

# Covid Wage Subsidy Schemes 2020/2021 – Payments are pensionable emoluments from employment.

The government introduced a wage subsidy scheme on the 24 March 2020 in order to allow employers to maintain employees on the payroll during the Covid-19 pandemic.

This was originally established as the Temporary Wage Subsidy Scheme (TWSS) and later amended to the Employment Wage Subsidy Scheme (EWSS) from 1 September 2020.

Revenue has clarified that both payments are deemed emoluments from employment and while employers were not in a position to deduct employee pension contributions from subsidy payments, the employee may elect to make a 'special contribution' before the relevant filing date.

Please see below extract from Revenue guidance note on the operation of the TWSS:

## **Will the subsidy payments be considered pensionable pay for the purpose of employee pension contributions?**

The temporary wage subsidy is part of an employee's emoluments for tax purposes, although that amount is not subject to pension deductions under PAYE. An employer is not permitted to deduct an employee pension contribution from the wage subsidy. It is open to an employee to elect to make a "non-ordinary" or "special" contribution to her/his pension scheme before their return filing date for the 2020 tax year. When doing so, as the subsidy is part of an employee's "net relevant earnings" for pension purposes, the subsidy received will be counted towards the employee's age-related percentage limit and overall earnings limit for the purpose of calculating allowable tax relief on the contributions.

Therefore, both Covid Subsidy payments (TWSS & EWSS) should be taken into consideration in calculating an individual's Net Relevant Earnings for the purposes of the maximum tax relief under the age related percentage limits and earnings cap of €115,000.

## **Covid-19 Pandemic Unemployment Payment (PUP)**

Please note that the Temporary Wage Subsidy payments should not be mixed up with the Covid-19 Pandemic Unemployment Payment (PUP) which is a separate social welfare payment made directly to individuals by the Department of Employment and Social Protection for employees who lost their job and for self-employed individuals whose income ceased or reduced as a direct result of the Covid-19 pandemic.



### Important Note

Please note that this Techtalk does not constitute tax advice. If they have not done so already, we would suggest that clients consider getting their own professional tax advice based on their own individual circumstances.

**If you have further questions on any aspect of this briefing, please contact the TechTalk Team on 01 209 2020 or [techsupport@zurich.com](mailto:techsupport@zurich.com)**

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The information contained herein is based on Zurich Life's understanding of current Revenue practice as at October 2021 and may change in the future.

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