JULY JOBS STIMULUS 2020
SUMMARY OF TAXATION MEASURES

On 23 July 2020, the Government announced the July Jobs Stimulus in response to COVID-19. This is a summary of the taxation measures included in the Stimulus, which will be provided for in the Financial Provisions (COVID-19) (No. 2) Bill.

Debt Warehousing of certain PAYE (Employer) and VAT debts

"Debt Warehousing" is an arrangement whereby VAT and PAYE (Employer) liabilities accrued during the period of restricted trading caused by COVID-19 will be "parked" on an interest free basis for a period of 12 months, subject to certain conditions. Liabilities accrued up to the end of the first bi-monthly VAT period after a business has resumed trading may be eligible for warehousing.

After the end of the 12-month period, warehoused debt may be discharged or entered into a phased payment arrangement at a reduced interest rate of 3% per annum.

The key condition of eligibility is that a business continues to keep its tax returns up to date. The scheme will be available to businesses whose tax affairs are dealt with by Revenue's Business and Personal Divisions. Other taxpayers may qualify for inclusion if they satisfy Revenue that they are unable to pay these liabilities at present, due to the impact of COVID-19 on their business.

Businesses availing of debt warehousing will qualify for a tax clearance certificate if they otherwise meet the qualifying conditions.

Reduced interest rate for outstanding "pre-COVID-19" debts (subject to payment agreement with Revenue)

A reduced interest rate of 3% per annum will apply to taxes owing to Revenue which are the subject of a phased payment agreement between the taxpayer and the Collector General.

This relates to agreements that are already in place and also to new agreements made on or before 30 September 2020**.**

The reduced rate will apply to existing agreements from 1 August 2020 and in other cases from the date an agreement is reached.

Standard interest rates will apply up to and including 31 July 2020 or until a payment agreement is reached.

This interest rate is available across all tax types.

Introduction of a new Employment Wage Subsidy Scheme (EWSS) and ending of the Temporary Wage Subsidy Scheme (TWSS)

A new Employment Wage Subsidy Scheme (EWSS) commences from 1 July 2020 and runs until 31 March 2021.

To qualify for the EWSS, the employer must be able to demonstrate that they reasonably anticipate a minimum of 30% reduction in turnover or customer orders in July to December 2020 compared with the same period in 2019. In the case of new businesses, this is based on a projected forward test. Where the employer is a registered childcare provider, the EWSS is available without the requirement to meet the 30% reduction in turnover or customer orders test.

EWSS provides a flat-rate subsidy to qualifying employers, based on the number of qualifying employees on the payroll. For every employee paid between €203 and €1,462 gross per week, the level of subsidy is €203. For every employee paid between €151.50 and €202.99 gross per week, the subsidy is €151.50. No subsidy is paid for employees paid less than €151.50 or more than €1,462 gross per week, or for proprietary directors. A 0.5% rate of employer's PRSI will apply for employments that are eligible for the subsidy.

The EWSS will replace the Temporary Wage Subsidy (TWSS) from September 2020. The TWSS will end on 31 August 2020. No new applications from employers will be accepted from 31 July 2020.

Both schemes will run in parallel from 1 July until the TWSS concludes at the end of August. This will provide additional flexibility to employers with new hires and seasonal workers who were not previously eligible for TWSS and who may now qualify for EWSS. However, where an employee is already within TWSS, he or she must remain in that scheme until the end of August.

Help to Buy (HTB) Scheme

An increased income tax relief for the HTB scheme is now available, to the lesser of:

- (i) €30,000 (up from €20,000), or
- (ii) 10 per cent (up from 5%) of the purchase price of the new home or of the completion value of the property in the case of self-builds, or
- (iii) the amount of Income Tax and DIRT paid over the four years prior to making the application.

This increased relief is available from 23 July 2020 to 31 December 2020.

Stay and Spend tax credit to support the hospitality sector

A new tax credit is being introduced from the 2020 year of assessment, in relation to certain qualifying expenditure on accommodation, food and non-alcoholic drink.

Individuals will be entitled to a tax credit equal to 20% of qualifying expenditure incurred from 1 October 2020 to 30 April 2021, subject to certain limits and conditions.

Individual taxpayers can make a claim for the credit if they spend at least €25 on qualifying services with a qualifying provider. They must submit proof of that expenditure with their claim. The maximum tax credit available to an individual is €125. For a jointly assessed couple, the maximum credit available will be €250.

In order to qualify for the scheme, service providers must provide qualifying services, be VAT-registered, hold a current tax clearance certificate, and register with Revenue.

Corporation Tax - Accelerated loss relief

A temporary acceleration of carry-back loss relief is provided for previously profitable companies, that incur trading losses in accounting periods affected by the COVID-19 pandemic.

Currently, companies are allowed to carry back trading losses incurred in an accounting period against the profits of a preceding accounting period. A claim for carry-back relief can normally only be made after the end of the accounting period in which the loss is incurred and following the filing of a tax return for that period.

Companies that incur losses in a "specified accounting period", i.e. a period that includes some part or all of the period from 1 March 2020 to 31 December 2020, will be able to make an interim claim to carry-back up to 50% of estimated trading losses. This can be done as early as 4 months after the beginning of that period.

A company will be able to revise its interim claim as the specified accounting period progresses (and up to 5 months after that period ends). This includes increasing its claim where the company estimates that its loss will be greater than previously expected.

To be eligible to make an interim claim, a company must:

- Have filed a tax return for the preceding accounting period,
- Be generally tax compliant, and
- Make a declaration that it has incurred a loss, or reasonably expects to do so, in the specified accounting period.

Income Tax - Losses/Capital allowances

Temporary income tax measures are introduced for self-employed individuals whose trade or profession was profitable in 2019 but who incur losses in 2020 as a result of the COVID-19 pandemic. These are:

1. **Carry-back of losses and capital allowances**: Taxpayers may make a claim to have their 2020 losses (and certain unused capital allowances) carried-back and deducted from income tax paid on their profits for the tax year 2019.

2. **Interim claims for carry-back of losses and capital allowances:** Subject to meeting certain conditions, taxpayers may also make an *interim* claim to have an *estimated* amount of their 2020 losses (and certain capital allowances) carried-back and deducted from income tax paid on their profits for the tax year 2019.

3. **Income averaging for farmers:** An option will be given to farmers to step out of income averaging for the tax year 2020, notwithstanding that the farmer may also have stepped out of income averaging in one of the four preceding tax years.

Claims and interim claims for 1 and 2 above will be made by amending the Form 11 tax return for 2019. A €25,000 limit will apply on the total amount of losses and capital allowances that may be carried-back.

Changes to Cycle to Work Scheme

The exemption limit for employer expenditure on the provision of bicycles and associated safety equipment is increased from €1,000 to €1,250. Where the expenditure relates to the provision of an electric bike, the revised exemption limit is €1,500.

Additionally, persons may avail of the exemption once in any four-year period (previously a five-year period).

Value-Added Tax (VAT)

A 6-month reduction in the standard rate of VAT from 23% to 21% will apply, effective from the beginning of September 2020.

Note:
Further information on these measures will be published by Revenue on www.revenue.ie.

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

www.revenue.ie
July 2020