

DILLON KELLY CREGAN

Chartered Certified Accountants and Business Advisors

18 Upper Mount Street, Dublin 2
 T: 01-676 2791
 E: info@dillonkellycregan.ie

Partners:

Ronan Lynch
 Ian Dillon

DLT Dillon Kelly Cregan Limited is a firm registered as auditors in Ireland by the Association of Chartered Certified Accountants.

in this issue...

pensions during the pandemic page 2
 tax briefs page 3 • €7.4bn jobs stimulus package page 4
 business briefs page 5 • deciding on the future of your business page 6
 legal briefs page 7 • selling online page 8



PENSIONS DURING THE PANDEMIC

In this article we aim to touch on a number of key pension areas for clients as they navigate their way through the current pandemic and evolving government and EU policy on pensions. We look at the rise in popularity of Self invested pensions in the current market, the importance of pensions funding as part of retirement planning but also a part of client's business exit strategy and direct property as an asset class in your pension.

Self Invested Pension Market

Since the last major market correction in 2007 pension investors have been looking for tangible assets to invest in. The Self invested market allows them access to this. The figures reinforce this as over the last 15 years the market has grown from 3% of the total defined contribution market to 16% of the market, primarily driven by the desire of clients for greater investment choice, which includes;

- ➔ Commercial or Residential Property
- ➔ Share Portfolios
- ➔ International Fund Managers
- ➔ Alternative investments
- ➔ Loan note investment

Continued 



PENSIONS DURING THE PANDEMIC

As you can see the choice is very broad and there are specific Revenue rules which apply to all investments however clients are demanding this type of choice. With this level of choice, the need for sound financial advice and guidance is vital and cannot be understated. As the pension administrator, Newcourt require all clients to engage a financial advisor to help them maximise the benefits of pension funding and investment.

Pension Funding

The need to consider all of the options available on disposal of a business is imperative and in many cases it is a combination of the following:

- Pension funding
- Retirement relief
- Entrepreneur relief
- Ex gratia termination payments
- Participation exemption/substantial shareholding relief

Pension funding is a vital element when planning a client's business exit strategy. The current tax efficient threshold for pension planning is €2,000,000 per individual. When considering how a client should fund, one needs to consider a number of factors as follows:

1. There is no timeline on pension funding, you can start the day you commence working and fund for 5 years or 30 years depending on your retirement timeline.
2. Currently there are very generous tax reliefs available on company contributions made to occupational pension schemes. An employer can contribute many multiples of an employee's annual earnings to a pension and claim full tax relief assuming certain funding conditions are met. These include date of joining service, salary and term to retirement.
3. We believe that on the introduction of auto enrolment, some tax reliefs on Company contributions, currently available, may be capped or even removed, as happened in the UK.
4. We also believe that Covid19 may have an impact on the tax reliefs available on pension contributions as the Government tries to balance the Budget.

When considering all the uncertainties, we believe clients should fund as much and as soon as they can to take advantage of the current generous tax reliefs available.

Property as an asset class

Over the years direct property investment has proven popular and in the longer term a great investment for many. In the example below we have set out a very simple example of the tax reliefs available and how, if your client wishes to invest in property, pension investment is the most tax efficient way to do so.

Purchase Personally		Purchase Through Pension	
Purchase Price (Net Income)	€150,000	Purchase Price (Gross Income)	€150,000
Cost of Purchase	€6,000	Cost of Purchase	€6,000
Total Cost	€156,000	Total Cost	€156,000
Annual Rent	€12,000	Annual Rent	€12,000
Annual Expenditure	€2,000	Annual Expenditure	€2,000
Net Rent	€10,000	Net Rent	€10,000
40% Income tax	€4,000	Tax on Rent	Nil
USC & PRSI (assume 11%)	€1,100	Net Annual Rent	€10,000
Tax on Rent	€5,100	Net Annual Rental Yield	6.6%
Net Annual Rent	€4,900		
Net Annual Rental Yield	3.25%		

As you can see purchasing a property with tax exempt funds, a company has received full corporation tax relief on the contributions, the rents and any capital gain are tax exempt within the fund on disposal. However, many pension investors hold on to the property to provide pension income in retirement and simply transfer the property, in its actual form, to their Approved Retirement Fund.

Pension Tax Exemption:

- Rental income payable to fund tax free
- If sold in the pension, no capital gains tax payable at 33%
- Tax relief on original contributions

All investment income and gains are tax exempt within the pension structure. This makes your pension fund the ideal place to purchase property.

We believe property will continue to be a core investment asset of Self invested pensions. Please note Revenue rules apply to all pension property investments and the purchase of property is for long term investment purposes only and not for development purposes.

If you require any further details please contact us.

gerard@newcourtrustees.ie



CHARITIES VAT COMPENSATION SCHEME

The closing date for submission of claims under the VAT Compensation Scheme has been extended from 30 June 2020 to 31 August 2020. This is a temporary measure and applies to claims submitted in respect of eligible VAT paid by charities in 2019. Revenue has asked that claims are submitted as early as possible via ROS. The entity is registered for VAT and PAYE.

TOP TIP

Businesses tend to base their preliminary tax on 100% the prior year liability. However given the impact of Covid-19 on businesses in 2020, significant cash flow savings could be achieved by basing preliminary tax on 90% of 2020 profits.



CLOSE COMPANY SURCHARGE

A close company surcharge is charged at a rate of 20% on undistributed passive income and 15% on undistributed income of close service companies. The surcharge applies to income of close companies that is not distributed within 18 months from the end of the accounting period in which the income arose. In recognition of the Covid-19's economic impact, which may require many companies to retain cash to support their business Revenue, will on application extend the 18 month period for distributions by a further 9 months.

As well as the extension outlined above, it has always been the case that no surcharge would apply where the company which earned the passive or service income could not legally pay a dividend due to insufficient reserves. To that end up to date management accounts should be reviewed in order to establish if the company has been negatively effected by Covid-19. Where the reserves have deteriorated into a negative position no surcharge will be payable as a distribution cannot legally be made.



COVID 19 COMPLIANCE MEASURES

Revenue has introduced the following measures to assist businesses impacted by difficulties arising from Covid 19:

- ➔ Early repayment of 2020 R&D tax credit instalments
- ➔ Prioritising approval and processing of repayments and refunds of VAT and PSWT
- ➔ The application of a surcharge for late Corporation tax returns due from 23 March 2020 onwards has been suspended
- ➔ The application of a surcharge for late filing of iXBRL returns due from 23 March 2020 has been suspended
- ➔ Relaxation of restriction of reliefs such as loss relief and group relief on late Corporation Tax returns
- ➔ Debt warehousing is to apply to any business who has been negatively affected by Covid 19. VAT and PAYE debts due from 1 March 2020 to the date when sectoral restrictions are lifted will be parked for a period of 12 months. No interest will accrue during the 12-month period. Thereafter interest at a rate of 3% will apply until the debt is paid. To avail of this measure all returns including corporation tax returns must be filed.

The overriding message from Revenue is to keep filing returns even if in some cases they are best estimates and the business is unable to pay the liability.

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

CAPITAL GAINS TAX

Payment of Capital Gains Tax for the disposal of assets Made from 01 January 2020 to 30 November 2020	15 December 2020
---	-------------------------

CORPORATION TAX

Filing date for Corporation Tax returns for accounting periods ending in Dec. 2019	21 September 2020
Balancing payment of Corporation Tax for accounting periods ending in Dec. 2019	21 September 2020

SPECIAL DEADLINE

Goods which have been imported to combat the effects of COVID-19 from outside the European Union (EU) from 30 January 2020 are not subject to the payment of Customs Duty and Value-Added Tax (VAT). The relief will apply uninterrupted until 31 October 2020.

€7.4 BILLION

JOBS STIMULUS PACKAGE TO HELP IRISH BUSINESSES

Many Irish businesses have found themselves in a new environment of restrictive procedures, extra costs for protective equipment and a feeling of uncertainty for their future.

A concern for all employers, is the sustainability of their business and therefore, job security for staff. Since July 24th, the government have released a new package which aims to protect existing jobs and create new and sustainable employment options. Covid-19 has already had a negative economic impact for many people across the country and this has brought the need for such a package to ensure that our economy can stay alive and eventually return to a place of stability and growth.

The Job Stimulus Package has been designed to look at four areas of concern for businesses and offer a solution accordingly. These areas are:

1. Backing Business in Ireland

- ➔ A new Employment Wage Support Scheme will succeed the Temporary Wage Subsidy Scheme (due to finish at the end of August), and run until April 2021.
- ➔ 0% interest for first year of SME loans
- ➔ Restart Grant for Enterprises is being extended and expanded.
- ➔ The waiver of commercial rates extended until end-September 2020
- ➔ A €2 billion Covid-19 Credit Guarantee Scheme, other business finance measures, including supports for start-ups

2. Helping People Get Back to Work

- ➔ Extension of the Pandemic Unemployment Payment (PUP) to 1st April 2021
- ➔ €200 million investment in training, skills development, work placement schemes, recruitment subsidies, and job search and assistance measures
- ➔ 35,000 extra places will be provided in further and higher education.
- ➔ Further supports for apprenticeships

3. Building Confidence and Investing in Communities

- ➔ Financial Certainty through the Enterprise Wage Support Scheme, the Pandemic Unemployment Scheme, Rates waivers etc.
- ➔ €500 million investment in communities
- ➔ Investment in schools, walking, cycling, public transport, home retrofitting, and town & village renewal
- ➔ Tax measures including a temporary reduction in the standard rate of VAT
- ➔ Stay and Spend initiative
- ➔ Targeted measures for most vulnerable sectors

4. Preparing Ireland for the Economy of the Future

- ➔ €25 million Investment in Life Sciences
- ➔ Training and Skills Development
- ➔ €10 million to be provided under a New Green Enterprise Fund
- ➔ Increase in Seed and Venture Capital for enterprises driving innovation
- ➔ Additional supports for IDA promotional and marketing initiatives targeting jobs
- ➔ Additional supports to businesses to develop their online presence.
- ➔ €20 million Brexit fund to help SMEs to prepare for new customs arrangements
- ➔ Expansion of Sustaining Enterprise Fund scheme

Although the finer details of various elements of the package are yet to be finalised, it is positive news from our government that supports are remaining in place for the foreseeable future.

If you need any information on the supports that are available to you, please speak with us today.

HORIZON 2020

Horizon 2020 is one of the world's biggest Research and Innovation programmes. The initiative is coming to an end this year but there is still time to apply for the multi-million euro funds that are available. North-south partnerships between Ireland and Northern Ireland have a relatively high success rate of accessing this type of funding, with €110m funding already secured by north-south H2020 projects.

Most H2020 calls close before the end of 2020 with an exception being the initial Green deal call which closes at the end of January 2021. If your business is in the area of science or technology development and is working on new methods to improve on areas such as the environment, data security, crime prevention, AI for medical staff, then you could be eligible for one of the many project funding supports available through Horizon 2020. For more information, visit www.intertradeireland.com



ADAPTING YOUR BUSINESS PRACTICE WITH SKILLNET IRELAND

As Irish businesses reopen and begin to gradually return to the workplace, many will have to adjust to adopt the practical changes necessary to prevent the spread of COVID-19. Skillnet Ireland's enterprise-led ReBounce Mentoring initiative will guide SME Owners and Managers in implementing the 'Return to Work Safely' Protocol and support you to navigate a secure recovery.

Responding to the new normal will involve several steps, from implementing the 'Return to Work Safely' Protocol, workforce management measures, and examining new ways of working. The initiative will upskill business owners and managers to take on this challenge. The ReBounce Mentor Programme has been developed specifically for SME owners and managers that require dedicated one-to-one help in creating and implementing a bespoke Return to Work Safely Plan which aligns with the Government's 'Return to Work Safely' Protocol. This **free** mentoring programme has a limited number of places. The eligibility criteria is as follows:

- ➔ Business must be operating in the private sector
- ➔ Business must have less than 250 employees
- ➔ Business must have been fully operational before COVID-19 outbreak

For more information and to apply for this initiative, visit www.skillnetireland.ie/rebound

Coronavirus COVID-19

Business Support Call Centre

Call: +353 631 2002

Email:

infobusinesssupport@dbei.gov.ie



DON'T FORGET ABOUT BREXIT

While we are all very focused on responding responsibly to the requirements of operating during Covid-19, it is easy to forget the rest of the world around us. Brexit is still moving forward and requires you to have a plan in place for when that occurs. Here we list some key steps that your business needs to take now for a successful transition.

➔ All businesses in Ireland must acquaint themselves with the formalities and procedures for doing business with the United

Kingdom as a third country as of 1st January 2021. Therefore you will need to factor in the increased administrative obligations and potentially longer timeframes resulting from these formalities and procedures which might entail significant changes to the organisation of your existing supply chains.

➔ Businesses placing goods into the UK market will need to make sure that they comply with all relevant UK rules as of 1 January 2021

- ➔ All transport businesses conducting operations between the European Union and the United Kingdom must ensure compliance respectively with EU and UK certification requirements as of 1 January 2021.
- ➔ Persons with UK qualifications will need to obtain recognition of same in the European Union before 1 January 2021.



WHETHER TO RAISE CAPITAL, OR TO LIQUIDATE OR TO GO INTO EXAMINERSHIP

Many businesses are today looking into the future not knowing what decision they should make. Here we will address a number of questions that arise and the pitfalls therein. In this issue, we will explore liquidation. The next issue will explore raising capital and examinership. Liquidation is often seen as the final step in a business but this is not necessarily the case.

Reasons for Liquidation.

1. Not understanding Employee costs, which include taxes, holidays, etc.,
2. Not realising what overheads are: Property Rates, Rent, Insurance, Power, Communications, Motor, Travel.
3. Failure to issue invoices quickly, and not following up on money owed. One would be surprised how often this happens.
4. Failure to review lists of Debtors (Receivables), Creditors (Payables) and bank accounts.
5. Failure to work with staff as a team, because of lack of knowledge or clash of personalities.
6. Cost Management plans should be drawn up, these may involve better utilisation of existing resources, rather than a reduction in costs.
7. Sales revenue should be reviewed. The old rule of 20% of your customers bring 80% of your revenue is well founded and should not be ignored.
8. Remember, a customer who does not pay on time may cost you more in time to collect that the customer is worth – so weed out poor paying customers, they cost you in the long run.

Consequences of Liquidation.

1. Reputation damage.
2. Small Traders get badly burnt and, in some cases, go under as a result. It is the small trader who remembers the company and directors that took his business under.
3. Tax clearance for the company, the directors, and other companies the directors are involved with, may be compromised.
4. A director who fails to act quickly and lets liabilities grow in a series of ongoing losses can expect to be restricted as a director or barred. Restricted means in effect that you can not be a director for up to five years from the date of decision (not the date of liquidation which may be a year earlier). Barred means you are not to act as a director or manager in a company for five years or more, depending on the order made. This has much tougher implications and is reserved for clearly deliberate wrongs.

5. Payment to creditors in the period running up to a liquidation may be reversed by the liquidator if it is shown that preference was given to creditors.

GDPR Issues with a Creditors Meeting & Information to Creditors.

An issue has arisen since GDPR has been implemented in giving details out to parties:

1. List of creditors – This is available (names only) under the Companies act up to the time of the creditors meeting.
2. Statement of affairs: The companies acts require this to be presented at the Creditors meeting . There is no provision for this to be released after the Creditors meeting.
3. Listing Employees on a Statement of affairs: Legislation protecting employees calls for confidentiality, the Companies Act calls for disclosure of creditors in a statement of affairs. Best practice is to have the employees listed separately and pass same to Revenue or the Dept. of Social Protection if in attendance, and have it available to verify any proxy or individual value in a creditors vote.

Sale of Assets in a Liquidation.

A liquidator has traditionally been empowered to sell assets of the company including goodwill. However GDPR has raised a number of concerns here:

1. Sale of customer and supplier lists where individuals are mentioned as contacts, results in the list falling under GDPR protection and the release of this data is restricted.
2. Interestingly a Management Buy Out of the business from a liquidator where the persons involved have been dealing with both the customers and suppliers appears to be more acceptable to the regulators.

Important Considerations for Liquidation

1. Inform your employees, arrange for the nominated liquidator to meet with your staff and explain their entitlements and how fast they will be processed.
2. Employees claims in a liquidation cover the following areas:
 - Wage arrears
 - Holiday and Bank Holiday Arrears
 - Minimum Notice
 - Statutory Redundancy

In our next issue, we will cover the general points of raising capital and examinership. If you have any questions about the topic of liquidation, please talk to us.

Gerard.murphy@gmco.ie

GENDER PAY GAP INFORMATION BILL 2019

As the law currently stands, no gender pay gap reporting obligations exist for Irish employers. However, the principle of equal pay for equal work has been enshrined in law for a long time. Despite these longstanding legal prohibitions on discrimination in relation to pay, evidence suggests that significant differences remain in the rates of pay of men and women doing the same work. For this reason, the Cabinet has agreed the text of the Gender Pay Gap Information Bill, as part of a range of measures aimed at reducing the gender pay gap and promoting wage transparency. The Gender Pay Gap Information Bill 2019 would require the Minister, as soon as reasonably practicable after the commencement of the legislation, to make regulations requiring employers to publish information relating to the pay of their employees for the purpose of showing whether there are differences in such pay referable to gender and, if so, the size of such differences.

The information which must be published by employers under the regulations includes the following:

- the difference between both the mean and the median hourly pay of male and female employees;
- the difference between both the mean and the median bonus pay of male and female employees;
- the difference between both the mean and the median hourly pay of part-time male and female employees;
- the percentage of male and female employees who received bonuses and benefits in kind.

In addition, employers will be required to publish, concurrently with the above gender pay gap information, the reasons for such differences and the measures (if any) taken or proposed to be taken by the employer to eliminate or reduce such differences.

The regulations will only apply to employers with 250 or more employees in the first two years after introduction. In the third year, the requirements will also apply to employers with 150 or more employees. Thereafter, the requirements will apply to employers with 50 or more employees. The regulations will not apply to employers with fewer than 50 employees.

WILL I OR WON'T I?....

A Will is an instrument whereby a person's assets are distributed on his/her death, pursuant to his/her wishes (subject to certain conditions). However a relatively large proportion of us have not made a Will. This may be to do with a person's fear of death and feeling overwhelmed by the fact that a document pertains to ones wishes following death, it may be that a person hasn't considered death or maybe the cost of getting a Will drafted is thought to be prohibitive.

However, overcoming these notions and making a Will not only ensures that your wishes will be fulfilled with respect to distribution of your property but also makes settling your affairs easier on family and friends.

A person is said to die intestate if they die without leaving a Will, which results in your estate not being divided in accordance with your wishes and a higher cost of probate thus reducing the amount of wealth transferred to loved ones.

There are many benefits to making a Will and very few drawbacks. Perhaps the biggest benefit is that it allows you to dictate, via a clear legal document, how you want your assets distributed following your death. Further it allows you to provide for the special needs of family members and gives you to opportunity to ensure the minimum tax is paid on death.

The making of a Will should not be done last minute or only by elderly people. A lot of thought and planning should go into it and, in many instance, a Will should be regularly revisited to take account of your current circumstances (family, financial etc.) and in line with changes to the taxation regime.



HOW TO HOLD A COVID-19 AGM

In response to social distance safety regulations, a proposal has been put forward for companies to hold meetings in a safe and compliant manner. The proposed measures are to last for the interim period expiring on 31 December 2020 with a provision for a potential extension of the interim period to no later than 20 June 2021. The law will also allow for general meetings - including annual and extraordinary meetings - to be held electronically "provided all those entitled to attend have a reasonable opportunity to participate".

Importantly for many firms, it will also permit those meetings to be held electronically even if a company's constitution does not allow them. Three proposed changes which will impact on general meetings are as follows.

1. A company need not hold an annual general meeting ("AGM") within the time periods set out in the Companies Act or its constitution provided it holds its AGM by 31 December 2020 at the latest. In conjunction with this proposed amendment, the Bill dis-applies the requirement that the financial statements to be laid before the meeting are made up to a date no earlier than 9 months before the date of the AGM.
2. General meetings shall not be required to be held at a physical venue or venues but may be fully conducted by electronic means provided all those entitled to attend have a reasonable opportunity to participate. Instead of specifying the place of the meeting, notices for electronic general meetings must specify "the methodology for participation". The Bill also allows for general meetings to be cancelled, for changes in venue for physical meetings and for physical meetings to be changed to e-meetings and vice versa in order to comply with public health advice and sets out the manner in which such changes must be notified.
3. A company's directors may withdraw a dividend resolution or to reduce the dividend proposed to be declared by resolution at a general meeting after the notice of the meeting has issued where they are of the view that this is required due to the actual or perceived consequences of COVID-19 on the company.

SELLING ONLINE

9 CRITICAL STEPS IN SETTING UP AN ECOMMERCE SHOP

You have a good product selling in your store. You have been wondering for a while now if there is an opportunity to sell online, but Covid-19 events have pushed this question into the spotlight. If you are looking to setup an ecommerce store here are 9 critical steps you need to follow.

STEP 1 – Select and Implement the Most Appropriate Platform

There are really two general options to get up and running quickly

➤ A ‘website builder’ such as Shopify or Wix

These are user friendly, online DIY sites that allow you to setup and run your own website.

or

➤ A website platform such as WordPress with an eCommerce plugin

This is a more flexible platform, but as such does require a little more setup.

Our recommendation would be the latter; to build your online store on the WordPress Platform. This is fast, flexible, and completely under your control.

While website builders are fast to setup, the actual website setup is seldom the source of delay when launching an online store. Considering the best layout and creating your content is really the more time-consuming factor here. To avoid spending too many hours considering the layout and design of your website, you can use one of the many e-commerce templates or “themes”. If you can find one that you like and that reflects your business, you can use this to quickly get your site up and running.

STEP 2 – Select Products that you want to Sell Online

In an ideal world, you would have all of the products that you sell off-line available in your on-line store. However, to do that you would need to pull together detailed information for every product and for every variation

For all products on a website, you need to include:

- Product Photos

- Product Descriptions
- Product Variations
- Pricing and Tax

To get up and running quickly, you may want to be selective about which products you include at launch. You can start with your top selling products, or the products that are most likely to sell online.

STEP 3 – Prepare Other Website Content

Your website also needs to answer whatever questions the customer might have and also give the customer confidence in your company and products.

Some of the key elements that you need to have are:

- About Us
- Unique Selling Propositions
- Contact Details
- Delivery, Shipping and Returns
- Privacy Policy
- Reviews/Testimonials

STEP 4 – Agree Fulfilment and Delivery Arrangements

You need to think through the fulfilment and delivery arrangements for your products and you do need to have a plan for maintaining stock availability on your website. You don’t want customers ordering products that you don’t have.

STEP 5 – Agree Shipping Costs

Customers expect to have clear, reasonable shipping options available to them.

Shipping must be simple and not become a barrier to your customers making a purchase online. In most cases, you can get up and running quickly with suppliers like An Post, DPD or other couriers depending on your specific needs, products and costs.

STEP 6 – Determine Payment Processing

The fastest options to get up and running would be Paypal or Stripe which can both be setup in a very short space of time and can allow you to almost immediately accept payments online.

STEP 7 – Test, Test and Test

When you think you are ready to go, you need to test the functionality of the site on mobile and desktop. If possible, get a number of people to help with the testing.

STEP 8 – Launch and Promote

Once all of the points above are taken care of, the next challenge is to launch your site and let your customers know. Social Media is also a strong platform to help get your message out.

Some online promotion and/or special offers may also be considered to get users to your site.

STEP 9 – Satisfy the Customer

Effort should be taken to ensure the customer finds their online buying process effortless and enjoyable. This includes making the product selection, purchase, payment, and shipping as easy as possible. It continues through ensuring that delivery happens when expected, products arrive, and the customers expectations are met.

john@epresence.ie