

March 31st, 2020

5 MOST COMMON QUESTIONS FROM EMPLOYERS

Temporary Wage Subsidy Scheme

✓ Does my business qualify for the scheme?

In operating the scheme, Revenue's priority is to ensure that all employers experiencing significant negative economic disruption from COVID-19 can register for and start to receive payment as quickly as possible.

Per revenue guidance, eligibility for the Scheme will initially be determined largely on the basis of **self-assessment** and declaration by the employer concerned.

A key indicator is that there is to be a reasonable expectation of a **decrease in turnover** by **25 per cent** over the next 3 months to June 2020. This decrease can be gauged by reference to the first three months in 2020 for example, or against another reasonable reference period e.g. similar period last year.

Employers should keep an eye on revenue guidance and maintain **any supporting records** which clearly show the **negative economic impact** to their business arising from COVID-19. Examples include: letters or emails to banks; communications with employees; evidence of declining activity (management accounts, order reports, bank account statements etc.).



Can I pay my staff full pay and still qualify?

Yes, you must pay your staff at a minimum the subsidy amount as calculated, and you can pay up to the **net average weekly amount** (computation of net average weekly amount on next page). If you pay the employee more than the average net weekly pay, the subsidy amount is reduced on a € for € basis. If you paid employee 2 in the example on the next page €650 net weekly pay, the subsidy you get back from the revenue for that week would reduce by €100 from €385 to €285 for that employee.



Can I avail of the scheme for myself or just for my employees?

It depends on whether you are a self-employed sole trader or a director of a limited company. Sole traders will be paid directly by DEASP under the COVID-19 Pandemic Unemployment Payment scheme rather than through this Revenue operated subsidy scheme. For company directors, if they are paid through the payroll system and are included in the relevant payroll submissions for an eligible employer (Jan & Feb 2020), then they are eligible to receive the wage subsidy

✓ How much will I get back?

The scheme creates three 'bands' of employees:

- Those who normally earn up to €586 (net) per week; they can be paid up to €410 per week in wage subsidy,
- Those who normally earn between €586 and €960 (net) per week; they can be paid €350 per week in wage subsidy, and
- Those who normally earn more than €960 (net) per week; they do not qualify for wage subsidy

The subsidy is calculated as 70% of **average net weekly pay**. Average net weekly pay is computed by looking at the employee's payroll submissions for the 9 payroll weeks in January and February 2020 and dividing by 9. The subsidy is now tied to that figure (regardless of whether the employee is hourly or fixed).

Examples:

Employee 1 has an average net weekly pay of €650. If the employer qualifies for the scheme, and pays the employee at €650 net, the employer will get a subsidy of €350 ($€650 \times 70\% = €455$; Wage band 2, therefore capped at €350).

Employee 2 has an average net weekly pay of €550. If the employer qualifies for the scheme, and pays the employee at €550 net, the employer will get a subsidy of €385 ($€550 \times 70\% = €385$; Wage band 1, below the cap of €410).

✓ We run the payroll in-house, how do we process the scheme?

Let's use one of the examples we outlined above.

Employee 1 has an average net weekly pay of €650 (computed based on Jan & Feb 2020 payroll submissions). If the employer qualifies for the scheme, and pays the employee at €650 net, the employer will get a subsidy of €350 ($€650 \times 70\% = €455$; Wage band 2, therefore capped at €350).

1. Input Non-taxable pay as the amount of the subsidy as calculated = €350
2. Select PRSI Class J.
3. The net taxable pay in this example is equal to €300. This is entered as the gross pay in the payroll system. This figure is subject to income tax and USC. No employee PRSI applies. Employer PRSI of 0.5% applies to this amount.

If the employer cannot afford to make any payment over and above the subsidy amount, €0.01 is entered as the gross pay.

Get in Touch

We provide an outsourced payroll office service, and can operate the Covid-19 subsidy scheme for you.



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