



COVID-19 Pandemic:

Practical insights & advice
from an Advisory and Tax
perspective





01 - Advisory Insights

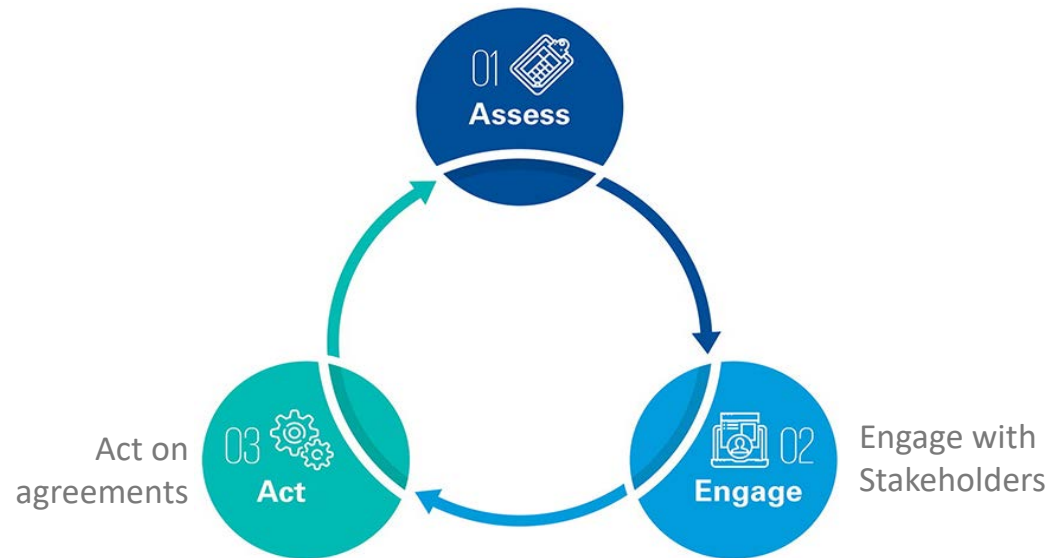
Patrick Horkan

Director, Deal Advisory, KPMG Galway



Advisory – Managing / Projecting Cashflow

Using the AEA Cycle in a Cashflow crisis



- Repeat & continue the AEA cycle until cashflow has improved and normal trading has resumed

Advisory – Assessing Cashflow



- A **13 week rolling cashflow forecast** should be prepared to give visibility on the short-term cashflow position
- Cashflows should be prepared **on a currency basis** to allow sufficient planning to minimise FX exposure
- Review all assumptions and **project a number of different scenarios** based on the anticipated level of interruption the business may experience
- A **regular variance analysis** of actual versus forecasted cashflows should continue to be carried out daily or weekly, depending on the circumstances and **headroom monitored regularly**
- This should be an **organisation wide process** and there should be input from the commercial and operational teams – everyone in an organisation can play a role in managing cash

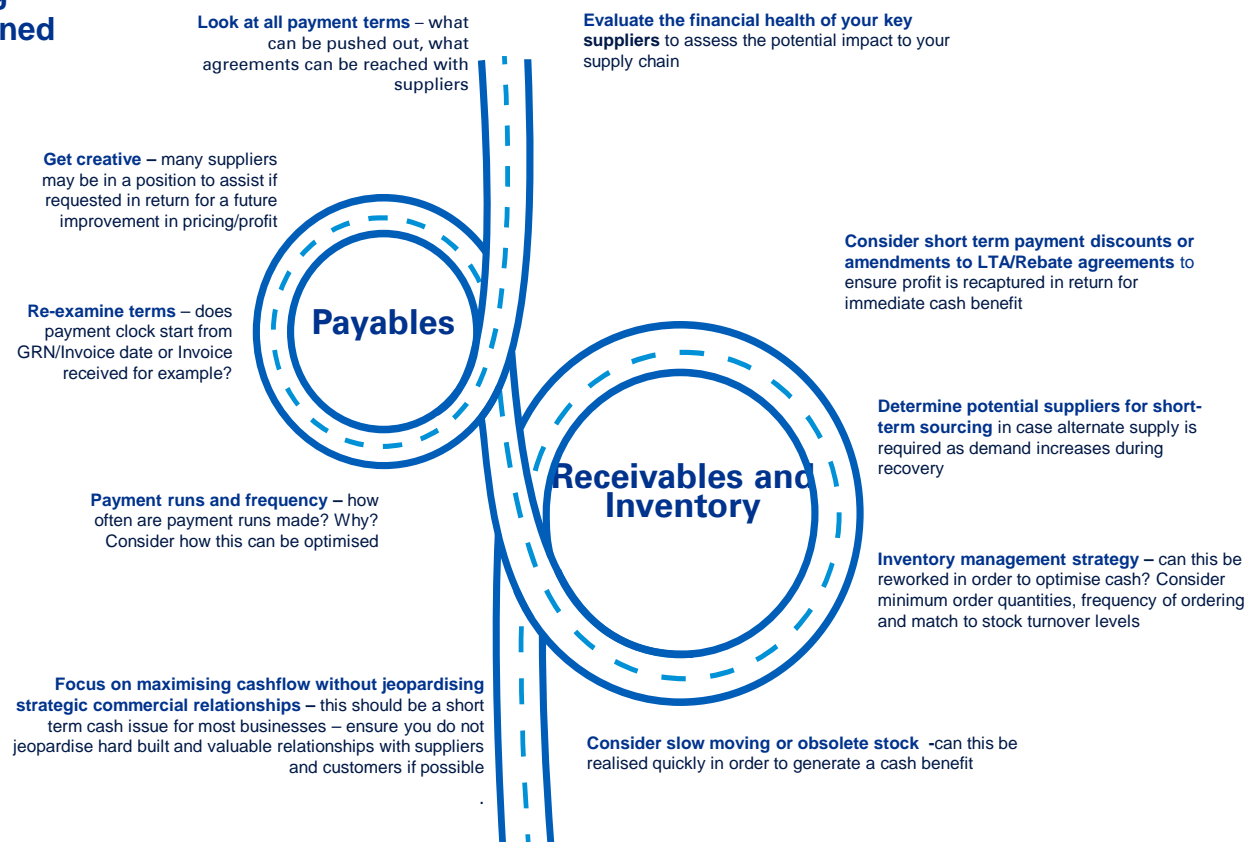
Advisory – Engaging & Acting to maximise Working Capital



- **Focus on cash not profit** in the short term
- **Widespread deferral of payments** currently being seen across all industries and extensive discussions and negotiations ongoing
- Consider at board level how to **postpone non-essential large financial outgoings**
- **Review all other non-trading contracts / commitments** that have a cash requirement over the months ahead and reconsider their necessity.
- **Review trapped and illiquid cash** within the group structure. Make use of treasury pooling structures, to make more effective use of available cash that may be lying idly within the group structure
- **Make use of funding and liquidity products** and engage early with finance providers to address any forecasted deficiencies

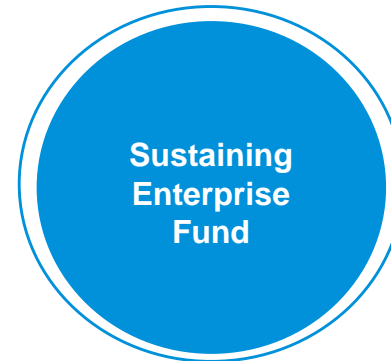
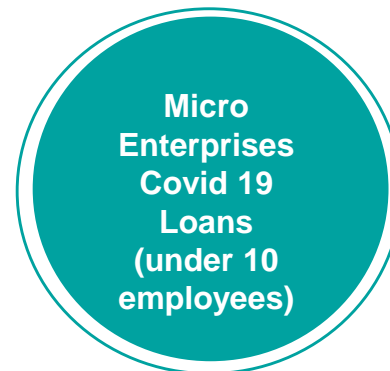
Advisory – Practical tips

Working capital components – ensuring cash balances are retained and maximised

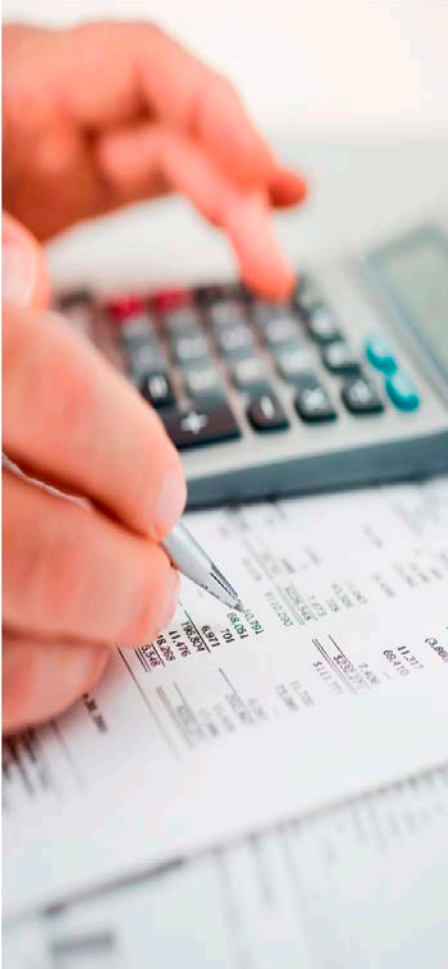


Advisory – Working Capital Supports

- The Government has announced key support measures which are designed to help support SMEs experiencing cashflow and trading difficulties during these uncertain times:



Advisory – Assessing / Understanding the Impact



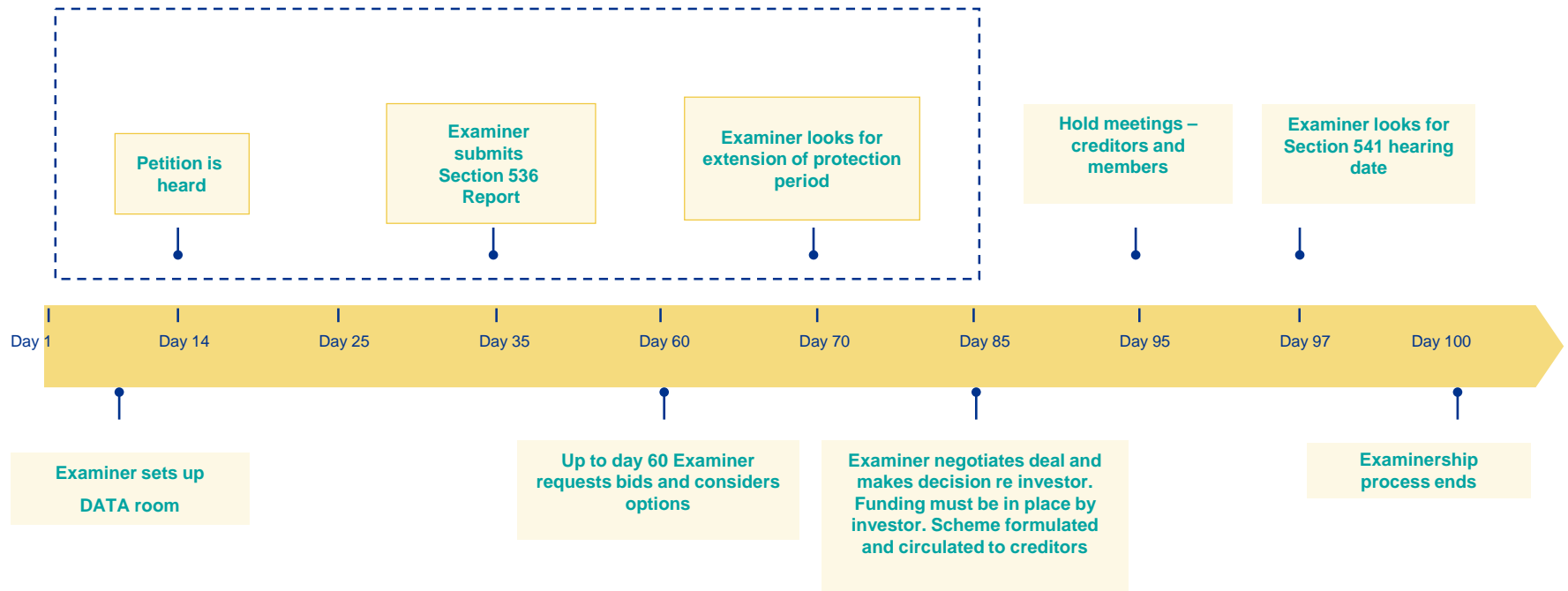
- Supply Chain & Operations
- Business Impact
- Financial & External Factors
- People

Advisory – Preparing & Planning for Uncertain World

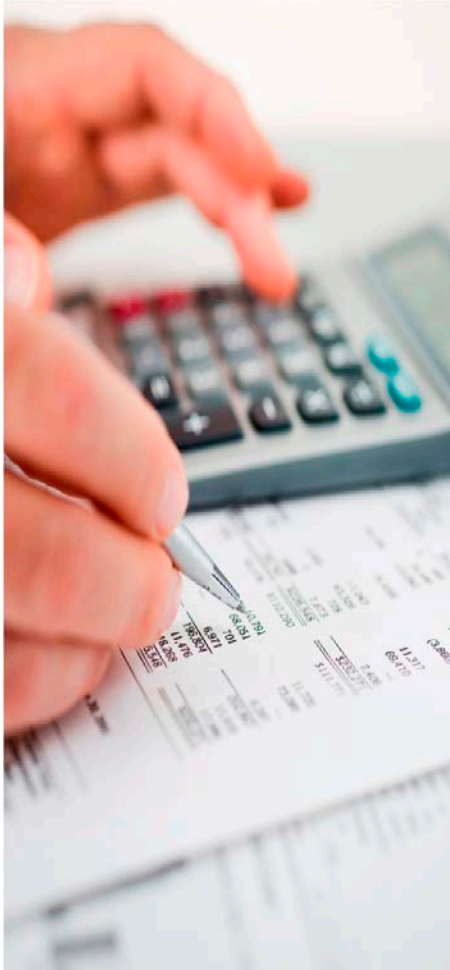


- Business Strategy
- Liquidity & Financing
- Workforce
- Tax
- Supply Chain Management
- Legal
- BCP

Advisory – Examinership – Timeline / Implications



Advisory – Examinership – Timeline / Implications (Cont'd)



Implications when a customer applies for Examinership

- Assess the impact any projected receipt from the customer that has petitioned for Examinership will have on your company's Projected Cashflow
- Is your stock / supplies critical to the continued operation of the company that has entered Examinership
- Retention of title on stock supplied and ability to identify stock supplied is critical
- No creditor can take any action during the period of Examinership
- A successful Examinership will always provide a better outcome for all creditors compared to Liquidation
- Businesses can continue to trade with company in Examinership during period of Examinership
- Allows for the future trading with a more financially stable business post a successful Examinership

02 - Updates on Temporary Wage Subsidy Scheme

Paul Macken

Director, Tax, KPMG Galway

Overview of TWSS provisions

- Emergency Measures in the Public Interest (Covid-19) Act 2020
- TWSS scheme information includes
 - FAQs for Employers on Transitional & Operational Phases
 - Guidance on Employer Eligibility and Supporting Proofs
 - www.revenue.ie/en/corporate/communications/covid19/index.aspx
- Revenue responses to ITI members queries
- Ongoing and evolving guidance and information

Overarching operational principles of the TWSS

- Maintain the link between the employer and the employee
- Operated as a **NET** pay replacement scheme
- Aim to maintain as much income as possible but not a commitment to maintain all income
- Employees should not be better off while on the scheme

Recent significant developments / updates

- **4 May**

- Phase II (Operational Phase) commences
- Revenue provide calculations of ARNWP and Subsidy (CSV file)

- **5 May – version 10 FAQ**

- Multiple employments
- Employees in receipt of DEASP payments
- Misclassification of TWSS payment as gross pay via payroll
- Revenue sample subsidy calculator
- TWSS refunds and “reason messages”

- **13 May – version 11 FAQ**

- **18 May – version 12 FAQ**

- Re-hiring of employees
- Daily updates of CSV file

Phase I - up to 3 May

Phase I (a): 26 March - 3 May

Phase I (b): 16 April - 3 May *

ARNWP *	Subsidy
Up to €586	70% of ARNWP
€587 to €960	€350
Over €960	No subsidy before 16 April >>

Current Pay as % ARNWP	Subsidy	Maximum Current Pay
More than 80%	None	N/A
60% to 80%	€205	€755
Below 60%	€350	€610

**Average Revenue Net Weekly Pay*

**For an employee whose ARNWP exceeds €960*

Phase II - from 4 May

ARNWP	Subsidy	Max Employer Gross Pay
Up to €412	85% of ARNWP	€350 less Subsidy
€412 to €500	€350	ARNWP less €350
€500 to €586	70% of ARNWP	ARNWP less Subsidy
€586 to €960	€0, €205 or €350 Value depends upon <u>current gross pay</u> as % of ARNWP	ARNWP less Subsidy
Over €960	€0, €205 or €350 Value depends upon <u>current gross pay</u> as % of ARNWP	€960 less Subsidy

*Tapering of the subsidy will apply to all cases where the top up in gross pay paid by the employer plus the subsidy exceeds the previous ARNWP. The one exception to this is where the ARNWP does not exceed €412 and the sum of the employer top up and available subsidy does not exceed €350

Employer eligibility - recap

- Business of the employer must be **significantly adversely affected** by COVID-19 such that the employer is **unable to pay wages** as normal
- During the period 14 March 2020 to 30 June 2020 at least a **25% reduction** either in the **turnover** of the employer's business or in **customer orders**
- Eligibility at a **business division level** within one company allowed where
 - Company formally structured into business divisions pre COVID;
 - Separate formalised and well-established management structure in place;
 - Customer orders and turnover can be separately identifiedIf the above cannot be met, entire company must be assessed
- Employees based in “head office division” can be eligible where >50% of working time spent performing duties for business division that is eligible
- In the case of individual paid by employer payroll company - Subsidy can be claimed where employees working >50% of their time in one of the group's trading companies that is eligible for the subsidy

Employer eligibility – other Revenue feedback

- Other basis of assessment
 - An “alternative reasonable basis” can be applied to demonstrate significant negative economic disruption
 - Turnover and/or customer order tests are not capable of being applied
- Measuring 25% decline in different sectors
 - E.g. in the case of restaurants and hotels, use bookings; for retail businesses, use overall sales i.e. cash, credit sales, online and telephone etc
- What if 25% decline does not materialise?
 - Employers should retain the documentation outlining basis for concluding that the business expected a fall of at least 25%

Employer eligibility – other Revenue feedback (cont'd)

Measuring availability of cash reserves

- Not a declaration of insolvency - companies with strong cash reserves can still qualify for the scheme but expectation for employer to continue to pay “a significant proportion of the employees wages”
- “Significant” is a subjective term and will vary depending on the business and its circumstances - Revenue cannot be prescriptive on this point. The business is best placed to make this decision
- Single entity generating cash from trade and non-trade activities - accumulated cash reserves at company level should be considered
- For groups, cash reserves should be considered in a "holistic way"

Eligible employers – supporting documentation

- 25% decline in turnover/customer order test:
 - Reasonable supporting analysis could include the following:
 - Analysis of Mar-20 v Feb-20 order book
 - Budget / forecast Q2 2020 v Actual Q1 2020
 - Budget / forecast Q2 2020 v Actual Q2 2019
 - *Make note of key assumptions used in budgets/forecasts and evidence to support
- Inability to pay normal wages and outgoings:
 - Communications with key stakeholders
 - Cash flow forecasts
 - Bank statements/statement of borrowings/details of other financial commitments
 - Debt commitment forecasts

Eligible Employee

- Included on the employer's payroll on 29 February
- Employee's pay and tax details have been reported to Revenue in Qualifying Payroll Submissions (note, the associated conditions include that the employer must, for any pay-dates during the month of February 2020, have made payroll submissions for payments to the employee to Revenue before 1 April 2020), and
- Employee is being kept on the employer's payroll

Note, amongst certain restrictions regarding Department of Employment Affairs and Social Protection (DEASP) payments, employees are not entitled to Pandemic Unemployment Payments (PUP) while on the wage subsidy scheme

Revenue clarifications and operational updates

- Maintain the link between the employer and the employee
 - Employees previously laid off and rehired
 - Employees initially ineligible for the scheme due to:
 - Pre-COVID-19 earnings > €76k gross
 - Late filing of the February payroll submission
 - Employees who transferred to new employer under TUPE regulations after 29 February 2020
- Employer top-up
 - Employers encouraged / expected to top-up **BUT** limits apply
 - ‘Tapering’ of the subsidy in certain instances
 - Treatment of the top-up, **re-grossing not permitted**
 - Potential implications for an employee in receipt of BIKs
- Employee end of year review & overall net pay impact
 - Tax liability due to the suspension of BIKs to be considered also

Revenue statistics

In the period to 21 May 2020:

- There were over **55,500** employers registered with Revenue for the TWSS
- Over **48,300** employers have already received subsidy payments under TWSS
- Over **473,500** employees have already received at least one payment under TWSS
- The cumulative value of payments made under the Scheme is **€1,048 million**. This includes €96 million in Income Tax paid that has been refunded over the same time

How to apply for the scheme

Employers can apply to Revenue by carrying out the following steps:

- Log on to ROS 'MyEnquiries' and select the category 'COVID-19: Temporary Wage Subsidy'
- Read the "COVID-19: Temporary Wage Subsidy Self-Declaration" and press the 'Submit' button
- Ensure bank account details on Revenue record are correct. These can be checked in ROS and in 'Manage bank accounts', 'Manage EFT', enter the refund bank account to which the refund is to be made

Key to ensure that correct bank account details are provided

03 - VAT & Other Tax Considerations

Alan Collins

Associate Director, Tax, KPMG Galway

VAT

- **VAT registration thresholds** - election?
- **Basis of accounting for VAT?**
 - **Cash Receipts basis** – do I satisfy the requirements?
 - **Sales Invoice basis** – Bad debt relief, cut-off procedures
- **Impact of stretching credit terms** – **NB** pay within 6 months
- **Payment deferrals** – standard template to complete
- **No interest on late payments of tax for SME's & Debt**
Warehousing arrangements to be put in place
- **Revenue Interaction:**
 - Maintain regular contact
 - VAT refunds outstanding – file returns & chase



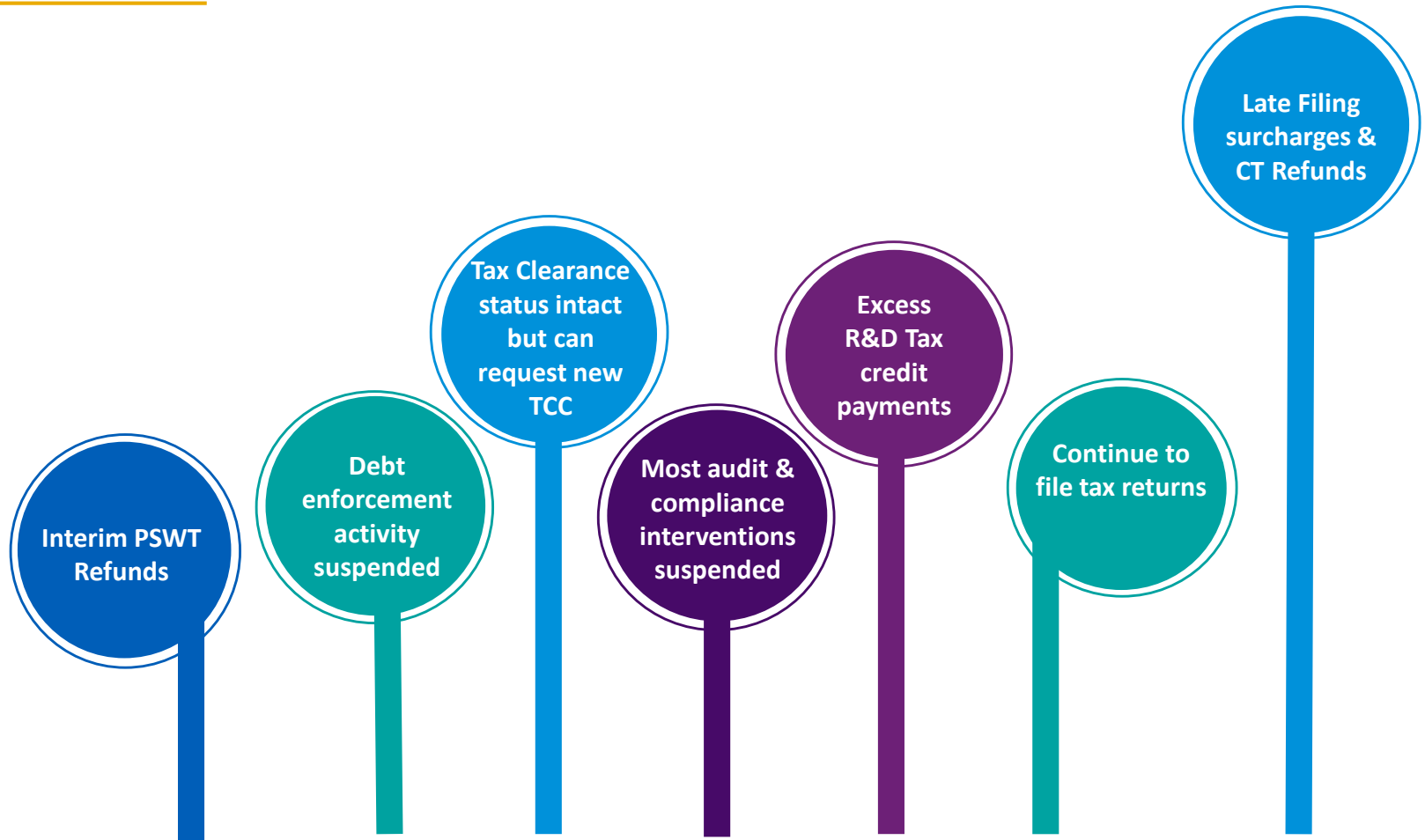
**Adjust filing
basis**

**File returns
early**

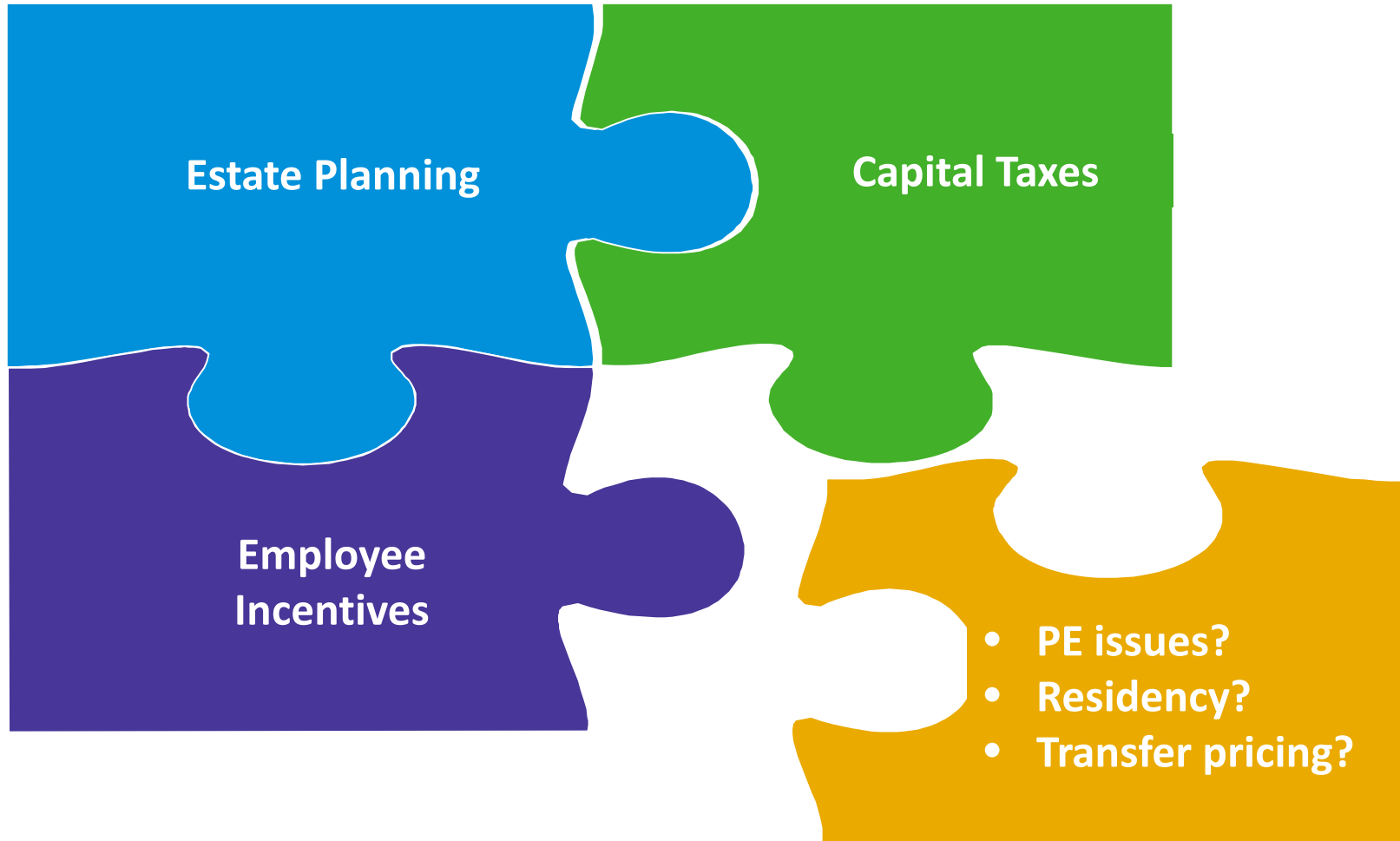
KPMG Resources

- VAT Optimisation Cashflow Tool
- International updates available at www.kpmg.com

Tax - General



Tax - Opportunities & Considerations



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