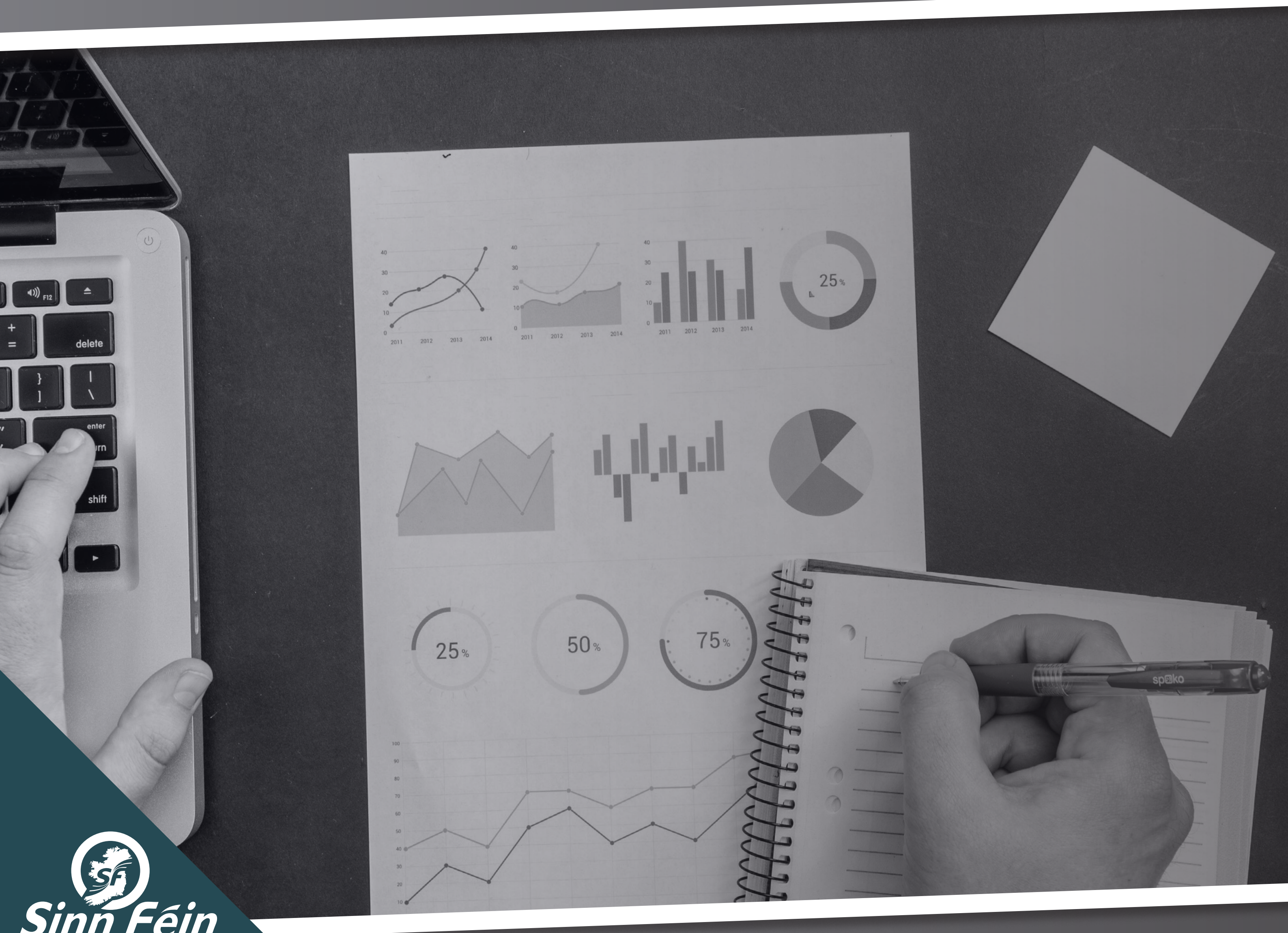
Supporting SMEs, Micro Businesses & Protecting Jobs



Sinn Féin

Supporting SMEs, Micro Businesses & Protecting Jobs

The COVID-19 pandemic and subsequent public health measures implemented to reduce the spread of the virus have created unprecedented challenges for small and medium enterprises, micro businesses and the workers they employ.

These public health measures have required businesses across several sectors to close or implement physical distancing measures that have significantly reduced their capacity to operate. This had a negative effect on consumption and their trading opportunities.

The subsequent losses experienced by SMEs threaten their very survival. Employing over 1 million people and with extensive linkages throughout the domestic supply chain, the survival of our SMEs is crucial to getting people back to work and will play a central role in any recovery that may follow. Put simply, without the recovery of our SMEs there will be no real recovery.

Investing in SMEs and microbusiness to rescue jobs and protect our communities is a priority for Sinn Féin, but equally important is delivering on workers' rights. The economic recovery from COVID-19 cannot be built on the back of low pay and precarious work nor through the exploitation of workers.

Some of the most negatively impacted sectors of our economy are also some of those with the lowest pay and worst conditions for workers. The recovery for affected sectors cannot be a reconstitution of the past. This means that henceforth, the State must play a central role in supporting our micro business, our SME sector, and our family businesses, and the State and business must also play a central role in delivering on workers' rights, decent jobs, and decent pay.

Sinn Féin believes that the central plank of the economic recovery from the COVID-19 crisis must be a real commitment to our micro business, our SME sector, our family businesses as well as a steadfast commitment to workers' rights embedded in legislation, and the creation of decent jobs with decent pay and conditions. They form the backbone of our economy.

As the Central Bank has noted, there are over 220,000 SMEs, employing more than 750,000 people, in highly or moderately affected sectors.

In addition to this, the Central Bank has estimated that firms in highly affected sectors purchase approximately €40 billion in goods and services from other firms, showing that any failure of directly impacted SMEs will also have a damaging effect throughout domestic supply chains with a wider impact on employment and living standards.

As has become apparent, certain sectors are more vulnerable to the impact of COVID-19, such as the Hospitality, Tourism and Retail sectors. Firms in these sectors now face substantial cashflow and liquidity issues, the resolution of which will determine their capacity to withstand the current crisis.

Liquidity supports and access to credit lines are vital in assisting SMEs to survive and save the jobs that these enterprises sustain.

While the Government has announced several measures to support businesses since the 23rd March, ranging from direct fiscal supports, lending schemes and credit guarantee schemes, these measures have failed to provide adequate liquidity to ensure the survival of SMEs in affected sectors.

Sinn Féin proposes several measures that would assist firms that are struggling to access necessary credit and working capital.

While the measures outlined are not exhaustive, they are supports which we view to be necessary in the immediate term, providing short-term liquidity support that is easily accessible to those small and micro enterprises that are experiencing immediate cash flow problems.

Without assistance to increase their capacity to withstand the current containment measures and then resume trading in what will be a challenging environment.

Sinn Féin is proposing a suite of measures to provide immediate relief to our SME sector; through a combination of direct grant aid, credit through loan schemes, tax relief and consumer spending stimulus.

SME Grant Scheme €1.5 billion

Many of our small and medium sized enterprises have been forced to close as result of public health measures and face a very uncertain future. Due to the fact that many of them have seen their trading disrupted or incomes completely collapse.

Despite a reduction in income, non-payroll costs for these same enterprises have stayed the same. With the accumulation of rents, utilities, debt repayments and insurance to pay, small businesses are building up unsustainable debt. We have already seen many businesses cease trading as a result.

As the economy reopens, public health measures will place new requirements on businesses, changing how they trade and reducing their capacity. Trading and operating in this new environment will also incur new costs.

IBEC has estimated that the average SME in a consumer-facing sector will have fixed cost debts of up to €45,000. If our SME and micro business sector and the jobs they provide are to survive, they require direct financial aid.

On the 22nd May the Government launched its Restart Grant Scheme, providing grants based on commercial rates paid in 2019, ranging from €2,000 to €10,000. As of 10th July 2020, less than €110 million has been disbursed to businesses, with grants averaging less than €4,100 and only 67 percent of applications made being approved. These grants are too small.

Sinn Féin are calling for a Restart Grant Scheme, accessible for businesses with or without commercial premises. The scheme would distribute two types of grants.

Firstly, a Business Grant providing a one-off payment of €12,000 and secondly an Affected Sector Business Grant providing a one-off payment of €25,000 to businesses operating in Retail (no supermarkets or off-licences), Hospitality, Tourism or Leisure sectors and employing between 10 and 250 employees.

These grants could be administered by Revenue through the Temporary Wage Subsidy Scheme and through the Department of Enterprise, Trade and Employment for those not availing of the TWSS.

We would ensure that any grant applicant that has received a grant under the Governments Restart Grant, will receive the difference between that grant and one of the new grants as detailed above.

The total amount provided for our Restart Grant Scheme will be €1.5 billion.

€12,000 Business Grant

Under the Business Grant, all businesses will be eligible for the €12,000 one-off payment:

- If they have suffered a 25% loss of turnover or more due to COVID-19;
- If they employ fewer than 250 workers;
- If they had prior turnover of €50 million or less.

This grant scheme will be eligible for businesses with or without rateable premises.

€25,000 Affected Sector Grant

Under the Affected Sector Grant, all businesses will be eligible for the €25,000 one-off payment:

- If they have suffered a 25% loss of turnover or more due to COVID-19;
- If they employ between 10 and 250 workers;
- If they had prior turnover of €50 million or less; and
- If they operate in the retail, hospitality, tourism or leisure sectors.

This grant scheme will be eligible for businesses with or without rateable premises.

Back to Business Loan Scheme €2 billion

The Central Bank have estimated that SMEs require between €2.4 and €5.7 billion in additional liquidity to cover non-payroll expenses in three months alone.

Among the liquidity options available to SMEs, access to affordable credit from lenders will be a necessary element of the mix of supports provided.

To date, the Government's flagship Credit Guarantee Scheme has failed to deliver. Despite €2 billion in funding, as of 7th July only €1.6 million has been lent to businesses under the scheme which was launched on the 23rd March; less than 1 percent of the funding available.

The Scheme in its current design is not working, with small businesses being refused credit by banks who are reticent to lend. The scheme must be changed to facilitate lending and get credit from source to business as quickly and efficiently as possible.

Sinn Féin are calling for the Credit Guarantee Scheme to be reformed into a new Back to Business Loan Scheme, managed by the Strategic Banking Corporation of Ireland (SBCI) and lent through the commercial banking sector.

The Back to Business Loan Scheme would provide €2 billion in affordable credit to our SME sector, with no interest or repayments paid for the first 12 months. These would be 90% government-backed loans, facilitating lending to our small businesses at a time when they need credit to survive.

This new €2 billion Back to Business Loan Scheme would have the following features:

Businesses will be able to borrow between €2,000 and €800,000, up to 25% of the business' annual turnover;

- Zero interest with no repayments for the first 12 months;
- Affordable rates of interest of no more than 2.5% applied after the first 12 months;
- Loan terms of up to 7 years;
- No portfolio cap applied with a 90% Government guarantee on loans (the level of guarantee should be reviewed each month, with consideration given to increasing the level of guarantee to 100% based on lending performance under the Scheme);
- No premium is required to be paid for the cost of guarantee;

To be eligible businesses must:

- Have suffered a 25% reduction in turnover as a result of COVID-19;
- Employ fewer than 250 people;
- Have a turnover of €50 million or less.

Tourism & Hospitality Voucher €860 million

Sinn Féin have proposed a substantial economic stimulus package aimed directly at our tourism and hospitality sectors, which have been particularly hard hit by the pandemic.

These industries employ some 265,000 people, but the collapse of international tourism in addition to domestic restrictions, have resulted in thousands of job losses and the closure of businesses.

Figures from the Department of Employment Affairs and Social Protection show that around 92% of workers in the accommodation and food sectors were either receiving the Pandemic Unemployment Payment or were on the Temporary Wage Subsidy Scheme during the Covid-19 pandemic.

The Irish Tourism Industry Confederation is estimating a hit to the sector in the region of €3.5 billion this year alone.

We propose a scheme that would see every adult in the state receive a smartcard voucher to the value of €200, and children a voucher of €100. These smartcards can then be spent in cafés, restaurants, hotels, B&Bs, campsites and tourist attractions, supporting jobs in these businesses.

This would be a non-means tested scheme, available to every resident in the state. This way it can assist those who may face financial difficulties affording a break away or days-out with friends or family, but also encourage those who can afford to holiday here, to do so and spend their vouchers, plus more, in our local economies.

This major financial injection of €860 million would support hundreds of thousands of jobs here, whilst also giving workers and families the option of a break away after this very difficult period.

Our proposal mirrors similar initiatives that have been introduced across the globe;

- Italy has set aside €2.4 billion for a staycation voucher scheme. This would see households receiving up to €500 to encourage families to holiday at home rather than go abroad this year.
- Japan is to subsidise holidays for its citizens in an attempt to revive their tourism sector. Subsidies of up to ¥20,000 (€166) will be available to people who make bookings through travel agencies or directly with hotels & traditional ryokan inns.
- Australians in the Northern Territory will be receiving a $200 voucher to spend in the local economy & boost tourism.
- As part of their €8 million plan, the Icelandic government will issue every Icelander aged over 18, a voucher worth 5,000 ISK (€32) to be spent on domestic tourism. About 250,000 people are set to benefit under this scheme.
- Slovenia is to spend €345m on their plan to encourage stay-cations post Covid-19. This will see each adult receive a €200 voucher, while each child will get €50 which can be used for overnight stays in Slovenian tourist facilities until the end 2020.
- The City of Vienna will allocate €50 vouchers to every family in the Austrian capital to spend in local restaurants and cafes. The €40 million plan aims to boost activity in the sector after the recent lockdown measures.

We believe this proposal should be seen as necessary consumption catalyst and an investment in jobs and businesses. Without targeted intervention now, thousands of jobs in the tourism and hospitality sectors will be lost permanently, costing the state much more in the long run.

Extend Commercial Rates Waiver to end of December 2020 — €520 million

Support for small and medium enterprises will require not just provision of liquidity through grant aid and affordable credit, but also requires the continuation of measures that reduce other non-payroll expenses such as commercial rates for the most affected sectors.

The Government announced a commercial rates waiver for all businesses forced to close due to public health requirements. This waver applied for three months from the 26th March.

In order to provide additional support to small and medium-sized enterprises, we propose that the commercial rates waiver should be extended until 31st December 2020 with a review to take place before the end of year to determine if a further waiver extension is required. This waiver would apply to sectors hardest hit by the pandemic, including:

- Hospitality;
- Tourism;
- Leisure; and
- Retail (excluding supermarkets).

Any shortfall incurred by Local Authorities as a result of this measure should be met from Central Exchequer resources.

Reduce VAT from 13.5% to 9% for Hospitality & Tourism to end-31 January 2021 — €180 million

The focus of support to our SME sector should be centered on the provision of grant aid, affordable credit and the reduction of non-payroll expenses such as commercial rates. However, a reduction in VAT for those sectors most impacted by the pandemic can form one element in a much broader range of supports.

The tourism and hospitality sectors have been decimated due to COVID-19 and the public health decision to close businesses in order to tackle the virus and save lives. The sector has also been dramatically affected by the collapse of the international tourism market and widespread cancellations of holidays and trips from international tourists to the State.

In addition to other supports that have been put in place, Sinn Féin understand that the sector needs additional injections of liquidity, and not further debts through loans.

Therefore, we believe there needs to be an urgent response to deliver this, and a VAT cut for hospitality and tourism services would allow small and medium sized enterprises to either reduce costs to stimulate demand, or use monies saved through a reduction of the VAT rate from 13.5% to 9% to invest in their businesses and cover losses accrued due to COVID-19.

Therefore, Sinn Féin believe that a time-limited cut in VAT for the sector from 13.5% to 9% would have a positive impact for many SMEs, allowing them to stimulate demand, recover, and reemploy.

The proposed VAT cut would run until 31 January 2021, with a review of its effectiveness carried out for that date.

- Reducing VAT on the tourism and hospitality sector until 31 January 2021 – €180m

Extend Temporary Wage Subsidy Scheme — €2.2 Billion

The Temporary Wage Subsidy Scheme (TWSS) has played a crucial role in protecting incomes and supporting businesses, while maintaining a relationship between employees and their employers.

Sinn Féin proposed the implementation of an Income Support Scheme in March 2020. While this proposal differed from the TWSS adopted by Government, Sinn Féin supported its introduction as a necessary measure to protect incomes, jobs and the broader economy.

Problems in the design and implementation of the Wage Subsidy Scheme have been well documented. This is evident from the fact that unemployment remains at above 20 percent despite its introduction.

It is clear however that the extension of the TWSS will be required in order to provide continued support to businesses and workers in the months ahead.

As the economy reopens, public health measures will continue to have a disproportionate impact on certain sectors and drivers of our economy while others return to former levels of trade with greater speed.

On 5th June, the scheme was extended by the Minister for Finance to 31st August 2020. However, this does provide certainty to businesses nor protection to workers as our economy and society tentatively progresses through the re-opening phases following this pandemic outbreak.

Sinn Féin proposes that the TWSS continues until the end of 2020 for employers and employees of businesses that continue to be heavily impacted by COVID-19, the public health measures that have been introduced to contain it, and its broader economic impact.

In addition, deficiencies within the TWSS must be urgently corrected. This includes ensuring that employers pay employees the difference between their former net earnings and the payments they receive through the TWSS.

The Scheme must also be amended to ensure that seasonal workers and their employers can continue avail of the Scheme if they work additional hours during peak season. At present, seasonal workers and employers will lose a portion, or all, of the subsidy if the employee works additional hours in the Summer months. This can be amended by allowing the subsidy to be based on 2019 payroll submissions.

Supporting alternative businesses (SAB) fund €150m

Co-operatives, social-enterprises, sole proprietorships/sole-traders

None of the schemes launched by the government to date have effectively responded to the needs of different types of businesses such as Co-Ops, social enterprises and sole traders.

Sinn Féin believe that Co-Operatives offer a pathway to a more equitable and sustainable economy which benefit workers and the communities in which they live and work in.

They play a vital role in delivering an alternative to the market economy and are a blueprint for how workers and communities can have a greater share of ownership through Co-Ops.

Similarly, the contribution of Social Enterprises to our local economy cannot be underestimated. Social Enterprises are embedded in the community and are not subject to the for-profit approach of the market driven economy. They play a vital part in business growth and reinvestment in local job creation and community stability and development.

These enterprises have been as heavily affected throughout this pandemic and as any other sector of the economy, and they need State-support to help them through this period and allow them to recover.

Sinn Féin believes that Co-Operatives and Social Enterprises which have experienced a 25% loss of turnover or more, but which do not qualify for our SME Grant Scheme, should be entitled to a SAB fund grant of €12,000.

Sole proprietors/traders have fallen through the cracks of many existing government schemes due to how they are structured.

Many sole traders in affected sectors have seen their livelihoods collapse and business dry up. While they are in the process of returning to work as society and the economy reopens, they need additional support to put them in a position which enhances their potential to play a positive role in stimulating economic activity as they were before the COVID-19 crisis.

Sinn Féin believes that a sole trader who has experiences a 25% loss of turnover because of COVID-19 should be entitled to a grant of €5,000.

To enact both schemes we propose the establishment of a 'supporting alternative businesses fund' with an allocation of €150m.

Measures taken by Government to date to combat the economic impact of COVID-19

- COVID-19 Working Capital Scheme
- Tax 'Warehousing'
- Covid online retail scheme
- Microfinance loan scheme

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