COVID-19 Wage Subsidy Scheme

27 March
Latest Update following further Revenue publication and legislation passing first stages

Key Points

- The guidance confirms that eligibility for the Scheme is determined initially on a self assessment basis by the employer determining significant negative economic disruption due to Covid-19.
- Revenue have a presumption of honesty and will not look for proof of eligibility at this stage, although businesses must retain supporting documentation of the basis on which they entered the Scheme
- A non exhaustive list of the records Revenue may look for is noted below.
- The Scheme only applies to employees who were on the employer's payroll at 29 February 2020 and for whom a payroll submission was made in the period 1 February to 15 March 2020.
- Employees who were 'laid off' post 29 February 2020 may be taken back onto payroll for the purposes of the Scheme.
- There is a reference to the payments being taxable for the employees at year end. This is point has been raised with Revenue for clarification.

Overview

Revenue have provided further guidance overnight around the eligibility criteria and supporting proof that may be requested from employers who avail of the Wage Subsidy Scheme. They view the Scheme as a measure that will assist eligible employers returning to viability as soon as possible.

Employers must self assess their eligibility for the Scheme. Participating employers may be required to produce relevant supporting documents when requested i.e. how the company formed the view that there was/would be a decrease in turnover of 25% in Q2 of 2020, such that the employer was unable to meet either the normal wages of staff or meet their normal outgoings.

Revenue are not looking for proof of eligibility at this stage, but reserve the right to undertake a risk based verification process afterwards.

Revenue consider that the declaration of eligibility by employers is not a declaration of insolvency, but rather that there is a temporary Covid-19 related decline of 25% in turnover/ customer orders such that employers cannot pay normal wages to staff.

The ultimate tax position of the payment at year end requires clarification as soon as possible and has been raised with Revenue. This appears to have gone under the radar in public discussions and debates to date; so it is hoped that the intention is not to apply a retrospective tax charge at year end. However, it is a key point arising from the Revenue commentary to date and related draft legislation.

What documentation will Revenue look for?

Basis for assessing the 25% decline in turnover

This is based on the company's expected turnover for Q2 2020. Examples include:

1. Quantifying a decline in orders in March compared with February 2020.
1. What was the estimated turnover in Q1 2020 versus that projected for Q2
2. Any other reasonable basis by the employer.

- It is not necessary to demonstrate a 25% decline in each of the months for Q2, merely that an overall decline of 25% was projected to occur in the quarter.
- If subsequently the actual turnover for the quarter was less than 25%, Revenue may query what documents/data the employer relied upon to assume that the loss in turnover would be greater than 25%.

Note: Revenue have confirmed that employer's hit by a significant decline in business but who retain strong cash reserves (which are not required to fund debt) will still qualify for the Scheme).

The expectation is however that such employers would continue to pay a significant proportion of their employee's wages.

Proofs supporting the inability to meet normal wages or other outgoings

Revenue's list of possible supporting documentation:

- Copies of notifications to staff/Trade Unions/ representative bodies regarding salary/wage cuts due to Covid-19.
- Copies of documents that show any cash reserves required to fund debt that is equal to or greater than that reserve.
- Start-up companies may be requested to provide evidence of a decline in investment by at least 25% arising from Covid-19.
- Documents submitted to banks as part of negotiations on forbearance.
- Reliance on the Government Credit Guarantee Scheme or overdraft facilities or other borrowing for capital purposes.
- This is a non exhaustive list and other supporting material may be provided to Revenue (such as future forecasts etc.).

The onus lies with employers to self assess their eligibility for the Wage Subsidy Scheme. Employers must undertake the necessary due diligence around demonstrating how their business has or is projected to suffer either a 25% reduction in turnover or reduction in customer orders.

Although Revenue are not looking for up front proof of eligibility, employers face the likelihood of verification reviews from Revenue.

In this regard the employers documentation, data and projections are likely to be required to satisfy any future Revenue queries.

These should be complied as part of the employer's overall eligibility due diligence process.

Employers may wish to review whether they had any personnel on their payroll on 29 February 2020 and whom they subsequently laid off. Such individuals are now eligible for the Scheme and it will be necessary to re-instate them on the payroll in order to obtain the wage subsidy.

The employer declaration of eligibility (made via ROS) is not a declaration of insolvency.

The legislation passed by the Dail on 26 March specifies that no deduction of PAYE/PRSI or USC will be made from the subsidy. However it also specifies that the income is taxable on the employee.

It remains to be seen what this will mean in practice for individual employees and we continue to seek clarification from Revenue on this point.

Further Information

PwC Ireland is actively liaising with Revenue to obtain further information on this scheme.

If you have any questions in relation to eligibility for the subsidy, how to manage the payroll reporting or reclaiming refunds, please get in touch with your usual PwC contacts or one of those listed on this page.

Get in touch to find out more

Doone O'Doherty
Partner
doone.odoherty@pwc.com
+353 (0) 87 27 68 112

Keith Connaughton
Partner
keith.connaughton@pwc.com
+353 (0) 86 447 9412

Ken O'Brien
Director
ken.obrien@pwc.com
+353 (0) 86 810 6818

Sean Walsh
Senior Manager
sean.walsh@pwc.com
+353 (0) 85 142 4544

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