Sarah Cremin

From: Emma Kerins <emma.kerins@chambers.ie>
Sent: Wednesday 20 May 2020 15:11
To: Covid19
Subject: FAO Committee- Chambers Ireland and the economic impact of COVID-19
Attachments: Chambers Ireland Submission to Dept of Finance re TWSS_May 2020.pdf; Chambers Ireland Submission to Minister Humphreys re Financial supports.pdf; Submission to Minister Murphy_Expansion of Rates Waiver_May 2020.pdf

Categories: Correspondence for future meetings

Deair Clerk,

On behalf of Chambers Ireland, I would be grateful if you could circulate copies of the attached letters to the Committee membership.

For context, Chambers Ireland has a membership of 41 Chambers across the island, representing more than 8000 businesses, of all sizes and sectors.

Please also see the results of three recent surveys, documenting and analysing the economic impact of COVID-19 on business in Ireland since March.

We intend to publish another set of results in the first half of June, that we would of course be happy to brief the committee on.

Should you have any queries, please do not hesitate to get in touch

Regards

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Mr. Paschal Donohoe TD
Minister for Finance
Department of Finance
Upper Merrion Street
Dublin 2

15 May 2020

Re: Reforming the Temporary Wage Subsidy Scheme and other employment supports

Dear Minister,

Our members have broadly welcomed the inclusion of Section 28 in the Emergency Measures in Public Interest (Covid-19) Act, which sets out the principle of keeping people in work rather than joining the Pandemic Unemployment Payment (PUP) Scheme. We wish to commend the speed with which both your Department and the Revenue Commissioners responded to this fundamentally new role assigned to it, and how they rapidly updated guidance to provide greater clarity for employers.

Chambers Ireland have been conducting a series of nationwide Business Community Surveys over the past number of weeks which seek to quantify the economic impact that COVID-19 is having on businesses. Since the outset, we have highlighted the need for far-reaching economic interventions from Government to support local economies and job creators right across the country and have welcomed the supports that have been introduced thus far.

However, anomalies within the Temporary Wage Subsidy Scheme (TWSS) continue to act as a barrier for many businesses. In order to limit the economic impacts to businesses across Ireland, and to prevent a further breakdown of relations between employers and employees, in future reviews of the scheme we call on the Government and your Department to consider the following issues arising from the TWSS.

Continuation of the TWSS beyond the initial 12 weeks

Results from our second survey reveal that 96% of respondents believe that the support measures that have already been introduced will need to have their timelines extended beyond the initial 12-week commitment. We recognise that the requirement for a continuation of the TWSS beyond the 12-week period will vary between sectors and as the Roadmap phases roll out. However, some form of wage subsidy will be required for all sectors well beyond June 2020, with any then tapering off to occur slowly and strategically. Businesses need certainty on how they will be sustained as the economy begins to reopen.

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Further, the Temporary Wage Subsidy Scheme closed in early April to new users. We would ask that the Scheme, particularly now that we approach the re-opening phase of the economy, be made available to new applicants. Many businesses who had to close were unable to use the Wage Subsidy Scheme due to liquidity challenges. As they re-open, wage supports will play an essential part in supporting viability and job retention.

> ***We call on Government to retain the Wage Subsidy Scheme beyond the 12-week commitment and re-open the Scheme to new applicants.***

Reform of the Scheme

The findings from our second and third surveys last month revealed that almost half of businesses were not participating in the TWSS because they have uncertainties, misunderstandings, or feel that the scheme is too complex. Of the 47% of businesses that had laid off staff, 36% of those said that they had not taken up the TWSS at that stage because they did not have the cashflow to make the necessary salary payments (which would be refunded later by Revenue). A significant number of others stated that a lack of clarity concerning tax implications was an immediate concern and reason for not applying for the scheme, while more highlighted how using the February payroll had created anomalies as it was not necessarily representative of their Q2 business. For some the seasonal nature of the business meant that workers were on reduced hours across January/February, for others people who were absent on maternity/paternity leave have been excluded.

The objective of many of the supports to date, including the TWSS, has been to ensure that employees are retained on payroll for when the economy reopens. However, a number of anomalies within the scheme is making this process increasingly difficult and unfairly disadvantages the self-employed, workers over 66 years of age, part-time workers and employers that need to hire or replace additional staff.

> **We ask that your Department provides further clarity on the issues raised above to ensure that both employers and employees can fully benefit from this scheme.**

Clarity on Issue of Liability for Income Tax

While we welcome the flexibility shown by the Revenue Commissioners on income tax issues currently, it is imperative that both employers and employees are made aware of how the liability for tax owed will be treated once this crisis has passed. This has yet to be clarified by Revenue, causing concern and confusion for both businesses and employees.

We need a clear roadmap on how income tax liabilities will be collected. The possibility that the subsidy payment will be taxed at the end of this year will have significant impacts on employees resulting in potentially substantial tax bills in December.

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Chambers Ireland recommends that the Revenue Commissioners reclaim any income tax liabilities over a period of 1–2 years, as opposed to being taken in one single payment, to reduce the financial pressure on employers and employees.

Maternity and Parental Leave

Feedback from our members has highlighted that women who are currently returning from maternity leave across all sectors are excluded from the benefits of the TWSS as, though the person was an employee, they did not receive normal pay during January and February 2020. Women who were on maternity leave would be receiving a social welfare payment, and not their usual payroll wage, meaning that they are ineligible for the wage subsidy scheme. Therefore, workers now find themselves in a position whereby their employers' options are to pay them without receiving the assistance that the TWSS offers or lay them off so that they can access PUP.

We would ask that the position for workers on maternity or parental leave be clarified as soon as possible for employees in this position.

Inability to replace or hire additional staff

Many businesses availing of the TWSS are faced with an inability to replace or hire additional staff under the current scheme, specifically those in the food and hospitality sector. Businesses that are reliant on students – and especially foreign students on restricted hours – have seen staff numbers drop considerably as employees have either returned home or have taken up the PUP. This is causing undue obstacles as the TWSS is too restrictive for some of these businesses looking to replace staff. As the scheme is also based on pre-pandemic wages in January and February of this year, extra hours that are given to the remaining staff do not qualify under the scheme.

We would ask that the Department of Finance reviews this element of the TWSS so that employers can hold on to the staff that they have already hired and trained, and/or replace staff as their businesses require.

Part-time employees

Employers that have promoted employees, or increased employees' hours during the pandemic (e.g. a permanent change from part-time to full-time, or working additional hours to cover the hours of someone on sick leave or who has left their employment, etc.) are unreasonably penalised under the current TWSS. Employers in this situation who have availed of the subsidy will have to pay such employees more than their Average Net Weekly Wage and the employer is essentially punished for same by having that excess taken from their subsidy.

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We ask that the Revenue Commissioners switch to a system of self-declaration for such circumstances, as they already had to when initially accessing the scheme, such that employers are not financially penalised for increasing an employee's hours.

Supports for Self-employed

Inconsistencies in supports for people who are self-employed continue to exist, undermining the objectives of the Government supports. Sole traders, for example, are all self-employed, but not all self-employed people are sole traders. Our third and most recent survey (30 April) found that 85% of sole traders would have preferred to have the option of the TWSS rather than the PUP, as they are precluded from working if they are on the PUP. Whereas self-employed people with a limited company, receiving a wage a as director are eligible for the TWSS as the criteria requires that a business need only experience a downturn in turnover of at least 25%, not precluding them from continuing their operations.

Our members' feedback also tells us that supports for self-employed people are far more difficult to access, taking additional time to be assessed and paid, as highlighted on the DEASP's website where it states that "*it may take some time to process this payment but you will in the meantime receive a minimum of €350*." This is an unfair application of the scheme that is putting further financial pressure on the self-employed which must be resolved as soon as possible.

We request that you rectify this inconsistency and ensure that all self-employed people are treated the same, regardless of whether their business is owner-operated and incorporated or unincorporated. All self-employed people should be eligible for the TWSS or the PUP should be reformed so that it applies the same eligibility criteria of a 25% reduction in revenue.

In addition to this, there are also issues for those self-employed people who are not eligible for the PUP as they are over the age of 66. However, workers/directors over the age of 66 are eligible for the TWSS.

We ask that this element of the COVID-19 supports be reconsidered to avoid this inequitable implementation of the scheme that unfairly disadvantages unincorporated self-employed people over 66 who are equally grappling to maintain their business and pay overheads.

We continue to have extensive dialogue with our members, and this will continue, particularly considering the speed at which circumstances, and the issues they raise, are developing. We are available to brief you on developments as they unfold in local economies across our network. Please do contact me directly to discuss any matter raised within this letter, or any other matter as it arises.

Yours sincerely,

Ian Talbot
Chief Executive

CC:

- ***Minister for Employment Affairs and Social Protection***
- ***Chairman of the Revenue Commissioners***

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Heather Humphreys TD
Minister for Business, Enterprise and Innovation
Department of Business, Enterprise and Innovation
Kildare Street
Dublin 2

15 May 2020

Re: Financial Supports for Business

Dear Minister,

You will be aware that Chambers Ireland has been engaging closely with our members since the outbreak of COVID-19 in Ireland. This has culminated in the publication of a series of surveys and research since March, where our most recent was published at the end of April. The third in a series, the survey has over 1,300 responses and was conducted between the 24 and 28 April 2020.

We draw your attention to the following key statistics which demonstrate the scale of the cash-flow crisis facing the economy-

Closure costs:

- For those businesses that are closed, typical weekly overheads are approximately €2,000
- 25% of firms have noted that overheads are greater than €5,000 per week

Cost of Reopening

- Of those that need to restock, the typical amount required is €3,000 with 25% of firms having to spend over €8,000 on restocking
- For physical distancing measures, the typical cost will be €2,000, with 25% spending in excess of €5,000

Decline in Revenue

- Of the businesses who have been hardest hit (those which have lost more than half of their revenue for the next three months), 60% project that their 2020 annual earnings will be less than half of what they were expecting at the start of the year
- 68% of businesses have invoices outstanding, with €40,000 being the median amount owed

One dimension of our survey, which has not been published yet, sought feedback on the Government loan schemes that had been launched up until the 24 April. As you will see from the below table, only 4% of respondents have applied for one of the loan schemes, with an additional 18% either considering it in the short to long terms. Most respondents determined that loan schemes would not be suitable for their business, given the nature of the economic challenges they were facing.

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Response	Total
Applied for Loan	*4%*
We are actively considering it	*8%*
We may do in future	*10%*
No, I don't want to take on the burden of extra debt	*20%*
No, my business wouldn't qualify	*8%*
No, the interest rates are too high	*3%*
No, reducing costs will make more sense that taking on extra debt	*8%*
No, too much debt already	*3%*
No, it's better to return slowly than accrue debt	*8%*
Balance/No opinion	*29%*

The data above verifies the representations our Network have been raising with your Department, where we have highlighted that debt-based solutions will not be the solution to the liquidity and cashflow crisis within Irish businesses due to COVID-19. The key message from our members is that an expansion of the financial supports, with a move towards grants rather than loans, will be essential.

It was for this reason that we in Chambers Ireland welcomed, in principle, your recent announcement on the 2 May of a “Restart Fund” which would allocate grants to businesses through their local authorities. The shift by Government towards grant aid is the right decision and paired with supports such as the Wage Subsidy Scheme, will be critical to supporting businesses to re-open and survive the challenging economic conditions they face.

However, while the decision to create a grant fund for business is entirely welcome, it is now imperative that we ensure that the scheme is robust, that it is being allocated consistently, that Local Authorities are funded and supported to do so, and that such a grant scheme meets the needs of businesses.

Feedback to date has been that the €250 million cap on the fund will not be enough to support the liquidity crisis businesses are facing. Separately, while we recognise and appreciate the need for a a straightforward methodology for calculation, the fact that the size of a grant is linked solely to the amount a business paid in rates in 2019, rather than to the difficulty they have experienced as a result of COVID-19, will mean that for many the size of the grant won’t be sufficient to meet the costs of overheads.

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We would welcome a conversation with your Department on how these grants can be delivered and how the size of the grant fund can be expanded. We believe that schemes in countries like the UK and Denmark, where businesses are offered direct grants to support managing the costs of overheads, would be worth exploring. In particular given the results of our survey above, we believe there is merit in re-allocating funds currently designated for loan-based schemes to the Restart Fund.

Finally, It is crucial that the Restart Fund, and any future grant or funding initiative, is implemented and communicated urgently, consistently and equitably across all local authorities and that there is a clear understanding amongst officials as to how it will be applied. There must be a level playing field for all businesses across the country.

Beyond the Restart Fund, we request that the Department reviews existing supports, such as the Business Continuity Vouchers, to ensure that remain open to new applicants and can effectively support businesses as they look to re-start operations as local econmies re-open throughout the course of the summer months.

The biggest risk in responding to the economic crisis we are facing is that we under-react, rather than over-react. Businesses who have been worst impacted, are mostly SMEs, and clustered in sectors such as hospitality, retail and local services and are at the heart of local economies across the island. We cannot let these businesses fail and we urge you to examine the potential in expanding grants to schemes, both in size and scale, so that more businesses can be supported.

We remain at your disposal should you wish to discuss any of these results in more detail. Please do not hesitate to contact our office directly.

Yours Sincerely

Ian Talbot
Chief Executive

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Mr. Eoghan Murphy TD
Minister for Housing, Planning and Local Government
Department of Housing, Planning and Local Government
Custom House Quay
Dublin 1

15 May 2020

Re: Waiver for Commercial Rates and implementation of Restart Fund

Dear Minister,

You will be aware that Chambers Ireland has been engaging closely with our members since the outbreak of COVID-19 in Ireland. This has culminated in the publication of a series of surveys and research since March, with our most recent being published at the end of April. The third in a series, the survey has **over 1,300 responses** and was conducted between the **24 and 28 April 2020.**

The data gathered in our survey series points to the need for significant interventions to support businesses in meeting their obligations on commercial rates. In earlier correspondence with your Department, we noted that the initial announcement from Government did not go far enough to protect businesses and their liquidity in the early stages of this crisis. We called on the Government to ensure that businesses that are in sectors which have had to close entirely would not be liable for rates for the duration of these closures, and that any resulting shortfall be funded centrally to ensure that Local Government continues to have the resources it needs to provide vital local services.

The most recent announcement from your Department that the existing rates deferral is to be replaced with a 3-month rates waiver, with the shortfall in funding for Local Government to be replaced by central Exchequer funding, was well received in our Network. However, while the move was welcome in principle, feedback from our members indicates that for the sectors who have been worst impacted (both through closures and declining revenue) waivers would need to be extended beyond three months, with the scope to be extended to a ful year for impacted businesses, as appropriate, if they are to be of meaningful support to businesses.

In addition, our members are acutely aware of the Local Authorities will need to play at the frontline in supporting local economies and city and town centres to re-open. It is very likely that additional funding in excess of original 2020 budgets will be required to support the re-configuration of centres and this, in addition to any rates not collected due to waivers, will need to be funded by Central Government.

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We would ask the Department to consider expanding the scope of the commercial rates waiver, so that it can serve business who have been negatively impacted with a proportional rebate, rather than just businesses who have had to close. We suggest that the criteria of a 25% decline in turnover should be the test for eligibility, as is the case with the Wage Subsidy Scheme. As it stands, the waiver has the possibility to act as an adverse incentive for businesses to remain closed for longer than may be necessary.

Finally, we call for clarification from the Department on how the the Restart Fund, which we understand is to be issued through Local Authorities, will be implemented. It is crucial that the Restart Fund, and any future grant or funding initiative, is implemented and communicated consistently and equitably across all local authorities and that there is a clear understanding amongst officials as to how it will be applied. There must be a level playing field for all businesses across the country.

Since the outset, we have highlighted the need for far-reaching economic interventions from Government to support local economies and job creators right across the country and have welcomed the supports that have been introduced so far. Recovering from this shock will be an enormous task and every assistance possible must be considered.

We are available to brief you on developments as they unfold in local economies across our network. Please contact me directly to discuss any matter raised within this letter, or any other matter as it arises.

Yours sincerely,

Ian Talbot

Chief Executive

Cc: Minister for Business Enterprise and Innovation