



COVID -19 - TEMPORARY WAGE SUBSIDY SCHEME (TWSS) + EMPLOYEE TAX LIABILITIES

BACKGROUND

Like other welfare payments such as the State pension and maternity benefit, the **Temporary Wage Subsidy Scheme (TWSS)** is subject to both income tax and the universal social charge (USC).

However, under the original **'transitional'** phase of the TWSS, the subsidy paid to employees was **NOT** subject to tax deductions through payroll - **therefore giving rise to a tax liability for employees (of some nature at a later date)**.

The TWSS scheme was subsequently replaced by the **Employment Wage Subsidy Scheme (EWSS)**, however the more recent scheme does not have the same tax issues.

Although Revenue has been clear from the outset that there would be a potential **'additional'** tax implication with the TWSS subsidies - **HOWEVER for many employees, the additional tax bills will be quite unexpected !**

POST 2020 AND REVENUE 'RECONCILIATIONS'

Revenue have now completed their **'reconciliation'** of the earnings of employees and the calculation of additional tax liabilities arising from the TWSS scheme.

Communications are being issued on the subject to the affected employees, however irrespective of the amounts involved, Revenue have already announced that any tax liabilities will be collected over **a longer repayment period of 4 years - from 2022 onwards**.

Where there is any doubt as to whether funds were received by an employee under the TWSS scheme in 2020, this can be checked directly by -

- Confirming if their Employer was on the list of recipients of TWSS subsidies <https://www.revenue.ie/en/employing-people/twss/list-of-employers/index.aspx>
- Reviewing payslips for the periods of **April to August 2020**, or
- Accessing **MyAccount** to view the **Preliminary End of Year Statement**. Each employee will be able to see if there is an underpayment of IT or USC arising due to the TWSS.

Again it should be highlighted that payment of any outstanding liabilities commences from 2022 and can be repaid over a period of 4 years – **which should mean even larger tax liabilities should be reasonable manageable !!**



OTHER

PLEASE NOTE – An Employer can pay their employees' TWSS liabilities, **but this is limited to payments made up to the end of June 2021.**

It should also be noted that in these instances, Revenue will not apply **Benefit-in-kind rules** to these payments for employees.

Employers however, making these payments on behalf of employees to settle these tax liabilities **WILL NOT** receive a tax deduction for these payments, as they would not be regarded as **wholly and exclusively incurred** for the purposes of the employer's trade or profession !

Contact us at info@sakurabusiness.ie if you have any further queries on the TWSS scheme.