

## **COVID-19 - WILL MY CO-OPERATIVE AND EMPLOYEES QUALIFY FOR THE WAGE SUBSIDY SCHEME**

31<sup>st</sup> March 2020

### **SCHEME STRUCTURE**

The guidance outlines that there are two phases to the Temporary COVID-19 Wage Subsidy Scheme (the “Scheme”)

Phase 1 – transitional phase – builds on the old Emergency Employer Refund which operated from 15<sup>th</sup> to 26<sup>th</sup> March. Under the new Scheme, the Government provides the co-operative with a maximum of 70% of each employee’s wage, capped at €410 per employee regardless of whether the co-operative makes additional payment to employee or not.

Phase 2 – from a date no later than 20<sup>th</sup> April 2020 the subsidy paid to the co-operative will be based on each individual employee’s Average Net Weekly Pay, subject to the maximum weekly tax-free amounts – further information to follow from Revenue.

### **TOP-UP PAYMENTS**

The co-operative may choose to make an additional taxable payment to an employee to fully or partially make up the difference between their average net weekly pay and the subsidiary amount.

The subsidy value refundable to the co-operative will be reduced if the co-operative makes an additional payment greater than the 30% difference allowed by the Scheme – see Appendix.

It is expected that the co-operative will make best efforts to maintain as close to 100% of normal salary as possible.

Revenue and the Department of Employment Affairs and Social Protection (DEASP) will be checking the eligibility of employers and employees.

### **IMPACT ON EMPLOYEES’ RIGHTS TO REDUNDANCY**

The Bill has suspended the provisions of Section 12 of the Redundancy Payments Act 1967 which covers instances where an employee has been temporarily laid off or put on short-term work arising from the Covid-19 during the emergency period (provisionally expiring on 31 May, extendable by Ministerial order under Bill).

Where an employee previously laid off has been re-hired by the co-operative the employee will qualify for the Scheme, provided any claim for unemployment payments they have made to DEASP is withdrawn.

### **PRSI IMPLICATIONS**

Employers PRSI reduced from 11.05% to 0.5% and no employee PRSI applies. Employees will still get insurable weeks or credited contributions.

Income tax, USC, LPT, if applicable, and PRSI are not deducted from the Temporary Wage Subsidy. The subsidy will be liable to Income Tax and USC on review at the end of the year.

Refund of Income tax or USC already paid – in many instances there will be a refund of Income tax or USC already paid by the employee. Any refund due as a result of tax credits and rate bands can be repaid by the Co-operative and it will be refunded by Revenue.

Penalties will apply if Scheme guidelines not adhered to.

### **CALCULATION OF AVERAGE NET WEEKLY PAY**

Net weekly pay is the Average Net Weekly Pay for Jan and Feb 2020 (based on submissions to Revenue by 15 March 2020).

To calculate the “Average Net Weekly Pay”, using the values in the payroll submission for each pay date in Jan and Feb 2020 as per the example calculation in the Appendix.

**Note:** If the employee’s wages and tax/USC/PRSI were constant through all payment in Jan and Feb then using one week’s figures will give the same result and simplify the process.

Co-operatives are reminded to ensure that they use the most current RPN and make submissions in line with payroll frequency, i.e. weekly / fortnightly or monthly.

### **CO-OPERATIVE ELIGIBILITY AND SUPPORTING PROOFS**

- Initial eligibility determined on self-assessment and declaration by the co-operative followed by Revenue verification later
- To qualify, the co-operative must be experiencing significant negative economic disruption, this will be readily apparent:
  - Co-operative is forced to close their premises
  - Adhering to public health advice/orders results in restriction on trade
- Application based on self-assessment principles (Presumption of Honesty)
  - Qualifying Co-operative declares it is significantly impacted.
  - Key indicators
    - Co-operative unable to maintain normal output.
    - turnover decrease by 25% for quarter 2 of 2020:
      - Co-operative best placed to determine
      - Co-operative records decline in orders in March 2020 compared to February 2020 or
      - Likely turnover for the quarter compared to quarter 1 or, if appropriate, quarter 2 of 2019
      - Or any other basis that is reasonable
    - Co-operative foresees inability to pay normal wages.

- Any other indicators set out in Revenue guidelines
- Employees must have been on the payroll at 29<sup>th</sup> February 2020
- Employees laid off after 29<sup>th</sup> February 2020 may be taken back onto the payroll for purpose of the Scheme

It is critical to note that, as a result of the unprecedented circumstances brought about by the outbreak of COVID-19, the advice set out above is subject to change and is not a “one size fits all” solution. Therefore, it is advisable to consult with your co-operative’s HR advisors and contact Sinead Farrell on [sfarrell@icos.ie](mailto:sfarrell@icos.ie) or Darragh Walshe on [dwalshe@icos.ie](mailto:dwalshe@icos.ie) if you have any queries relevant to the matters outlined above.

## Appendix

### Calculate Average Net Weekly Pay

1. Take the employee's "Gross pay" and from it subtract the "Income Tax Paid", the "USC Paid" and the "Employee PRSI Paid".
2. Total this figure for each pay date in Jan and Feb 2020 and divide this by the number of insurable weeks (capped at 9) for the period.
3. This gives you the employee's average pay that is to be used for the subsidy amount.

Example Calculation of Average Net Weekly Pay						
Pay Date	Insurable weeks	Gross Pay	Income tax paid	USC paid	Employee PRSI paid	Net weekly pay as re-reported to Revenue
Fri 03-Jan-20	1	270.60	3.22	1.95	0.00	265.43
Fri 10-Jan-20	1	270.60	3.22	1.95	0.00	265.43
Fri 17-Jan-20	1	270.60	3.22	1.95	0.00	265.43
Fri 24-Jan-20	1	297.66	3.54	2.15	0.00	291.97
Fri 31-Jan-20	1	297.66	3.54	2.15	0.00	291.97
Fri 07-Feb-20	1	297.66	3.54	2.15	0.00	291.97
Fri 14-Feb-20	1	297.66	3.54	2.15	0.00	291.97
Fri 21-Feb-20	1	297.66	3.54	2.15	0.00	291.97
Fri 28-Feb-20	1	297.66	3.54	2.15	0.00	291.97
Totals	9	2,597.76	30.90	18.75	0.00	2,548.11

**Employee's Average Net Weekly Pay (ANWP) €2548.11 / 9 = 283.12**

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### Calculation example - overpayment

Frequency	Weekly
Weeks	1
PRSI Class (Employee 0%, Employer 0.5% on taxable pay)	J9
Non Taxable pay - No USC (70% of ANWP as it is less than 38,000 pa)	198.18
Taxable Pay - Employer contribution (optional) (USC)	0.01
Subsidy refund received from Revenue	410.00
<b>Balance of payment due to be refunded to Revenue in future</b>	<b>211.82</b>