

The Peopletime Guide for Ireland Employers on the Employment Wage Subsidy Scheme

Introduction

Many employers availed of the Temporary Wage Subsidy Scheme since March 2020 with over 66,500 employers registering for the scheme. As the country continues to battle the pandemic, some business are still suffering the results of lockdown. The Temporary Wage Subsidy Scheme ceased on 31st August 2020 and a new Employment Wage Subsidy Scheme is in place from 1st September 2020 until 31st March 2021.

Further changes have been made to the scheme following the move to Level 5 restrictions. The amendments to the scheme are in place from 21st October to 31st January 2021.

Employment Wage Subsidy Scheme (EWSS)

As of 1st September 2020 the Employment Wage Subsidy Scheme will replace the Temporary Wage Subsidy Scheme. The government have set different eligibility criteria for this scheme and Employers will need to apply and complete a self-assessment for the Employment Wage Subsidy Scheme. There will be no automatic transfer from one scheme to the other.

The EWSS has two elements:

- It provides a flat rate payment to qualifying employers based on the number of eligible and paid employees through payroll;
- It provides a reduced Employer PRSI rate of 0.5% on wages paid through the subsidy scheme

The EWSS will be paid directly to the Employers bank account once a month in arrears.

All statutory terms and conditions of employment remain and the employer is responsible for abiding by them regardless of the Employment Wage Subsidy Scheme.

Further changes have been made to the scheme following the move to Level 5 restrictions on 21st October 2020. The amendments to the scheme are in place until 31st January 2021.

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

Employers must complete a self-assessment with Revenue in order to register. Revenue will not seek proof of eligibility at registration stage however will review at a later stage. Employers must retain proof of eligibility for providing to Revenue at a future date.

The eligibility criteria set is:

- Employers must possess a valid tax clearance certificate to enter the EWSS and they must maintain the tax clearance certificate for the duration of the scheme. If an employer does not currently hold a tax clearance certificate they can apply for one online.
- The business is expected to experience a 30% reduction in turnover or orders between the 1st July and 31st December 2020 during the period as a whole and not just on a monthly basis.
- This disruption is caused by COVID-19

The reduction in turnover or orders must be relative to:

- The same period in 2019 where the business existed prior to July 2019;
- where the business commenced trading between 1 July and 1 November 2019, the date of commencement to 31 December 2019; or
- where a business commenced after 1 November 2019, the projected turnover or orders for 1 July 2020 to 31st December 2020.

When considering turnover, employers need to also factor in all sources of trade income including sales, donations, state funding etc.

Employers are required to undertake a review on the last day of every month from August 2020 onwards to the end of the scheme to ensure they continue to meet the eligibility criteria. Any employer who no longer qualifies must deregister from the scheme on the following day which is the first of the month. However if an employer becomes aware mid-month that they no longer qualify due to a donation or funding, then they must deregister immediately.

If circumstances change the following month, the employer can register again for the scheme.

2. How do I know if my employees are eligible?

Any employee who is paid through the employer's payroll and in receipt of gross wages between €151.50 and €1462 per week with limited exceptions are eligible.

Movement of employees and new hires can continue during the scheme period.

Certain categories of employees are specifically excluded from being eligible for the scheme:

- Proprietary Directors – additional guidance will be issued on this in due course.
- Connected Parties – not on the payroll between 1st July 2019 and 30th June 2020. A connected party is someone who alone or together with a person can exercise or acquire

control of more than 50% of the issued share capital or voting rights, the greater part of distributions or the greater parts of assets distributed on winding up.

- Employees working in a business division or related group entity that are not expected to suffer a 30% reduction.
- Employees employed otherwise than as part of the business such as housekeepers or childminders etc.

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

Eligible employers or their payroll or financial agents will be able to register through ROS from 18th August 2020. The date of registration cannot be backdated prior to the date of registration.

Employers will be obliged to agree to a declaration at the time of registration to verify their business qualifies for the scheme and that they will abide by the terms and conditions.

Registration applications will only be processed if the employer is registered for PAYE/PRSI as an employer, has a bank account and a tax clearance certificate.

If an employer files for a EWSS payment prior to registering then the payment will be automatically rejected.

4. What is the EWSS Rate?

The rate of the weekly subsidy up until 26th October is as follows:

Employee Gross Weekly Wage	Subsidy Payable
Less than €151.50	Nil
From €151.50 to €202.99	€151.50
From €203 to €1,462	€203
Above €1,462	Nil

Due to the move to Level 5 Restrictions the EWSS has been amended as follows:

Employee Gross Weekly Wage	Subsidy Payable
Less than €151.50	Nil
From €151.50 to €202.99	€203
From €203 to €300	€250
From €300 to €400	€300
From €400 to €1462	€350

These amended rates are in place from 21st October until 31st January 2021.

For pay periods other than weekly, gross weekly wage will be calculated by dividing the returned gross wage by the number of insurable weeks included (subject to maximum divisors set by the system). Gross Pay includes all notional pay and before any pension or salary sacrifice deductions. It excludes any Department of Employment and Social Protection payments that employers have been mandated to pay. These payments should continue to be included in the non-taxable pay.

Payroll periods must operate on at least a monthly frequency in other words pay periods of annually, bi annually or quarterly or other ad hoc periods won't be supported through the scheme.

5. How do I operate the EWSS with my payroll?

EWSS will re-establish the normal requirement to operate PAYE and PRSI on all payments which includes the regular deduction of Income Tax, PRSI and USC at the normal rates.

Employer PRSI will be reduced to 0.5% for all employees who are in receipt of payment through the EWSS.

Employers will operate payroll as normal and report employer and employee PRSI deductions based on the employee's appropriate PRSI classes. This ensure social insurance contributions accumulate as normal.

EWSS should be entered in the "other payment" section for any employee in receipt of the EWSS payment and input either 0 or 1 cent depending on the capabilities of the payroll software.

Employers should not include EWSS on the "other payment" section on the payslip they provide to employees.

On receipt of the eligible EWSS payroll submission from the registered employer, Revenue will calculate the subsidy payable by reference to the gross wage, pay frequency and insurable weeks reported on the payslip. Employers are required to make submissions to Revenue by the pay date. Any amendments or submissions of EWSS payroll after the return due date will be subject to a review by Revenue which will unavoidably lead to a delay in payment.

6. How does the reduced Employers PRSI work?

As employer PRSI will have been returned as part of the payroll submission at a higher rate than the 0.5%, an adjustment to the liability returned which becomes part of the monthly payroll return will need to be made. Revenue will undertake this by calculating a PRSI 'credit 'due to the employer.

On the 14th of the following month, Revenue will post the PRSI credit due for that month to the employer's monthly payroll return which will reduce the overall payroll taxes due.

Specific examples can be found through the link below of how the calculations of the rates for employees will operate through payroll and also specific details on the compliance information that Revenue may rely upon.

<https://www.revenue.ie/en/corporate/communications/documents/ewss-guidelines.pdf>

If you require further advice and guidance please contact us directly on 057 9308720.