

# The Employer Wage Subsidy Scheme

Presentation to Bord Bia

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*23 April 2020*



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# Introduction

- The aim of our presentation today is to give an understanding of the practical operation of the scheme.
- The emphasis will be on its application rather than on policy matters.
- The scheme has been implemented at short notice and is still a ‘work in progress’, with guidance being updated on a daily basis.
- Further guidance may therefore affect some of the conclusions set out in the presentation.

# Agenda

- Overview of the scheme
- Eligibility - employers and employees
- Applying for the scheme
- Operation, including calculations and issues arising
- Q&A

# Overview of the scheme

# The Employer Wage Subsidy Scheme ('WSS')

## *What is it?*

- The Temporary Wage Subsidy Scheme (TWSS) is aimed at providing income support to eligible employees where the employer's business activities have been negatively impacted by the COVID-19 (Coronavirus) pandemic.
- The subsidy is expected to be topped up unless an employer is not in a position to do so.
- Employers will make this subsidy payment to employees through their normal payroll process.
- The subsidy payment will generally be refunded to the employer's bank account within 2 days of filing the payroll report.

# The Employer Wage Subsidy Scheme ('WSS')

## *What is it?*

- Initial duration of the scheme is 12 weeks from 26 March to 30 June
- Self Assessment principles will apply
- Not a declaration of insolvency
- Declaration to be made based on reasonable projections
- Publication of all employers availing of scheme
- Penalties for abuse of the scheme
- Revenue do not anticipate a full compliance review of many cases post the crisis.

Eligibility

# Eligible Employers

To qualify for the scheme, employers must:

1. Be experiencing significant negative economic disruption due to Covid-19;
2. Be able to demonstrate, to the satisfaction of Revenue, a minimum of a 25% decline in turnover;
3. Be unable to pay normal wages and normal outgoings fully;
4. Retain their employees on the payroll, and
5. Have the firm intention of continuing to employ their employees, and making best efforts to pay the employee some of their earnings.

# Eligible Employers

Revenue Guidance on determining eligibility:

*“Our purpose is to support businesses through the scheme; our approach will be based on a presumption of honesty and we expect businesses to approach the scheme in a similar manner. Application for the scheme is based on self-assessment principles - a qualifying employer declares that it is significantly impacted by the crisis. Key indicators are that the employer’s turnover is likely to decrease by 25% for quarter 2, 2020; that the business is unable to meet normal wages or normal outputs and any other indicators set out in our guidelines.”*

*“In relation to the likely reduction in turnover of 25% or more, this is a reduction in expected turnover for Q2, 2020. The employer is best placed to determine that and may base this judgement on the decline in orders in March 2020, in comparison to February 2020, or the likely turnover for the quarter compared to Q1 or if appropriate Q2, 2019, or on any other basis that is reasonable.”*

# Eligible Employers

- Decline in turnover or customer orders are the key indicators for Revenue.
- “Other reasonable basis” - It must be the case that neither of the above tests are capable of being applied to the business in question before an alternative basis for assessing eligibility is used.”
- It is not sufficient to seek another basis simply because the business does not meet either of these tests.

# Eligible Employers

- A 'Business Division' within a company can qualify for the Scheme.
- It must be capable of being separately identified, or otherwise the company as a whole has to be looked at.
- Each Business Division in a company must have a clearly defined and separate management structure separate to the other Business Divisions.
- Employees can't be transferrable across different business in the company.
- Employees working in multiple divisions or Head Office are excluded unless more than 50% of time spent on affected division(s).
- A service company, within a group, can qualify if group companies being serviced have been adversely affected.

# Eligible Employers

**Q. What if the business is significantly impacted but has cash reserves?**

**A.** Revenue's published guidance states that an employer that has been hit by a significant decline in business, but has strong cash reserves, that are not required to fund debt, will still qualify for the Scheme but the Government would expect the employer to continue to pay 'a significant proportion' of the employees' wages.

# Eligible Employees

- The Scheme is confined to employees who were on the employer's payroll as at 29 February 2020, and for whom a payroll submission has already been made to Revenue in the period from 1 February 2020 to 15 March 2020 for pay dates between 1 February 2020 and 29 February 2020.
- There is no specific requirement that the payroll tax liability was paid. (Revenue response to ITI Queries page 5).
- Employee's gross pay, as reported in their payroll submission, cannot exceed €960 per week.
- The sum of payments (subsidy plus any additional payment but excluding tax refunds) payable to the employee, in the week being processed, cannot exceed the Average Revenue Weekly Net Pay (ARWNP).

# Eligible Employees

- Employees who were previously laid off may be taken back on to the payroll in order to be eligible for the scheme.
- Employees who were not on the payroll previously during the relevant period are not eligible.
- The aim of the scheme is to maintain the connection between employer and employee.
- There is no requirement that employees have been laid off, therefore the scheme is applicable whether employees continue to work full time, part time or not at all.

# Applying for the Scheme



# Applying for the scheme

Employers who wish to participate can apply to do so by carrying out the following steps:

1. Log on to ROS 'myEnquiries' and select the category 'COVID-19: Temporary Wage Subsidy'.
2. Read the "COVID-19: Temporary Wage Subsidy Self-Declaration" and press the 'Submit' button.
3. Ensure bank account details on Revenue record are correct. These can be checked in ROS and in 'Manage bank accounts', 'Manage EFT', enter the refund bank account that the refund is to be made to.

# Applying for the scheme

Employer declaration:

*“In accordance with the legislation governing the Scheme, I declare to the Revenue Commissioners that the business intends to operate the COVID-19: Temporary Wage Subsidy Scheme and I confirm that the business is experiencing significant negative economic disruption due to Covid-19, and can demonstrate that the business meets the criteria published in Revenue's Guidance on Employer Eligibility and Supporting Proofs.*

*I accept the conditions of the Subsidy Scheme, that (i) the business will retain its employees on its payroll, (ii) any payments made to the business in excess of 70% of the net weekly pay of each employee will be repaid by the business to Revenue as quickly as possible, or will be offset by Revenue against future payments arising under the Scheme, (iii) any abuse of the scheme that comes to light following a Revenue compliance intervention into the operation of the Subsidy Scheme will be subject to significant penalties.”*

# Applying for the scheme

**Q. What documentation has to be submitted with the application?**

**A. The scheme is being operated on a self assessment basis and there is no requirement to submit supporting documentation at this time.**

# Applying for the scheme

*What documentation should be kept to support the application?*

1. Copies of documentation submitted to a financial institution as part of the negotiation of relief measures with the financial institution.
2. Copies of notifications or communications to employees or Trade Unions or staff representative bodies of salary/wage cuts implemented as a direct result of the COVID-19 pandemic.
3. Copies of documentation that show that any cash reserves in the business that are required to fund debt that is equal or greater than the reserve amount.
4. Evidence of reliance on the Government Credit Guarantee Scheme or overdraft facilities or other borrowings for capital purposes.
5. In the case of start-up businesses, for example, evidence of a decline in investment by at least 25% arising from the COVID-19 crisis.

Operation

The image features a dark blue background with a large, abstract graphic on the right side. This graphic consists of several overlapping, semi-transparent blue shapes. A prominent feature is a large, light blue triangle pointing upwards and to the right, which overlaps a darker blue trapezoidal shape. Below these, there are more overlapping rectangular and trapezoidal shapes in various shades of blue, creating a layered, architectural effect. The overall composition is clean and modern.

# Operation of the scheme - Phase 1

The correct eligible subsidy must be included on the payroll submission, e.g. 70% of the employees' actual Average Revenue Net Weekly Pay (ARNWP).

Revenue will pay the employer a flat weekly rate of €410 in respect of all eligible employees regardless actual subsidy amount on the payroll submission.

Any excess amount paid by Revenue in Phase I will be offset against future subsidy payments.

Eligible employees must be coded as PRSI Class J9.

Phase 1 has been extended to 4 May.

## Operation of the scheme - Phase 2

Phase 2 will begin no later than 5 May 2020.

The operation of the scheme by Revenue will ensure that the subsidy paid to employers will be based on each individual employee's ARNWP, subject to the maximum weekly tax-free amounts.

Further information on how these arrangements will work will issue shortly.

# Calculation of ‘Average Revenue Net Weekly Pay’

To calculate the Average Revenue Net Weekly Pay (ARNWP), use the values in the payroll submission for each pay date in January and February 2020.

- Take the employee’s “Gross pay1 ” and from it subtract the “Income Tax Paid”, the “USC Paid” and the “Employee PRSI paid”.
- 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.
- This gives you the employee’s average pay that is to be used for the subsidy amount.
- Bonus payments, commissions, etc., made in the relevant period, will be taken into account when calculating the ARNWP.

## Calculation of 'Average Weekly Net'

### Calculate Employee's Average Net Weekly Pay

Pay Date	Insurable weeks	Gross Pay	Income tax paid	USC paid	Employee PRSI paid	Net weekly pay as 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
<b>Totals</b>	<b>9</b>	<b>2,597.76</b>	<b>30.90</b>	<b>18.75</b>	<b>0.00</b>	<b>2,548.11</b>

Employee's Average Net Weekly Pay (ANWP) €2,548.11 / 9 =

283.12

### Payroll details

# The Employer Wage Subsidy Scheme ('WSS')

## *April Payroll Position*

- Subsidy, eligible employers receive, based on the following:

ARNWP	Subsidy
Less than €586 per week	Up to €410
Between €586 and €960	Up to €350

- For payrolls prior to 16 April, no subsidy will apply where the employee's ARNWP is in excess of €960.
- Scheme extended to potentially include employees with ARNWP (Jan/Feb payroll data) in excess of €960 (indicative gross figure - €76,000 per annum) from 16 April.

# Operation of the scheme - April Example

## Example I - Employee's ARNWP < €586

- Employee has an ARNWP of €450
- The maximum subsidy that can be paid is 70% of ARNWP = €315
- Maximum Top-Up is 30% of €450 = €135
- The payroll submission must include the correct subsidy amount - €315
- Phase 1 - Employer will receive a flat rate subsidy of €410
- The excess of €95 (€410 - €315) will be clawed back by Revenue from subsequent payments to the employer
- If the employer pays a gross Top-Up of €200 then the €65 (€200 - €135) excess will be clawed back by Revenue

# Operation of the scheme - April Example

## Example I - Employee's ARNWP > €586

- Employee has an ARNWP of €800
- The maximum subsidy is €350
- Maximum Top-Up is ARNWP less Subsidy ( $€800 - €350$ ) = €450
- The payroll submission must include the correct subsidy amount - €350
- Phase 1 - Employer will receive a flat rate subsidy of €410
- The excess of €60 will be clawed back by Revenue from subsequent payments to the employer
- If the employer pays a gross top-up of €500 then the €50 ( $€500 - €450$ ) excess will be clawed back by Revenue

# Operation of the scheme - April Example

## *Changes from 16 April*

- Employees earning in excess of €76,000 gross per annum may now potentially qualify as an eligible employee
- Changes complex and restrictive
- Example - Employee earning €96,000 gross per annum pre-Covid has taken a gross pay cut of 50% will qualify.
- Above employee with a 40% gross pay cut will remain outside the scheme.

# The Employer Wage Subsidy Scheme ('WSS')

*Effective from 4 May*

- Employees with net pay less than €586 per week

ARNWP	Subsidy
less than €412 per week	85% of ARWNP
Between €412 and €500	€350
Between €500 and €586	70% of ARWNP

# The Employer Wage Subsidy Scheme ('WSS')

*Effective from 4 May*

- Employees with ARNWP greater than €586 per week
- Tiered approach - Maximum subsidy of €350 per week

Gross top up amount paid by employer	Subsidy
Up to 60% of ARNWP	Up to €350
Between 60% and 80% of ARNWP	Up to €205
Over 80% of employee's previous ARNWP	No Subsidy

- Net pay (employer contribution and wage subsidy) cannot exceed €960 per week
- Detailed Revenue Guidance to follow

# Taxation Treatment

- The subsidy payment is not subject to taxation through the PAYE system (including USC and PRSI).
- However, the subsidy payment will remain taxable in the hands of the employee.
- Eligible employers can suspend the operation of BIK for eligible employees for the period that the employee is on the scheme. Benefit remains taxable.
- Revenue have indicated that where there is a liability at year end, this will most likely be collected over future years.
- Any employer top up will be considered Gross Pay and is subject to PAYE (including USC and 0% employee PRSI), and in the case of employers will be subject to a reduced rate of 0.5%.
- The subsidy amount paid by the employer is not deductible in computing the employer's chargeable profits, however, any top up is deductible in the ordinary way.

# Customs Concerns

*Carol Lynch | Partner | Customs and International Trade Services*

*23 April 2020*



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# Customs Concerns

- Green Lanes
- Port Facilitation measures introduce in Ireland
- Customs Procedures
- Deferred Payment

# COVID-19 Business Supports

*Brian McEnery | Partner | Head of Advisory*

*23 April 2020*



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# Contents

- Cashflow management
- Sources of finance and support
- Wage Subsidy Scheme
- Other Revenue initiatives
- Customs (implications for imports and exports)

# Cashflow or Receipts & Payments

- Whether your business is closed or trading during the crisis the cashflow forecast is your most important tool for now
- Even if you are closed or significantly downsized during restrictions you will still have costs
- You need to see if your current liquidity is enough to carry you for the period of 16 weeks
- If so it is likely the worst of the restrictions will be past
- Its important to keep the cashflow rolling from week to week so you always have 16 weeks out ahead of you
- It will highlight actions you need to take in advance so you can plan for them.



## The Burn Rate

The rate at which a company spends cash to cover overhead costs without generating a positive cash flow is called the **burn rate**.

Use the burn rate to calculate how long a company can go without revenue.

$$\text{Cash on Hand} \div \text{Burn Rate} = \text{Number of Months before Cash Runs Out}$$

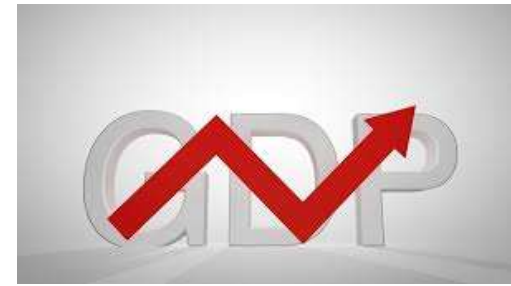
# Cashflow is you ability to trade

*This is the crucial tool to make the right decisions*

XYZ Limited - 16 Week Cashflow																
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16
	27 April 2020	04 May 2020	11 May 2020	18 May 2020	25 May 2020	01 June 2020	08 June 2020	15 June 2020	22 June 2020	29 June 2020	06 July 2020	13 July 2020	20 July 2020	27 July 2020	03 August 2020	10 August 2020
Opening Balance	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Inflows:</b>																
Debtors																
Cash Sales																
Bank loans																
Government Grants																
Other income																
Total Inflows	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Outflows:</b>																
Creditors																
Cash purchases																
Wages & Salaries																
PAYE																
VAT																
Capital Expenditure																
Loan repayments																
Total Outflows	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Closing Balance	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -

# Scenario Analysis - stress testing

- Its important to look at your base case but also what a pessimistic case might look like
- The recovery might be slower than you think and so stress test your inflows more aggressively
- You might suffer for some bad debts as your debtors might go into liquidation
- You need to be conservative and see how these assumptions impact the business
- If you are running into a deficit can you get support to aid your liquidity
- You will need to take quick and decisive action.



**BAD DEBT**

# Things to consider

- Cost reduction - reducing / delaying / eliminating discretionary spending
- Government supports - when possible avail of government supports if eligible
- Actively collect debtors that owe you money
- Actively engage with creditors to preserve cash reserves e.g. taxes, rates, suppliers
- Engage with your bankers to ascertain the possibility of additional liquidity
- If you are continuing to generate credit sales explore the opportunity of introducing invoice discounting to expedite cash flow
- Be vigilant on granting credit - is credit insurance a possibility.



# Cashflow Management - actions

- Consider getting support if you can't do this in-house
- There are supports from EI, LEO's and other State Enterprises to cover the cost of strategic planning and cash flow analysis
- Have your last 2 years accounts completed to show your trading history
- Have a financial projection for the rest of the year and 2021 if you are going for new banking facilities
- As business owners its vital to get assistance if you need it - you are flying blind otherwise.



# Government Supports for Covid-19

# Strategic Banking Corporation of Ireland (SBCI)

- Loans are available to viable micro, small and medium sized enterprises ("SMEs") and Small MidCap enterprises
- Loans from €25,000 to €1.5 million under the Working Capital Loan Scheme and a maximum interest rate of 4%
- These loans can be used for:
  - ❖ Future working capital requirements
  - ❖ To fund innovation, change or adaptation of the business to mitigate the impact of Covid-19.
- The business must be impacted by the virus resulting in business turnover/profitability being negatively impacted by a minimum of 15%
- Loan terms ranging from 1 year to 3 years and loans unsecured up to €500,000
- <https://sbci.gov.ie/schemes/covid-19-loan-application>



# Microfinance Ireland



- MicroFinance Ireland is offering COVID-19 Business loans from €5,000 and up to €50,000
- Loan terms typically up to 3 years, with zero interest and zero repayment for the first 6 months
- Reduced interest rate 4.5% APR for LEO applications and 5.5% APR for Direct applications
- A business is eligible for this loan if they have:
  - ❖ less than 10 full time employees and annual turnover of up to €2m
  - ❖ Not in a position to avail of finance from Banks and other commercial lending providers
  - ❖ 15% of actual or projected turnover or profit is negatively impacted by COVID-19
- <https://microfinanceireland.ie/loan-packages/covid19/>

# Enterprise Ireland Supports

## *Business Financial Planning Grant*



- Enterprise Ireland has a new €5,000 Covid-19 Business Financial Planning Grant to help companies prepare financial plans for their internal needs, banks and the SBCI
- This financial plan will help companies understand their immediate financial position, secure the finance they require to survive and provide framework for sustainability
- It helps to ensure that the company has a framework to identify and manage its costs and their gaps in funding
- 100% funding of up to €5,000 to access an approved financial consultant
- This is open to all Enterprise Ireland clients and companies employing 10 or more in the manufacturing and internationally traded services sector
- The link to Enterprise Ireland's Business Response Plan can be seen here:  
<https://enterprise-ireland.com/en/About-Us/Services/Covid-19/Supports/Covid-19-Guide.pdf>

# Other Enterprise Ireland Supports

## Lean Business Continuity Voucher

- Available to eligible companies to access up to €2,500 in training or advisory services support related to the continued operation of their businesses
- These are available through your local enterprise office and are designed for businesses across every sector that employ up to 50 people
- <https://enterprise-ireland.com/en/Productivity/Lean-Business-Offer/Lean-Business-Continuity-Voucher.html>

## Key Manager Grant

- Provides partial funding towards the recruitment of a full or part-time manager with critical skills to support the business and future growth

## Business Process Improvement Grant

- Used to support short to medium term company projects that improve efficiencies and business process improvements

# Other Enterprise Ireland Supports

## COVID-19 Online Retail Scheme

- Open to retailers employing over 10 people
- Grants ranging from €10,000 to €40,000 will be awarded under the competitive scheme to retailers seeking to improve their existing digital capability and to develop a more competitive online offer
- <https://www.enterpriseireland.com/en/funding-supports/Online-Retail/Online-Retail-Scheme/>

## Strategic Consultancy Grant

- Funds the hiring of a strategic consultant to support the development and/or the implementation of new strategic initiatives to facilitate business growth
- A maximum grant of €35,000
- <https://www.enterpriseireland.com/en/funding-supports/company/establish-sme-funding/strategic-consultancy-grant.html>

# Other Enterprise Ireland Supports



## Sustaining Enterprise Fund

- €180m Sustaining Enterprise Fund for firms with 10 or more employees in the manufacturing and international services sectors to be operated by Enterprise Ireland, providing advances of up to €800,000 which are only repayable when a business returns to good financial health
- <https://www.enterprise-ireland.com/en/funding-supports/Company/Eestablish-SME-Funding/Sustaining-Enterprise-Fund.html>

# Other Supports Available

## Trading Online Voucher Scheme

- This voucher scheme is available through Local Enterprise Offices and is designed to assist small businesses with up to 10 employees to trade more online
- This is worth €2,500 and a second voucher may be sought once the first has been successfully utilised
- <https://www.localenterprise.ie/Discover-Business-Supports/Trading-Online-Voucher-Scheme-/>

## Business Continuity Voucher

- This is also available through Local Enterprise offices for businesses that employ up to 50 people
- This voucher is worth €2,500 in third party consultancy costs and can be used by companies and sole traders to develop short-term and long-term strategies to respond to the COVID-19 emergency
- <https://www.localenterprise.ie/Portal/response/Business-Continuity-Voucher/Business-Continuity-Voucher.html>

# Other Supports Available

## Finance in Focus Grant

- The Finance in Focus grant offers Enterprise Ireland (EI) and Údarás na Gaeltachta clients funding of up to €7,200 to cover third party consultant's fees

## Planning Exemptions for Restaurants & Cafes

- Restaurants and cafes will not have to apply for planning permission to operate as take-away services during the emergency period, with review at May 31<sup>st</sup>
- <https://www.housing.gov.ie/planning/covid-19-coronavirus/clarification-operation-planning-system-during-current-covid-19>

## Rates Deferral

- The Government has agreed with local authorities to defer rates payments from the most immediately impacted businesses, eg retail, hospitality, until the end of May
- <https://www.housing.gov.ie/local-government/covid-19-coronavirus/support-businesses-impacted-covid-19-through-commercial-rates>

# Restructuring & Rescue

*Good businesses can be protected*

- Not every business will have a strong balance sheet
- But if you have a good business then with help you should survive
- There will be formal & informal schemes to deal with creditors
- Talk to your lawyer and accountant if you see trouble coming
- Try and restructure while you have breathing space



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