



An Roinn Airgeadais  
Department of Finance

# Response to COVID 19 – Tax Strategy Group 20/01

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## Introduction and economic outlook

Before the onset of the Covid-19 crisis, the Irish economy was growing at a robust pace. Real GDP grew by 5.6 per cent in 2019 and by 5.1 per cent year-on-year in the first quarter of this year. These figures highlight the resilience and momentum that was present in the economy before the full introduction of the Covid-19 containment measures.

However, due to the temporary suspension of all ‘non-essential’ economic activity, output is expected to have fallen significantly in the second quarter. The pandemic has also transformed the labour market, from one of full-employment at end-2019 to one in which unemployment reached its highest level on record in lightening quick time, hitting a peak of 28 per cent in April, before easing back thereafter.

Since then, the number of individuals in receipt of the Pandemic Unemployment Payment (PUP) have reduced significantly down from the peak of nearly 598,000 at the start of May to 230,000 for the week ending 28 August. Since May the number of individuals supported by the Temporary Wage Subsidy (TWSS) has remained steadily around 400,000 with significant churn underneath this headline figure indicating a flow of individuals moving from the PUP to the TWSS and directly back to employment from either scheme. The recent estimate of the numbers of workers supported by the TWSS is 365,000 (dated 27 August 2020).

This shock to the economy is without historical precedent and as a result there is a great deal of uncertainty surrounding the magnitude of the economic impact and the pace of the recovery. However a rapid ‘*v-shaped*’ recovery to pre-pandemic levels of activity appears highly unlikely in the short term, with economic activity expected to remain below its pre-crisis peak over the next few years.

With the re-opening of the economy underway, the focus of budgetary and fiscal policy is shifting towards supporting economic recovery and will therefore pivot away from the damage limitation phase to an economic stimulus phase.

## Tax and Revenue Response to COVID-19 pandemic

Like other tax administrations globally, Revenue have introduced a series of key actions to assist taxpayers and businesses experiencing cash flow and trading difficulties arising from the impact of Covid-19. These include

- the suspension of all debt enforcement action until further notice,
- maintaining tax clearance status for all businesses over the coming months, and
- prioritising the processing of tax repayments and refunds.

Businesses were advised to continue to submit tax returns on time, even where they couldn't make full, partial or any payment. In that regard, Revenue also announced the suspension of interest on late payments for VAT and PAYE/PRSI.

These measures are focused on preventing hardship and reducing burdens on those seriously affected by the pandemic and the necessary restrictions introduced to fight the spread of the Covid-19 virus. For businesses the focus is on alleviating cash-flow problems and preserving firm viability.

## Detail of other Revenue Actions to counter the effects of COVID19

In general, all taxes and duties payable to the Exchequer are placed under the care and management of the Revenue Commissioners. Thus, the assessment, collection and enforcement of tax and duties set out in law are matters for Revenue.

Revenue responded promptly and positively to difficulties faced by taxpayers in meeting their tax and duty compliance obligations arising from the COVID 19 emergency. Revenue announced that those businesses experiencing temporary cash flow difficulties should continue to send in tax returns on time. However, the application of **interest on late payments was suspended** for January/February, March/April and May/June VAT and February – June PAYE (Employers) liabilities. All **debt enforcement activity** is suspended until further notice and current tax clearance status remains in place for all businesses over the coming months.

In the case of subcontractors for **Relevant Contracts Tax (RCT)** purposes, the RCT rate review scheduled to take place in March 2020 was suspended.

On the **Customs** side, critical pharmaceutical products and medicines are given a Customs 'green routing' to facilitate uninterrupted importation and supply. Revenue has also put administrative arrangements in place to implement the European Commission's decision to **temporarily suspend customs duties and VAT on the import of personal protection equipment (PPE)** from non-EU countries to ensure medical staff and people at risk of COVID-19 have the equipment vitally needed to

fight the pandemic, as well as the application of **zero rate of VAT to the domestic supply of personal protection equipment, ventilators, oxygen, hand sanitizers and thermometers** to combat COVID-19 when supplied to hospitals, nursing homes and GP practices at the Minister's request.

Regarding **Local Property Tax (LPT)**, Revenue announced that for property owners who opted to pay their 2020 liabilities by Annual Debit Instruction or Single Debit Authority payment, the deduction date was extended from 21 March 2020 to 21 May 2020.

The collection of **stamp duty on credit cards was been deferred** until 1 July 2020. Generally, financial institutions collect the stamp duty from credit card accounts on 1 April each year. The stamp duty due on credit cards is €30 per year per credit card account.

Revenue has exercised its care and management function under Section 849 TCA 1997 to suspend the requirement on the HSE to deduct **PSWT on payments** (which would subsequently be fully refunded) **to private hospitals** thereby improving the hospitals' cash flow position.

Where a departure from the State is prevented due to Covid-19, Revenue have clarified that they consider this a "force majeure" event for the purposes of establishing an individual's tax residence.

Revenue has issued guidance in relation to the circumstances and the manner in which it will amend certain benefit-in-kind charges to take account of the impact of the COVID-19 (Coronavirus) pandemic including in relation to business mileage which is lower than expected due to COVID-19, where employers pay for taxis to or from work for health and safety reasons and where employers pay for temporary accommodation in certain circumstances.

Revenue has also extended filing deadlines for certain returns to take account of the difficulties created by the crisis.

An EU Directive was also agreed to extend **filing deadlines for certain information required to be filed under the Directive on Administrative Co-operation**. This Directive has been transposed into Irish law providing extensions of between 3 and 6 months. All relevant information must eventually be filed and will be exchanged with other tax authorities in line with the Directive. Similar extensions have been provided in respect of filing deadlines for FATCA and CRS.

A number of fiscal measures were included in the 'July Stimulus' announced by the Taoiseach on 23 July aimed at supporting the economy as enterprises and society resume activity in accordance with public health advice and Government

decisions. These measures seek to build confidence, further assist businesses in terms of the management of their companies, and allow them to plan ahead.

The Financial Provisions (Covid-19) (No. 2) Act which took effect on 1 August sets out the fiscal changes included in the July Stimulus Plan (further detail on these measures is set out below), as well as providing for the Employment Wage Subsidy Scheme (EWSS) to replace the Temporary Wage Subsidy Scheme (TWSS).

## **In Focus: Temporary Wage Subsidy Scheme (TWSS)/Employment Wage Subsidy Scheme (EWSS)**

In common with many other countries, and in response to the COVID-19 pandemic, Ireland introduced a scheme, the Temporary Wage Subsidy Scheme (TWSS), to support firm viability and preserve the relationship between the employer and employee. The aim of the scheme introduced on 26 March 2020 was to achieve this by subsidising a portion of the employer wage bill in circumstances where the employer's business has been negatively impacted by the restrictions that have had to be introduced to stop the spread of the COVID-19 virus.

The scheme operated separately from the Pandemic Unemployment Payment (PUP), an income support scheme operated by the Department of Social Protection for those who became unemployed or were unable to work due to health restrictions or other impacts of the pandemic, whether formerly employed or self-employed. This latter scheme commenced in March 2020 and is intended to continue to operate until April 2021. For illustrative purposes, a chart which shows the number of individuals supported by TWSS and PUP per week in the period May – July is at Appendix 1.

### **Context for introduction of TWSS**

The TWSS was introduced against the background of the introduction of public health restrictions across all sectors of the economy with the exception of those required to provide essential services. It was a very significant and important part of the State's response to the coronavirus crisis.

When originally announced, it was expected that the scheme, an economy-wide measure, would be in place for 12 weeks until mid-June. However, recognising the novel set arrangements that applied to the re-opening of the economy, as well as the need to avoid the risk of forcing otherwise viable firms to close, it was announced on 5 June 2020 that the TWSS would remain in place until the end of August 2020. The provision of certainty to business was an important consideration in the decision to make this announcement to extend the scheme three months in advance of the envisaged new end-date.

The TWSS ceased operation on 31 August 2020 and has been replaced by the Employment Wage Subsidy Scheme since 1 September 2020. Both schemes are set out in broad detail in this section of the paper.



The key conditions of TWSS, as prescribed in the relevant legislation<sup>1</sup>, were that:

- the business was suffering significant negative economic impact due to the pandemic,
- the employees were on the payroll at 29 February 2020, and
- the employer had fulfilled its PAYE reporting obligations for February 2020 before, in general, 15 March 2020, although this deadline was later extended to 1 April 2020.

In addition, a 25% reduction (at least) either in turnover of the employer's business or in customer orders being received by the employer must have occurred in the period 14 March 2020 to 30 June 2020.

In relation to the final two bullet points above, these conditions were put in place as anti-abuse mechanisms. The wage subsidy per employee was calculated based on the net pay reported for January and February 2020. The scheme did not distinguish between ordinary wages, shift allowances, overtime, bonuses or commission or between part-time or full-time employees. Moreover, it had no role in relation to the employer/employee relationship in so far as terms, conditions and entitlements of the employment are concerned. A high level overview of the support available under TWSS is set out in Appendix 2.

## **Tax treatment of payments to employees under TWSS**

Payments received by employees under the TWSS are in the nature of income supports and share the characteristics of income. They are therefore subject to income tax. However, tax was not collected while the scheme was in operation to maximise the amount of financial support provided to recipients at a time when it was considered most needed. Instead, liability to tax will be determined by way of review at the end of this year. When such a review takes place, it may be the case that an employee's unused tax credits will cover any further liability that may arise. Additionally, if an individual has any additional tax relief to claim depending on their personal circumstances, for example for health expenses incurred, this will also reduce any tax that may be owing. Where ultimately tax is due, it is normal Revenue practice to collect any tax owing in manageable amounts by reducing an individual's tax credits for a future year(s) in order to minimise any hardship.

The TWSS payments are subject to USC and zero-rated for the purposes of PRSI (J9 classification). Employer "top-up" payments made via the TWSS have a 0.5% rate of employer's PRSI (rather than the usual 8.8 or 11.05% rates for Class A PRSI).

The legislative basis for the TWSS is provided for in section 28 of the Emergency Measures in the Public Interest (Covid-19) Act 2020.

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<sup>1</sup> Emergency Measures in the Public Interest (Covid-19) Act 2020

## **Modifications and adjustments to TWSS**

The TWSS was developed in a short period of time, having as a focus the overarching urgent Government objective of getting assistance to employers and employees quickly. In this context, it was not feasible at the outset to take account of every desirable design element as would have been the case had more time been available. As a result, it became necessary to make a number of adjustments to the terms of scheme in the course of its operation (aside from the extension of its duration already mentioned). These are set out in Appendix 3. Notwithstanding these changes, it proved impossible to address every short-coming over the life of the scheme. One example in this regard relates to newly-hired employees or seasonal workers. These particular aspects were subsequently addressed in the design and implementation of the Employment Wage Subsidy Scheme (EWSS) – see below. Overall, however, the TWSS performed an essential role in supporting and preserving business, maintaining that vital link between the employer and the employee and is generally recognised as having done so in responsive, efficient and effective manner.

Some 69,500 employers registered for the TWSS in respect of some 659,500 employees, which is over a quarter of the total employed in the State across 2019. The total value of payments made under the scheme is over €2.7 billion. The Exchequer funding for the scheme was provided for in the Vote of the Minister for Social Protection. On 27 August, it is estimated that the 365,000 employees were directly supported by the scheme, having received a subsidy in their most recent pay period.

## **Employee Wage Subsidy Scheme (TWSS)**

The Employment Wage Subsidy Scheme (EWSS) replaced the TWSS with effect from 1 September 2020. Both schemes ran in parallel from 31 July until the TWSS ceased at the end of August. Employers who had already availed of the TWSS were permitted to make an additional claim for non-TWSS employees in the EWSS from 31 July. This was to provide additional flexibility in circumstances where employees were not previously eligible to be paid via TWSS, such as new hires and seasonal workers. Where applicable, some claims could be backdated for employees who had been paid from 1 July 2020. From 31 July 2020, any employers who have not previously availed of the TWSS were only eligible to apply for the EWSS.

## **Context for EWSS different to that which applied for TWSS**

The EWSS is designed to operate in a different set of circumstances as compared with those that applied in the case of the TWSS. It is envisaged that the scheme will operate against a background where many of the strictest public health restrictions on

the economy have been eased. At the same time, it is also recognised that economic outputs are unlikely to return to normal for many businesses and that some sectors are likely to be particularly affected because of the continued requirement to observe public health restrictions.

The EWSS is an economy-wide scheme that focuses primarily on business eligibility, delivering a per-head subsidy on a flat rate basis. It is not an income support mechanism, rather it is a business support. This adaption from the TWSS is intended to allow employers to rely on the continuation of support over a longer period of 8 months while also ensuring such support is sustainable and affordable from an Exchequer perspective. Similar to the role played by TWSS, the EWSS represents a major element in the State's continuing response to the COVID-19 crisis.

## **Design Elements of the EWSS**

As with the TWSS, the purpose of the EWSS is to maintain the link between the employee and employer insofar as possible. It is therefore based on the number of employees on the payroll and the employer is expected to make best efforts to maintain as close to 100% of normal income as possible for the duration of the subsidy period.

The main support features of the EWSS are set out in Appendix 4.

## **Qualification criteria for EWSS**

The main qualifying criterion for the EWSS is that employers must be able to demonstrate that their business is expected to experience a 30% reduction in turnover or orders between 1 July and 31 December 2020 looking at the period as whole rather than on a monthly basis; and that this disruption is caused by COVID-19. This represents a tightening of the rules as compared with TWSS where in the latter case at least a 25% reduction either in turnover of the employer's business or in customer orders being received by the employer must have occurred in the period 14 March 2020 to 30 June 2020.

Employers are also required to have a valid tax clearance certificate to enter and avail of the EWSS. Such a condition did not apply in the case of the TWSS.

## **Other features of EWSS**

The EWSS has broader application than the TWSS, and is based on prospective employment rather than retrospective employment in January and February - so may include employees that were not previously eligible under TWSS, such as seasonal

workers and newly hired personnel. The EWSS will also be in place for longer than the TWSS. It will operate for a period of 8 months at least as compared with the 5 or so months in the case of TWSS.

Under the scheme, payments to employers will be made once a month in arrears following receipt of the regular monthly payroll return to Revenue which is due on the 14<sup>th</sup> of the month following payment of the emoluments. For example, September pay dates need to be filed with Revenue by 14 October to be included in the October payment. These arrangements are in line with the more usual arrangements that apply to returns by employers under the PAYE system and are consistent with the overall design approach adopted for EWSS which assumes a more normal operating environment relatively to that which applied in the earlier months of TWSS. Under the latter scheme, emergency arrangements applied which provided subsidy payments to employers within a much shorter timeframe, but which lead to more reconciliations and corrections of amounts than will be necessary under the EWSS.

Under a change to the rules as set out in relevant legislation, proprietary directors may be included in the calculation of the subsidy in the majority of cases with full details to appearing in Finance Bill 2020.

Under the relevant legislation, the Minister for Finance is obliged to monitor and superintend the administration of the scheme and may amend the terms of the scheme, specifically the end date, the rate of subsidy payable and the turnover test to determine employer eligibility.

## **Tax treatment of salaries and wages paid by employers availing of EWSS**

Payments will be made in line with the employers' regular payroll systems. The EWSS will re-establish the normal requirement to operate PAYE on all employee salaries, providing for the regular deduction and remittance of income tax, USC and employee PRSI. This means that some employees may see a reduction in their take home pay, however their future tax bill (that would have been accruing under the TWSS) will be reduced in turn.

The question of the interplay between the EWSS and the operation of the social welfare system, specifically the policy around payments to persons whose employers are in receipt of subsidies under EWSS is an issue that the Department of Social Protection is giving further thought to at present. However, it is the case that the subsidy under EWSS is in the nature of a business support to the employer (albeit to assist in retaining the link between employer and employee) rather than an income

support to the employee. Also, under EWSS, the employee is paid his/her wage and pays tax and PRSI on same in the normal way.

## **Estimated cost of EWSS**

Based on an average of 350,000 employees being taken into account for the purpose of subsidies under the scheme over its life, it is estimated that the scheme will cost in the region of €2.25 billion.

## **Way forward in relation to EWSS**

As was the case in relation to the operation of the TWSS, the operation of the EWSS will be carefully monitored. As noted above there is a statutory obligation on the Minister for Finance in this regard and the Financial Provisions (Covid-19) (No. 2) Act empowers the Minister to amend key features including the end date, the rate of subsidy payable and the turnover test. From the Department of Finance perspective, to the extent that it becomes apparent the aspects of the scheme, including those mentioned, may need to be adjusted, options in this regard will be put forward to the Minister for consideration.

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## **Further Support Measures as set out in the Financial Provisions (Covid) (No.2) Act 2020**

The Financial Provisions (Covid-19) (No. 2) Act which took effect on 1 August sets out a number of tax measures included in the July Stimulus Plan as follows. The core objective of the measures is to foster economic activity, support businesses and get as many people back to work as quickly as possible. Set out below are the key support initiatives include in the Act.

### **1. ‘Stay and Spend’ incentive, tax credit to encourage tourism within Ireland**

The purpose of the scheme is to incentivise taxpayers to support registered/accredited providers of accommodation and/or food during the off-season, thus providing support to a particularly vulnerable sector that will continue to be constrained by public health limitations.

The scheme contains the following main elements:

At the level of individual taxpayer:

- Relief on accommodation and food, including soft drinks, but not including alcohol.
- In the case of food, consumption on the premises is required.
- A minimum spend of €25 per person per time/ Maximum spend limit of €625 (VAT inclusive) the over life of scheme.
- Refund of 20% of the vouched cost through income tax i.e. maximum tax credit of €125 per person. For married couples who are jointly assessed, the maximum spend over the life of the scheme will €1,250).
- Where an individual or jointly assessed tax-payer has insufficient income tax liability to fully benefit from the measure, they may still avail of the relief against their USC contributions.
- Operated through downloadable Revenue mobile phone application.

At the level of the business:

- VAT registered provider with current tax clearance. Other requirements as set out below.

This scheme will cost an estimated €270m in total (upper-estimate). It will run from 1 October 2020 to 30 April 2021, including over the Christmas period. The expiry date may be changed by order made by the Minister for Finance.

## **2. Accelerated Corporation Tax loss relief for companies**

The Act introduced new provisions to accelerate repayments of corporation tax that would otherwise become due over the next 18 months, providing cash-flow support to previously profitable companies experiencing losses as a result of public health measures.

It allows companies to estimate their current-year losses and to make an early claim to carry back 50% of that loss, for offset against taxable profits of the prior year. This will generate an immediate refund of some or all of the corporation tax paid for that year. Under normal rules, this carry back would not take place until up to 9 months after the end of the loss-making year, when tax returns are due for filing.

As it is based on projections of the expected losses for the full accounting year, the carry back is limited to 50% of the estimated loss. The balance of the loss will be available for carry back in due course under normal rules, when accounts have been prepared after the company's year-end.

The measure has no net cost in the medium term as it is an acceleration of a relief that already exists in the corporation tax code. However, it will release up to €450 million of liquidity in the current year to companies currently facing significant cash-flow difficulties.

## **3. Income tax loss relief for self-employed**

A new once-off income tax relief measure has been introduced in the Act to benefit self-employed individuals who were profitable in 2019 but, as a result of the Covid-19 pandemic, are loss making in 2020.

The measure allows a once-off carry back provision for 2020 losses (including capital allowances) against the 2019 profits of the same trade or profession thereby reducing the businesses' tax liability for 2019 profits.

The utilisation of the tax relief for 2020 losses is accelerated by allowing an interim claim to be made by Q4 2020, resulting in a refund of preliminary tax already paid on 2019 profits.

The combination of the enhanced and accelerated relief provides individuals carrying on a trade or profession as sole traders or members of partnerships with a cash-flow boost from the full utilisation of those losses two years earlier than would ordinarily be the case.

The estimated cost of this measure is €350m in 2020.

As this measure delivers a stimulus via the tax code, the support granted will depend on the personal circumstances of the business, including the extent of the 2019 profits and 2020 losses. As a result, the level of cash-flow benefit will differ from business to business and could vary considerably. In order to minimise abuse and ensure a level playing field a number of safeguards are included:

- Losses used are ring-fenced to the same trade only and cover income tax only.
- The total amount of losses that can be utilised per trade is capped at €25,000 – depending on the marginal rate of income tax that applies, the maximum cash-flow benefit per business would therefore be either €5,000 (20% rate) or €10,000 (40% rate). The average amount of tax paid on trading profits in 2017 was €4,500.
- The relief applies to losses incurred between January and December 2020 (due to complex basis of assessment rules for individual taxpayers, this means that relief should be provided for the 2019 tax year and, for individuals with a basis period straddling both 2020 and 2021, for the 2020 tax year also noting that 83% of the self-employed have calendar year based accounts).

## **4. Temporary reduction in the standard rate of VAT at a cost of €440 million**

The standard rate of VAT has been decreased on a temporary basis from 23% to 21% for the period 1 September 2020 to 28 February 2021. It is estimated that this decrease will cost some €440 million in total, €160 million in 2020 and €280m in 2021.

The reduction is part of a number of stimulus measures to aid economic recovery in the short term and help ensure sustainable growth for the future. It is a matter for business as to whether the rate is passed through to the consumer to stimulate economic activity or is retained by the business to provide much needed support.

The standard rate applies to some 53% of activity, including the supply of cars, petrol, diesel, alcohol, tobacco, electrical equipment and adult clothes and footwear.



If passed through, this will reduce the cost of the supply of cars, petrol, diesel, alcohol, tobacco, electrical equipment and adult clothes and footwear. If retained by the trader it will provide a margin to assist the business in its ongoing operation.

## **5. Enhancement of the help-to-buy scheme for the remainder of 2020 ( €18m)**

The Help-to-Buy incentive is an income tax relief designed to assist first-time buyers with obtaining the deposit required to purchase or build their first home. With a view towards increasing the supply of new housing, the relief is only available for 'new builds'.

Broadly, the relief takes the form of a rebate of income tax, including DIRT, paid over the previous four tax years. However, it is open to claimants to select all or any of the previous 4 tax years for the purposes of calculating the refund available to them.

The scheme has been amended in the Act to stimulate demand from first time buyers for new houses in the housing market, to encourage house completions and to assist first time buyers in accumulating a deposit for a new home.

The level of support available to first time buyers has been increased to the lesser of:

- €30,000 (increased from €20,000),
- 10 per cent (increased from 5 per cent) of the purchase price of a new home/self-build property, or,
- the amount of Income Tax and DIRT paid in the four years before the purchase or self-build.

The additional relief applies to applicants who sign a contract for the purchase of a new house or make the first draw down of the mortgage in the case of a self-build in the period 23 July to December 2020. Receipt of the additional relief is not dependent on the completion being before 31 December.

It will expire on 31 December 2020. All other parameters of the scheme will remain the same.

The cost of the scheme to date (from 19 July 2016 to end June 2020) amounts to €281.9 million. The scheme is due to terminate on 31 December 2021, in line with

the two year extension provided for in Finance Act 2019. The amendments to the scheme are estimated to cost an estimated additional €18m in total.

## **6. Amendments to the ‘Cycle To Work Scheme’**

The allowable expenditure under the ‘Cycle To Work Scheme’ has been increased in the Act to €1,500 in respect of ebikes, and to €1,250 in respect of bicycles. Prior to the amendment the scheme provided an exemption from benefit in kind on the first €1,000 of expenditure incurred by an employer in connection with the provision of a bicycle and or safety equipment to an employee or director. The bicycle must be for the employee/director’s personal use in undertaking the whole or part of the journey to or from work. Safety equipment includes helmets, lights, bells, mirrors and locks but does not include child seats or trailers. The scheme applies to new - bicycles, ebikes (pedelecs) and ‘cargo bikes’ but does not apply to scooters or mopeds.

There is no maximum price and the cost of a bicycle purchased under the scheme may be more than the revised amounts. However, the exemption from tax does not apply above these limits.

This scheme can operate in conjunction with a salary sacrifice arrangement (provided for in section 118B) with the employer, whereby the employee agrees to sacrifice part of his or her salary in lieu of a benefit under this scheme. Under such an arrangement the employer pays for a new bicycle or ebike (including bicycle accessories) and the employee then repays the cost in regular instalments from his or her gross salary.

The most recent Tax Expenditure Report by the Department of Finance estimated the cost in terms of taxes foregone at €4 million per annum based on an assumed 20,000 availing of the scheme. Specific returns or reporting is not required for this scheme so it is not possible to ascertain how many employees availed of the scheme or the rates of tax they pay.

## **7. ‘Warehousing’ of tax liabilities**

The deferred payments, which amounted to €1.9 billion as of 31 July, have been a vital liquidity support to both SMEs (given automatically) and larger businesses (on request) that are severely impacted by Covid-19.

In recognition of the need for clarity and certainty on how and when this level of tax debt forbearance will be gradually unwound and to allow businesses to trade their way back to profitability and repay the amounts due, the Government

announced on 2 May 2020, that it will legislate to provide that Revenue will warehouse deferred tax debts associated with the Covid-19 crisis. In the normal course, Revenue would work closely with businesses to put in place arrangements, appropriate to the circumstances and viability of each business, to secure payment of those debts over a reasonable timeframe.

No interest will be charged on the tax debts for the initial COVID-19 restricted trading period or twelve months thereafter. The Financial Provisions (Covid) (No.2) Act 2020 provides that the zero-interest period may be extended for a further period (not later than 31 December 2022) by Ministerial order. Interest will be charged at the reduced rate of 3% per annum after that. Businesses will also be required to comply with requirements in relation to tax returns for the duration and pay other liabilities in full and on time. Otherwise the normal 10% per annum interest will apply.

Businesses whose taxes are warehoused will still be able to obtain tax clearance certificates if they meet their other tax obligations.

Enforcement action by the Collector General of warehoused tax debt will be suspended for the three periods of the warehousing scheme provided the employer complies with all the provisions of this subsection but enforcement action will recommence if the provisions are breached.

The scheme applies to businesses in all sectors of the economy who have been negatively impacted by Covid-19, and further underlines the Government's commitment to supporting business and best positioning the country for when the pandemic passes.

## **8. Reduction in the interest rate applying to agreed repayments of all tax debt**

In addition to the debt warehousing arrangements, measures have also been put in place to provide support to taxpayers experiencing difficulty with tax liabilities, by reducing the interest rate applying to agreed repayments of all tax debt where agreement has been reached prior to 30 September 2020.

Taxpayers who have declared liabilities but have not yet paid them will be able to avail of a lower interest rate of c. 3% per annum (Current rates of interest are 10% in respect of fiduciary taxes and 8% in respect of non-fiduciary taxes, with "relevant tax on share options" subject to a rate of 11.75%) from 1 August 2020. Where the outstanding liabilities are not currently subject to a repayment agreement, the

3% rate shall apply from the date of that agreement; however, to avail of the reduced interest rate, the taxpayer must apply to make such an agreement by 30 September 2020. The debts that potentially could avail of this reduced interest includes the debt available for collection, amounts subject to current instalment arrangements and some cases currently at enforcement, but not amounts which are subject to current court proceedings or where a court judgment has been issued which determines how the debt is to be paid.

This will apply to debts other than those in the “debt warehousing” scheme. Tax debts before the “Covid-19 restricted trading” period are not included in the ‘debt warehousing’ scheme. Businesses experiencing difficulty in meeting their payment obligations in relation to such liabilities have been encouraged to engage with Revenue to make suitable arrangements for the repayments of these debts.

This provision for reduced interest on agreed debts will cover debts under all tax heads. The introduction of this reduced interest rate on such payments is aimed at providing businesses with further liquidity support and is applicable to all taxpayers with outstanding tax debts including businesses with debt on record where they agree payment of such debt on or before 30 September. However, it is not necessary that they have availed of warehousing PAYE / VAT to be eligible for the reduced interest rate of 3%.

The Act also provides that the standard interest rates for the tax will be re-applied if the taxpayer fails to comply with the terms of the repayment agreement, from the date of that failure.

As of 31 July there is a total of €1.096 billion of outstanding debt on record as “debt available for collection” by Revenue. In addition, some €71 million in outstanding taxes are currently the subject of instalment arrangements which are in the process of being paid to Revenue. (A further €230m is currently the subject of enforcement action). This is separate from the €1.9 billion 'warehoused' PAYE and VAT liabilities.

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While there will be a cost to the measure in a reduced payment of interest from 1 August 2020 or the date of the agreement, the purpose of the measure is to encourage payment of outstanding debt that might not otherwise be collected, and to bring taxpayers who are having difficulty with compliance into the fold. Revenue have estimated cost of this measure is €5 m in 2020 and €20 m in 2021.

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## International response

The OECD published a number of reports during April and May 2020, summarising measures implemented by jurisdictions around the globe, and looking at how tax can be used in recovery efforts.

The tax administration measures implemented may be grouped under the following headings.

- Additional time for dealing with tax affairs, including-
  - o Extension of filing and tax payment deadlines
  - o Remitting penalties and interest
  - o Deferral of tax payments
  - o Easier access to debt payment plans and extension of plan duration
  - o Suspension of debt recovery
- Quicker refunds to taxpayers
- Temporary changes in audit policy and ways to provide quicker tax certainty
- Enhanced taxpayers services and communication initiatives.

Maintaining business cash-flow has been a core objective of the fiscal policy measures that have been introduced, supported by monetary and financial policies. Measures have included tax administration actions such as those listed above, as well as some tax exemptions, including from social security contributions, payroll taxes or property taxes.

In terms of the role of tax in recovery efforts and the aftermath of the crisis, the following points were highlighted by the OECD:

- Stimulus during the recovery phase needs to be carefully timed and well targeted given potential differences in the timing of exit from containment and mitigation across sectors and countries. Stimulus should provide immediate incentives to boost consumption.
- Tax revenues are likely to be significantly reduced for a number of years. The best way to boost tax revenue will be to support solid growth, including through sufficiently strong and sustained stimulus.
- The unprecedented nature of the crisis is prompting a reflection on whether some new tax measures could be contemplated and more traditional ones reconsidered. All options should be explored, including revamping old tools, introducing new ones, and bolstering ongoing efforts to address the international tax challenges posed by the digitalisation of the economy.
- Containment and recovery policies can co-exist.
- Increased use of digital services and the need to expand revenue raising could provide new impetus to efforts to reach agreement on the OECD work on digital taxation. The immediate impact of the crisis has been to delay efforts to seek

agreement on this work by a number of months. This work is discussed in more detail in the Corporation Tax TSG Paper.

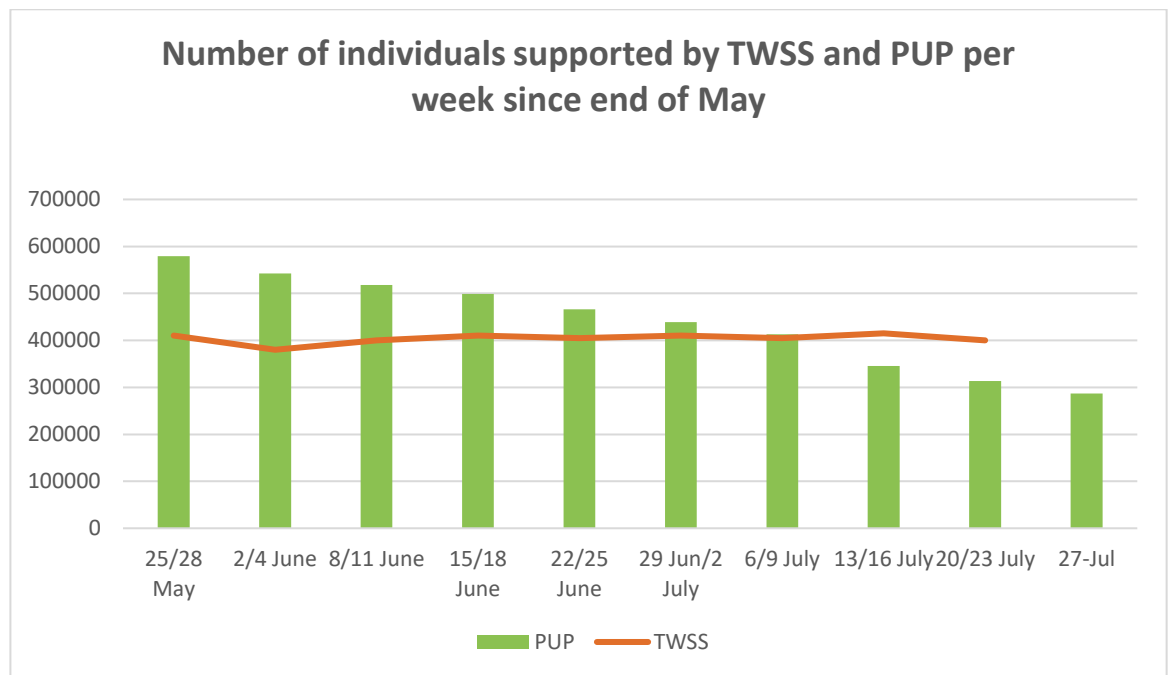
- The tolerance in developing countries for international tax avoidance and evasion will decrease and untaxed income globally will be prioritised.

## Conclusion

The Department continues to monitor developments and work with Revenue on issues arising.

## APPENDIX 1

### Number of individuals supported by TWSS and PUP per week May - July:



	PUP Current Recipients	TWSS Recipients
<b>25/28 May</b>	579,410	410,000
<b>2/4 June</b>	542,742	380,000
<b>8/11 June</b>	517,632	400,000
<b>15/18 June</b>	498,750	410,000
<b>22/25 June</b>	465,878	405,000
<b>29 Jun/2 July</b>	438,933	410,000
<b>6/9 July</b>	412,859	405,000
<b>13/16 July</b>	345,653	415,000
<b>20/23 July</b>	313,800	400,000
<b>27 July</b>	286,850	Pending







## APPENDIX 2

### High Level overview of TWSS

The following is a high level overview of the level of support available under the TWSS from 4 May:

Income level of employee	Level of subsidy under the TWSS	
Employees with previous average net pay up to €412 per week (equivalent to around €24,400 annual gross income)	<ul style="list-style-type: none"> <li>Subsidy up to 85% of previous net weekly pay.</li> <li>Employer can top-up to bring to €350 per week without taper applying to reduce the subsidy.</li> </ul>	
Employees with previous average net pay between €412 and €500 per week (€24,400 - €31,000 gross annual income)	<ul style="list-style-type: none"> <li>Subsidy is €350 per week.</li> </ul>	
Employees with previous average net pay between €500 and €586 per week (€31,000 - €38,000 gross annual income)	<ul style="list-style-type: none"> <li>Subsidy up to 70% of previous net weekly pay up to a maximum of €410 per week.</li> </ul>	
<p>Employees with previous net pay in excess of €586 per week up to €960 net per week (equivalent to between €52,000 and €76,000 annual gross income).</p> <p>This includes employees where gross pre-COVID salary was greater than €76,000, but has fallen below that level post-COVID.</p>	<ul style="list-style-type: none"> <li>Maximum subsidy remains €350 per week</li> <li>A tiered approach applies depending on the employer top-up:</li> </ul>	
	Gross Amount paid by Employer	Subsidy
	Up to 60% of employee's previous average net weekly pay	Up to €350 per week
	Between 60% and 80% of employee's previous average net weekly pay	Up to €205 per week
	Over 80% of employee's previous average net weekly pay	No subsidy payable
Employees with previous net pay in excess of €960 net per week (€76,000 annual gross income)	<ul style="list-style-type: none"> <li>No subsidy</li> </ul>	

Additional safeguards	To ensure that no employee would be better off under the scheme, if the gross pay paid by the employer and the subsidy exceed the previous average net weekly pay, then the subsidy will be tapered by subtracting the amount paid by the employer from the previous average net weekly pay.
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## APPENDIX 3

### Adjustments to TWSS over the life of the scheme

Date of announcement	Nature of Adjustment Made
14 April 2020	<p>Changes to rates of subsidy available under the scheme with effect from 4 May 2020 as set out below:</p> <p>85% subsidy introduced for employees whose previous average net weekly pay does not exceed €412.</p> <p>A flat rate subsidy of up to €350 to be payable in the case of employees whose previous average net weekly pay is more than €412 but not more than €500.</p> <p>For employees with previous net pay in excess of €586 per week, including those whose previous net pay exceeded €960 per week, a tiered approach to apply. The maximum subsidy payable is €350 per week with the tiered approach taking into account both the amount paid by the employer and the level of reduction in pay borne by the employee.</p> <p>For employees whose current net pay exceeds €960 per week (€76,000 gross) no subsidy applies regardless of the level of any reduction in pay.</p> <p>Above subsidy rates and the relevant tapering to become fully operational for payroll submissions made on or after 4 May 2020, with a pay date on or after that same date.</p> <p>Up until 4 May 2020, transitional arrangements were to apply whereby eligible employers received a refund of the maximum subsidy of €410 in respect of each eligible employee, regardless of the employee's income.</p>
29 May 2020	<p>Change to accommodate within the scheme with effect from 26 March 2020 the salaries of those who have returned to</p>

<p><b>23 June 2020</b></p>	<p>work after a period of maternity, paternity or adoptive leave and a number of others in similar categories and who may not have been on the payroll of their employer on 29 February, or been paid in either January or February 2020.</p> <p>Change to accommodate within the scheme with effect from 26 March 2020 the salaries of apprentices who were engaged in a period of block release training administered by Solas in February 2020.</p>
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## APPENDIX 4

### EWSS Main elements

The Employment Wage Subsidy Scheme (EWSS) is an economy-wide enterprise support that gives a subsidy to qualifying employers on the basis of the numbers of paid employees.

The level of subsidy the employer receives is per paid employee:

- For every employee paid more than €203 gross per week, the level of subsidy is €203
- For every employee paid between €151.50 and €202.99 gross per week, the subsidy is €151.50
- A nil subsidy is payable for employees paid less than €151.50 or more than €1,462 gross per week.

A 0.5% rate of employers PRSI will continue to apply for employments that are eligible for the subsidy. This represents a considerable saving for the employer in addition to the flat rate values above.

The Subsidy payments under the EWSS do not affect any legal obligations that the employer may have to their employee as regards any terms, conditions or entitlements of their employment, including pay. Based on the minimum wage of €10.10, the above rates require at least 15 hours of paid work per employee per week. A consideration in the design of the rates is that, as the strictest public health restrictions have been eased, the capacity of businesses should also increase so that they can increasingly rely on their own resources to cover extra hours worked.





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