



Focus on  
**COVID-19**  
Coronavirus

**A&L Goodbody**

## Irish Government announces new COVID-19 support measures

The Irish Government has announced a range of further measures to combat the impact of COVID-19 on Irish businesses. These measures aim to support Irish businesses, large and small, as they continue to navigate the COVID-19 economic shock and the gradual reopening of the Irish economy.

This briefing considers the new measures and their likely impact, with a focus on the new €2bn Pandemic Stabilisation and Recovery Fund and the €2bn Credit Guarantee Scheme.



You will find a full range of timely materials for businesses in our dedicated **COVID-19 HUB** on our website.



01

## Key takeaways

- Ireland Strategic Investment Fund to make €2bn available for investment in medium and large Irish companies affected by COVID-19 – investment can be flexible across the capital structure.
- €2bn Credit Guarantee Scheme to support lending to SMEs – implementing legislation required which will impact timing.
- One year deferral of payroll taxes and VAT.
- Waiver of rates payments.
- Speedy and efficient implementation of measures will be key to success.

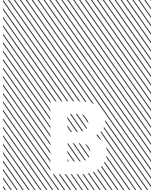
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## What new measures have been announced?

Following a special cabinet meeting on 2 May 2020, the Irish Government announced the following additional support measures for Irish businesses:

- €2bn Pandemic Stabilisation and Recovery Fund.
- €2bn Credit Guarantee Scheme to support lending to SMEs.
- ‘Warehousing’ of tax liabilities for a period of twelve months after recommencement of trading.
- €10,000 restart grant for micro and small businesses based on a rates/waiver rebate from 2019.
- Three month commercial rates waiver for impacted businesses.
- Commitment to local authorities to make up the rates shortfall.

A link to the relevant Government announcement is [here](#).



### 01

## What is the Pandemic Stabilisation and Recovery Fund?

The Pandemic Stabilisation and Recovery Fund (PSRF) is a €2bn fund which will be made available for investment in Irish businesses that have been negatively impacted by COVID-19.

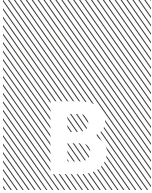
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## Who will operate the PSRF?

The PSRF will be administered by the Ireland Strategic Investment Fund (ISIF), which is managed and controlled by the National Treasury Management Agency.

ISIF is a logical choice to operate the PSRF for a number of reasons:

- As Ireland's sovereign development fund, it has a statutory "double bottom line" mandate to invest on a basis that delivers commercial returns but that also supports economic activity and employment in Ireland – as its success is measured by overall economic impact rather than solely by investment returns, it is well placed to help drive the recovery across the Irish economy.
- It invests for the long term so can offer Irish businesses a stable source of capital as they seek to emerge from COVID-19 and navigate a changed economic and social landscape.
- It has a proven track record, with €2.7bn invested in its Irish portfolio of over 100 investments in a wide range of sectors – the PSRF will mirror the approach of ISIF's existing investment strategy.



### 03

## Who can avail of the PSRF? Are there particular eligibility criteria?

The focus of the PSRF will be on:

- Medium and large scale enterprises (more than 250 employees or annual turnover of more than €50m)
- Which have been negatively and materially impacted by COVID-19
- Which were commercially viable prior to COVID-19 and which can return to viability and contribute to the Irish economy
- Which can yield both a commercial and economic impact return in line with ISIF's statutory requirements.

Enterprises below the 250 employees / €50m turnover thresholds will be considered if they have substantial scale and significant importance at national or regional level.

All sectors will be considered for investment by the PSRF and businesses considering PSRF investment do not currently need to align with ISIF's existing priority themes of Regional Development, Housing, Indigenous Businesses, Climate Change and Brexit. ISIF's existing investment portfolio includes businesses in a wide range of sectors including technology, life sciences, manufacturing, transport, and food, beverage and agri.

The PSRF's focus on larger businesses builds on existing Government COVID-19 supports which have mainly targeted SMEs. A link to our previous briefing on SME supports is available [here](#).

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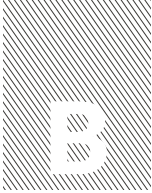
## So ISIF will need to show that an investment can deliver a positive economic impact as well as investment return – what does this mean in practice?

The potential economic impact of a particular proposed investment will, we expect, vary depending on the nature of the relevant company and its sector. In line with its existing strategy, ISIF will consider the economic benefits that are likely to arise as a result of its investment. Increased turnover, profits, employment, net exports or capex brought about as a result of ISIF's investment are indicators of positive economic impacts, as are innovation and R&D.

In the context of the PSRF, ISIF has stated that its economic impact focus will shift more towards near term economic stimulation and employment, with a view to support stabilisation and recovery of the Irish economy.

Companies should be open to discussion of broader economic impacts with ISIF. Companies should not self-select out of potentially seeking PSRF funding over concerns as to economic impact. ISIF will evaluate this on a case by case basis.

A summary of ISIF's approach to economic impact is available [here](#).



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### How will ISIF invest the PSRF capital? Will it expect to take a significant equity stake or control rights?

A key pillar of ISIF's investment strategy is flexibility. It has a track record of investing across the capital structure. Investments made via the PSRF can be structured as debt, equity or hybrid instruments. ISIF will assess proposed investments with investee companies on a case by case basis to determine the most appropriate investment structure. This flexibility is likely to be attractive to many companies and will broaden the reach of the PSRF as it seeks to assist impacted companies across all sectors of the Irish economy.

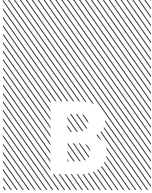
Companies considering seeking PSRF investment should carefully consider their existing capital structure and debt financing arrangements in order to determine the most suitable form of investment. Quantum of investment required, timing and future cashflow expectations will be key.

Existing shareholders will also be keen to understand any possible dilution impact and their key concerns may differ depending on whether they are, for example, founder/owner-manager shareholders or private equity. In appropriate circumstances, convertible debt may reduce dilution risk for existing shareholders whilst simultaneously offering ISIF the opportunity to participate in future upside and possibly facilitating more attractive debt terms for the relevant company.

06

### When will the PSRF capital be available?

The PSRF capital will be drawn from ISIF's existing resources and is readily available. While no specific investment timelines have been announced, it is likely that ISIF will seek to begin to deploy the PSRF quickly, given the urgency of the situation facing many Irish businesses. This will be key to ensuring the success of the PSRF and giving confidence to companies (and their directors and management) who may wish to avail of it. ISIF will likely draw on its long investment track record and established processes to enable the most efficient operation of the PSRF. Helpfully, no new legislation is required to implement the PSRF.



### 07

## Are there maximum or minimum amounts available to individual companies under the PSRF?

No specific maximum or minimum investment amounts have been announced and this will be driven by the individual needs of companies seeking to avail of the PSRF and the availability of other sources of capital for those companies. As the PSRF is focused on relatively large enterprises and has €2bn available to deploy, it is expected that ISIF will be open to making significant amounts of capital available to individual companies where the circumstances require it and the investment case supports it. Equally, ISIF has in the past made relatively small investments so, as noted above, flexibility will be key.

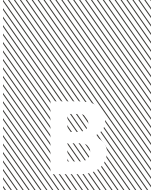
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## What about co-investment?

The Government's announcement of the PSRF confirmed that, in making investments, ISIF will seek to maximise the quantum of additional capital that investee businesses can access from existing shareholders and banks, from potential new co-investors and from European sources (such as the European Investment Bank).

This aligns closely with ISIF's existing strategy of leveraging its capital with third party co-investment to maximize the overall economic impact of ISIF's investments. The strategy has to date resulted in total Irish investments of approximately three times ISIF's investment amount.

In practice, this means that existing shareholders with available capital will be expected to participate alongside ISIF in any investment of PSRF funds and that companies that offer the prospect of third party co-investment, aligned with ISIF's interests, may be a more attractive investment proposition for the PSRF. Where appropriate, ISIF may also leverage its own expertise and network to assist companies in identifying and accessing other sources of capital.



### 09

## Are State aid rules likely to restrict the PSRF?

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ISIF will as a matter of course consider the potential State aid implications of any proposed investment under its existing strategy and this approach will continue as it seeks to deploy the PSRF. ISIF's statutory mandate requires it to invest on a commercial basis, and the information published on the PSRF to date makes clear that PSRF capital will only be deployed on a commercial basis. Appropriately structured commercial investment by State bodies will be compatible with the State aid rules and it is expected that ISIF will be able to manage State aid issues in relation to the investment of the PSRF as it has done in its other investments to date.

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## Can investment from the PSRF be sought if a company is already utilizing other Government supports?

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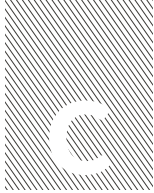
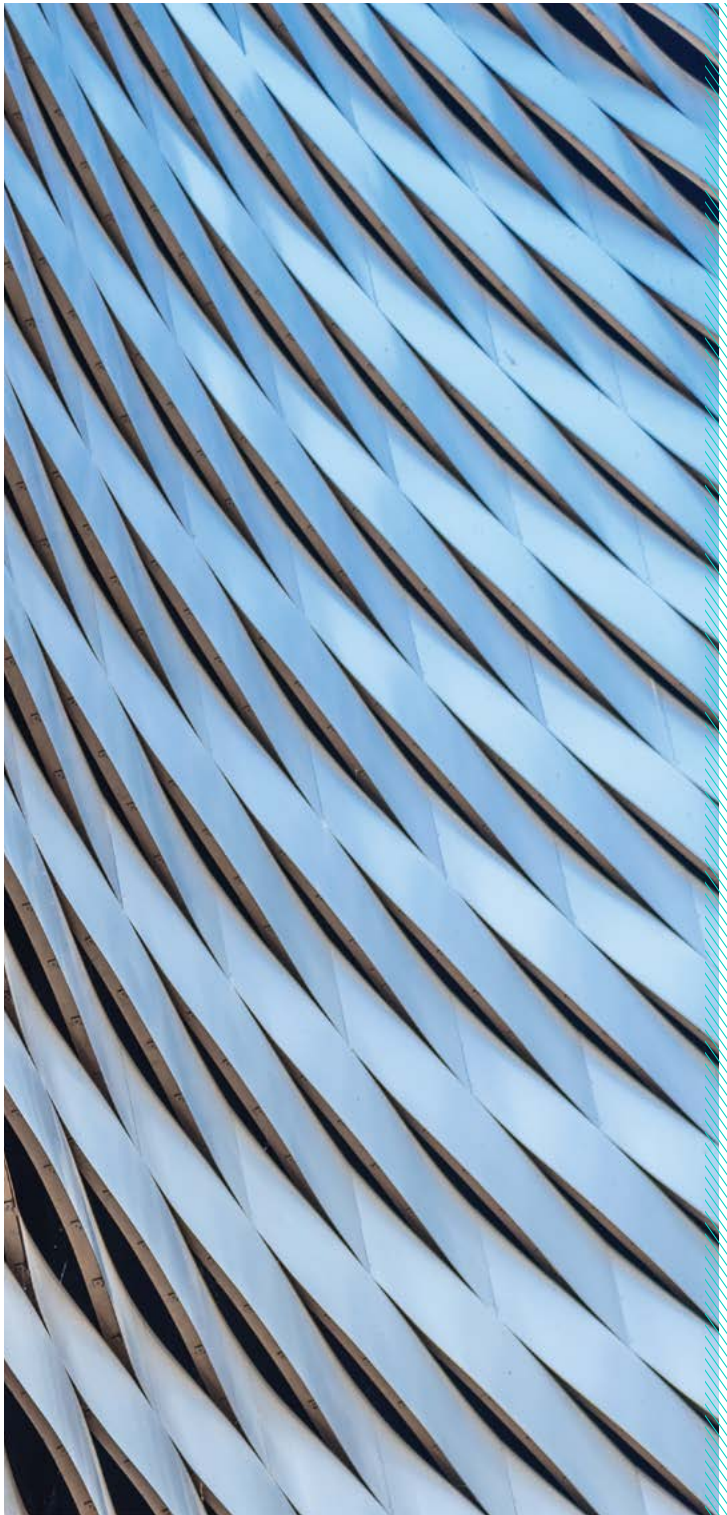
While many of the existing Government supports are targeted at the SME sector and the PSRF will focus on larger companies, we do not see any reason why a company meeting the criteria outlined above could not seek investment from the PSRF while also availing of other Government support schemes for which it is eligible (e.g. the COVID-19 Temporary Wage Subsidy Scheme announced on 24 March 2020).

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## How do I engage with ISIF on the PSRF?

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We are happy to make introductions to ISIF where helpful. ISIF can also be contacted directly at [psrf@isif.ie](mailto:psrf@isif.ie) and a guide for engaging with ISIF on the PSRF is available [here](#).



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### What is the COVID-19 Credit Guarantee Scheme?

The Credit Guarantee Scheme (CGS) is a €2bn extension of one of the existing schemes operated on behalf of the Irish Government by the Strategic Banking Corporation of Ireland (SBCI).

The CGS:

- Will provide an 80% guarantee on lending to SMEs for terms of between three months and six years.
- Can be used for a range of lending products between €10,000 and €1m.

Interest rates on lending covered by the CGS will be below market rates.

02

### Who can avail of the CGS?

The CGS is open to SMEs across all sectors, including agricultural and fisheries primary producers. Additional detail on eligibility will be provided in the updated CGS in due course.

03

### How do I avail of the CGS?

Companies interested in the CGS should approach participating lenders which are currently Ulster Bank, Bank of Ireland and AIB. The Government is not involved in the application or decision-making process, which is fully delegated to the participating lenders.

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### When will the CGS be available?

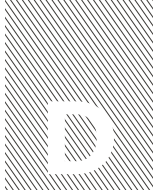
The timing of the CGS is unclear as its implementation will require new legislation which will not be passed until a new Government is formed.

05

### What is the likely impact of the CGS?

Take up on previous guarantee schemes operated by the SBCI has typically been high. Whilst the specific terms of the revised CGS have not yet been stated, it is expected that there will be significant interest in attractively priced liquidity to the SME sector.





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### What has the Government said about tax deferral?

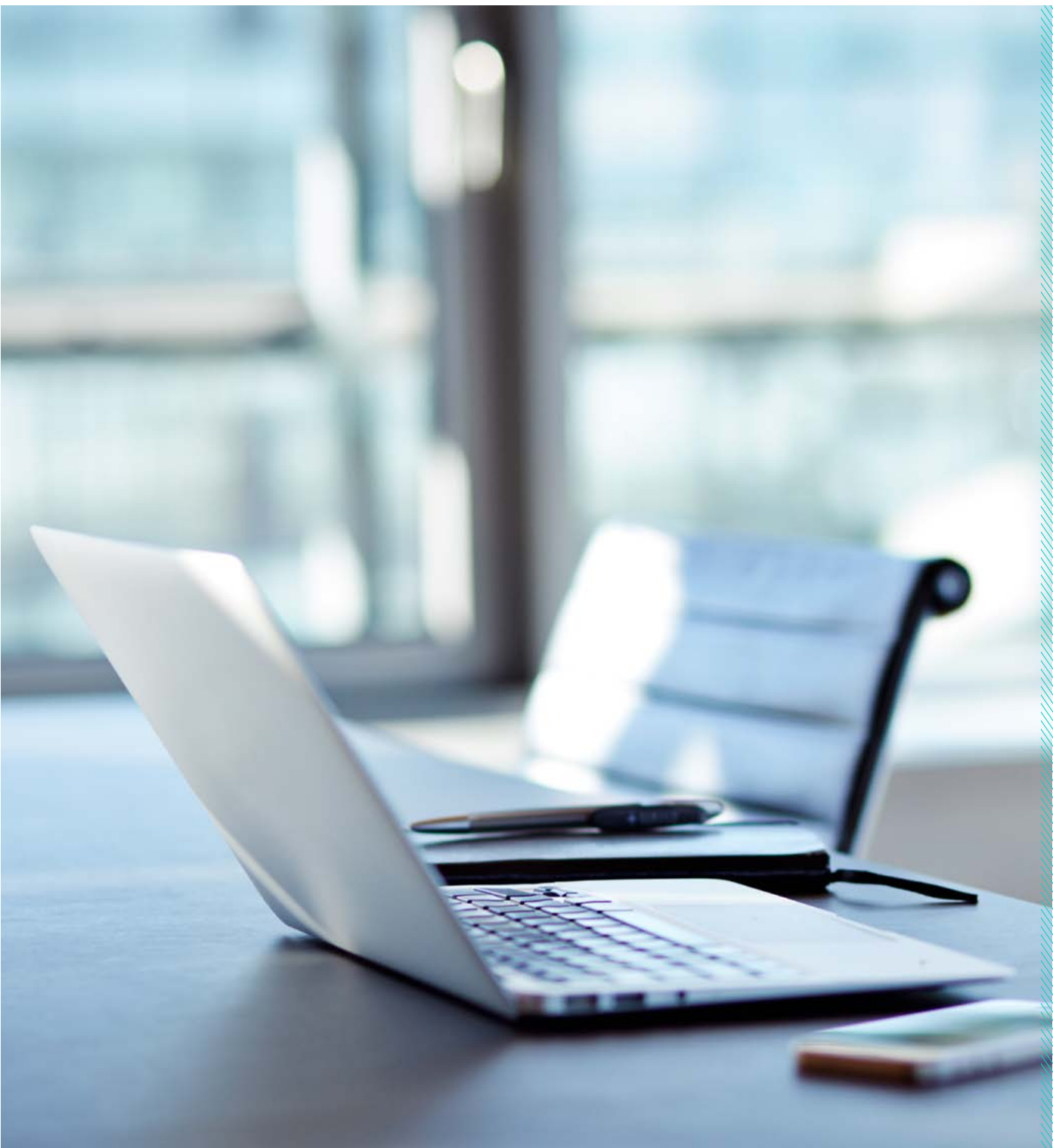
In an effort to assist businesses suffering from a lack of liquidity as a result of the impact of COVID-19, the Government has announced the deferral (or “warehousing”) of tax liabilities. While details of the proposal are being finalized, the outlines of the proposed scheme are as follows.

- VAT and payroll related tax liabilities that cannot be paid during the COVID-related period will be deferred interest-free for a year from recommencement of trading.
- During that time, Revenue will not take enforcement action in relation to outstanding debt and no interest will accrue on such debt.
- After the expiry of the initial one year period, COVID-19 related tax debts will carry a reduced interest rate of 3% (as opposed to the usual 10%) until the debt is paid.
- The timeframe for businesses to pay deferred tax debt will be flexible and will be determined on a case by case basis.
- Businesses availing of tax deferral will be required to remain compliant with all their return filing and tax payment obligations in respect of tax periods that postdate the periods covered by the deferred debt.

02

### Is tax deferral available to all businesses?

While specific details have not yet been provided, the Government has stated that tax deferral will be available to businesses in all sectors who have been negatively impacted by COVID-19. It is noted that the tax deferral measures will require legislation to be passed which will not be possible until a new Government is formed.



## Conclusion

The recent measures announced by the Irish Government are welcome and should assist Irish businesses as they battle the effects of COVID-19 by increasing their financial firepower and liquidity. Companies should consider the measures which are most suitable to their circumstances.

The scale and flexibility offered by the Pandemic Stabilisation and Recovery Fund should be attractive to larger enterprises in need of additional funding and SMEs are likely to benefit from attractively priced liquidity offered by the Credit Guarantee Scheme. Tax deferrals will boost liquidity and assist in cashflow management. It will be important that the measures are implemented quickly and efficiently (in particular where legislation is required) to ensure that those businesses in need of assistance receive it in a timely manner.

## Useful links

A link to the Government announcement of the new support measures is available [here](#).

A guide to the PSRF and requirements for companies who may wish to approach ISIF to seek investment from the PSRF is available [here](#).

A summary of ISIF's approach to economic impact is available [here](#).

The Irish Revenue's summary of the tax deferral measures is available [here](#).

Please do not hesitate to contact A&L Goodbody if you wish to discuss any of the matters raised in this publication.

If there are any issues relating to the impact of COVID-19 which you would like to see dealt with in future editions, please do not hesitate to contact our [Corporate transactions team](#).



You will find a full range of timely materials for businesses in our dedicated **[COVID-19 HUB](#)** on our website.



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