Government July Stimulus Package: COVID-19 Employment Wage Subsidy Scheme

30 July 2020

Background

On 23 July, the Government published draft legislation providing for a series of measures, including the successor to the Temporary Wage Subsidy Scheme (TWSS), due to expire on 31 August 2020.

The stated purpose of the new Scheme, the **COVID-19: Employment Wage Subsidy Scheme (EWSS)**, is to provide support to businesses still suffering the economic effects of Covid-19 as well as those potentially affected by Brexit.

Both Schemes will run in parallel until the end of the TWSS on 31 August 2020, allowing new hires and employees not previously eligible for TWSS to qualify for EWSS, where they meet the new criteria.

EWSS will run from 1 July 2020 to 31 March 2021. Should economic conditions require, the Scheme can be extended to 30 June 2021.

Eligibility: Employer

In order to be eligible for the EWSS, an employer must be able to demonstrate a 30% decrease in turnover of the employer's business or customer orders received by the employer in the period 1 July 2020 to 31 December 2020, when compared to the same period in 2019.

Special provisions apply for those businesses which commenced trading after 1 July 2019. Furthermore, participating employers will be published by the Revenue Commissioners as having availed of the Scheme.

30% decrease in turnover from 1 July 2020 to 31 December 2020

Eligibility: Employee

The definition of a qualifying employee is considerably broader than that which previously applied. Under EWSS, a qualifying employee is one:

- Who was a specified employee under the TWSS; or alternatively
- An employee who is paid by their employer in the period from 1 July 2020 to 31 March 2021.

Proprietary directors (**i.e. those who control at least 15% of the ordinary shares of their company**) are excluded from the EWSS.

Similarly, those connected to a proprietary director are also excluded from the EWSS unless they were paid by the company payroll at any time in the period 1 July 2019 to 30 June 2020.

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Applying for the scheme

Employers will be required to register for the EWSS on Revenue's Online System (ROS) and sign the electronic declaration of eligibility. It is also a requirement that throughout the course of the EWSS, the employer must remain eligible for a 'Tax Clearance Certificate'.

Ongoing self monitoring

A further condition of the Scheme is the requirement that the employer undertake a monthly review of their business circumstances to ensure that they continue to meet the 30% reduction in turnover/customer order requirement. Where the employer no longer meets this condition, they will be required to de-register on ROS immediately (and with effect for the next income tax month).

Revenue review

The Revenue Commissioners reserve the right to make enquiries of any participating employer. They will in particular focus their attention on cases whereby it appears that employees' payroll is being manipulated in order to avail of the EWSS - such as suspending, increasing or decreasing gross pay or through targeted redundancy and rehire of individual(s).

Subsidy payable

Subsidy payments will be paid to the employer following notification to Revenue of the payment of wages by the employer. Subsidy payments will be made by the Revenue Commissioners to the employer no later than monthly submission date for the income tax month concerned.

The amount of subsidy due is dependent on the level of wages paid to the employee. The subsidy amounts are as follows:

- Employees whose weekly wages are between €151.50 to €202.99 will receive a weekly subsidy payment of €151.50;
- Employees whose weekly wages are between €203 to €1,462 will receive a weekly wage subsidy of €203.

No subsidy is payable in respect of employees whose weekly pay is less than €151.50 or greater than €1,462.

Main Differences Between the TWSS & EWSS

	TWSS	EWSS
Commencement date	26 March 2020	1 July 2020
Cessation date	31 August 2020	31 March 2021 (possible extension)
Employer eligibility	25% reduction in turnover or customer orders in Q2 2020, leading to an employer's inability to pay normal wages/outgoings	30% reduction in turnover or customer orders in the period 1 July 2020 to 31 December 2020 compared to same period in 2019
Employee eligibility	Must have been included in the monthly payroll return for February 2020 and which was made by due date.	Must be included on employer payroll return in the period 1 July 2020 to 31 December 2020
Subsidy amount	Up to €410 based on average net weekly pay - tapering provisions based on 'employer top up'	Fixed rate of either €151.50 or €203 based on the gross wages paid by employer to employee
Subsidy ultimately payable to	Employee	Employer
Applicable PRSI class	J9	To be confirmed - Class A1 most likely
Employee year end review required to determine any potential tax underpayment	Yes	No
Employer subject to Revenue eligibility & compliance review	Yes	Yes

What's next?

Our analysis is based on legislation which is proceeding through the Houses of the Oireachtas and is therefore subject to change. As with the TWSS, the legislation permits the Revenue Commissioners to provide guidance as to how the Scheme will be implemented in practice.

There are many unanswered questions on how the Scheme will operate in practice and clarification is currently being sought on:

- PRSI class applicable
- Payroll reporting requirements
- Tax status of the new subsidy payment for the employer
- Eligibility criteria e.g. the position of business units within an organisation whose performance is more than 30% down
- Calculation of turnover for certain businesses which operate on a cost plus basis, such as call centres
- How businesses are expected to accurately project their decline where trading is volatile with no trend emerging

For those employers who may not qualify for the EWSS, you will need to be prepared for the cessation of the Temporary Wage Subsidy Scheme on 31 August 2020. From 1 September, you will need to meet the full payroll costs for your staff. In addition Class A PRSI (including employer PRSI) will become due. If your business is likely to continue encountering difficulty from that date, please speak to your PwC contact who may be able to provide guidance on other government/Revenue supports for your business.

Further Information

PwC will remain at the forefront of bringing these issues to the attention of the Department of Finance. If you or your organisation have specific matters which you would like to discuss in connection with the above, please reach out to your usual PwC contact or to any of the team listed below.

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