

# COVID Restrictions Support Scheme (CRSS)

The recent Budget saw the announcement of the COVID Restrictions Support Scheme (CRSS), a welcome initiative to assist businesses that are closed because of COVID-19 restrictions. Finance Bill 2020 has now been published, together with Revenue guidance notes on the new scheme and, while the legislation is still subject to amendment this gives a clearer understanding of the finer details of CRSS.

## Summary of scheme

In summary, the scheme provides a weekly cash payment to businesses that are effectively closed or only able to trade at a fraction of their previous turnover because of pandemic-related restrictions. The payment will generally be a percentage of their turnover for 2019, up to a maximum payment of €5,000 per week while restrictions last ("restricted period"). The scheme will apply from 13 October 2020 to 31 March 2021 but may be extended to 31 December 2021 if necessary.

## Conditions

The scheme is available to businesses that carry on a taxable trade. In order to qualify, two key conditions must be met:

- The business must either be closed to customers or substantially restricted in operating, and
- As a result of these restrictions, turnover for the restricted period must be no more than 25% of 2019 levels ("turnover test").

Additionally, the business must intend to reopen and resume trading once restrictions are lifted.

For a new business that commenced trading on or after 26 December 2019, the turnover test will be applied by reference to average weekly turnover in the period from 26 December 2019 to 12 October 2020.

## Application of conditions

The conditions are applied specifically to the business premises and whether the Government restrictions either directly prohibit or restrict access to them. In most cases, such restrictions apply at Level 3 or higher of the Government's Plan for Living with COVID-19, but in some cases, they can apply at lower levels, for example

wet pubs in Dublin. The fact that the business may also have sales that do not require customers to attend the premises (for example, online sales or deliveries) does not necessarily preclude a claim for CRSS but in the first instance a business must be trading from premises that are subject to such restrictions.

In considering the turnover test, it is also the premises that must be considered. Therefore, for example, a company operating a number of different pubs, restaurants and hotels would consider each outlet individually; it may claim CRSS for those outlets that are subject to the relevant restrictions and whose turnover is at or below 25% of 2019 levels, but may not claim for any outlets that do not meet these two conditions.

Where an entity carries on several different activities at the one premises, only some of which qualify for CRSS, turnover should be apportioned between the activities on a just and reasonable basis and a claim made for those that do qualify. The maximum payment per premises will not however exceed €5,000 per week.

## Turnover test

The turnover test is applied by comparing average weekly turnover during 2019 (or for 2020 effectively for new businesses as outlined above) with the average weekly turnover during the restricted period.

For example, say a retail business in Cork had turnover of €2.5 million in 2019 and has since 22 October 2020 been subject to Level 5 restrictions for an initial six-week period. Average weekly turnover for 2019 was €48,077; therefore, in order to apply for CRSS there must be a reasonable expectation that total turnover for the six-week period will be no more than €72,115, which works out at a weekly average of €12,019.

## Payment receivable

The weekly payment will be calculated by reference to the average weekly value of the VAT-exclusive turnover for 2019 (or effectively 2020 in the case of new businesses), as follows:

- 10% of the first €20,000
- 5% of the balance
- Up to a maximum payment of €5,000 per week

The maximum payment of €5,000 per week would therefore apply where a business had turnover of €4.16 million or more in 2019. A business with turnover above this level is not precluded from applying for CRSS but its payment will be capped at that level.

In our example above, the payment due to the business in Cork is calculated as follows:

- $(€20,000 \times 10\%) + (€28,077 \times 5\%) = €3,403$
- Payment due for the six weeks of restrictions = €20,423

## Processing of claims

The Revenue Commissioners will administer the scheme and are currently adapting their systems to enable them to do so. Unfortunately, this means that the first payments under CRSS will be delayed, but they advise that they expect to make them by mid-November.

Once the system is live, a business may apply for CRSS on the first day that restrictions are announced. The payment for the entire period will then be made within two to three working days. In our example above, the business in Cork could therefore expect to receive €20,423 within a few days of applying.

Where the period of restrictions is extended, a further application may be made for the extended period. When the relevant restrictions are lifted, the entitlement to CRSS will cease.

Revenue have clarified that for businesses that were subject to restrictions under a number of different levels between 13 October 2020 and 22 October 2020 – for example the hospitality sector – a single claim for the entire period between 13 October 2020 and 1 December

2020 may be made. For any future restrictions however, separate claims must be made for each individual period.

In determining eligibility, there must be a “reasonable expectation” that the business will meet the conditions set out above and significant penalties may apply for an incorrect or invalid claim. It is therefore important that a business closely monitors the matter and withdraws from the scheme and repays any amounts received once it becomes apparent that it will not meet the conditions.

If a business concludes at the beginning of the restricted period that it will not meet the conditions but subsequently does, they may retrospectively apply for the scheme, but only if this application is made within eight weeks of the commencement of the restricted period.

## Taxation of payments

These payments will be treated as an Advance Credit for Trading Expenses (ACTE) and so will be deducted from expenses (wages & salaries, rent & rates, light & heat etc.) that are deductible in computing profits taxable under Schedule D, Case I.

Ultimately therefore, the payments may be subject to either income tax or corporation tax, but such liability will only become payable once the business is profitable again.

## Tax Clearance Certificate

Finally, as is the case with other pandemic-related government supports, a business must hold a valid Tax Clearance Certificate and keep their tax affairs up to date for the duration of the scheme.

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