



GMS Flash Alert

Global Compensation Edition

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Ireland – COVID-19: Employee Wage Subsidy Scheme Introduced

The Irish government introduced a new Employment Wage Subsidy Scheme (EWSS) on 23 July 2020, which applies from 1 July 2020 and is expected to be in place until 31 March 2021.¹ The EWSS will operate in parallel with the Temporary Wage Subsidy Scheme (TWSS) for July and August before replacing the TWSS from 1 September 2020.² An employer cannot receive EWSS support in respect of an employee where TWSS is being claimed for the employee during this period.

The introduction of the EWSS reinforces the importance of maintaining high levels of employment in the Irish government's response to the COVID-19 pandemic.

Under the EWSS, the subsidy to be paid to the employer is now more akin to an employment support grant – the employer will pay the employee his normal wages and following the submission of the payroll return, will then receive a subsidy from the Revenue in respect of eligible employees.

WHY THIS MATTERS

The scheme provides those employers that have been significantly impacted by COVID-19 with welcome financial support for the next nine months, to help with the recovery of their business and the wider economy. Employers should therefore be aware of this scheme and assess the eligibility requirements, as they may be able to avail of this new scheme.

For employers that have previously availed of the TWSS, it's important they are aware of the changes as the TWSS will cease from 1 September 2020.

Note that while the subsidy will predominantly impact those employed locally in Ireland, it should be considered whether any expatriates could qualify.

Eligibility Requirements

Employers

To qualify for the scheme, an employer must be able to demonstrate to the satisfaction of Revenue that:

- the business will experience a 30-percent reduction in turnover or orders between 1 July and 31 December 2020;
- **and**
- this disruption is caused by COVID-19.

This reduction in turnover or orders is relative to:

- the same period in 2019 where the business was in existence prior to 1 July 2019;
- the date of commencement to 31 December 2019;
- or
- where a business commenced after 1 November 2019, the projected turnover or orders.

Employers are required to undertake a review on the last day of every month to make sure they continue to meet the eligibility criteria. If they no longer qualify, they are required to deregister from EWSS with effect from the following day (1st day of the month).

Child-care businesses registered in accordance with section 58C of the Child Care Act 1991 are also included in the scheme.

Unlike TWSS, the employer must have a tax clearance certificate to be eligible to join the EWSS and remain tax clear to continue to receive the ongoing benefits. As such, employers availing of the scheme must be compliant with all obligations under Irish tax legislation in relation to the filing of returns and payment of taxes.

Employees

Any employee who was considered an eligible employee under the existing TWSS provisions will also be considered an eligible employee for the EWSS.

The EWSS extends the definition of “eligible employee” to now include an individual who is on the payroll of the employer at any time in the “qualifying period,” i.e., at any time between 1 July 2020 and 31 March 2021.

KPMG NOTE

The initial drafting of the scheme excluded individuals who are proprietary directors of a company. It would seem, however, that following a government announcement on 31 July, proprietary directors who retain ordinary employees on payroll will also be eligible with effect from 1 September. A Finance Bill amendment is anticipated in respect of this.

Individuals connected with the employer (unless such connected persons received pay from the employer between 1 July 2019 and 30 June 2020) are excluded from EWSS currently.

Rates of Subsidy Payable

Under the EWSS, eligible employers will receive a per-head subsidy on a flat-rate basis which will be determined based on the amount of gross pay that the employer pays to the eligible employee as show in the table below.

Gross Pay	Subsidy Payable
<€151.50	€0
€151.50 - €202.99	€151.50 per week
€203 - €1,462	€203 per week
>€1,462	€0

Source: KPMG, Ireland

Tax and PRSI Position

The EWSS will re-establish the normal requirement to operate PAYE on all payments. This includes the regular deduction and remittance of income tax, USC, and employee PRSI. The 0.5-percent rate of employers' PRSI will continue to apply for employments that are eligible for the subsidy.

KPMG NOTE

EWSS versus TWSS

It is envisaged that the operation of the EWSS will be significantly more straightforward for employers than TWSS.

Considerations for Employers

Given the significant changes in the relief mechanism under the EWSS, it is recommended that a communication be issued to all impacted employees in advance, outlining the details of the new scheme, the implications for their tax position and payroll withholdings, changes from the TWSS if relevant, and any other potential implications for employees (i.e., mortgage applications).

Publication

A list of all employers availing of EWSS will be published in January 2021 and April 2021.

KPMG NOTE (cont'd)

Application Process

Once employers have assessed they are eligible for the EWSS, they will be required to sign a declaration via Revenue's Online System (ROS) to register for the scheme. This declaration has not yet been released and we await further guidance on the application process.

FOOTNOTES:

1 Financial Provisions (COVID-19) (No.2) Bill 2020: <https://www.oireachtas.ie/en/bills/bill/2020/19/> and <https://www.revenue.ie/en/corporate/communications/covid19/employment-wage-subsidy-scheme.aspx> .

2 For a previous report on TWSS, see "[COVID-19: Temporary Wage Subsidy Scheme: Extension to August 2020 and latest updates](#)," a publication of the KPMG International member firm in Ireland. For additional information on TWSS, see this Revenue webpage: <https://www.revenue.ie/en/corporate/communications/twss/guidance-on-employer-eligibility-for-twss.aspx> .

RELATED RESOURCE:

1 See GMS [Flash Alert 2020-121](#), 27 March 2020.

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