

COVID 19 July Stimulus Package

Heralded as the largest ever injection of cash into the Irish economy, the July stimulus package was unveiled last week. The Government have announced this package to support Irish businesses in response to COVID-19. The Stimulus package contains tax measures, grants and credit supports. It is aimed at creating and maintaining employment, alleviating cashflow difficulties for businesses and there are also measures for Irish consumers. Job retention is a key aspect of the package, with the transition of the Temporary wage Subsidy Scheme, a vital support to business over the past 4 months, into the Employment Wage Support Scheme being a focal point. The government is looking to alleviate cash flow constraints on businesses by delivering cash directly to businesses in a quick and practical manner. The redesign of the Credit Guarantee Scheme aims to unlock new funding potential for businesses in a timely fashion

EMPLOYER SUPPORT

The Temporary Wage Subsidy Scheme (TWSS) will be replaced with the new Employment Wage Subsidy Scheme (EWSS) which will;

- provide for a €203 flat rate subsidy per employee per week for businesses with a 30% or more decrease in turnover
- employers in all sectors may qualify subject to meeting certain qualifying conditions
- there will be new conditions
- new and seasonal employees will be eligible
- The TWSS and the EWSS will run in parallel until 31 August 2020
- The EWSS will expire on 31 March 2021. However, The Bill provides that it may be extended beyond 31 March 2021

ACCELERATED LOSS RELIEF FOR COMPANIES

Companies would have to have waited until their 2020 corporation tax return was filed in 2021 in order to claim back corporation tax relief for 2020 losses. Under the new measures, companies may make loss relief claims in respect of 50% of their estimated 2020 trading losses against their prior year profitable results. The claim can be made during 2020, which will accelerate the utilisation of the losses and the tax refunds arising.

TAX WAREHOUSING

The Bill contains the legislation for the Tax Warehousing provisions announced in May 2020. As outlined in our previous Alerts, the provisions permit the “ware-housing” of VAT and PAYE for the period the business was and is unable to trade, or was and is trading at a significantly reduced level, due to the COVID-19 related restrictions.

An additional measure provides that taxpayers that have declared but unpaid tax debts, can avail of a reduced interest rate of 3% (currently 8% or 10%) provided they enter into a payment agreement with Revenue by 30 September 2020.

VAT RATE REDUCTION

The standard rate of VAT is to reduce to 21 % from 1 September 2020 until 28 February 2021. Businesses will need to adjust their systems to provide that the 21% rate is applied from 1 September.

INDIVIDUALS

- Self Employed - A new accelerated loss relief for Income Tax will apply for self-employed individuals. This will allow the utilisation of 2020 losses against 2019 profits, subject to a maximum of €25,000.
- The help-to-buy scheme; The relief an individual can claim is to increase to the lesser of €30,000 (up from €20,000) or 10% (up from 5%) of the purchase price of a new house / self- build property. Increase available until December 2020.
- The “Stay and Spend” incentive will give a 20% income tax credit on spending of €25 or more on food, accommodation and non-alcoholic drinks up to a maximum of €625, i.e. a maximum of €125 tax credit. This will apply from October 2020 until April 2021.

Aside from the above key tax aspects, PKF believe the following elements of the package are likely to be essential to our clients;

FUNDING MEASURES

In response to COVID-19 the Irish government announced or repurposed several debt funding measures to support Irish businesses disrupted by the pandemic. The July Jobs Stimulus Package includes changes to existing credit supports and the inclusion of additional credit supports as outlined below;

- Pandemic Stabilisation and Recovery Fund
- Credit Guarantee Scheme
- Restart Fund
- SBCI Future Growth Loan Scheme
- SBCI COVID-19 Working Capital Scheme
- Microfinance Ireland COVID-19 Business Loan
- Enterprise Ireland – Sustaining Enterprise Fund

PANDEMIC STABILISATION AND RECOVERY FUND

The Ireland Strategic Investment Fund (ISIF) is revising its investment strategy to establish a sub-portfolio within ISIF called the Pandemic Stabilisation and Recovery Fund available capital in medium and large enterprises.

<https://isif.ie/pandemic-stabilisation-and-recovery-fund>

CREDIT GUARANTEE SCHEME

The credit guarantee scheme is a further development of the existing SBCI Credit Guarantee Scheme. The Lenders will not be subject to a portfolio cap as originally expected. The publication of the legislation with all requisite detail is imminent.

RESTART FUND

This is a €550m fund (increased from €250 million in July) targeted at small and micro enterprises that have been impacted by COVID-19. Details of the scheme will be worked on by the Department of Public Expenditure and Reform in consultation with the Departments of Business, Enterprise and Innovation and Housing, Planning and Local Government. It was intended that companies would receive a total amount equivalent to no more than their 2019 rates bill and that there will be a cap per business of €10,000. The July stimulus has increased this cap to €25,000. Further payments may be available to firms which have already received them. The pool of eligible businesses has also been widened to include previously excluded sectors such as B&Bs and charities.

SBCI FUTURE GROWTH LOAN SCHEME

The SBCI Future Growth Loan Scheme has been in existence since July 2019 and is offered with the support of the Department of Business, Enterprise and Innovation, the Department of Agriculture, Food and the Marine, the European Investment Bank and the European Investment Fund (EIF). The July Jobs Stimulus package provides for an expansion of the SBCI Future Growth Loan Scheme by an additional €300m to €500m.

<https://sbci.gov.ie/products/future-growth-loan-scheme>

SBCI COVID-19 WORKING CAPITAL SCHEME

The SBCI COVID-19 Working Capital Scheme is offered in partnership with the Department of Business Enterprise and Innovation, the Department of Agriculture Food and the Marine and is supported by the InnovFin SME Guarantee Facility, with the financial backing of the European Union under Horizon 2020 Financial Instruments.

The loans will be available through AIB, Bank of Ireland and Ulster Bank. Approval of loans are subject to the banks own credit policies and procedures. It should be noted that businesses cannot complete a loan application until they have received their eligibility letter from the SBCI.

Eligibility; To qualify for eligibility to the scheme, each borrower's business's turnover or profitability must be negatively impacted by a minimum of 15% directly due to COVID-19. In addition, borrower's businesses must meet one of 11 possible innovation criterions. <https://sbci.gov.ie/products/covid-19-working-capitalloan-scheme>

MICROFINANCE IRELAND COVID 19 BUSINESS LOAN

The COVID-19 Business Loan from Microfinance Ireland is a government initiative to support microenterprises, through the current period of uncertainty, who are or may be impacted by the coronavirus in Ireland.

The July Jobs Stimulus Package saw additional liquidity and enterprise investment measures announced worth €55 million to support small and micro companies through additional resources for MicroFinance Ireland and the Local Enterprise Offices.

Eligibility;any microenterprise (Sole Trader, Partnership or Limited Company) who is currently trading and is;

- Not in a position to avail of Bank finance; and
- Is experiencing a COVID-19 negative impact on their business (the negative impact must be a minimum of 15% of actual or projected in turnover or profit).

ENTERPRISE IRELAND – SUSTAINING ENTERPRISE FUND

In response to COVID-19, Enterprise Ireland has created a new €180 million fund to provide manufacturing and internationally traded services companies with capital to help stabilise and rebuild their businesses. To see if you are eligible please click the following link; <https://www.enterpriseireland.com/en/funding-supports/Company/Eestablish-SME-Funding/SustainingEnterprise-Fund.html>

FURTHER INFORMATION

If you have any related questions or need further information please contact a member of the PKF team.

Right people.
Right size.
Right solutions.

Please contact a member of our team if you would like to discuss any of the issues raised.

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