment based on the net weekly wage of employees. Between now and then, the scheme will refund employers up to a maximum of €410 per qualifying employee regardless of the employees' income.

5. How do I prepare my payroll for this scheme during the transitional phase (up until 3rd May 2020)?

Employers should prepare their payrolls for operating this scheme with the following up until 3rd May 2020:

- Set PRSI Class to J9
- Input a non-taxable amount of up 70% of each employees net weekly wage:
 - 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.
- For payroll submissions made on or after 16th April 2020, with a pay date on or after 16th April 2020, the wage subsidy scheme is available to support employees who Average Revenue Net Weekly Pay (ARNWP) was greater than €960 and their current pay is below €960 per week subject to the tiered approach above.
- If no top up is being provided to employees then €0.01 should be entered into Gross Pay.
- Where a top up is being provided, the top up amount only should be included in the Gross Pay. The Temporary Wage Subsidy amount should not be included as Gross Pay.
- The total net pay (wage subsidy and top amount) should not exceed the normal net weekly wage received by employees.
- As normal the payroll submissions must include pay frequency and pay period number.

Important Note: Income Tax, USC, LPT and PRSI are not deducted from the Temporary Wage Subsidy however, on review at year end, the subsidy will be liable to Income Tax and USC.

In some cases, the payment of the Temporary Wage Subsidy and any additional income paid by the employer will result in the refund of Income Tax or USC already paid by the employee. Any refunds due can be paid by the employer through the application of the employee's tax credits and SRCOP. These refunds will be provided to the employer by Revenue.

6. How do I prepare my payroll for the Operational Phase from 4th May?

From the 4th May 2020, the scheme will move in the Operational Phase and this supersedes the transitional phase (26th March to 3rd May). The Operational Phase applies to payrolls received on or after 4th May 2020 for employers who have applied for the Wage Subsidy Scheme.

This part of the scheme will operate differently to the transitional phase. Revenue will calculate employees previous average net weekly pay and their maximum personal subsidy amount and provide this information to employers. This ensures that employees get the correct amount of subsidy due. It will also take into consideration all other active employments the employee may have that the employer is not aware of and provide the appropriate amount applicable to the specific employment.

The information will be received from Revenue in the form of a CSV format. Employers can

- a) Import this information into their payroll software and the payroll software will use the information
or
- b) Use the information outside of payroll software along with the new rates and any Additional Gross Payment (top-up) amount, to calculate the wage subsidy for each eligible employee.

Employees rehired after 1st May 2020 will not be on the CSV file received from Revenue for payroll. Revenue are currently looking at options for this however in the meantime J9 submissions can be made for employees rehired after 1st May. It should be noted that the employees will be processed but the refund rejected. Revenue may reprocess all submissions received from the employees rehire date at a later date where appropriate.

Employers should enter the following details for their payroll on or after 4th May 2020:

- Enter PRSI class J9
- Any top up amount provided by the employer should be entered in Gross Pay.
- Where top up is being provided €0.01 should be entered in Gross Pay.
- Enter the wage subsidy amount payable in “**non-taxable**” amount.
- The payroll submission must include the pay frequency.

Important Note: Income Tax, USC, LPT and PRSI are not deducted from the Temporary Wage Subsidy however, on review at year end, the subsidy will be liable to Income Tax and USC.

In some cases, the payment of the Temporary Wage Subsidy and any additional income paid by the employer will result in the refund of Income Tax or USC already paid by the employee. Any refunds due can be paid by the employer through the application of the employee’s tax credits and SRCOP. These refunds will be provided to the employer by Revenue.

7. What is an additional gross payment under the Temporary Wage Subsidy Scheme?

Employers may top up employees salary if they are in receipt of the wage subsidy scheme. It’s important to note that neither the employer or employee may benefit from the scheme where the sum of the payments payable to the employee exceeds the lesser of the Average Net Weekly Pay or €960 (with the exception of where the average net weekly pay does not exceed €412, the gross pay plus the temporary wage subsidy can exceed the average net weekly subject to a cap of €350 per week. The sum of the payments is the wage subsidy plus any additional gross payments but does not include tax refunds.

8. Can I deduct a pension contribution for an employee from the Wage Subsidy Scheme?

No as the employer must pay the subsidy amount in full. However, if an additional payment is being made to the employee, the pension contribution may be deducted from the additional payment only. This deduction may not be applied in advance of calculating the gross amount of the top up as neither the employee or employer can benefit from the scheme.

9. Will the Wage Subsidy Scheme payments have an effect on the employer pension contribution?

From a Revenue perspective, tax approval for occupational pensions has a condition that the employer must contribute to the scheme. The government have confirmed that during the operation of the scheme due to the pandemic, tax approval will not be removed from any occupational pension where the employer is in receipt of the Wage Subsidy Scheme for employees and is not able to make any contributions to employees' pension.

It is important to refer to employees contracts of employment and Employee Handbook to determine what the clause states regarding the employers contribution to pension schemes. Any pause of contributions will need to be discussed and agreed with employees. Consideration should be given to the impact any pause will have on the employees overall pension and if additional contributions could be provided by the employer at a later date. The pension authority has issued an update on pension matters during Covid 19 and it can be found [here](#).

It is essential that communication is provided to employees on any employment benefits they are in receipt of and how it is being applied during the pandemic.

10. How are non-statutory deductions processed?

Non statutory deductions may include union fees, a Christmas club, a social fund etc and these are normally deducted from an employee's net pay. These deductions should not be applied to the Wage Subsidy Scheme. However, in circumstances whereby the employer is paying a top up amount to the employee, the deductions may be applied in agreement with employees and where the top up amount exceeds the deductions. Again, it's important to remember that the deductions should not be taken from the top up amount prior to tax calculations.

11. How will BIK operate during the Wage Subsidy Scheme?

For any eligible employee, BIK should be suspended for the period the employee is on the Wage Subsidy Scheme. BIK or notional pay does not need to be included in the Gross Pay section when entering payroll however as with the income from the wage subsidy scheme, notional pay will be subject to PAYE, PRSI and USC at the end of the year.

12. What information should be displayed on the payslips?

The Wage Subsidy Scheme payment should be clear on employees payslips. In circumstances where a top up is being applied, the payslip should show both payments separately. The Wage Subsidy Scheme payment should be labelled as "GovC19 WageSub".

The employer may be liable to a penalty if they fail to give their employee a payslip separately identifying the Wage Subsidy Scheme amount.

13. My employees are already claiming the COVID 19 Pandemic Unemployment Payment directly from DEASP. Should I put them back on my books and pay them through the Wage Subsidy Scheme?

Employers may not make a payment to an employee who is in direct receipt of the COVID 19 Unemployment Payment from the DEASP as it will be a duplicate payment. In circumstances where an employee has been rehired, the employee should remove themselves from the Unemployment Payment with the DEASP and they may then be paid by the Employer. Once the employee is on an Employers Payroll, has been on payroll submissions made between 1st February and 15th March and is an active employee (i.e. not ceased on the system), the employee may be deemed a qualified employee under the scheme.

Employees rehired after 1st May 2020 will not be included in the employers CSV file received from Revenue for payroll.

14. How will the refund from Revenue operate?

The refund for all eligible employers will take approximately 2 working days from the date the payroll submission is sent to Revenue. In some cases Revenue may refund more than the amount due. Its important any additional amount is held separately as it may need to be refunded to Revenue at some point.

In some cases Revenue may instruct the employer to repay all or some of the subsidy refund payment received from the Revenue. Revenue have set out specific guidelines for the repayment of any amount under the Wage Subsidy Scheme to assist with reconciling it correctly between Revenue and the Employer. The two step process is:

Step 1: Transfer the repayment to Revenue to the below bank account:

Account Name CGs Limerick Public Bank Account

Bank AIB, 7 – 12 Dame St, Dublin 2

BIC AIBKIE2D

IBAN IE25 AIBK 9320 8646 1810 05

No other bank account is to be used and no other payments are to be made into this account. This one is specifically for the Wage Subsidy Scheme.

Revenue have asked that the following information is provided when making the payment online:

1234567PCovid xxxxxxxx

- where 1234567P is the employer PAYE(Emp) tax registration number
- the 'Covid' tag
- and xxxxxxxx represents the Payroll Run Reference. If your Run Reference will not fit in the EFT narrative field, please include as much of the Run Reference as the narrative field allows but ensuring to include the Tax registration number and the Covid tag as above.

If you have more than one affected Run Reference, process a separate payment for each Run Reference

Step 2: Notify Revenue of the payment

Once the payment has been made to Revenue, confirmation must be sent to the Collector Generals office through the myEnquiries system and provide the details of the payment and the Payroll Run Reference.

Select “Other Than Above” and then “Covid Duplicate Refund” when submitting the query through myEnquiries in ROS.

As above, this pathway is specific to the Wage Subsidy Scheme only and should not be used for any other enquiries.

If you fail to notify Revenue of the payment they will not be able to reconcile it against your records.

15. I have an employee who is in receipt of a wage subsidy payment from the DEASP.

The Temporary Wage Subsidy Scheme applies to all workers.

Where the workers were in receipt of a:

- Wage Subsidy Payment - employers should, in these cases, notify the Department of Employment Affairs and Social Protection at:

Wage Subsidy Payment

Email: wagesubsidy@welfare.ie.

- JobPlus Payment- employers should, in these cases, notify the Department of Employment Affairs and Social Protection at:

JobsPlus Payment

Email: jobsplusinfo@welfare.ie.

- Youth Employment Support Payment, employers should in these cases notify the Department of Employment Affairs and Social Protection at:

Youth Employment Support Scheme (YESS)

Email: YESS@welfare.ie

16. What if an employee did not receive their normal salary in January or February?

This may happen for various reasons such as maternity leave, illness benefit, a bonus or reduced pay. In such cases the Employer can either:

- Operate the scheme based on the Average Revenue Net Weekly Pay or
- Pay the employee the appropriate wages without receiving the subsidy