

Covid-19 - Employment Support updates and the new Wage Subsidy Scheme

Explainer for Startups

Last updated: 25th March 2020

Since Covid-19 has caused widespread disruption, the Irish Government has announced a variety of measures to support communities and maintain social cohesion, including measures to support business and employees.

Many in the startup community are concerned that measures to support businesses will not apply to them or their employees, so we're working with our partners to provide clarification, and ensure startups are included in measures. This document includes updated detail on how the various employment support schemes will operate.

We will continue to work with Government agencies and other business representative bodies to further clarify eligibility criteria and to ensure that start-ups and scale-ups can benefit to the maximum extent possible.

Please follow our social channels for updates over the next few days. Any further clarification will be incorporated into this document. If you have specific queries please contact us via our website.

Please note that this document is for information purposes only and does not constitute formal guidance on the measures outlined. Startups should consult official Government sources for guidance on the operation of the schemes. See www.gov.ie/covid19

1. COVID-19 Wage Subsidy Scheme

Most importantly for start-ups and scale-ups, the government announced the introduction of a temporary **COVID-19 Wage Subsidy Scheme**.

This is a subsidy to allow employers who have suffered a sudden impact from COVID-19 to continue to pay their employees.

Details of the scheme are available here: <https://www.gov.ie/en/service/578596-covid-19-wage-subsidy/> and we've summarised the scheme below -

- The scheme will give employers a refund of 70% of the amount of normal net pay to an employee up to a maximum of €410 per week
- In calculating the amount of "normal" weekly net pay, the Revenue will simply take January and February 2020 payroll and divide by 9 to arrive at a weekly amount (projected annual salary will be this number multiplied by 52)
- The subsidy plus top-up cannot exceed an employee's previous normal wages
- The scheme will operate for 3 months
- Proprietary directors (i.e. directors who own a material stake in a company but pay themselves a salary from the company) are eligible
- The amount is based on 70% of the after-tax income of someone on an average wage of €38,000 without any account being taken of whether the person is single or married, etc.
- For staff with gross incomes of between €38,000 and €76,000, the scheme will operate on a sliding scale with a maximum subsidy of €350 per week for those being paid €76,000. Details of

the sliding scale are “a work in progress”

- Above €76k no subsidy is available. However, if an employee’s salary is reduced below this level, they become eligible for the subsidy
- Employers are expected to make “best efforts” to top up wages/salaries to as close to normal as possible
- A “sudden impact” is defined as being able to demonstrate that you have lost at least 25% of your trade
- The scheme will be administered by the Revenue Commissioners and will, essentially, reverse the normal flow of funds through the PAYE system
- However, the call made clear that **this scheme is a work in progress and that, as the Revenue Commissioners develop their understanding of different situations, they will amend qualifying criteria**
- You can apply here: <https://revenue.ie/en/corporate/communications/covid19/index.aspx>

Details of the scheme on the website are still high level and the draft legislation underpinning the scheme has not been published yet and the full scheme is not expected to be up and running until 20th April.

However, a number of very **important clarifications** have been provided, which will be of particular interest to startups:

- **Who is Eligible?** “Indicators” of a sudden COVID-19 impact such as a 25% drop in trade are not hardwired into the legislation and other criteria such as an “inability to pay normal salaries or an inability to pay normal outgoings” will cause companies to be eligible. The authorities expect eligibility guidelines to evolve over time and are updating criteria on an ongoing basis.
- **Voluntary top ups** While employers are urged to top up the payment to employees, there is no obligation to do so
- **PRSI due?** Top-ups will be subject to a minimal rate of PRSI (~0.5%)
- **Self-Declaration** The scheme is a self-declaration scheme. There will not be a lengthy evaluation process for eligibility
- **Interim Scheme** In the interim between now and the 20th of April, an interim scheme will simply provide the subsidy at a maximum rate of €410
- The scheme will support both people who are still working and people who are effectively laid-off or on full or part-time working

Full details yet to follow. In the meantime, we would encourage you to register for the scheme if you feel it’s likely that you will need to avail of it.

2. COVID-19 Pandemic Unemployment Payment - Increase

An increase in the COVID-19 Pandemic Unemployment Payment from €203 to €350 per week.

- This applies to both employees and the self-employed; It is for those who have lost their job or been forced to cease trading due to COVID-19; It is in place for duration of the crisis
- Details here: <https://www.gov.ie/en/service/be74d3-covid-19-pandemic-unemployment-payment/>

3. Illness Benefit for COVID-19 Absences - Increase

An increase in the Illness Benefit for COVID-19 Absences, also to €350 per week

- This is for those who are sick or self-isolating on instruction of a doctor due to COVID-19; You must be confined at home or in a medical facility to benefit; paid for max 12 weeks
- Details here: <https://www.gov.ie/en/service/df55ae-how-to-apply-for-illness-benefit-for-covid-19-absences/>