



# WESTBORO PARTNERS

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# ECONOMIC RECESSION: SHORT AND SURMOUNTABLE

The COVID-19 pandemic and the measures put in place to contain it have delivered an enormous shock to the world economy. Indeed, the IMF has said that this crisis is like no other due to the shock being so large and sudden, with a continued high degree of uncertainty about how long it will last. As a result, economic forecasting in the current unprecedented COVID-19 recessionary environment is very difficult, with a wide range of outcomes possible for GDP.

What is clear, though, is that GDP will contract sharply in 2020. Incoming macro data are reflecting a sudden and very severe contraction in activity. For example, the Composite PMIs for April from the US, Eurozone and UK plummeted to record lows, with the weakness most evident in the services sector and consistent with a large contraction in business activity. Other data, including US monthly payrolls and jobless claims, highlight the unprecedented collapse in employment and surge in unemployment. Big falls in GDP for the first quarter of the year are being seen in many economies.

The most comprehensive set of economic forecasts published since the onset of the COVID-19 pandemic have come from the IMF in its semi-annual World Economic Outlook, April 2020.

The IMF baseline scenario is a deep recession in the first half of 2020, with output declines concentrated in the second quarter. This is followed by a gradual recovery in activity during the second half of the year that gathers momentum in 2021.

# Economic Recession: Short and Surmountable

The IMF assumes in its forecasts that the virus outbreak will peak in most countries during quarter two and fade in the second half of the year, with business closures and other containment measures gradually unwound. The strong growth projected for 2021 is based on the view that the aggressive policy actions taken by governments and central banks across the world will be effective in restoring consumer and business confidence, as well as preventing widespread bankruptcies, extended job losses and system-wide financial strains.

Overall, the IMF see world GDP falling by 3% in 2020, but rebounding by 5.8% in 2021. This would be the biggest fall in GDP since the Great Recession in the early 1930s. While growth is projected to be well above trend in 2021, the IMF calls it a partial recovery as the level of output next year is almost 4% below what it had projected before the virus hit.

Western economies are being hardest hit by the pandemic, with the IMF forecasting that their output will fall by 6.1% in 2020. Despite expanding by a predicted 4.5% next year, their level of GDP will still be 5% below that projected before the virus struck. Ireland's main trading partners have been hard hit by the coronavirus outbreak and thus have had to impose strict lockdowns. Thus, not surprisingly, the IMF is forecasting that GDP in the Eurozone, UK and US will fall by 7.5%, 6.5% and 5.9%, respectively in 2020.

In terms of the Irish economy, the IMF is expecting GDP to contract by 6.8% this year. Meanwhile, the ESRI and Central Bank of Ireland are forecasting that Irish GDP could decline by 7.1% and 8.3%, respectively, in 2020, while the Dept. of Finance is projecting a fall of 10.5%.

The Irish unemployment rate, which was below 5% at the start of the year, spiked higher to 16.5% in March. It is seen by the IMF as averaging 12.1% in 2020. The ESRI has quite a similar unemployment forecast for 2020, with the jobless rate put at 12.6%. The Dept. of Finance sees unemployment averaging 13.9% this year. The Dept. is forecasting that the unemployment rate will fall to an average of 9.7% in 2021.

Like other countries, Ireland is heading for a blow-out in the public finances this year. Governments are providing income and financial supports for households and businesses to help them get through the recession. Meanwhile, tax receipts are plummeting with economies in lockdown. The Dept. of Finance is forecasting a budget deficit of €23 billion or 7.4% of GDP in 2020, compared to a budget surplus last year.

However, the ECB's ramped-up Quantitative Easing bond buying programme is underpinning Eurozone sovereign debt markets, allowing Governments to fund at low interest rates, unlike during the Global Financial Crisis a decade ago. This was evident in April, when the National Treasury Management Agency raised €6bn in a new 7 year bond, issued at a yield of just 0.25% amid very strong investor demand.

It is important to bear in mind that the Irish economy is facing into this crisis from a strong starting point. The unemployment rate had fallen to below 5%. Meanwhile, the economy had undergone a period of major deleveraging in the private sector, including households. The household debt to disposable income ratio had fallen from a peak of around 210% a decade ago to below 120%. From a government finances perspective, the budget deficit had been eliminated at a quicker than expected pace, returning to a surplus in 2018/19. The balance of payments had also returned to significant surplus. The property market was characterized by stable prices and limited supply.

Overall then, the economy should be in a good position to bounce back from the recession. There are two risks, though, that could delay a recovery. First, the virus proves very persistent requiring most of the restrictions on economic activity to remain in place for a prolonged period of time. Second, that there is a second wave to the virus later this year or in 2021, which sees the lockdowns re-imposed.

Indeed, for some sectors of economies, such as hospitality, tourism, travel, entertainment, education and the leisure and sports industry, it may take a complete disappearance of the virus or the arrival of a vaccine for activity to return to normal.

**Oliver Mangan, Chief Economist, AIB**

## E WORKING AND TAX

Due to the on-going global pandemic, the Government directive recommends working from home. In light of this Revenue has recently updated their manual stating that an employer may pay up to €3.20 per day without deducting PAYE, PRSI or USC to cover the additional costs of working from home.

If the employer does not make a payment of €3.20 per day to the employee then the employee may be entitled to make a claim in respect of vouched expenses incurred wholly, exclusively and necessarily in the performance of the duties of employment.



## EARLY PAYMENT OF 2020 INSTALMENTS OF EXCESS (R&D) TAX CREDITS

An excess research and development R&D tax credit is normally paid to the company concerned in three instalments. Each of these instalments is to be paid not earlier than the date specified for that instalment in the section.

Revenue has announced that given the exceptional circumstances of the Covid-19 pandemic and subject to appropriate checks in selected cases, Revenue will expedite the payment of any instalment of excess R&D tax credit that is due to be paid in 2020, bringing forward payment in advance of the date in the instalment section.

Requests for Revenue to expedite the payment of any 2020 instalments of excess R&D tax credits should be made through MyEnquiries. To enable payment of the excess credits, the form CT1 for the company's accounting period ending in 2019 must, at the time of the request, be submitted.

To ensure timely processing of requests, they should be tagged appropriately within MyEnquiries:

- ➔ enquiry relates to 'Corporation Tax'
- ➔ more specifically 'R&D instalments payable in 2020'

## TOP TIP

If your business is struggling, ensure you engage with your accountant and/or Revenue as early as possible. Where feasible continue to file your returns with Revenue to ensure you maintain a good compliance record with Revenue even if this is on a best estimate basis.

## SUBCONTRACTOR RCT RATE REVIEW



The RCT rate review scheduled to run in March 2020 has been suspended. The process assesses the current compliance position of each subcontractor in the eRCT system and determines the correct deduction rate. i.e. 0%, 20% and 35%.

Revenue suspended the review which may otherwise have resulted in a subcontractor's RCT rate increasing due to a change in their compliance position.

Where a subcontractor's compliance position has improved, a self-review can be conducted on ROS whereby a lower deduction rate may be obtained.

## PAY AND FILE SUMMARY

The following is a summary of upcoming pay and file dates:

### INCOME TAX

Filing date of 2019 return of income (self-assessed individuals)	<b>31 October 2020</b>
Pay preliminary income tax for 2020 (self-assessed individuals)	<b>31 October 2020</b>
On-Line pay and file date for 2019 return of income	<b>12 November 2020</b>

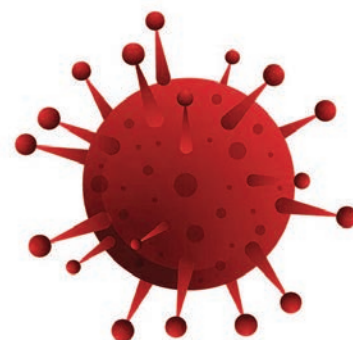
### CAPITAL GAINS TAX

Payment of Capital Gains Tax for the disposal of assets made from 01 January 2020 to 30 November 2020	<b>15 December 2020</b>
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### CORPORATION TAX

Filing date for Corporation Tax returns for accounting periods ending in September 2019	<b>21 June 2020</b>
Balancing payment of Corporation Tax for accounting periods ending in September 2019	<b>21 June 2020</b>

# THE TEMPORARY WAGE SUBSIDY SCHEME (TWSS)



**T**he Government introduced special measures to support employers in maintaining employment levels as Covid-19 unfolded globally. The Employer Refund Scheme (March 15th 2020 – March 25th 2020) was replaced by the TWSS on 26th March 2020. The scheme is administrated by Revenue and has undergone various revisions since its introduction with the intention of the scheme lasting 12 weeks. It is most probable that this will be extended.

This special payment is there to support all private sector employers to reduce payroll burden and retain staff on payroll in these most uncertain of times. Employers will receive the subsidy whether their employees are temporarily not working or working reduced hours as long as that employee is retained in employment.

The payment is made to employees via their Employers. Employers can register at any time during the scheme's operation and before making a payroll submission to Revenue.

## **The Scheme has seen 2 phases to date:**

**1. Phase 1** was the transitional phase that built upon the previous Employer Refund Scheme. Under that scheme, Employers who retained employees on their books received €203 per employee per week. The transitional phase refers to all TWSS submissions received on or before May 3rd 2020. TWSS provided a maximum subsidy of €410 per employee per week in respect of eligible employees for employers partaking in the Subsidy Scheme irrespective of whether or not that Employer made additional payments to the employee or not.

**2. Phase 2** is the operational phase which applies to TWSS submissions received after May 4th 2020. In this phase, the Scheme will ensure that the refunds to Employers is based on each individual employee's Average Revenue Net Weekly Pay (based on employee net earnings in the January & February payroll) and that the gross pay as reported by each employer in their payroll submissions is subject to the maximum weekly tax-free amounts.

The TWSS is part of an employee's emoluments for tax purposes however at present that element (i.e. TWSS Subsidy element) is not subject to pension deductions under PAYE. Furthermore, an Employer is not permitted to deduct an employee pension contribution from the wage subsidy.



## **AS SEEN ONLINE – FIRST COMMUNION KIDS APPLY FOR COVID-19 PAYMENT**

The Government are today answering questions from a union of First Communion-aged boys and girls from across the country who are applying for a bailout programme to offset financial losses incurred by the cancellation of their Holy Communion ceremonies thanks to Covid-19.

Thousands of under-10's were scheduled to make their First Holy Communion and rake up to €1,000 each over the last few months until the arrival of Coronavirus, with those same children now looking to the government for answers about where their cash is.





## TRADING ONLINE VOUCHER

Under the Government's National Digital Strategy, the expanded Trading Online Voucher Scheme helps small businesses with up to 10 employees to trade more online, boost sales and reach new markets.

There is up to €2,500 available in online vouchers through the Local Enterprise Offices, with co-funding of 10% from the business. Training and further business supports in getting your business online are also provided. Businesses that have already received a voucher can now apply for a second one, where upgrades to their online retail platforms are required.

Funding can be used towards adding payment facilities or booking systems to your website or developing new apps for your customers. The voucher can also be used towards subscriptions to low cost online retail platform solutions, to help companies quickly establish a retailing presence online.

The vouchers are targeted at businesses with the following profile:

- ➔ Limited or no e-commerce presence;
- ➔ 10 or less employees;
- ➔ Turnover less than €2m;
- ➔ Applicant business must be trading for at least 6 months. Applicant business must provide clear proof of trading for a minimum of 6 months to their Local Enterprise Office

Business must be located in the area covered by the LEO to whom they make their application i.e. LEOs cannot accept applications from businesses located outside their jurisdiction.

## MAKING WORKING FROM HOME, WORK FOR YOU

Working from home and taking care of children means having to create a new routine to ensure that you can be productive and manage the demands of home. This will need careful planning and sometimes creative solutions.

While it is not always possible, it is helpful to keep a separation of work life from home life, so try finding a separate space to work in if you can.

Plan your days in advance to make sure everyone knows what they will be doing and when:

- ➔ stick to your normal routine as much as possible
- ➔ keep times for breakfast, lunch, dinner as close to normal as you can
- ➔ give your eyes a break from screens for a few minutes every hour
- ➔ exercise, stretch and go out for a walk if possible
- ➔ try and make sure you rest and get a good night's sleep
- ➔ stay in touch with family and friends

## PENSIONS AND COVID-19

As a result of the COVID-19 outbreak, employees who are members of a pension scheme may be absent from work for a temporary period, be put on reduced hours, be subject to temporary lay-off, have their salaries reduced or seek to go on some form of statutory leave. Where an employee is out of work but in receipt of full pay, both member and employer contributions to their pension scheme should continue as normal.

**Contribution rules** - Both the employer and member contribution rules should be reviewed to determine if they contain any flexibility to stop or alter employer contributions in circumstances where the member is unpaid or is not making contributions.

**Temporary absence rules** - Most scheme governing documentation will include rules regarding temporary absences. Such a rule will generally specify whether contributions to the scheme continue wholly, partially or are suspended and whether employer or trustee consent is required to this change.

**Where a member is partly paid during temporary leave** - As there will be income from the employment to which the scheme relates, it will be possible for the member to make tax relieved employee contributions to the scheme. The definition of contribution salary, the contribution rule and temporary absence rule should be reviewed to determine if contributions continue in full or whether there is flexibility to make contributions as a percentage of pay actually received by the member. Some schemes may contain provisions specifically for members who are part-time employees which may also be relevant.

Revenue have confirmed that a pension contribution should not be made from the subsidy payment as the purpose of the payment is to ensure a minimum amount is paid to employees during the emergency period. That said, the subsidy payment is treated as part of the employee's net relevant earnings for pension purposes. Therefore, an employee cannot make a pension contribution through payroll on the subsidy payment but employees can still contribute to their pension and claim tax relief on their 2020 personal income tax return.



# €180M FUND FOR SMALL ENTERPRISES

**E**nterprise Ireland announced that it will administer a specific Sustaining Enterprise Fund for Small Enterprises as part of the Sustaining Enterprise Fund recently announced by the Government. Through their newly formed Business Response Unit, Enterprise Ireland are engaging with Irish businesses to listen and respond to their needs in the current crisis.

60% of companies who have engaged with Enterprise Ireland's Business Response Unit since March say that Covid-19 has had a very negative or critical impact on their business to date. Financial planning was listed as one of the key priorities identified by client companies in responding to the crisis.

In order to assist businesses in developing a financial plan and accessing finance, a two-phase approach is now available to apply for the Sustaining Enterprise Fund for Small Enterprises.

The first step is to apply for the Covid-19 Business Financial Planning Grant. The grant will help companies to engage with consulting companies who can assist in developing a Business Sustainment Plan – a required element when applying for the Sustaining Enterprise Fund.

Once a Business Sustainment Plan is written, an application can be made for the Sustaining Enterprise Fund. Funding will be in the form of repayable advances with the funding to be repaid subject to the project objectives being achieved. An annual administration fee of 4% will apply.

Eligible companies will have suffered, or be projected to suffer, a 15 percent or more reduction in actual or projected turnover or profit as a result of COVID-19 outbreak. Although this is a repayable fund, there are no repayments required for the first three years. Repayment will be expected by the end of year 5, when successful achievement of the project objective is presumed achievable.

The purpose of the fund is to sustain companies who have been impacted by a 15% or greater reduction in actual or projected turnover or profit, and/or have significant increase in costs as a result of the Covid-19 outbreak. The objectives of the fund are to:

- ➔ Ensure eligible companies have access to necessary liquidity in the short-term; and
- ➔ Sustain the business so that the company can return to viability and contribute to the recovery of the Irish economy.

To be eligible, companies need to:

- ➔ Employ 10 or more full time-employees;
- ➔ Operate in the manufacturing and internationally traded services sectors;
- ➔ For SMEs — must have applied for and have been unable to raise sufficient funding from the market, a financial institution or, where appropriate, the SBCI Covid-19 Working Capital Loan Scheme;

The Sustaining Enterprise Fund will be used to support the implementation of a Business Sustainment Plan which must be provided by the company outlining the eventual stabilisation of the business and a return to viability.

For all information relating to this Fund along with many more supports, visit [www.enterprise-ireland.com](http://www.enterprise-ireland.com)



## A Note to You

Our current situation is throwing many obstacles our way in both our personal and business lives. It is a time that we could not plan or prepare for and we are all navigating it as best we can. Understandably, many business owners are concerned and uncertain about the future. Please know that we are here to help and support you and your business to the best of our ability. Many funding options are now available through grants, financing and employment supports. While we don't know exactly when we will emerge from this environment, we have come a long way from the start. By working together and seeking advice, we will all get through this time together. Rest assured there is a route for you that will help your situation. Please call us to discuss any concerns you may have and to outline a plan for recovering from this period.



## ADDRESSING ANNUAL LEAVE

Annual leave and public holidays are governed by the provisions of Part III of the Organisation of Working Time Act 1997 (the 'Act') which provides an entitlement to paid annual leave as follows:

- ➔ 4 working weeks in a leave year in which he or she works at least 1,365 hours (unless it is a leave year in which he or she changes employment)
- ➔ One third of a working week for each month in the leave year in which he or she works at least 117 hours, or
- ➔ 8% of the hours he/she works in a leave year (but subject to a maximum of 4 working weeks)

Many employees have sought to take annual leave to cover childcare responsibilities arising from the closure of schools and crèches. Employers too are keen to have employees avail of their entitlement to accrued annual leave so that once the crisis passes, they are poised to mobilise the workforce and meet increased demand without having to cater to a large volume of annual leave requests. Section 20 (1) of the Organisation of Working Time Act provides that the times at which annual leave is granted are determined by the employer. In that regard, the employer should have regard to the opportunities for rest and recreation available to the employee but also the need for the employee to reconcile work and any family responsibilities. In addition, under the legislation the employer is required to consult with the employee or their Trade Union at least one month prior to the taking of leave. In the current climate, however, we are noting an acceptance by employees of measures being taken by their employers in response to the Covid-19 crisis, to include the mandatory taking of annual leave.

## ANNUAL LEAVE AND LAY-OFF/COVID-19 WAGE SUBSIDY

As outlined above, an entitlement to annual leave arises under the Act on the basis of hours worked, with the exception of sick leave. Therefore, where employees are on a period of temporary lay-off, they do not accrue an entitlement to annual leave during the period of lay-off. Employees who are placed on short time accrue an entitlement in respect only of hours worked during that period of short time.

However, it should be noted that on an annualised basis, an employee may still achieve the requirement of 1,365 hours within the leave year, even where they have been placed on a period of temporary lay-off. This therefore, will need to be considered once the lay-off ceases and employees return to the workforce.

Similar principles apply for those employees who are on the Covid-19 Wage Subsidy Scheme, but are not working, thereby being on 'de-facto' lay-off.

## ENTITLEMENTS FOR HOLIDAY CANCELLATIONS

Since the Department of Foreign Affairs and Trade (DFA) has advised against all non-essential travel overseas until further notice, you will probably have to cancel your trip if it is coming up in the next few weeks. At present, it is unclear how long the DFA travel advisories will last. Depending on the type of travel you have booked, you may be entitled to reschedule or cancel without administration fees.

If you have booked a package holiday (defined as a booking advertised and sold as a whole, lasting more than 24 hours, including an overnight stay and including two or more of transport, accommodation, car rental and other tourist activities) you have the right to cancel your holiday before it begins, under exceptional and unavoidable circumstances. You should discuss your cancellation options with your travel agent and see all government updates on [www.dfa.ie](http://www.dfa.ie)

In the case of flight bookings, a number of airlines including Aer Lingus and Ryanair have cancelled most flights until further notice. Where your flight is cancelled, you are entitled to a choice of:

- ➔ Refund of the cost of your ticket within 7 days or
- ➔ Re-routing to your final destination at the earliest opportunity or
- ➔ Re-routing at a later date at your convenience, subject to availability of seats

In general, if the airline has not cancelled the flight but you no longer want to fly, you are not entitled to re-routing or a refund. However, some airlines may offer you alternatives such as a voucher or allow you to rebook your flight for later in the year.

Under EU law transport companies that run ferries and cruise ships (travel operators) must resolve issues caused by cancellations. If your ferry or cruise ship departure is cancelled, you are entitled to the choice of a refund or an alternative journey. Not all ferry services have been cancelled. This means you might be charged a cancellation fee if you decide not to travel. If your departure is in the coming weeks, your tour operator may offer additional flexibility to cancel bookings without incurring a cancellation fee. This option applies to ferry crossings due to depart up to end-May or mid-June 2020. Dates vary, so check with your travel operator directly. If you want to cancel a booking that is for a date later in the year, normal cancellation terms and conditions apply. You should contact your tour operator directly.

In terms of accommodation bookings, this very much depends on the lockdown status at the time of the intended stay. If the location of the accommodation is still in lockdown, you are entitled to a refund. If they are open but you need to cancel, you may be subject to cancellation fees and will need to check your cancellation policy.



# GET YOUR BUSINESS SELLING ONLINE

## WITHOUT AN EXPENSIVE WEBSITE

Online selling, digital marketing, social media presence are all buzzwords that have been ever present in the business world over the last few years. The pressure of having an online presence has confused many business owners and deterred many from attempting to go online.

While it may have been possible to avoid going online up to now, the current situation means that you could give your business a better opportunity to survive by being available online. Many businesses with a physical shop are closed for the current and foreseeable period. This means that alternative ways of getting your products to consumers is going to be pivotal to your success. An online strategy does not have to be expensive or overly complicated. If you have not been selling online to date, there are less costly options for you before investing in a big e-commerce website.

Before looking at an online platform, there are a number of areas you need to plan for to ensure a smooth selling process. A brief checklist will ensure you are ready to get your business to an online marketplace.

- ❶ Inventory List – Ensure you have a method in place to keep track of your inventory so you don't oversell your products. A simple excel spreadsheet will suffice.
- ❷ Delivery & Packaging – Be clear on where you can deliver to along with the cost of shipping. You will also need to ensure that you can package your products in a way that will get your products safely to the customer.
- ❸ Range Availability – Do you have more than one color or style of product? If so, you will have to again be clear on the availability of each item. Another option is to test the viability of selling your products online with only a select range of your products.
- ❹ Accepting Payment – How will you allow customers to pay for products? PayPal can be an easy, useful and trusted means of payment that both businesses and consumers trust. Alternatively, you may be able to offer a 'click and collect' service where customers can pay by card when they collect their goods.

Once these areas have been considered you can then look at the options available to you for online selling. There are a number of options to choose from but the three most popular options are Facebook, Instagram and Amazon. Each platform offers its own unique advantage, an overview of each one will give you an idea of what would best suit your business.



Marketplace is where people can discover, buy and sell things listed on Facebook. When you sell as a business on Marketplace, you get access to a growing community of active, motivated buyers. With Marketplace, businesses have the opportunity to create and nurture a distribution or revenue channel that can reach this community and support business growth. Businesses benefit from the ability to directly respond to questions or inquiries from interested buyers with the help of Messenger. Unlike many other third-party

marketplaces and ecommerce platforms, Facebook Marketplace allows businesses to create and manage listings for no additional fee or cost. There may be costs associated with setting up inventory feeds or other services through a partner, but Facebook doesn't charge anything.



Selling on Instagram can be done at different levels. The popular social media platform is all about pictures and allows for the perfect place to showcase products. Posting your products with a good description and all relevant information such as sizes and costs can allow people to simply message you their order. Another option is to use an app like Shopify which can easily integrate with Instagram and allow customers to purchase online. The fees for this are minimal and well worth investing in to compliment your online selling journey.



Amazon is another online platform that offers many benefits to those looking to sell online. For those who may not have storage space to hold stock, you can sign up for 'Fulfillment by Amazon' which offers storage, packing and shipping services for you. There is also the option to handle all areas yourself, thus reducing any overhead fees. When you are selling on Amazon, you can share the link of the products page across all social media platforms to advertise online. Amazon.co.uk is the site that Irish companies will first use and you can restrict your shipping to Ireland if you are looking to cover the national market initially. The beauty of Amazon is that it allows you the opportunity to grow into the UK market and the European market if you wish. The website displays products in Pound Sterling but allows customers to see the conversion cost before they confirm the purchase. Rates are usually quite competitive and it doesn't appear to be a deterrent for most Irish shoppers.

These are the three most common ecommerce platforms used by businesses that do not require an expensive website to sell. The common requirement with them is the need for good quality images of your products, clear descriptions and pricing and some perseverance. If this is a new environment for your business, be patient with yourself. It will take you a little bit of time to get used to using these tools. Once you get used to it you will wonder why you didn't start earlier! If you have further questions, there are decent explainer pages on each of the platforms that can guide you on the set-up process. They all include success stories from real businesses that have grown through online selling.