

## 12 Controls over the temporary wage subsidy scheme

- 12.1** The temporary wage subsidy scheme (the scheme) was introduced to enable employers who expected to be affected by the Covid-19 pandemic restrictions to receive support from the State in relation to their wage costs.<sup>1</sup> The primary objective of the scheme was to support the continuity of employment relationships over the initial period of Covid-19 related disruption. The scheme was in operation over a 22-week period from 26 March to 31 August 2020.<sup>2</sup>
- 12.2** In 2020, subsidies under the scheme totalling €2.8 billion (gross) were paid to 66,370 employers in respect of approximately 678,000 employees.<sup>3,4</sup> This represents an average payment of approximately €4,100 per employee.<sup>5</sup> Subsequently, EU funding support of €2.49 billion (89%) in respect of the scheme was received on 30 March 2021.<sup>6</sup>
- 12.3** Employers and employees were required to meet a number of eligibility criteria under this scheme (see Figure 12.1).
- 12.4** This examination focuses on the governance structures adopted, the process put in place to verify the eligibility of claims under the scheme and the subsequent recovery of subsidies paid in excess of entitlement.

1 The scheme was introduced by the Emergency Measures in the Public Interest (Covid-19) Act 2020.

2 The scheme was preceded briefly by the employer refund scheme and succeeded by the employment wage subsidy scheme (EWSS). EWSS commenced on 1 September 2020 and is still in operation.

3 Included in scheme payments is €3.4 million relating to the employer refund scheme.

4 In March 2021, payments were outstanding in relation to about 900 employees where calculation of the subsidy due is complex. This includes apprentices and employees who had taken maternity, paternity or adoptive leave in February/March 2020.

5 The subsidy paid to employees was taxable. However, the tax wasn't applied at the time the payment was made. The tax liability owed by each employee was calculated by Revenue at the end of 2020.

6 EU funding granted under the support to mitigate unemployment risks in an emergency. The funding received was related to costs expended on the scheme.

**Figure 12.1 Employer and employee eligibility criteria under the scheme**

<b>EMPLOYER</b>	<b>Employer expects a reduction in their business (measured by turnover, customer orders or any other 'reasonable basis') of at least 25% in Q2 2020<sup>a</sup></b>	<b>Business must be experiencing a significant negative economic disruption due to Covid-19 pandemic</b>
	<b>Employer wants to retain its employees on the payroll</b>	<b>Business is unable to meet normal wages or normal outputs and any other indicators<sup>b</sup></b>
<b>EMPLOYEE</b>	<b>Employee must be on the employer's payroll at 29 February 2020<sup>c</sup></b>	<b>Employee must be included in a payroll submission made to Revenue in the period from 1 February to 15 March 2020</b>

Source: Revenue Commissioners, *Guidance on Employer Eligibility and Supporting Proofs for Temporary Covid-19 Wage Subsidy Scheme*, April 2020

- Notes:
- a In its guidance, Revenue provided examples of what constitutes a 'reasonable basis'. Revenue stated that where an employer had a reasonable basis not included in the guidance, advice should be sought from the relevant Revenue district.
  - b Guidance was provided by Revenue on other indicators of business difficulty, such as negotiation of relief measures with financial institutions and communications to employees or trade unions of salary/wage cuts.
  - c The eligibility rules were extended in May and June 2020 to include persons on maternity, adoptive or parental leave and apprentices returning to employers from training programmes.

## Scheme governance

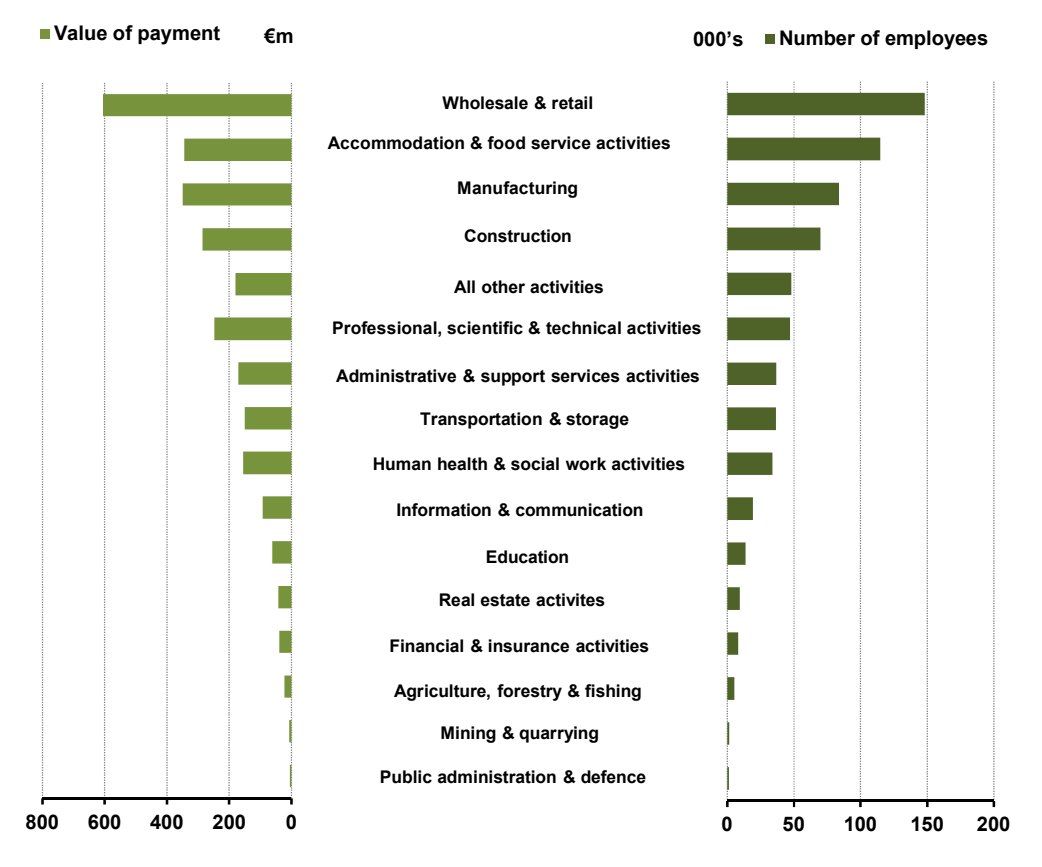
- 12.5** The legislation underpinning the scheme provided that it would be funded by the Department of Social Protection (the Department), but would be administered by the Revenue Commissioners (Revenue).
- 12.6** Within Revenue, the scheme was managed by a scheme oversight group that included members of Revenue's management advisory committee including the Chairman, the other two Commissioners and senior divisional heads. The group's main role was to oversee the scheme, set the overall direction for the project and oversee policy decisions. This group was supported by a number of operational groups — a steering group at Principal Officer level and expert, compliance and reconciliation groups.
- 12.7** An interdepartmental working group including staff at assistant secretary level from Revenue and the Department was already in existence. This working group did not have formal terms of reference but met periodically to discuss a range of issues pertaining to both entities. The group was used to facilitate liaison between Revenue and the Department in relation to the operation of the scheme.
- 12.8** The minutes of the interdepartmental group indicate that the group met twice during the operation of the scheme in May and June 2020, and once in September 2020, following completion of the scheme. The group discussed details of the compliance programme being undertaken by Revenue. The meetings were also used to provide updates to the Department including any issues in relation to the operation of the scheme. The Department has confirmed that final decisions in relation to operational policies and procedures underpinning the scheme were made by Revenue.
- 12.9** The Department stated that there was also regular engagement outside of the formal process of meetings such as engagement with
- Revenue in regard to the development of the scheme, treasury management/ funding of the scheme and the development of guidance materials for employers and payroll providers on the administration of the scheme
  - the Departments of Finance and Public Expenditure and Reform in relation to funding of the scheme, scheme conditionality and subsidy rates.
- 12.10** On 4 June 2020, the Chairman of the Revenue Commissioners provided a formal letter of assurance to the Secretary General of the Department in relation to the operation of controls over the scheme. The letter noted there were strong governance structures and processes in place including the following.
- A dedicated cross-function steering group chaired by an Assistant Secretary and an oversight group was in place.
  - Prior to inclusion in the scheme, real time compliance checks were conducted to ensure that employees in respect of whom subsidies were claimed were on the employer's payroll.
  - Verification checks were conducted to ensure that subsidies were claimed and paid at the correct amount.<sup>1</sup>
  - A risk register was in place to identify, evaluate and grade the key risks associated with Covid-19 including potential control weaknesses in the scheme.

<sup>1</sup> Revenue calculated the subsidy due to each employer based on average revenue net weekly pay (ARNWP) for each eligible employee. The ARNWP is based on January and February 2020 payroll submissions made to Revenue for each eligible employee.

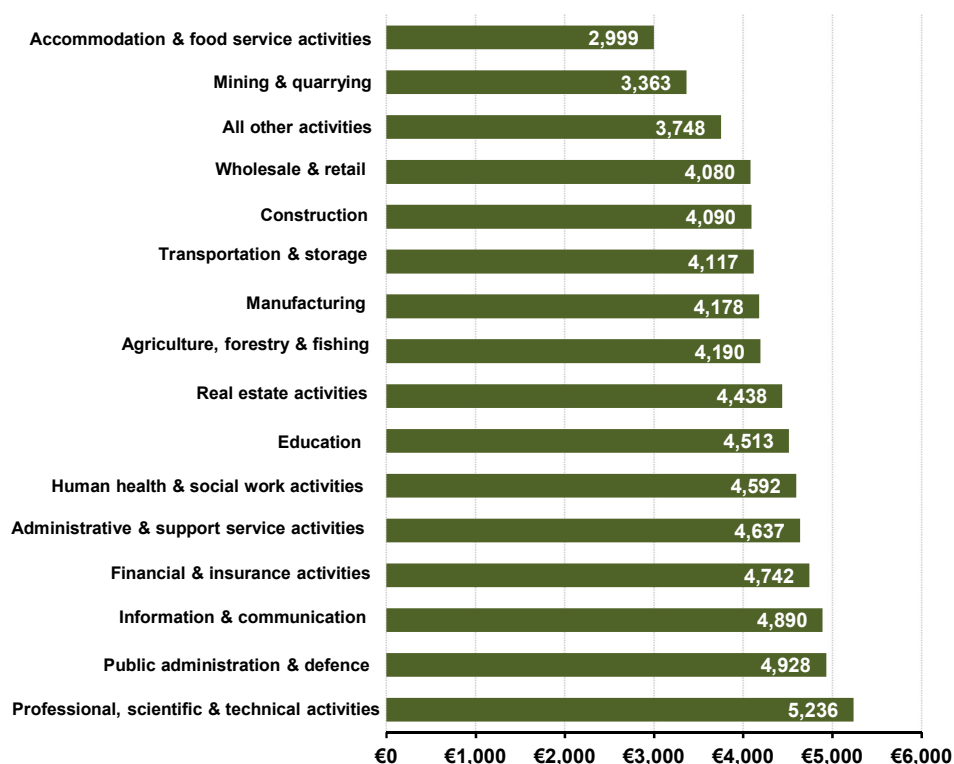
### Scheme operation

- 12.11** Entry to the scheme was based on self-assessment with each employer submitting a declaration that they had experienced or expected to experience a significant economic disruption due to Covid-19. Approximately 36% of all employers registered with Revenue prior to the declaration of the pandemic availed of the scheme. The number of employers and employees by county is set out in Annex 12A.1.
- 12.12** Three sectors — wholesale and retail, accommodation and food service (hospitality), and manufacturing — accounted for nearly half (47%) of all scheme subsidies, and represented 51% of the employees whose employment was supported (see Figure 12.2).
- 12.13** The average support per employee ranged from €3,000 to just over €5,000 in each sector (see Figure 12.3).

**Figure 12.2 Temporary wage support, by sector, March to August 2020<sup>a</sup>**



Source: Revenue Commissioners. Analysis by the Office of the Comptroller and Auditor General.  
 Note: a Some payments issued after the period covered by the scheme. The value of payments shown is the total paid up to the end of December 2020.

**Figure 12.3 Average wage support subsidy per employee, by sector, March to August 2020**

Source: Revenue Commissioners. Analysis by the Office of the Comptroller and Auditor General.

### *Subsidy amounts*

**12.14** The scheme legislation states that the amount of the subsidy shall be determined by the Minister for Finance (the Minister). On 16 April 2020, the Minister issued a letter to the Chairman of Revenue outlining the rates determined.

**12.15** The scheme operated in two phases — a 'transitional' phase covering five weeks between 26 March and 3 May 2020; and an 'operational' phase covering the period between 4 May 2020 and 31 August 2020. Different subsidy arrangements applied in the different phases.

#### *Transitional phase*

**12.16** Subsidies totalling €728 million were paid in respect of the transitional phase of the scheme.

**12.17** A flat rate subsidy of €410 per qualifying employee per week was paid to eligible employers during this phase. However, Revenue advised employers that in instances where the employees' prior net pay was less than the flat rate subsidy,

- they should make an untaxed payment to employees at a rate of 70% of the employee's average weekly earnings and
- withhold the excess of the subsidy received over the amount actually paid to each employee as such sums would be refundable to Revenue.

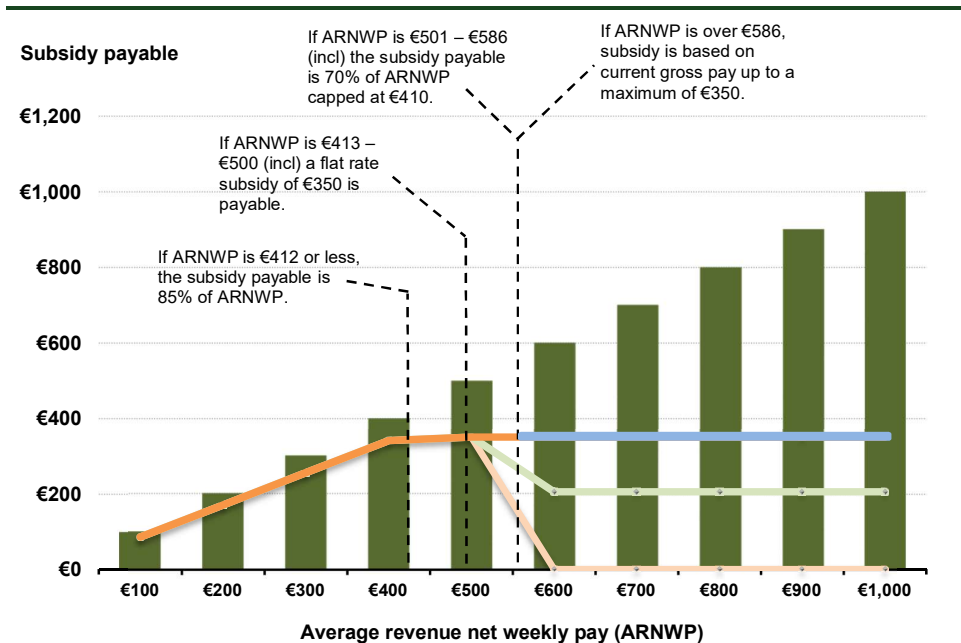
*Operational phase*

**12.18** Subsidies totalling €2.03 billion were paid in respect of the operational phase over the months May to August 2020 — a total of 17 weeks. In the operational phase, the subsidy payable was graduated depending on the employee’s average revenue net weekly pay (ARNWP) during January and February 2020, and subject to certain caps.

- For employees whose ARNWP was equal to or less than €500, the subsidy amount payable was 85% of the ARNWP, but was capped at €350 per week.
- For employees whose ARNWP was €500 — €586, the subsidy was paid at 70% of the ARNWP and capped at €410 per week.
- Where the ARNWP exceeded €586, the subsidy payable reflected the reduction (if any) in weekly earnings the employee incurred: if the reduction was 40% or more of the employee’s ARNWP, the subsidy payable was a flat €350 per week; if the reduction was 20% to 40%, a flat rate subsidy of €205 per week was payable; and no subsidy was payable if the reduction in weekly earnings was less than 20% of the ARNWP.

**12.19** The outcome of the subsidy structure was to provide for payments of not more than €410 per week, and not more than 85% of the prior weekly earnings (see Figure 12.4 and Annex 12B.1).

**Figure 12.4 Rate of wage subsidy, relative to prior average pay from €100 a week to €1,000 a week<sup>a</sup>**



Source: Revenue Commissioners. Analysis by the Office of the Comptroller and Auditor General.

- Note: a Tapering or restriction of the subsidy applies in all cases where the ARNWP exceeds €412 to ensure total pay (gross pay by the employer plus the subsidy) does not exceed the ARNWP or €960 net. If ARNWP is less than €412, the total of gross pay plus subsidy cannot exceed €350.
- The maximum subsidy payable based on ARNWP, subject to tapering.
  - Subsidy payable if current gross pay is less than 60% of ARNWP, the maximum subsidy payable is €350 per week, subject to tapering.
  - Subsidy payable if current gross pay is between 60% – 80% of ARNWP, the maximum subsidy payable is €205 subject to tapering.
  - There is no subsidy payable if current gross pay is greater than 80% of ARNWP.

*Tax implications for employees in receipt of subsidy*

- 12.20** While the subsidy payments received by employees were liable to income tax and the Universal Social Charge (USC), there was no requirement for employers to make these deductions at source at the time of payment. In some cases, this resulted in under payment of employees' liabilities to Revenue over the 2020 tax year. The liabilities were instead determined by Revenue at the end of the year (2020).
- 12.21** In January 2021, Revenue calculated and estimated amounts totalling €186 million as being due from 198,400 employees — about 30% of employees in receipt of payments under the scheme. The estimated average liability was €938 per liable employee.
- 12.22** A number of options were available to pay or discharge the liability.
- An employer could pay the scheme tax liabilities on behalf of the employee without the normal benefit-in-kind rules applying.
  - The employee could opt to discharge the full liability, or a portion of the liability through a single payment, with any balance of the liability being collected over four years from 1 January 2022 by reducing the employee's tax credits.
  - An employee could also offset their liability if they are entitled to claim additional credits, for example health expenses.

To date, €30.8 million of the liability due has been paid and agreements in relation to reduction of tax credits for future years has been agreed in relation to €66.5 million. For the estimated balance of €88.7 million, Revenue stated it is developing a process for further engagement with employees who have not completed their review for 2020 following the issue of their preliminary end of year statement.

- 12.23** Revenue also identified that a number of employees were entitled to a refund of income tax and USC paid prior to March 2020 as a result of their taxable pay being reduced due to Covid-19 restrictions and the operation of the cumulative basis of taxation.<sup>1</sup>

**Revenue review of eligibility***Automated check*

- 12.24** Revenue conducted a number of checks on the claims received prior to payment of wage subsidies. These were automated checks using information already available on Revenue's ICT system and included the following.
- For subsidy payments before 24 April 2020, the system checked that the employer had made a qualifying payroll submission for the employee prior to 15 March.
  - For subsidy payments on or after 24 April 2020, the system checked that the employer had made a qualifying payroll submission for the employee prior to 1 April.
  - The specified employees were on the payroll at end February 2020.
- 12.25** The automated checks resulted in 22 employers (out of a total of 67,667 who applied) not gaining access to the scheme.<sup>2</sup>

<sup>1</sup> Cumulative tax is the tax due on an employee's total income from 1 January to the current date. The tax due for any pay period is the cumulative tax payable less the tax already deducted during that year.

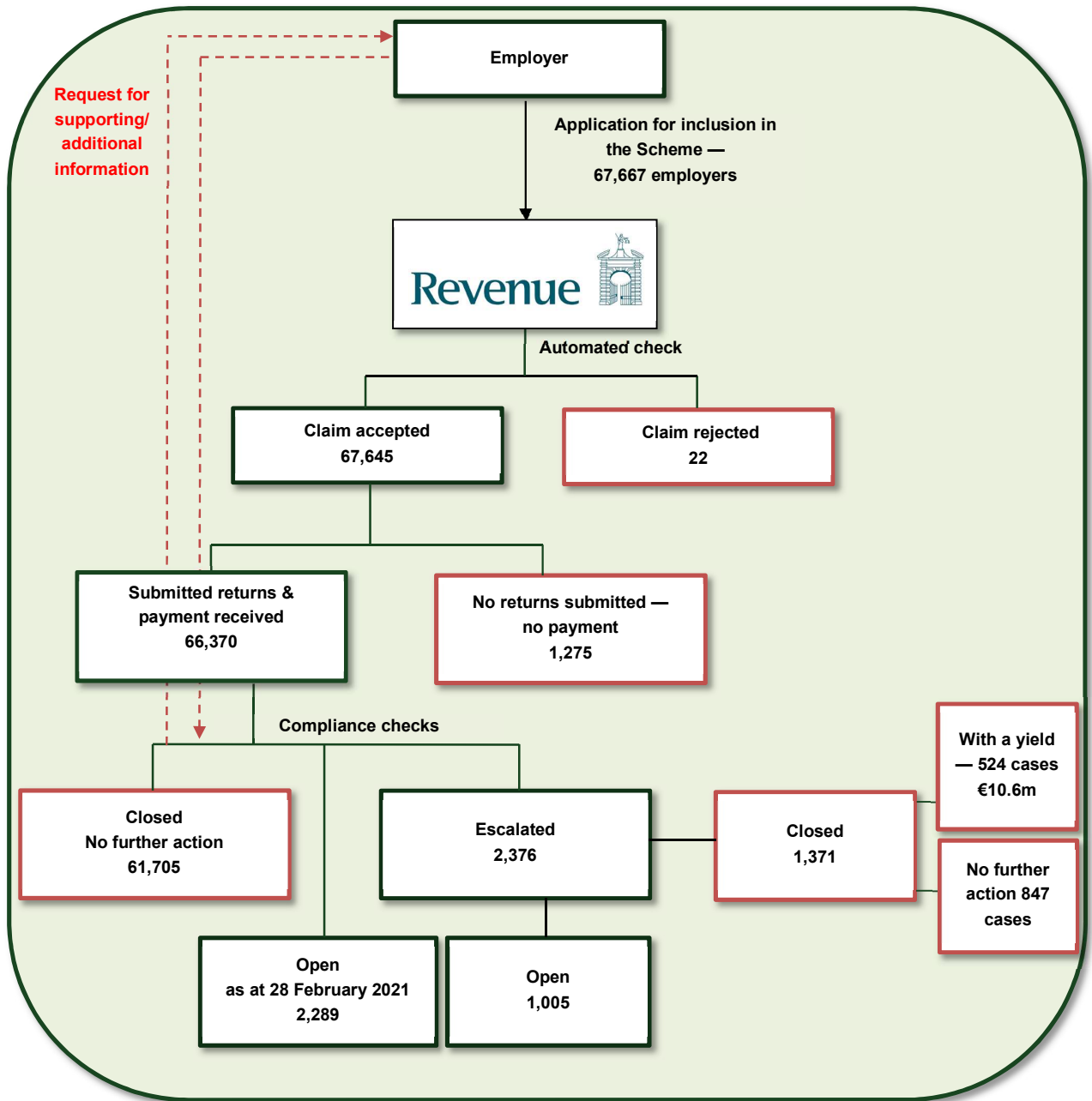
<sup>2</sup> 1,275 applicants did not proceed with claims.

**Detailed check**

- 12.26** In June 2020, Revenue commenced a phased programme of eligibility checks on all 66,370 employers who registered for and received subsidies under the scheme. Letters were issued to all businesses seeking confirmation that the employer met the eligibility criteria, that employees were being paid the correct amount of subsidy, and that the subsidy amount was separately identified on the employee's payslip.
- 12.27** In carrying out these compliance checks, Revenue prioritised employers that had received higher subsidy amounts and had large numbers of employees. It also took account of the overall compliance history of the employer and reviewed a number of indicators that might point towards ineligibility, for example whether the employer was in an industry where Covid-19 was not generally perceived to have had a negative impact. Revenue undertook eligibility checks with all employers and requested information to support eligibility under the scheme.
- 12.28** Admission to the scheme was on the basis that the employer anticipated that business turnover would decline by 25% or more (e.g. compared to the first quarter of 2020 or the second quarter of 2019). In cases where turnover had not in fact declined, or had declined by less than 25%, Revenue sought additional information from employers that there had been a reasonable basis for expecting such a decline when applying to participate in the scheme. An example of such a basis for claims would be evidence of
- customer orders or bookings at March 2020 in comparison to February 2020 indicating a significant drop in turnover
  - documentation submitted to a financial institution as part of the negotiation of relief measures with the financial institution
  - communications to employees or trade unions of salary/wage cuts implemented as a direct result of Covid-19.
- 12.29** If the Revenue case worker carrying out the check was satisfied with the information provided by the employer, the case was closed. If the case worker was not satisfied, the case was escalated to a non-audit intervention for follow up.<sup>1</sup>
- 12.30** At the end of February 2021, 93% of compliance checks undertaken had been closed by Revenue's case workers following confirmation of the employer's eligibility with the requirements of the scheme. 1,371 of the 2,376 cases escalated had been closed. Within the closed cases, there were 109 employers that had received scheme subsidies totalling €21 million. In these cases, the drop in turnover experienced by the businesses was less than 25% but Revenue accepted that the employers concerned had a reasonable expectation on entry into the scheme that turnover would decrease significantly in the relevant period.
- 12.31** At the end of February 2021, 3,294 scheme eligibility checks (5%) remained open. This represents 5% of the employers and €102 million (4%) of the total subsidies paid. Over 2,000 of those are open due to the employer not responding to Revenue's correspondence. Revenue is continuing to follow up on these cases through letters and phone calls.
- 12.32** A summary of Revenue activity is set out in Figure 12.5.

<sup>1</sup> The type of compliance intervention undertaken by Revenue is determined by the risks identified. Non-audit interventions can include assurance checks, aspect queries and profile interviews.

Figure 12.5 Compliance activities — Temporary Wage Subsidy Scheme



Source: Revenue Commissioners. Analysis by the Office of the Comptroller and Auditor General.

### ***Detected ineligibility***

**12.33** By 28 February 2021, Revenue had raised assessments of liabilities and had recovered €10.6 million in relation to 524 employers, following completion of scheme eligibility checks.<sup>1</sup>

- In 300 cases, Revenue determined that the employer was not eligible for inclusion in the scheme and full repayment of the subsidy was sought. This accounted for just under €5.1 million. In these cases, liabilities of over €2.3 million relating to other taxes were also raised.
- In 90 cases, Revenue determined that, on entry into the scheme, the employer had a reasonable expectation that turnover would decrease by 25%. In these cases, Revenue sought to recoup amounts paid after the date of the intervention or after 30 June 2020, whichever was the earlier date. Overpayments totalling €2.1 million were raised representing about 30% of the amounts paid to those employers.
- Overpayments totalling €0.7 million were raised in relation to 110 employers in relation to periods of ineligibility or ineligible employees.
- Overpayments totalling €0.4 million were raised in relation to 19 employers where on receipt of a letter from Revenue requesting supporting information for scheme entitlement the employer repaid all monies received.
- The remaining €20,000 related to other tax underpayments identified as part of the review.

### ***Additional repayments***

**12.34** Up to mid-March 2021, certain employers had made repayments of subsidies received that were not as a direct result of Revenue's formal compliance work.

- On 30 October 2020, Revenue published a list of employers that had availed of the subsidy. In advance of this, Revenue gave employers the option to repay any subsidy amounts received and be excluded from the published list. 406 employers availed of this option and repaid the subsidies received — €6.2 million.<sup>2</sup>
- €72.6 million was received related to amounts repaid that exceeded the subsidy due based on the average weekly wage paid to the employee.

### ***Review of compliance checks completed***

**12.35** As part of this examination, 30 closed interventions were selected for review. In 22 cases, no issues were noted about how the Revenue compliance checks were carried out.

**12.36** In eight of the cases examined, the employers had projected their turnover for the second quarter of 2020 on the basis of private income only, and had excluded Government payments. For example, payments identified by the examination included the Health Service Executive Temporary Assistance Payments Scheme (TAPS) to private nursing homes, and primary care reimbursement service payments to healthcare professionals. Revenue's approach to recoupment of subsidies paid was not consistent for entities in the same sector.

<sup>1</sup> Revenue has stated that while this includes amounts overpaid in relation to the scheme, it also includes amounts due from the employers concerned relating to the successor employment wage subsidy scheme (EWSS) and value-added tax (VAT) and PRSI that were identified in some cases during the review.

<sup>2</sup> It was a condition of the scheme that employers were required to pay outstanding income tax, USC and PRSI to avoid publication. The amount of the additional taxes and contributions paid is not available. Revenue stated it could not readily extract from the overall employers return for the affected period a breakdown of the income tax, USC and PRSI related to the scheme subsidy compared to deductions due on regular emoluments.

- In one case with subsidies totalling €3,908, Revenue sought partial repayment of €1,302.
- In two cases with scheme subsidies totalling €132,057, Revenue sought full repayment. When Revenue reviewed the documentation in relation to their turnover, the case worker deemed that the entities were ineligible for the scheme when Government payments were factored in and therefore the businesses had not suffered a 25% (or more) decrease in turnover in the period. Both entities were deemed to have failed to provide sufficient evidence that they had a reasonable expectation for entry into the scheme.
- In five cases with subsidies totalling €234,147, Revenue did not seek repayment. In these cases, the caseworkers had noted their belief that based on all the information supplied by the employer, including in one case the business being closed and uncertain future income, a reasonable expectation was established by the employer on application to the scheme. However, these were not correct assessments as expected Government payments in the period should have been included in the calculations by the entities on entry into the scheme.

**12.37** Revenue has stated that its approach in these cases was based on the full circumstances of the employer, which resulted in differing outcomes for the employers examined.

**12.38** Guidance on the operation of the scheme was published on Revenue's website. While the information was updated a number of times during the operation of the scheme, the guidance did not specify at any stage the requirement to include Government payments as part of turnover.

### *Quality assurance*

**12.39** Relevant Revenue divisions established a centralised quality assurance team to review closed eligibility checks. The focus of the quality checks was on customer service standards, the accuracy of information on correspondence that issued to employers, employer eligibility for the scheme and confirmation that all requested information was received. A total of 1,221 quality checks were undertaken up to end February 2021, just under 2% of all closed cases.

**12.40** The results of the quality assurance process were generally positive. No issues were identified in relation to almost two thirds of cases reviewed. In a further 30% of cases, the review identified some minor procedural issues in relation to administration of the compliance check, for example a closure letter had not issued to the employer.

**12.41** More substantive issues were identified in relation to 5% of the cases. The quality assurance review noted that the case worker did not follow up in a number of cases.<sup>1</sup>

- requested payslips had not been received as requested in 41 cases (3%)
- a satisfactory response had not been provided in relation to employer eligibility in 19 cases (2%).

<sup>1</sup> Where the quality assurance process identified that a satisfactory response was not provided in relation to employer eligibility, these were further reviewed with some requiring action.

**12.42** The results of the quality assurance process were provided to the scheme oversight group on a weekly basis. The guidance manual for staff undertaking compliance interventions was updated on a number of occasions to clarify the requirements of staff when undertaking eligibility checks.

### ***End of scheme reconciliation***

**12.43** Employers availing of the scheme were obliged to repay some or all of the subsidies received where

- the flat rate paid by Revenue during the transitional phase exceeded the amount due to employees
- the amounts paid to the employer during the operational phase exceeded the amounts paid to the employee by the employer (based on employees ARNWP).

**12.44** In December 2020, Revenue calculated the amounts payable to individual employees (by reference to their ARNWP) and compared this to the total amount paid to their employer.<sup>1</sup> In March 2021, Revenue made the reconciliation information available to each employer outlining the results of this exercise. Revenue considered that 41% of employers had a balanced reconciliation and the remaining 59% had reconciliation adjustments as follows

- 32,600 employers (56%) had been paid more than they subsequently paid to their employees. The overpayments identified had a combined value of €224 million. Of this, just under €200 million related to the transitional phase where Revenue paid each employer a flat rate of €410 per employee per week. Employers were advised by Revenue at the outset of the scheme to pay eligible employees 70% of their average net weekly pay and that any excess would be recouped at a later date.
- 1,800 employers (3%) were identified as potentially being due additional subsidies amounting to €1.4 million.

1 Revenue did not complete a reconciliation for employers who were still involved in a compliance review or in cases where case working was still ongoing.

2 The final liability of €311 million is the total of all subsidy payments identified by Revenue as repayable.

**12.45** Employers had until end June 2021 to make corrections to data previously reported and to accept the reconciliation. Following this process, Revenue determined that the final liability was €311 million, of which €252 million relates to subsidies paid during the transitional phase.<sup>2</sup>

## Conclusions and recommendations

- 12.46** The temporary wage subsidy scheme provided very substantial assistance to employers who reported that they anticipated significant adverse impacts on their businesses due to Covid-19 restrictions. In 2020, a total of €2.8 billion was paid to 66,370 employers for 678,236 employees. The employers availing of the scheme represented 36% of all employers registered with Revenue pre-pandemic.
- 12.47** The cost of the scheme to the Exchequer was substantially offset by funding received from the EU under the programme to respond to the Covid-19 emergency.
- 12.48** Similar to the administration of the tax system and unlike standard Department of Social Welfare schemes, the scheme operated on a self-assessed basis. This meant employers self-declared that they met the eligibility criteria and how much they were due, and received the subsidy on that basis.

## Governance

- 12.49** While the cost of the scheme was borne by Vote 37 Social Protection, Revenue assisted in the design of and operated the scheme. Revenue put in place a formal internal management structure to oversee the operation, and utilised an existing general liaison group to facilitate liaison between Revenue and the Department in relation to the operation of the scheme.

## Testing the validity of claims

- 12.50** Revenue implemented a comprehensive compliance regime that included a number of elements.
- 12.51** Using certain information normally available on Revenue's ICT systems, automated checks were conducted to confirm that the employer had submitted PAYE returns in the prior period and that the employees being claimed for were on that return.
- 12.52** Compliance checks on all employers that had received subsidies commenced in June 2020. These checks sought to review eligibility for inclusion in the scheme. As at end February 2021, 63,076 reviews (95%) had been completed. 2,000 employers (3%) that received subsidies had not engaged with Revenue.

## Recommendation 12.1

Revenue should review the characteristics of compliance checks that remain open with a view to developing a plan to finalise these reviews.

## Accounting Officer's response

Agreed.

Since February 2021, each Division has continued to contact employers who failed to engage with the compliance check programme. For example, a bulk issue letter campaign was conducted to remind employers of their obligations and to notify employers that continued non engagement would result in a notice of assessment to "relevant tax" being issued. Section 28 (11) of the Emergency Measure in the Public Interest (Covid-19) Act 2020 provides that scheme liabilities are subject to assessment as relevant tax. 295 notices of assessment were issued to those employers who did not engage with Revenue on this issue.

Of those employers receiving a notice of assessment, 201 engaged with Revenue to resolve outstanding issues leaving a small number of employers (94) who at the time of writing continue not to engage. Subject to each employer's right to appeal, these amounts will be treated as due and payable but may be warehoused where the employer is eligible for tax warehousing. The measures taken by Revenue to conclude the scheme compliance checks have resulted in 99.6% of compliance checks being fully completed as at August 2021 with 1,523 employers making settlements with Revenue of €27.2m.

- 12.53** A sample of 30 compliance check cases was examined for the purpose of this examination. In 22 of the cases, no issues of concern were noted. However, it was found that Revenue's approach to recoupment of subsidies paid was inconsistent in eight cases, in particular in relation to employers in the same sector whose turnover didn't decrease by 25% when Government payments were taken into account.
- 12.54** Quality assurance checks were undertaken by Revenue on a sample that represented 2% of all closed cases. These checks found that one in 20 (5%) of the reviewed cases did not have all the information required, or that unsatisfactory responses had not been followed up as required. There was evidence of follow up by Revenue staff following the quality assurance process for the sample cases.

#### ***Detected level of ineligibility***

- 12.55** At the end of July 2021, subsidies totalling €311 million, 11% of the schemes total outlay, had been identified as repayable. Revenue has stated that €212 million of this had been repaid, and €81 million had been warehoused for future collection, by agreement with Revenue. A residual €18 million was outstanding for recovery.
- 12.56** Of the €311 million identified for repayment, €252 million related to subsidies paid during the transitional phase and arose because the subsidy paid by Revenue (a flat rate of €410 per week per eligible employee) exceeded the amounts payable to some employees, capped at 70% of average earnings. The overpayments represented 35% of the subsidies paid during the transitional phase.
- 12.57** Repayments received up to mid-March 2021 included: €10.6 million recovered from employers following compliance checks by Revenue; €6.2 million from employers that voluntarily exited the scheme; and €72.6 million from employers in instances where the subsidy paid to the employer exceeded the subsidy due to employees — based on the ARNWP paid to the employee in the two months prior to the pandemic.
- 12.58** Revenue identified 109 cases with combined subsidies totalling €21 million paid to employers that expected to meet the eligibility requirements of the scheme but subsequently did not i.e. the expected reduction in turnover did not materialise. Revenue did not request repayment on the basis that the employers concerned had a reasonable expectation when making the application that their business would be significantly adversely affected.
- 12.59** While there was a material level of excess funding on the temporary wage subsidy scheme arising from the emergency circumstances in which it was introduced, Revenue signalled to employers that they would be required to repay any excess. Revenue implemented a comprehensive control and checking regime that has identified overpayments and substantially recovered them.

### Annex 12A.1 Number of employers and employees registered with Revenue in the scheme by county

County	Number of employers registered for the scheme	Total number of employers registered with Revenue	Number of employees in receipt of scheme monies <sup>a</sup>
Carlow	806	2,195	8,509
Cavan	1,033	2,871	9,850
Clare	1,433	4,232	12,690
Cork	7,414	21,506	63,244
Donegal	2,044	5,577	16,506
Dublin	19,845	53,386	267,570
Galway	3,770	9,260	37,931
Kerry	2,200	5,975	19,239
Kildare	3,036	7,620	28,827
Kilkenny	1,279	3,911	9,873
Laois	873	2,517	6,536
Leitrim	366	1,093	2,583
Limerick	2,519	7,038	26,074
Longford	501	1,394	5,555
Louth	1,851	4,558	17,187
Mayo	1,784	4,523	15,442
Meath	2,580	7,048	21,584
Monaghan	994	2,692	9,583
Offaly	931	2,731	7,297
Roscommon	672	2,069	5,517
Sligo	825	2,190	6,814
Tipperary	1,960	6,666	14,211
Waterford	1,537	4,539	15,219
Westmeath	1,280	3,464	10,948
Wexford	2,212	6,097	19,417
Wicklow	2,052	5,492	14,775
Foreign <sup>b</sup>	573	2,700	5,255
<b>Totals</b>	<b>66,370</b>	<b>183,344</b>	<b>678,236</b>

Source: Revenue Commissioners

- Notes:
- a Employees are allocated by county based on the location of employer and where the payroll is processed rather than the county residence.
  - b Employers could claim the subsidy in respect of any employee who is exercising an Irish contract of employment in the State and where the employer satisfies the conditions of the scheme.

### Annex 12B.1 Rates of subsidy at transitional and operational phase

	Subsidy payable
<b>Transitional phase</b>	70% of average weekly earnings capped at €410
<b>Operational phase</b>	
ARNWP < €412	85% of ARNWP capped at €350
ARNWP €412 — €500	Flat rate €350
ARNWP €500 — €586	70% of ARNWP capped at €410
ARNWP over €586	
<ul style="list-style-type: none"> <li>• Employee current gross pay &lt;60% of ARNWP</li> <li>• Employee current gross pay 60% – 80% of ARNWP</li> <li>• Employee current gross pay &gt;80% of ARNWP</li> </ul>	<ul style="list-style-type: none"> <li>€350</li> <li>€205</li> <li>€0</li> </ul>

Source: Revenue Commissioners. Office of the Comptroller and Auditor General.

- During the transitional phase, the subsidy was paid with reference to an employee's average net weekly earnings defined by Revenue as *'an employee's average weekly pay based on January and February payroll submissions made to Revenue for an eligible employee. Bonuses, commissions and other payments will be taken into account in the calculation if these were included as part of gross pay in the January/February 2020 payroll submissions'*.
- During the operational phase, Revenue calculated the ARNWP and the maximum weekly wage subsidy for each employee and provided these to employers. Revenue refunded the applicable wage subsidy based on the level of gross pay reported by the employer for each eligible employee.
  - Where ARNWP exceeded €586, the subsidy was also based on the employees' current gross pay as reported in the current payroll submission as a percentage of the ARNWP.
  - Tapering or restriction of the subsidy applied to all cases, except those where ARNWP did not exceed €412 where the additional gross pay paid by the employer and reported on their payroll submission, plus the wage subsidy amount, exceeded the employee's ARNWP.

