

Covid Restrictions Support Scheme (CRSS) Overview and Examples

Overview

In his Budget speech on 13 October 2020, the Minister for Finance announced his intention to introduce the Covid Restrictions Support Scheme ("CRSS") as an additional support for businesses subject to significant Covid-19 restrictions. The scheme is intended to be in addition to the supports provided to employers under the Employer Wage Support Scheme ("EWSS"). Set out below is information on how the scheme is intended to operate as well as some worked examples demonstrating this.

It is proposed that CRSS will be available to companies and self-employed individuals operating a business, profits from which are chargeable to tax under Case I of Schedule D. To qualify, the business must be operating from a premises wholly located in a region subject to restrictions under the Government's plan for living with Covid-19 "*Resilience and Recovery 2020-2021: Plan for Living with Covid-19*", with the result that the business is required to prohibit or considerably restrict members of the public from accessing their business premises. Generally, the restrictions apply at Level 3, 4 or 5 of the Plan for Living with Covid-19 but, in the case of certain businesses could apply at lower levels of restrictions.

Where as a result of the restrictions, a business has been required to temporarily shut their premises or operate at significantly reduced levels, with the result that turnover for that period will be no more than 20% of the average weekly turnover for a period equal to the same number of weeks in 2019 (or using 2020 turnover figures for new businesses), that business will qualify under the scheme.

Qualifying taxpayers will be able to log on to ROS and register for CRSS as soon as possible. The registration process will include providing details such as the location of the business and average weekly turnover for 2019. The claims process will be available from mid-November. Once they have registered, a taxpayer will be able to make a claim for the period their business is restricted from operating. Revenue will publish guidelines on the registration process and on the operation of the scheme in due course.

The relief will operate as a cash payment equal to 10% of the average weekly value of the 2019 business's turnover up to €20,000 and 5% thereafter, subject to a maximum weekly payment of €5,000, for the same number of weeks as the restricted period.

The payment is known as an "Advanced Credit for Trading Expenses" and is taken into account when computing the profits and gains of the business under Case I of Schedule D as a reduction against deductible trading expenses. However, the receipt of the payment will only result in additional tax where the business is in a profitable position for the chargeable period.

The scheme will operate on a self-assessment basis and is conditional on the taxpayer continuing to file all tax returns on time, holding a current tax clearance certificate and on the intention to resume the business when the restrictions are lifted. Details of taxpayers availing of the scheme will be published on the Revenue website at a later time.

The Scheme will run from 13 October 2020 until 31 March 2021.

Examples

Example 1 – individual operates a pub in Dublin city

Mr. A has been running a pub (that does not serve food) in Dublin City for many years. In the year ended 31 December 2019, his turnover from the business was €663,000 (excluding VAT). His VAT returns are up to date and he has tax clearance. On 15 March 2020, he closed the pub to customers in line with Government restrictions. The pub has remained closed for business since that time.

As of 13 October 2020 (the date the CRSS was announced), Level 3 restrictions under the Living with Covid-19 Plan are in place for Co. Dublin and are expected to remain until 28 October. The Level 3 restrictions mean that the pub will have to remain closed until 28 October and, as a result, **Mr. A** expects that he will have no turnover in that same period.

Based on:

- a) the fact that official Covid restrictions are in place which prohibit customers from accessing the pub, requiring him to temporarily close his pub between 13 and 27 October, and
- b) **Mr. A's** reasonable expectation that he will have no turnover between 13 and 27 October,

he is entitled to apply to Revenue for an **Advance Credit for Trading Expenses (ACTE)** for the period 13 to 27 October, which constitutes a **claim period**.

The amount of the ACTE that he is entitled to for this claim period will be calculated by reference to his turnover for 2019 and the number of full weeks that comprise the claim period, as follows:

Average weekly turnover 2019	€12,750 (i.e. €663,000 / 52)
10% of €12,750	€1,275
Number of full weeks	2
€1,275 X 2	ACTE is €2,550

If the restrictions for Co. Dublin are extended, with the result his pub remains closed and the pub will have no turnover, he can make a subsequent claim for the extended period of restrictions, which will constitute a new claim period, and on making a further claim he will be entitled to a payment of €1,275 for every week of the new claim period.

Example 2 – company operating cafés in Letterkenny and Sligo town

Yummy Nibbles DAC carries on a café trade operating from separate business premises, one is located in Letterkenny and the other is in Sligo town. Because the cafes are operated from separate business premises, they are treated as separate activities for the purposes of the CRSS.

Letterkenny café

In the year ended 31 December 2019, turnover for the Letterkenny café was €195,000 (excluding VAT). As of 13 October (the date the CRSS was announced), Level 3 restrictions under the Living with Covid-19 Plan are in place for Co. Donegal and are increased to Level 4 with effect from 16 October 2020. The Level 4 restrictions are expected to stay in place until 10 November, at which point the situation will be reviewed by the Government. Under both Level 3 and Level 4, the café may remain open only for take-away and delivery and outdoor dining or service up to a maximum of 15 people. However, the café has a thriving take-away service and recently set up a heated outdoor dining area that can accommodate up to 12 people at a time. As a result, Yummy Nibbles DAC expects that while turnover in restricted period will be reduced, it will not be less than 20% of four weeks of the average weekly turnover of 2019.

Sligo town café

In the year ended 31 December 2019, turnover for the Sligo town café was €221,260 (excluding VAT). As of 13 October 2020, Level 3 restrictions under the Living with Covid-19 Plan are in place for Co. Sligo and are expected to remain until 28 October. While the Level 3 restrictions are in place, the café will operate on a take-away only basis (it does not have an outdoor seating area). Yummy Nibbles DAC expects that in the 2-week period in which the Level 3 restrictions are in place, turnover will be approximately €1,400. This represents 16.45% of two weeks of the average weekly turnover for the café in 2019.

Yummy Nibbles DAC claim

Although both business premises from where the cafés operate are subject to Government restrictions, the company is not entitled to claim an ACTE in respect of the Letterkenny Café because turnover for the period during which the restrictions are in place will not be less than 20% for the comparable period in 2019. However, Yummy Nibbles DAC is entitled to apply to Revenue for an ACTE in respect of the Sligo Café for the claim period 13 to 27 October. The amount of the ACTE that the company is entitled to for this claim period is calculated by reference to the Sligo town café's turnover for 2019 and the number of full weeks that comprise the claim period, as follows:

Average weekly turnover 2019	€4,255 (i.e. €221,260 / 52)
10% of €4,255	€425.50
Number of full weeks	2
€425.50 X 2	ACTE is €851

If the restrictions for Co. Sligo are extended, Yummy Nibbles DAC can make a new claim for the extended period of restrictions, where the Sligo business continues to qualify. Yummy Nibbles DAC will be entitled to a payment of €425.50 for every week of the new claim period.

If it later transpires that the Letterkenny café did not do as well as had been expected, the company may then be entitled to apply for an ACTE, as long as a claim is made within 8 weeks of the commencement of the restricted period. Similarly, the company may be entitled to make a claim for an ACTE in respect of the Letterkenny café for a later period of restrictions.

The company has filed VAT returns and has tax clearance.

Example 3 – Individual runs a dance studio in Co. Clare

Ms. Y runs a small dance studio from premises in Co. Clare, from which she teaches contemporary dance to groups of children and teenagers on a part-time basis. Her turnover in 2019 was €35,100 and she is not registered for VAT and will need to apply for tax clearance. As of 13 October (the date the CRSS was announced), Level 3 restrictions under the Living with Covid-19 Plan are in place for Co. Clare and are expected to remain until 28 October. As dance classes may not take place under Level 3, she cancels all classes for the two-week period in which the restrictions are in place and issues refunds to affected customers. As a result, she expects to have no turnover for the two-week period in which the restrictions are in place.

Based on the foregoing, she is entitled to apply to Revenue for an ACTE for the claim period, 13 to 27 October as follows:

Average weekly turnover 2019	€675 (i.e. €35,100 / 52)
10% of €675	€67.50
Number of full weeks	2
€67.50 X 2	ACTE is €135

If the restrictions for Co. Clare are extended, **Ms. Y** can make a new claim for the extended period of restrictions, where her business continues to qualify. She will be entitled to a payment of €67.50 for every week of the new claim period.

Legal Disclaimer

This leaflet is intended to describe the subject in general terms. As such, it does not attempt to cover every issue which may arise in relation to the subject. It does not purport to be a legal interpretation of the statutory provisions and consequently, responsibility cannot be accepted for any liability incurred or loss suffered as a result of relying on any matter published herein.