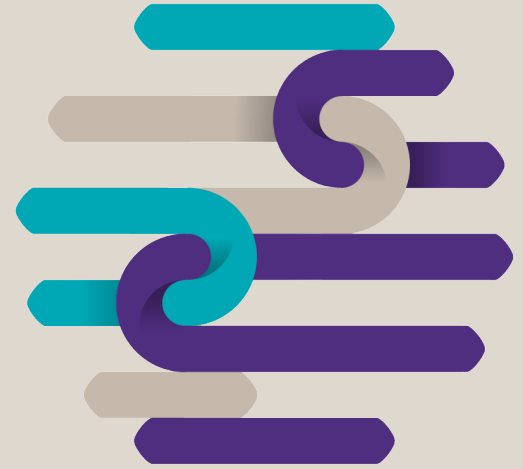


TWSS & Revenue Debt Warehousing

26 June 2020

Emer Joyce & Amy Adams - Grant Thornton

Gearoid Murphy – Principal Officer, Revenue



Temporary Wage Subsidy Scheme (‘TWSS’)

COVID-19 Employer Supports

COVID-19: TEMPORARY WAGE SUBSIDY SCHEME

- Introduced to support businesses to retain the link between employers and employees during the Covid-19 Pandemic.
- Introduced on 26th March 2020 for initial 12 week period. Minister for Finance has now extended scheme until the **end of August 2020**.
- On 23 June Revenue confirmed that the eligibility criteria, to continue participating within the scheme or to join the scheme, after quarter 2 remains unchanged.
- There is no change in the basis of calculation of the subsidy amount and the arrangements in place since the start of the Operational Phase on 4 May 2020 continue.
- The subsidy is expected to be topped up unless an employer is not in a position to do so.
- Employers make this special payment to their employees via their normal payroll process.
- Employers are then reimbursed by Revenue, in general, within 2 days of receipt of the payroll submission.



COVID-19 Employer Supports Eligibility Criteria

The Subsidy Scheme is open to employers across all sectors, *(excluding the Public Service and Non-Commercial Semi-State Sector)*, whose business activities are being adversely impacted by the COVID-19 pandemic

To qualify for the Scheme, employers must:

- be experiencing significant negative economic disruption due to COVID-19;
- be able to demonstrate, to the satisfaction of Revenue, a
- minimum of a 25% decline in turnover or customer orders in Q2 2020;
- be unable to pay normal wages and normal outgoings fully; and (employers should be mindful of this as they move to Q3),
- retain their employees on the payroll.

To register for the Scheme:

- an Employer can register via Revenue's online system ("ROS");
- registration is on a self-assessment basis by making a self-declaration to Revenue confirming the business meets the qualifying conditions.
- this declaration by the employer is not a declaration of insolvency.

Other points to note:

- eligible employers can participate in the scheme in respect of any eligible employees.
- eligible employees are those on their payroll on 29th February 2020, and included in the payroll submission made to Revenue in March 2020.
- This includes staff on reduced hours, rehired staff who were temporarily laid off or staff temporarily laid off but retained on the payroll.

Covid-19 Employer Supports Scheme Operation

- Based on Average Revenue Net Weekly Pay (“ARNWP”) for January & February 2020.
- Revenue has calculated each employee’s Maximum Weekly Wage Subsidy (MWWS) based on the employee’s ARNWP and is providing this, along with other necessary information, to each employer (who is operating the scheme) in respect of each active employee.
- No age restriction for employees to be eligible.
- If an employer makes a top-up payment in excess of that permitted, the subsidy will either be tapered or the employer may not be eligible to receive any subsidy payment.
- If an employee was not on the employer’s payroll in January or February 2020 due to being on maternity leave, parental leave or adoptive leave, they can now qualify for TWSS. [The Minister for Finance has announced that payments may be backdated to 26 March 2020](#) for people who now qualify for the scheme. It is expected that the revised arrangements to allow for the payment will be in place from 12 June (although the legislation for the scheme may not be in place until later in the year).

Covid-19 Employer Supports

Payment Amount

Operational Phase (from 4 May 2020):

- The subsidy paid to employers will be based on each individual employee's ARNWP, as follows:
- For employees with an ARNWP of less than €586:-
 - for employees with a previous ARNWP of up to €412, a subsidy of 85% of ARNWP, to a maximum of €350, is applicable. In addition, the employer may top up the employee to €350 per week without any tapering of the subsidy payment.
 - for employees with a previous ARNWP between €413 and €500, the subsidy will be €350 per week;
 - for employees with a previous ARNWP between €501 and €586, a subsidy of 70% of ARNWP is applicable to a maximum of €410.
- For employees with an ARNWP of between €587 and €960, a maximum subsidy of €350 per week will apply. A tiered approach will also apply, taking into account both the top-up amount paid by the employer and the reduction in pay borne by the employee.
- Revenue will provide each employer with a calculation of each employees MWWS based on an employee's ARNWP. This information can be downloaded in a CSV format from ROS.

Note: Income tax or USC are not deducted from the subsidy. However, the employee may be liable to Income Tax and USC on the subsidy by way of review at the end of the year.

Note: The amounts paid to employees and notified to Revenue will be transferred into an employer's valid refund bank account by Revenue. This reimbursement will, in general, be made within two working days after receipt of the payroll submission.

How is the scheme operated?

1
Employers will be reimbursed by Revenue via the payroll process, within two working days after receipt of the payroll submission.

2
Income tax and USC will not be applied to the subsidy payment. Income tax and USC will apply to any top up payments made by the employers.

3
Employee PRSI will not apply to the subsidy or any top up payment by the employer.

4
Employers PRSI will not apply to the subsidy and a reduced rate from 11.05% to 0.5% will apply on the top up payment.

5
Employers must **not** operate this scheme for any employee who is making a claim for duplicate support (e.g. [the Pandemic Unemployment Payment](#)) from the Department of Employment Affairs and Social Protection.

6
The Subsidy **will be liable to Income Tax and USC on review at the end of the year**. Not clear yet how this will be collected from the employee, either direct or through payroll

DETAILS OF THE SCHEME ARE CONTINUALLY EVOLVING AS QUERIES RAISED

Covid-19 Employer Supports

Employer Eligibility – Cash Reserves

- The key benchmark for employer eligibility, as set out in law, is the Quarter 2, 2020, turnover which must be down by at least 25%.
- A second condition is the ability to pay normal wages. This is in particular relevant where wages are being paid at a level higher than the ARNWP.
- Revenue expect to see the wage subsidy amounts start to taper off as workers return to the normal work environment, and in some instances, start earning overtime that brings wages in excess of the ARNWP.
- Overtime may result in payments likely now exceeding ARNWP, leading to tapering to €0 in some instances and the need to revert to Class A PRSI.
- Additionally, Revenue guidelines make reference to employers having to pay a 'significant portion' of an employee's wages where they have strong cash reserves not required to fund debt.
- Revenue would expect to see contributions to wages increasing if cash reserves start to increase during the trading period above that required to service debt.



Covid-19 Wage Subsidy from 4 May 2020

Employees with net pay less than €586 per week (circa €38,000pa) - Tiered approach

Previous average net weekly pay	Weekly Subsidy available
Less than €412 per week (circa €24,400pa)	85% of ANW
€412 to €500 per week (circa €24,400 to €31,000 pa)	Up to €350
€500 to €586 per week (circa €31,000 to €38,000pa)	70% of ANW up to maximum of €410

Covid-19 Wage Subsidy from 4 May 2020

Employees with net pay greater than €586 per week (circa €38,000pa)

Tiered approach - Maximum subsidy of €350 per week

Gross top up amount paid by employer	Subsidy available
Up to 60% of average net weekly pay	Up to €350
Between 60% and 80% of average net weekly pay	Up to €205
Over 80% of employee's previous average net weekly pay	NO SUBSIDY

Illustration – Average Weekly Net Pay less than €412

Where Average Weekly Net ('AWN') pay is €412 or less

- Process 85% of AWN pay as a non-taxable element, up to a maximum of €350
- Process the top-up payment, to bring the total pay to no more than the greater of AWN or €350
- If gross pay (subsidy plus top-up paid by employer) exceeds AWN, the excess will be clawed back by Revenue

Example:

AWN pay	€400
Subsidy available (85% of €400)	€340
Maximum top-up (to equal AWN)	€60

- A minimum top-up of 1c must be entered to submit payroll. Top-up added to Subsidy cannot exceed the AWN. Tax impact may bring this below base AWN.

Illustration – Average Weekly Net Pay of €412 to €500

Where Average Weekly Net ('AWN') pay is between €412 and €500

- Process a subsidy of €350 as a non-taxable element
- Process the top-up payment, to bring the total pay to no more than the AWN
- If gross pay (subsidy plus top-up paid by employer) exceeds AWN, the excess will be clawed back by Revenue

Example:

AWN pay	€500
Subsidy available	€350
Maximum top-up (to equal AWN)	€150

- A minimum top-up of 1c must be entered to submit payroll. Top-up added to Subsidy cannot exceed the AWN. Tax impact may bring this below base AWN.

Illustration – Average Weekly Net Pay of €500 to €586

Where Average Weekly Net ('AWN') pay is from €500 to €586

- Process 70% of AWN pay as a non-taxable element, up to a maximum of €410
- Process the top-up payment, to bring the total pay to no more than the maximum of AWN
- If gross pay (subsidy plus top-up paid by employer) exceeds AWN, the excess will be clawed back by Revenue

Example:

AWN pay	€550
Subsidy available (70% of €550)	€385
Maximum top-up (to equal AWN)	€165

- A minimum top-up of 1c must be entered to submit payroll. Top-up added to Subsidy cannot exceed the AWN. Tax impact may bring this below base AWN.

Illustration – Average Weekly Net Pay greater than €586

Where AWN pay is greater than €586 but less than €960 & **Top-up up to 60% of AWN**

- Process a subsidy of €350 as a non-taxable element
- Process the top-up payment of no more than 60% of AWN, as a taxable element
- If gross pay (subsidy plus top-up paid by employer) exceeds AWN, the excess will be clawed back by Revenue

Example:

AWN pay	€850
Subsidy available	€350
Maximum top-up (up to max 60% AWN)	€500

- A minimum top-up of 1c must be entered to submit payroll. Top-up added to Subsidy cannot exceed the AWN. Tax impact may bring this below base AWN.
- If a gross top greater than 60% applied (i.e. greater than €510) the maximum subsidy available is up to €205.

Illustration – Average Weekly Net Pay greater than €586

Where AWN pay is greater than €586 but less than €960 & **Top-up between 60% to 80% of AWN**

- Process a subsidy of up to €205 as a non-taxable element
- Process the top-up payment of between 60% to 80% of AWN, as a taxable element
- If gross pay (subsidy plus top-up paid by employer) exceeds AWN, the excess will be clawed back by Revenue

Example:

AWN pay	€960
Subsidy available	€205
Maximum top-up (between 80% AWN)	€755

- A minimum top-up of 1c must be entered to submit payroll. Top-up added to Subsidy cannot exceed the AWN. Tax impact may bring this below base AWN.
- If a gross top greater than 80% applied (i.e. greater than €768) no subsidy is available.

Revenue Guidance Notes – Key Updates (Version 16)

Processing of rehired employees:

- As staff return to work, if an employee was laid off and their employment ceased, and the employer now wishes to place this employee back on payroll to validly avail of the TWSS, the employer can do so. To ensure the smooth processing of the reemployment the Guidance Notes outline the steps that should be followed.
- Between 2 May 2020 and 17 May 2020 employees that were rehired were temporarily not included in the Employer CSV file. Revenue has updated the Employer CSV files to include rehired employees notified to Revenue between 2 May 2020 and 17 May 2020. Any J9 refund submissions made during this period have now been reprocessed and where appropriate refunds have issued. This updated file is available for download by employers who have notified Revenue of such rehires.
- Since 25 May, the Employer CSV File is being refreshed on a daily basis to include rehired employees notified to Revenue. Employers will be notified when an updated Employer CSV File is available for download, including when an employee's information has changed due to rehire in another employment.

Multiple employments:

- Confirmation that Revenue consider earnings from all active employments, including an occupational pension and retirement benefits such as Annuities, when determining the CSV File figures.
- These multiple employments will be combined, and each employer will be provided with an employer Maximum Weekly Wage Subsidy (MWWS) and the Maximum Weekly Employer Pay before Tapering (MWEPT) to apply to the employee's payroll. This personalised information will ensure that the employee's overall position is taken into consideration when calculating the employee's subsidy entitlements.
- The guidance also confirms that State pensions are taxed through tax credits and are not treated as employments taxed through the PAYE system.

Revenue Guidance Notes – Key Updates (Version 16)

Employees Returning from Maternity, Adoptive or Parental Leave:

- An eligible employer can request Revenue to treat an employee as an eligible employee for the purposes of this scheme where that employee returns (or is due to return in the coming weeks) to employment following Maternity, Adoptive, Paternity or Parental leave, or directly related unpaid leave, or was in receipt of Health and Safety benefit, Parent's benefit, or Illness benefit paid by DEASP for the month of February 2020.
- Revenue has established a new system to process these cases. An eligible employer wishing to include in the scheme any employee returning to work following a period of the above leave or having received any of the above benefits must make a request to include that employee in the scheme and provide details to Revenue through ROS MyEnquiries.
- On receipt of each request, Revenue will check DEASP data to confirm status of the employee. Using the employer provided pay and related data, Revenue will determine a “Calculated Revenue Net Weekly Pay” (CRNWP) for each employee concerned. This is equivalent to the Average Revenue Net Weekly Pay (ARNWP) used in TWSS. Using the CRNWP Revenue will calculate the relevant employee’s Maximum Weekly Wage Subsidy (MWWS) and will provide this, along with other necessary information, to the employer in respect of each requested employee.
- Where a returning employee has more than one employment Revenue will calculate the CRNWP at employment and employee level and provide information to each employer on the MWWS applicable for that employment. The information will be included in the ‘Employer CSV file’. Relevant Employers will be informed through a notification message in MyEnquiries that a revised ‘Employer CSV file’ is available for download.
- The subsidy will be backdated to the date of recommencement of employment or from 26 March 2020, whichever is the latest date.
- In the case of individuals who had been in receipt of the PUP, no retrospection will apply for the periods the individuals had been in receipt of income support payments

Revenue Guidance Notes – Key Updates (Version 16)

Inclusion in TWSS of Apprentices Returning to Work.

- Revenue has implemented a change to the TWSS which will accommodate apprentices returning to work who, in February 2020, were on an apprenticeship education and training programme run by SOLAS and were not on their main employer's payroll in February 2020.
- Employers wishing to access the TWSS subsidy on behalf of apprentices returning to work since 26 March 2020, should log on to ROS MyEnquiries, click ADD "A New Enquiry" and select the category "Covid-19: Temporary Wage Subsidy", subcategory: "TWSS - Apprentices".
- Revenue will then manually calculate a net weekly pay for each apprentice concerned and will create a revised 'CSV file' for the employer.
- For each apprentice returned to the payroll by the employer, Revenue will apply the scheme retrospectively to the date of return to employment, or, the date the employer joined the scheme, or, 26 March 2020, whichever is the latest.
- For apprentices who were ceased from payroll and in receipt of the Pandemic Unemployment Payment, no retrospection to TWSS can apply. However, employers may rehire these apprentices and can operate TWSS to subsidise their pay.

Revenue Guidance Notes – Key Updates (Version 16)

Is the wage subsidy taxable on the employee?

- The subsidy is not taxable in real-time through the PAYE system during the period of the TWSS.
- However, the employee will be liable for tax and USC on the subsidy amount paid to them by their employer by way of review at the end of the year.
- With the continuation of the TWSS to the end of August 2020, and to mitigate the possible impact on the employee end of Year review placed all employees that received payments under either the TWSS or the DEASP Pandemic Unemployment Payment on a 'non-cumulative' Week 1 basis.
- Updated RPNs, reflecting the Week 1 basis, were available in ROS from 21 June 2020.
- It is important that employers utilise the most up to date Revenue Payroll Notification (RPN) when running payroll so that employees are correctly switched to the Week 1 basis as quickly as possible.
- Where an employee is already on the Week 1 basis no further action is needed.

Revenue Guidance Notes – Key Updates (Version 16)

TWSS refunds not processed or lower than expected:

- Revenue provides more information on circumstances where subsidy reduction or refusal may arise due to excessive additional gross payments.
- Revenue notes that some employers may be modelling subsidy calculations and additional gross payments outside of their payroll package, which is giving rise to excessive additional gross payments that are subject to subsidy tapering by Revenue. This can occur when the employer bases the subsidy calculation on the taxable pay rather than the gross pay and does not factor in AVC/RBS contributions or other taxable pay that are included in gross pay when reported to Revenue. As a result, the calculated additional gross payments exceed the MWEPT and tapering occurs.
- Additionally, an employer may be attempting to reach a target pay figure for the employee and calculates an additional gross payment that exceeds the MWEPT and tapering occurs.
- Revenue includes a reminder of the sample CSV calculator which is intended to assist employers to calculate the maximum additional gross payment without tapering and to demonstrate the impact of additional gross payments on the employee's subsidy refund.



Revenue Guidance Notes – Key Updates (Version 16)

How do employers stop operating the TWSS?

- In March/April 2020 when most businesses joined the scheme they had to make their best estimate about eligibility. By the end of Quarter 2, it will be clearer whether a business did in fact meet the eligibility criteria.
- If a business did not meet the eligibility criteria, or no longer meets it, but had reasonable grounds for assuming it would, it should immediately cease claiming the subsidy for the extended scheme.
- Revenue will require evidence of the assumptions supporting the original self-assessment of eligibility and, once the basis is reasonable, will not seek to claw-back the subsidy paid for the original period. If there was not a reasonable basis, the subsidy is repayable.
- Employers who consider they do not now meet the eligibility criteria or who no longer wish to avail of the TWSS, should cease returning J9 PRSI Class payroll submissions to Revenue.
- The employer must also ensure that the PRSI class on all its employees is returned to the correct PRSI class and used for all future payroll submissions.
- The employer must retain records in relation to the operation of the scheme including all subsidy payments made to employees.
- Those employers who have stopped participating in the TWSS will be included in the reconciliation phase of the scheme and will be included in the list of TWSS participants published at the end of the scheme.

Revenue Guidance Notes – Key Updates (Version 16)

Retirement benefits and ARNWP:

- Confirmation that retirement benefits/pensions paid during the period, that were subjected to income tax through the PAYE system, will also be taken into account when calculating Average Revenue Net Weekly Pay (ARNWP).

Using the information on the CSV File:

- Further advice to recommend employers use the figures provided on the Employer CSV File.
- Where an employer opts not to use the CSV File, the employer risks applying incorrect values to the ARNWP and subsidy calculations, as an employee may have more than one employment. Multiple employments include occupational retirement benefits/pensions.

ROS input screen:

- Revenue provides further information on entering the subsidy on the ROS input screen, for employers not using payroll software.

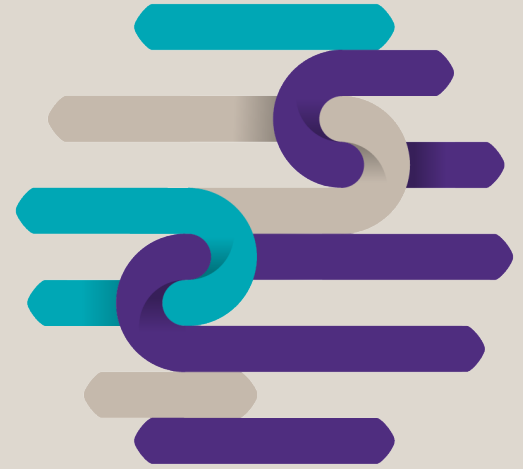
Benefit-in-Kind (BIK):

- Information on the process for resuming reporting of BIK when an employee moves off the TWSS.
- The suspended BIK should be spread over the remaining payrolls for 2020. Where this is not achievable, the suspended BIK should be reported by employers before the year end. Further details on how this should be reported will be provided in due course.
- Where an employment ceases before 31 December 2020, the balance of the untaxed BIK should be included in the final payroll in respect of the employment.

Revenue Guidance Notes – Key Updates (Version 16)

How will Revenue undertake scheme compliance?

- To ensure the TWSS is operating correctly, from mid-June Revenue will conduct a programme of compliance checks on all employers availing of the scheme and will be contacting all employers to confirm that:
 - (i) They meet the eligibility criteria;
 - (ii) Employees are receiving the correct amount of subsidy; and
 - (iii) The subsidy amount is being correctly recorded in employee payslips.
- In addition, the compliance check programme will address any identified issues in respect of the operation of Real Time PAYE (PMOD) by employers over 2019 and 2020 and will provide an opportunity for employers to address any other outstanding tax issues.
- This will be of importance to employers who may intend to avail of the “debt warehousing” scheme for Employer PAYE and VAT liabilities incurred during the pandemic period as up-to-date compliance will be a pre-requisite in order to avail of that scheme.
- Letters will issue to employers and their agents, where relevant, mainly through myEnquiries.
- It is essential that employers respond promptly as failure to do so may lead to suspension of future payments.
- The programme is expected to last for several months and may be expanded.



Revenue Debt Warehousing

Revenue Debt Warehousing

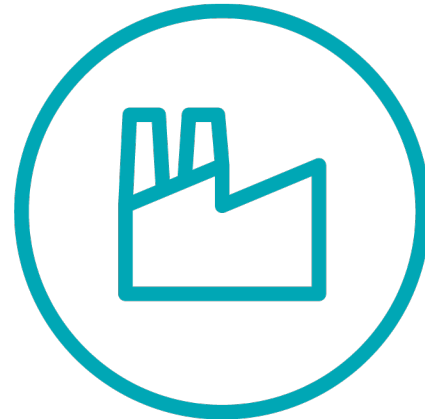
- Revenue previously announced the suspension of debt collection and the charging of interest on late payment for the January/February and March/April VAT periods and February, March and April PAYE (Employer) liabilities for SME businesses.
- These arrangements were extended to include May/June VAT and May and June PAYE (Employer) liabilities.
- PAYE (Employer) liabilities include income tax, universal social charge and employees' and employer's PRSI due to be remitted by employers to Revenue under the PAYE system.
- Businesses are required to file the relevant returns so that Revenue has visibility on the level of unpaid debt arising from the Covid-19 crisis. Where a business is unable to file complete returns due to, for example, the absence of key employees or an agent due to Covid-19 related illness or restrictions, the business should submit returns based on the best estimate of the liability.
- In early May, the Government announced that it will legislate to provide that Revenue will warehouse deferred tax debts associated with the Covid-19 crisis.
- The necessary legislative amendments will be brought forward in due course.
- Pending the enactment of the necessary legislation, Revenue will operate the arrangements on an administrative basis.



Revenue Debt Warehousing

Qualifying Businesses

- Firms that qualify for the wage subsidy are also likely to qualify for the warehouse in respect of VAT and PREM (PAYE (Employer) liabilities include income tax, universal social charge and employees' and employer's PRSI).
- Revenue are expected to be flexible in their approach in dealing with taxpayers.
- Based on Revenue guidance currently available the scheme will generally operate as follows:
 - It applies to all effected SMEs.
 - Where not an SME, there is a need to engage with Revenue. Larger firms impacted by C-19 and experiencing tax payment difficulties should apply to the Collector General, or their LCD or MED branch contact.



Revenue Debt Warehousing Phases of the Arrangement

The warehouse arrangement is split into three periods as follows:

Period 1 – Covid-19 restricted trading phase.

- This is the period where the business has restricted trading + 2 months of normal trading.
- The guidance notes state that Period 1 may vary sector by sector depending on the government road map for reopening.
- No debt collection or interest will apply to these periods but tax returns must be filed on a current basis.

Period 2 - Zero interest phase.

- This lasts for 12 months after the end of Phase 1 (effected period + 2 months).
- No interest or collection on the Period 1 debt will apply but taxpayers must keep current taxes up to date.

Period 3 - Reduced interest phase.

- This will last from the end of Period 2 until the Covid-19 related debts built up in Period 1 are paid.
- A reduced interest rate of 3% per annum will be charged on the debt from Period 1. This compares to a rate of 10% per annum normally or otherwise due on overdue VAT and PAYE (Employer) liabilities.
- Businesses must keep up to date on all taxes.

Revenue Debt Warehousing

Other Points to Note

- An SME is a business with an annual turnover of less than €3million, which is not dealt with by either Revenue's Large Corporates Division (LCD) or Medium Enterprises Division (MED).
- Tax clearance will not be impacted by a business availing of the tax debt "warehousing" under this arrangement.
- Refunds and repayments of tax which arise will be paid, notwithstanding that the business owes VAT and PAYE (Employer) liabilities built up in Period 1. (The business can choose to offset the repayment against the Covid-19 liabilities if it wishes.)
- Taxpayers availing of the arrangement must keep current on all taxes
- The arrangement does ***not apply*** to Income Tax, Corporation Tax.
- Full details of the arrangements for debt warehousing will be published in legislation in due course.
- The link to Revenue's Guidance on the arrangement is:
- www.revenue.ie/en/corporate/communications/documents/tax-debts-warehousing



Disclaimer

- These slides are not considered to be tax advice and no reliance should be placed on the information contained therein.
- These slides set out our understanding of the Covid-19 Government Supports based on information currently available.
- The information contained in these slides does not purport to be comprehensive but is purely for guidance and discussion purposes only.
- <https://www.revenue.ie/en/employing-people/documents/pmod-topics/guidance-on-operation-of-temporary-covid-wage-subsidy-scheme.pdf>

Questions

Contact Details:



Emer Joyce
E: emer.joyce@ie.gt.com
T: 091 53 22 81



Amy Adams
E: amy.adams@ie.gt.com
T: 043 334 3004



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