Chambers Ireland
Advancing business together

JULY STIMULUS RECOMMENDATIONS

Chambers Ireland have been conducting a series of surveys since the beginning of the COVID-19 lockdown trying to establish the effects of the shut down on the business community.

Throughout these months we have been working with officials and researchers from the ESRI, IGEES, the Central Bank and government departments to help inform policy. With direct access to, and the trust of, business owners and operators we have been able to gather sensitive data about how revenue has been affected, the direct costs that have been incurred by businesses, and how much businesses are owed by their clients.

To date we have had over 5,000 responses to our surveys with our most recent survey reaching 1,320 businesses that scale from the smallest (156 Sole Traders) right the way up to 64 of our largest companies. The mix includes a diverse range of sectors, encompassing every kind of businesses from local hair and beauty salons to major agri-food exporters.

Headline Results:

- **Business activity levels are extremely low**, for those businesses that have returned to operation under Phase 1
- Businesses that have reopened are typically experienci**ng less than half of their usual levels of business activity** for this time of year
- The median expected revenue of survey respondents over the next three months (relative to what they would have expected to be earning in a typical year) has risen from -60% to -50% over the next three months, so **most businesses expect their earnings over the coming three months to be half the normal amount**
- 25**% of businesses expect to have earnings that are -70% of their usual level**
- The impact of revenue decline is being **felt more strongly in the regions, notably in the West, the Border counties, and the South East**
- **Smaller operators have seen revenue reduced most significantly**, again compounding regional effects for areas which do not have large employers
- **Invoice arrears are increasing** with the value of unpaid invoices (relative to the same period in 2019) significantly up across all sectors
- **Almost two thirds of microenterprises and small businesses have experienced both an increase in the value owed to them and an increase in the proportion of debt** that is owed to them that is now in excess of 90-days past due

Chambers Ireland Recommendations for the July Stimulus Package

The following recommendations for the July Stimulus Package have been decided upon from both the feedback received from our 40 member chambers across the country, and the information that we have gathered from businesses of all sizes and from all sectors through our series of surveys over the past number of months. The recommendations are divided into four key areas (wage supports, liquidity supports, stimulus measures, and strategic/infrastructure investment) that we understand will be essential in bolstering the post-COVID-19 recovery.

1. Wage Supports

Continuation of the Temporary Wage Subsidy Scheme (TWSS)

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 August 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 the autumn, with any tapering off then to occur slowly and strategically. Businesses need certainty on how they will be sustained as the economy begins to reopen.

We call on Government to retain the Wage Subsidy Scheme, for vulnerable sectors, beyond the August commitment, and extend for the duration of 2020. In line with this extension, we call for the Department to ensure that there is a clear roadmap for how the subsidy will be tapered off over time.

Reform of the Temporary Wage Subsidy Scheme

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. 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.

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 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.

In reviewing the TWSS, we call on the Department to ensure that new employees, hired after the February period, are eligible for wage supports.

Urgent Clarity on Issue of Liability for Income Tax

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.

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.

2. Liquidity Supports

Expansion of Grant Aid for Businesses

The findings from our recent series of surveys reveal that weekly overhead costs for most businesses that had closed exceeded €1,000 per week and reopening costs are expected to be in excess of €3,500, though for many businesses reopening, it will cost much more. The introduction of the "Restart Grant" was a welcome first step in supporting business to re-open. However, our members urgently require additional supports and interventions from Government to the growing costs of overheads, such as rent, utilities, stock.

In particular, microenterprises and small businesses seem to have experienced both an increase in the value owed to them and an increase in the proportion of debt that is owed to them that is now in excess of 90-days past due. Without a significant intervention from the State, the debt burden will become insurmountable for many businesses, with closures and job losses inevitably following.

The recommendation from our members is that expanded grant aid, which can be efficiently accessed, will be more useful than loans.

Improve utility of loan schemes

Loans will of course play a role in supporting businesses in the recovery. However, for loans to be both attractive and useful they must cater to the specific needs of businesses operating in what are unprecedented times. Through our surveys, we received feedback from the business community on the loan schemes announced by Government up to the start of June. Only 4% of respondents have applied for one of the loan schemes, with an additional 18% who may consider them in the future. Most respondents determined that loan schemes would not be suitable for their business, given the nature of the economic challenges they were facing. The feedback tells us that, particularly for smaller businesses, the rate of interest and application criteria make these supports unsuitable for many.

Long-term, 0% or very low interest, loans or grants will be needed throughout the recovery. In addition, the design of these types of loans, in order for them to be useful, must contain interest holidays for longer than 6-months, with repayments over an extended period. Traditional debt-based interventions will not be the solutions to the liquidity and cashflow crisis within Irish businesses due to COVID-19.

Commercial Rates Waivers and Additional Funding for Local Government

The announcement by the last Government that the rates deferral was to be replaced with a three-month rates waiver was well received in our Network. However, while the move was welcome in principle, feedback from our members indicates that for the sectors that have been worst impacted (both through closures and declining revenue), waivers would need to be extended beyond three months, with the scope for it to be extended to a full year.

Further, we have received feedback that there is a lack of clarity on the ground as to how the waiver should be applied, and when funding to replace shortfall in income will be received by local authorities from the Exchequer.

The July Stimulus package is an opportunity for Government to review this decision, and ensure that all businesses who have been impacted by COVID-19, (we are proposing using the criteria of a 25% decline as the test for eligibility) are not liable for commercial rates for 12 months following on the onset of the COVID-19 pandemic in Ireland.

It is essential that local authorities are funded by central government, so that a mechanism for granting waivers (and refunding rates already paid), is operable and consistently applied throughout the country. Local Government will also require funding for additional costs arising from the need to redesign city and town centres as a result of COVID19.

3. Stimulus Measures and Supports for Innovation

Sustained Investment in popular schemes that promote e-commerce

Schemes such as the Trading Online Voucher have proven to be extremely popular with businesses seeking to mitigate the impact of COVID-19 on their operations. The capacity of businesses to innovate, particularly SMEs, during lockdown has proven to be a saving grace for so many retail and hospitality businesses. Last month, our Network widely welcomed the additional €14.2 million made available for the Trading Online Scheme.

However, we have also received feedback from some of our members that funding streams currently available for the Trading Online Voucher are under pressure, with demand outweighing supply. A significant slowdown in the processing of applications. coupled with some LEOs halting Information Sessions–which is the first step that an applicant must commit to as part of the process – suggests that the funding available under this scheme for new applicants may be running out. It is unclear if this is because the new funding streams have not reached Local Enterprise Offices around the country, or that the widely welcomed additional funding is already over-subscribed.

The demand for the Voucher is a testament to its success, and we hope that funding will continue to be made available throughout the rest of the year. E-commerce and the digital economy will be a critical part of the economic recovery, even after the threat of the pandemic has passed.

Chambers Ireland seeks commitment from the Department of Enterprise, Trade and Employment that schemes like the Trading Online Voucher will continue to receive funding as part of the July Stimulus.

Tax Reform

In advance of Budget 2021, our members are conscious that several tax reforms will be needed to stimulate economic activity. In advance of these decisions, our members call for consideration to be given to the following specifically as a response to COVID-19:

- Review of reliefs and allowances available for home working including capital allowances for equipment and the extension and reform of the e-working allowance
- An extension of the small benefits exemption to benefit-in-kind to allow employers to give vouchers in 2020 and 2021 up to the value of €1,000. (The cap is currently €500 - an expansion would support shop local schemes, domestic consumption, and stimulate local economies)
- A review of options available to the Department of Finance to stimulate consumer activity, once the economy has fully re-opened, through targeted VAT reductions
- Improving the attractiveness of equity solutions to fund SMEs.

4. Strategic / Infrastructure Investment

Sustained Funding for Infrastructure and NDP Projects

Throughout the development of the National Development Plan, our network of chambers has been supportive of the approach of creating a long-term strategy for balanced regional growth. Such a strategy will rebalance the nation and address the fact that Dublin has become one of the most congested cities in the world. If we continue to rely on the status quo, to drive growth for the island, we will risk national economic underperformance.

With the likelihood of a 'V-shaped' recovery diminishing in light of renewed lockdowns which are occurring in our trading partners, with the World Bank predicting the largest global recession in at least 150 years, and with the tourism industry devastated for the foreseeable future, a significant portion of our potential growth over the next 18 -24 months will need to be fuelled by counter-cyclical government investment. Well executed, this would have the benefit of reducing the infrastructure gap which has opened over the last decade.

Chambers Ireland is calling for a commitment from Government that projects which are "shovel ready" and due to begin within the next 6-18 months will continue to be funded, and that they will be speedily implemented.

Supporting Town Centres

Finally, Chambers Ireland has called for the commitment of Government to a cross- departmental National Taskforce, led by the Department of the Taoiseach, to revive our town centres in a new post-pandemic world. The overarching objective of this Taskforce must be to enhance liveability, increase housing supply and support sustainable, active transport. Town and city centres must be given the appropriate support by your Department, and wider Government, so they can adapt to this "new normal" that enables safe and people-centred places and environments where social distancing requirements can be adequately met.

Chambers Ireland is strongly encouraging the government to support the coordination of an inter-departmental National Taskforce, led by the Department of the Taoiseach, to support town and city centres in the post-COVID-19 recovery.