

Employee's TWSS Tax Liabilities

1st February 2021

TWSS Reconciliation Update

- Revenue will issue Employer reconciliations (via a CSV File) on **22nd March**
- Employers will have until **30th June** to finalise the reconciliation
- 95% of Employers have reported to Revenue.
- 89% of Employers are fully reported – 11% still have some payments that need reporting.

Employers paying employees' 2020 tax liability

- Revenue Guide available at [Employers paying employees' 2020 tax liability \(revenue.ie\)](#)
- Revenue will facilitate employers who wish to pay employees' 2020 tax liabilities. This applies to Income Tax (IT) and Universal Social Charge (USC) liabilities which arise due to the TWSS.
- Revenue will not apply Benefit-in-kind rules to these payments you make on behalf of your employees.

Employers paying employees' 2020 tax liability

- Employers paying amounts to settle these employee IT liabilities will not receive a deduction under the Taxes Consolidation Act, 1997, Section 81(2)(a).
- These payments would not be regarded as wholly and exclusively incurred for the purposes of the employer's trade or profession. Furthermore, Section 81(2)(p) specifically denies a deduction in respect of any taxes on income.

Employers paying employees' 2020 tax liability

- Employers must engage directly with employees and agree the method to pay the liability involved.
- In mid-January 2021, Revenue will make a Preliminary End of Year Statement for 2020 available for each employee. This will assist in determining the amount of IT and USC due.
- All employees, including those who benefited from the TWSS, can view their Preliminary End of Year Statement in MyAccount. Each employee will be able to see if there is an underpayment of IT or USC arising due to the TWSS.

Employers paying employees' 2020 tax liability

- To pay employees' tax liabilities employers have 2 options:
 1. provide funds to each employee to meet their IT and USC liabilities, as shown in their Preliminary End of Year Statement. Each employee must then pay their liability via RevPay.
 2. Amend your last payroll submission of 2020. You must add additional 'IT paid' and 'USC paid' that equals the liability shown on the Preliminary End of Year Statement. This must be done for each employee concerned.

Employers paying employees' 2020 tax liability

- CollSoft recommend that any employers engaging in this scheme uses the second option and reports all payments directly to Revenue through a Payroll Submission rather than handing the money over to the employee.
- Using a Payroll Submission ensures that;
 - Employer can be certain that the money has been paid to Revenue
 - Enables the employer to make corrections to the amount in the future should the need arise

Employers paying employees' 2020 tax liability

- CollSoft will be releasing updates to the 2020 software to facilitate employers with
 1. An estimate of the taxes due as a result of TWSS (**Now available to download from the website**)
 2. A method to report any such payments to Revenue using additional special purpose December 2020 submissions (**Will be available by end of February**)

Employers paying employees' 2020 tax liability

- Any calculations performed by CollSoft will only ever be an estimate – they will never be 100% accurate because;
 - Employees may be jointly assessed for PAYE.
 - Employees may have received PUP which is subject to PAYE (but not USC).
 - Employees may have multiple part time employments in which they received TWSS.
 - Employees may have been on Maternity or Illness Benefit.
 - Employee may be claiming tax relief for items such as medical expenses.

Employers paying employees' 2020 tax liability

- Current TWSS Tax Estimates will be based on the number of Weeks actually worked and paid through Payroll.
- For example if an employee was laid off onto PUP for 8 weeks, recommenced and put on TWSS then the CollSoft calculation will be based on 44 weeks.
- Care needs to be taken for employees who were on other social welfare benefits such as Maternity or Illness benefit.

Employers paying employees' 2020 tax liability

- Employers must engage directly with employees and agree the method to pay the liability involved.
- The estimate from CollSoft is only a guide for the employer. The employer should only agree an amount after the employee has disclosed their tax liability from Revenue.
- Employer must keep records of discussions and agreements made with employees.

Employers paying employees' 2020 tax liability

- Employers have until the end of June 2021 to complete this process.
- Employers should not rush into any agreements just yet – not all TWSS has been reported to Revenue and figures may change

Common Questions

- Is this process available for company directors? – **We are not sure and have asked Revenue for guidance.**
- Can I just pay the taxes of a couple of key employees? **Yes**
- I have poor cash flow, can I make payments to Revenue over a number of installments? **We think so, but again we have asked Revenue to confirm**

Questions and Answers?

- If you have any questions or suggestions about this process please email us at twss@collsoft.ie