

COVID-19 The Wage Subsidy Scheme in practice Operational Phase

8 May 2020

Introduction

Over 50,900 employers are registered with Revenue for the Wage Subsidy Scheme (WSS), of which over 43,000 have received payments. WSS payments with a cumulative value of over €700 million have been delivered to over 427,000 employees.

The WSS has been operating for some time but only this week did the 'Operational Phase' commence.

This bulletin will outline:

1. What is the Operational Phase?
2. What needs to be considered prior to any payroll processing?
3. Tips and hints for accurate payroll processing and checking when WSS is being claimed
4. Reporting and reconciliation considerations, and
5. Some additional considerations and further information sources



1. What is the Operational Phase of the WSS?

The WSS commenced 26 March 2020. The period up to 3 May was the 'Transitional Phase'. The Operational Phase commenced 4 May 2020 and applies to submissions received on or after that date.

Key features of the Operational Phase are based on Revenue's capacity to analyse and provide relevant information to employers. In particular:

1. Revenue will make available a CSV file (per employer registered for the WSS) with each employee's Average Revenue Net Weekly Pay (ARNWP), maximum WSS amount and maximum Employer Top Up, using a tiered system for tapering purposes;
2. The amounts of WSS that will be refunded to employers will be the actual WSS that the employee received, as per the Payroll Submissions; and
3. Revised calculation rules and WSS rates will apply.

Where an employer wishes to 'top up' the WSS, our experience to date indicates that the process is not as simple as one would hope or expect.

Employers have a lot on their plate operating the WSS, at a time when capability and resources are likely to be impacted. [Revenue's online calculator](#) may provide some assistance to employers struggling with the complexity of the scheme.

This bulletin outlines key decisions, considerations and practical tips.



2. What needs to be considered prior to any payroll processing?

Before you start

Employers need to have considered their eligibility for the WSS and registered for the scheme. For further information on this please [click here](#) to view previous PwC Ireland People and Organisation guidance.

Prior to processing

Prior to processing a payroll including the WSS, employers should utilise available resources to accurately determine key data items, including individual employees’:

- ARNWP
- Maximum allowable Top Up amounts before tapering, and
- Maximum WSS amount

These figures will be the starting point for any decisions on possible Top Up payments. Remember, the ARNWP is based on January and February payroll submissions and Revenue’s confirmation of this amount in the CSV file now represents the baseline for the WSS.

The following resources can be utilised to help calculate key data items:

- Your outsourced payroll provider or your payroll software provider (if your payroll is processed in house). Ask about reporting functionality in relation to WSS ARNWP, WWS etc;
- A trusted advisor who has visibility of your payroll; and
- [Revenue](#) - including both the ‘Request Temporary Wage Subsidy Scheme calculation’ and ‘[Sample Subsidy Calculator](#)’ facilities.

Even with these supports, the Operational Phase is likely to be difficult to navigate, particularly if you have a large payroll or a range of pay levels.



3. Tips and hints for accurate payroll processing and checking when WSS is being claimed

Processing

When processing the payroll it is important for employers to be clear on what they are seeking to achieve and to deliver to employees. For example, do they intend to pay:

- Only the maximum available WSS amount?; or
- Maximum available WSS plus Employer Top Up? If so how do they determine the Employer Top Up amount?

If an employer is delivering Top Up, care needs to be taken to ensure that the amounts processed adhere to appropriate limits and that WSS limits are not breached unintentionally. In addition, an approach needs to be taken regarding the processing of:

- **Pensions:** employee pension deductions can’t be made from WSS but can be from Top Up regarding scheme rules for periods of non payment?
- **Benefits in Kind:** what are implications of ‘suspending’ BIKs, e.g. a tax liability for the employee at the end of the year? If you continue to process the BIK have you factored this into your calculation of the maximum Top Up? Statutory deductions on BIKs can’t be made from WSS but can be from Top Up. How might deductions impact on employees’ net pay and has this been agreed with the employees?

- **Non-statutory deductions** from any Top Up, e.g. SAYE or medical insurance. If these are suspended what are the implications?

These items all feed into instructions for either an outsourced payroll service provider, or an in-house payroll team.

Payroll processing software will need to be updated to:

- Process all appropriate individual Pay, Benefit and Deduction element value changes. These may be ‘Masterfile’ (Permanent) or ‘Timesheet’ (Temporary) changes;
- Correctly set up the WSS element with appropriate tax, USC and PRSI treatment; and
- Reflect the appropriate PRSI Class.

Checking

Once a WSS payroll is processed (but not finalised) we recommend undertaking the following (at a minimum):

- Ensure net pay is equal to or more than the WSS;
- For each level of ARNWP, ensure that the appropriate 'band', 'tier' and subsidy is applied correctly to calculate processed values for WSS, Top Up etc.;
- Check that WSS is set up correctly as PAYE and USC free and identified as 'GovC19 Wage Sub';
- Confirm that all employees receiving the WSS are on PRSI Class J9 and are reflected on the Payroll Submission as such;
- Any Top Up amount is in line with employer's intention / staff announcements;
- Undertake due diligence around whether pensions, BIKs and non-statutory deductions can be processed in line with pre-Covid employee agreements and, if so, without impacting WSS net to employees. Care needs to be exercised here; and
- Make sure there's no discrepancy between the WSS calculated versus the payroll submission report (at individual employee level and total level).



4. Reporting and reconciliation considerations

Reporting to Revenue

- Once processed and finalised, usual Real Time Reporting (RTR) obligations apply and submissions must be made on or before the pay date. Employers can file payroll submissions early but Revenue will not process these (or WSS refunds) earlier than four days before the due pay date.
- Revenue do not currently have the capacity to amend submissions that include WSS claims. If an employer needs to correct or amend reporting to Revenue, it is necessary to make this request through myEnquiries.

Reconciliations

- In the Operational Phase the WSS refunded by Revenue to the employer will equal the amount actually paid to the employee. Any excess amount paid by Revenue from the Transitional Phase may be taken into when making these refunds.
- Revenue anticipates that refunds of the subsidy will be transferred into the employer's bank account within two banking days of the payroll submission being made.
- As the WSS is taxable but not taxed through the PAYE system, any tax due will be collected from employees at a later date. This is likely to be collected via adjusted credits and bands on a future RPN. Also, employees on a cumulative (normal) tax basis may have received tax refunds in the first periods of WSS payments.



5. Additional considerations and further information sources

Some further points for employers to note:

- The value calculated for the 'ARNWP' which drives eligibility and amounts of WSS, is based on pay from Jan/Feb 2020;
- If an employer is claiming WSS for part of a pay period, only one PRSI class per period will be reported (J9), which may give rise to an underpayment of employer (and employee) PRSI. We await further guidance on how/when this will be recovered;
- WSS payments are taxable on employees. So too are any BIKs that are 'suspended'. Employers should provide guidance to employees in this regard;
- The names and address of employers who make submissions for WSS will be published by Revenue;
- Revenue has clarified the Minister for Finance's comments that - for employees who previously had an ARNWP of greater than €960 per week but which has now fallen below this amount - it is the current gross payment (before subsidy) that will drive eligibility; and
- Last but not least, the Irish WSS scheme is different to the UK's furlough scheme. Our experience indicates that the Irish scheme is more intricate.

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