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Tax alert

Ireland

July Stimulus Package

On 23 July the Government announced its €7 billion stimulus package in response to challenges faced as a result of the economic fallout caused by the COVID-19 pandemic. While the business measures are wide-ranging there are some targeted provisions aimed at increasing domestic consumer confidence and spending.

Supporting employment

Temporary Wage Subsidy Scheme

The Temporary Wage Subsidy Scheme (TWSS) is due to expire on 31 August and is to be replaced by the Employment Wage Support Scheme (EWSS), which is to last until 30 March 2021. The TWSS provides for a subsidy of €205/€350, with cumbersome tapering rules. Payments under the EWSS commencing on 1 September will be at a flat rate of €203 per employee per week. To qualify, an employer must have a 30% or more decline in turnover. At face value, it looks like the EWSS may be easier for employers to administer, it is also intended that the EWSS will be extended to seasonal staff, new employees and new companies. Similar to the TWSS, the EWSS will be administered by Revenue. In this regard, we await updated Revenue guidance, in particular on the period in which the turnover decline of 30% or more is to occur, as well as determining the limits for employer top-up payments and the qualifying criteria to be satisfied by new companies.

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Building a better working world

Pandemic Unemployment Payment (PUP) extension

The Government has also announced the continuation of the Pandemic Unemployment Payment scheme which had been due to expire on 10 August. The new scheme will continue with reduced levels of payments (albeit still higher than the standard unemployment payments). In April 2021 the payment will expire, and at that stage it will be necessary for individuals to apply for either Jobseeker Benefit or Jobseeker Allowance and thus become subject to those schemes' standard applicable rates and conditions.

Earnings pre-pandemic (per week)	Current rate of payment	From 17 Sept 2020 to 31 Jan 2021	From 1 Feb 2021 to 31 March 2021	From 1 April 2021
>€300	€350	€300	€250	€203 Jobseeker Allowance/ Benefit
€200 - €300	€350	€250	€203	€203 Jobseeker Allowance/ Benefit
<€200	€203	€203	€203	€203 Jobseeker Allowance/ Benefit

The gradual transition to lower rates relative to employment earnings may encourage a higher take up into available part-time work and move off the PUP.

Retraining and upskill programme

A €200 million investment in training and education, skills development, work placement schemes, recruitment subsidies, and job search and assistance measures, will help those who have lost their jobs find a new one, retrain, or develop new skills, in particular in emerging growth sectors. This will include:

- 10,000 additional places on work placement and experience schemes will be available for those unemployed for over 6 months.
- 12,500 additional places funded through the Training Support Grant for short term skills training.
- 35,000 additional places in further and higher education. These will be delivered through a variety of measures including Skills to Compete Initiative (SOLAS), Skillnet, Springboard+ and the Human Capital Initiative, as well as through additional undergraduate and postgraduate provision in the Higher Educational Institutions.
- The Apprenticeship Incentivisation Scheme will provide a €2,000 payment to support employers to take on new apprenticeships in 2020.
- A Retrofit Skills Training Initiative will support future expansion of the National Retrofitting Programme.
- 8,000 recruitment subsidies under the JobsPlus scheme. Subsidies of up to €7,500 over two years will be available for employers to hire someone under the age of 30 who is on the Live Register or the Pandemic Unemployment Payment.
- The capacity of the Public Employment Service will be increased to support jobseekers through job search advice and assistance, including through contracted services such as JobClubs, JobPath and Local Employment Services.
- The Back to Work Enterprise Allowance and Back to Education Allowance will be extended to people currently in receipt of the Pandemic Unemployment Payment.
- 3,000 additional places will be funded on State Employment schemes such as Community Employment and Tús.

Supporting business

- **Low-cost loans**
  The Government had come in for some criticism that the various loan supports available to businesses to help mitigate the impact of COVID-19 carried too high a rate of interest (typically 4.5% to 5.5%). As part of a package of liquidity and investment measures worth €55 million, small and micro companies will be supported through additional resources available from MicroFinance Ireland and the Local Enterprise Offices. This will include measures to reduce interest rates on lending for micro and small businesses, including grants equivalent to 0% interest on the first year of SBCI and MFI loans.

- **Enhanced restart grants and credit measures**
  The Restart Grant for Enterprises is being extended to a broader base of SMEs and expanded by €300 million, bringing the total funding of the Restart Grant to €550 million. The grant was available to rateable businesses with a turnover of less than €5 million and employing 50 people or less which have closed or experienced a drop of 25% or more in turnover to help with costs associated with reopening and reemploying workers following the negative COVID-19 impact. The grant was based on an enterprise's commercial rates bill for 2019 with a minimum payment of €2,000 and a maximum payment of €10,000.

  The maximum payment level is being increased to €25,000. The criteria for accessing the scheme will now include businesses that have:

  - 250 employees or less;
  - Turnover of less than €100,000 per employee; and
  - Reduced turnover by 25% as a result of COVID-19

  Top-up payments may be available to firms which have already accessed this scheme and were subject to the previous caps. Some businesses, such as B&Bs and rateable sports businesses, not previously included in the scheme, will now be eligible for a grant payment of €4,000. Applications will be through local authorities (Fáilte Ireland for B&Bs).

  An additional €300m funding for The Future Growth Loan Scheme with the European Investment Bank Group, was announced so that businesses with up to 499 employees can now invest for the longer-term at competitive rates.

  The €2 billion COVID-19 Credit Guarantee Scheme, will see Government provide an 80% guarantee for a wide range of credit products from €10,000 to €1 million up to a maximum term of 6 years.

  An increase of €10 million in funding for the Seed and Venture Capital sector through Enterprise Ireland as a top-up to existing funds and leveraging a combined additional pool of investment of €55 million, as part of the Government's commitment to innovation driven enterprises.

  €10 million will be provided to the IDA for support for promotional and marketing initiatives targeting job-rich FDI projects that will be an essential part of Ireland's economic recovery.

  A further funding call for the Online Retail Scheme of €5.5 million through Enterprise Ireland will be made and there will be an expansion of the Online Trading Voucher Scheme from the Local Enterprise Offices worth €20 million.

The Government will also establish a €20 million Brexit fund to help SMEs involved in exporting to and importing from the UK and to support with putting in place the staff, software and IT systems to be ready for new customs arrangements from 1 January 2021.

Direct grant support will be made available to viable businesses under an expansion of Enterprise Ireland's €180 million Sustaining Enterprise Fund scheme. This is in addition to equity and repayable advances currently available.

- **Commercial rate waiver extensions**
  Subject to a few exceptions, all businesses will be granted a waiver of commercial rates for the six months to end-September 2020.

- **Debt warehousing and late payment interest**
  The Government confirmed it will pass legislation affirming the previously announced warehousing of tax liabilities. This will allow for businesses affected by COVID-19 to delay payment of their PAYE and VAT debts in part or in full for a set period with no interest or penalties, subject to conditions. This very welcome measure gives businesses the space to recover.

  It had been previously announced by Revenue that:
  - COVID-19 related VAT and Payroll tax debts due from 1 March 2020 to the date when sectoral restrictions are lifted are to be 'parked' for 12 months,
  - No interest will accrue on the tax debts during this 12-month period,
  - After this 12-month period, the COVID-19 related tax debts will carry a reduced interest rate of 3% (normally 10%) until the debt is paid,
  - The timeframe to pay the 'warehoused' debt will be flexible and based on the ability of a business to pay both the COVID-19 debts as well as meeting ongoing tax liabilities as they arise in the normal course of events, and
  - It is a key requirement for debt warehousing that all returns continue to be filed in accordance with Revenue guidance.

  The legislation underpinning the warehousing arrangements is awaited and will need to be examined carefully in due course.

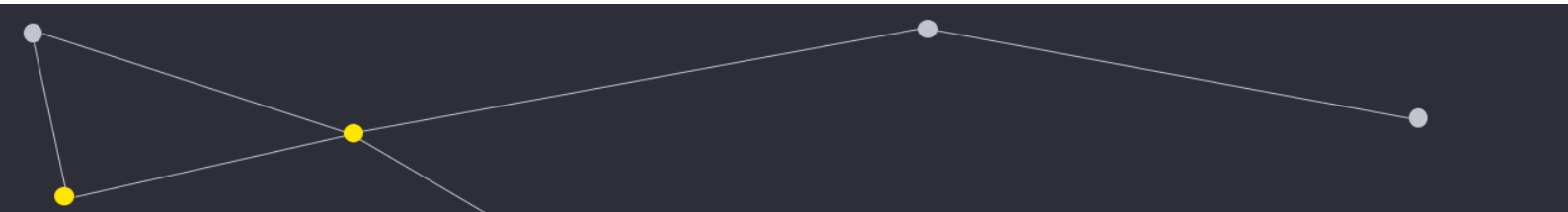
  In order to provide support to taxpayers experiencing problems paying tax liabilities, the interest rate applying to agreed repayments of all tax debts (where agreement has been reached prior to 30 September 2020) will be reduced to 3%. This is potentially a significant reduction given existing rates of interest on the late payment of taxes range from 8% to 10%.

- **Loss relief**
  To provide immediate cash-flow support to previously profitable companies, the early carry- back of trading losses will be allowed, leading to an immediate refund of some or all of corporation tax paid.

  In addition, there will be a new income tax relief for self-employed individuals who were profitable in tax year 2019 but, as a result of the COVID-19 pandemic, incur losses in 2020.

Consumer supports

The Government has announced a reduction of the standard rate of Value Added Tax (VAT) from 23% to 21% as a part of its new €5 billion stimulus package. The reduction will apply for a six -month period from 1 September 2020 to 28 February 2021. The change in VAT rate follows a trend across Europe of reducing VAT rates to stimulate economies during the COVID-19 pandemic. Ireland has not gone as far as the UK in terms of supporting the hospitality industry (e.g. rate dropped from 20% to 5%) or in dropping its standard rate (e.g. Germany cut its rates by 3%). With no change to the tourism and hospitality rate of 13.5% the Government has



opted for a different response to what was introduced following the financial crisis instead focusing on implementing a cut across the broadest range of goods and services to seek to provide the market with a well-needed boost. The change in the VAT rate will bring opportunities for businesses to review their pricing policies and consider any efficiencies that could be made around the timing of supplies. However, this change will also impact businesses from a systems and process perspective as businesses will be required to update their invoicing and ERP systems to account for the new rate of VAT and to ensure that relevant controls are in place.

- **Help to Buy scheme**
  Enhanced levels of support will be made available under Help to Buy scheme until December 2020 at a cost of €18 million.

- **Stay and Spend Incentive for hotels and hospitality**
  The hospitality sector has been hit particularly hard by COVID-19 travel restrictions and in particular restrictions on inbound tourism. To encourage 'staycations' over the coming months the Government has announced a tax credit scheme for expenditure incurred in qualifying hotels and restaurants. This will provide for a maximum credit of €125 (€250 maximum for married couples) for expenditure on hotels, food and non-alcoholic beverages. To avail of the maximum credit, a single individual would need to spend €625. The scheme will run from October to April 2021.

- **Cycle to Work**
  An increased allowable expenditure under the 'Cycle To Work Scheme' from €1,000 to €1,500 in respect of 'ebikes' and €1,250 in respect of other bicycles will be introduced.

- **Capital projects**
  A further €500 million will be provided to accelerate capital works across a wide range of areas to facilitate economic activity across all regions.

The July Jobs Stimulus is only the next step in the Government's response to the economic fallout from the COVID-19 pandemic and identifying the necessary steps to be taken in 2020 to retain and create jobs. Accompanying Budget 2021 this October will be a National Economic Plan that will set out a longer-term approach recognising that some sectors will remain under pressure while COVID-19 remains a threat.

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