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in this issue...

Rapid Interest Rate Increases as Inflation Spirals Upwards

Monetary policy was put on an exceptionally loose footing globally during 2020-2021 as central banks pulled out all the stops to try and ameliorate the most severe economic impacts of the COVID-19 pandemic. Economies, though, rebounded at a much quicker than anticipated pace last year, inflation picked up by far more than expected, while labour markets also tightened rapidly. Thus, central banks began to scale back on their policy accommodation from last autumn, ending or running down Quantitative Easing (QE) programmes, as well as starting to raise interest rates.

The war in Ukraine has added greatly to inflationary pressures this year, with further very sharp increases in energy and other commodity prices. CPI rates reached 8.5% in the US and 8.1% in the Eurozone in May and hit double-digit levels in some economies. The Bank of England is forecasting that inflation in the UK will rise above 11% in the final quarter of this year. Growth, though, is clearly weakening, making central banks task more difficult as they will want to try and avoid pushing their economies into recession as they tighten policy.

The US Federal Reserve has been the most vocal of the main central banks in delivering a clear message that a significant tightening of policy is on the cards. It has increased rates by 150 Basis Points (bps) since March, including a 75bps hike in June, the first such hike in nearly thirty years. This has brought the funds rate up to a 1.5-1.75% range.

Further significant rate hikes are in the pipeline for the second half of 2022, with the Fed's own projections indicating that it sees rates getting to a 3.25-3.5% range by end year and peaking at around 3.75% in 2023. The markets are in broad agreement and see the funds rate rising to 3.5% by end 2022 and 3.75% in March. Notably, all 18 members of the Fed's policy committee expect rates to go above 3% by end year, so it seems very likely to deliver on its policy tightening intentions for the remainder of 2022.

The Bank of England wrapped up its QE bond purchase programme in December. It has hiked the Bank rate on five occasions since then, taking it from 0.1% up to 1.25% by June.

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Further rate increases are expected over the rest of 2022, with the BoE indicating that it would act forcefully if necessary, should inflationary pressures prove persistent. Indeed, in June, three of the nine members of its Monetary Policy Committee voted for a 50bps hike instead of 25bps for the second meeting running.

Markets are now pricing in that UK rates will be raised to 3% by year end and 3.4% in March 2023. Growth in the UK economy, though, has already slowed sharply as a result of fiscal and monetary tightening and higher energy costs. The BoE sees the economy contracting by 0.25% in 2023 and growing by just 0.25% in 2024, with inflation falling well below target in 2025.

Thus, markets may be pricing in too much in terms of UK rate hikes given this very weak outlook for economic activity. Rates may top out in a 2.0-2.5% range around the turn of the year, especially if the MPC sticks with raising rates in 25bps steps.

The ECB is set to end QE at mid-year and begin hiking rates thereafter. It has indicated that rates will be increased by 25bps in July and possibly by a larger amount in September. Beyond this, the ECB anticipates that a gradual but sustained path of rate tightening will be appropriate.

Markets now believe that the ECB will hike rates by 175bps over the second half of the year, taking the key deposit rate up from -0.5% to 1.25%. They see a further 100bps of rate increases in 2023.

We expect much weaker growth than the 2% rise in GDP projected by the ECB for 2023. Thus, rates may not be hiked as much as anticipated next year if inflation is on a clear downward path towards 2% by then.

Nonetheless, we are on the cusp of a major change in monetary policy in the euro area. The negative interest rate regime that has been in place since 2014 is coming to an end, with a normalisation of monetary policy now imminent.

For many borrowers, it will be the first time that they have faced a rising interest rate environment. There were two short-lived rate hikes in 2011 that were quickly reversed. One has to go back to the period 2005-2007 for the last period of significant and sustained increases in interest rates, when they were hiked by 225bps in total by the ECB. It may take some time to come to terms with a return to this kind of environment after a 15 year hiatus.

Oliver Mangan
Chief Economist
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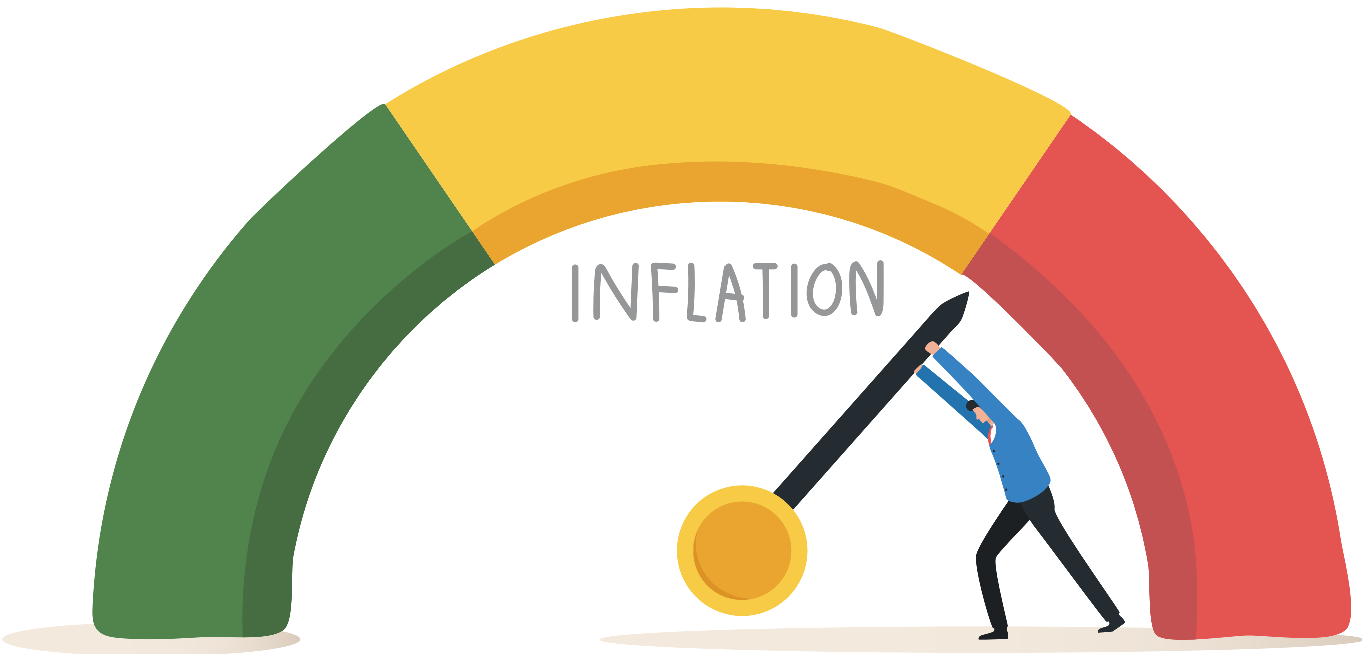
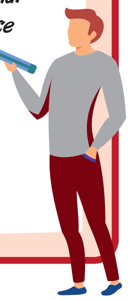


TAX TIP

TAX CLEARANCE UPDATE FROM REVENUE

Over the coming months Revenue will recommence periodic tax clearance reviews. It is expected by July 2022 that normal pre-COVID 19 reviews for tax clearance will resume.

It is important for businesses to ensure that their affairs are up to date as soon as possible.



CONCESSIONARY TAX TREATMENT OF UKRAINIAN CITIZENS

Revenue has introduced concessions for income tax & corporation tax for employees of Ukrainian employers required to work from Ireland because of the ongoing war in Ukraine for the 2022 tax year. Irish-based employees of Ukrainian employers will not be liable to Irish income tax & USC on Ukrainian employment income that is attributable to the performance of duties in Ireland. The Ukrainian employers will not be required to operate the PAYE system on such employment income. The concession relates solely to employment income that is paid to the Irish-based employees by their Ukrainian employer.

The concessionary treatment will apply for the tax year 2022 where:

- The employee would have performed his/her employment duties in Ukraine but for the war they are unable to, and
- The employee remains subject to Ukrainian income tax on his/her employment income

The corporation tax concession will disregard the presence of employees, directors, service providers and agents who have come to Ireland because of the war. Revenue may request documentary evidence relating to the reallocation of the individual to Ireland, e.g. a record of the arrival dates to Ireland.

PAY AND FILE SUMMARY

The following is a summary of upcoming pay and file dates:

INCOME TAX	
Filing date of 2021 return of income (self-assessed individuals)	**31 October 2022**
Pay preliminary income tax for 2022 (self-assessed individuals)	**31 October 2022**
On-Line pay and file date for 2021 return of income	**17 November 2022**
CAPITAL GAINS TAX	
Payment of Capital Gains Tax for the disposal of assets. *Made from 01 January 2022 to 30 November 2022*	**15 December 2022**
CORPORATION TAX	
Filing date for Corporation Tax returns for accounting periods ending in November 2021	**23 August 2022**
Balancing payment of Corporation Tax for accounting periods ending in November 2021	**23 August 2022**

BENEFICIAL OWNERSHIP OF TRUSTS

The 4th and 5th Anti-Money Laundering Directives require each EU Member State to establish a Central Register of Beneficial Owners of Trusts. It requires the trustees of trusts to identify, register and file beneficial ownership information with the Central Register of Beneficial Ownership of Trusts (CRBOT).

A beneficial owner of a relevant trust includes any individual who is entitled to a present or future vested interest in the trust or any other class of individuals in whose interest the trust is setup or operates, any individual who has control over the relevant trust, the settlor, the trustee and the protector.

Their obligations include:

- ensure they obtain and hold adequate, accurate and current information in respect of the beneficial owners of the relevant trust;
- establish and maintain an Internal Register for the relevant trust;
- file beneficial ownership information in the CRBOT; and
- ensure that the information in the Internal Register and in the CRBOT is kept up-to-date and aligned.
  The CRBOT must be updated within 14 days of the date on which the obligation to update the Internal Register falls to be discharged by the trustee.

Trustees of relevant trusts created after 23rd April 2021 must file within six month of establishment. Failure to comply with the Regulations is an offence liable on summary conviction to a fine up to €5,000.

The public and designated persons shall have a right of access to certain information contained in the Register. Access requests must be made to the Central Bank.

Trustees of all express trusts must take steps to assess whether their trust is in-scope, identify the beneficial owners of the trust, maintain up-to-date internal registers for each trust and submit the required beneficial ownership information to CRBOT as soon as possible.

FRANCHISING

The franchise sector is an important contributor to the Irish economy both in terms of the employment it creates and the wealth it generates. The growth in the franchise sector in Ireland looks set to increase through new franchisees setting up their own businesses, through existing indigenous businesses using the franchise model for expansion and through new non-Irish franchises entering the market due to our strong domestic economy.

Business Format Franchising is a business method in which the franchisor (developer) grants to the franchisee (investor) the right to run a business selling a product or providing a service under the franchisor's business format and identified by the franchisor's trademark or brand. This includes a format for the conduct of the business, a management system for operating the business and a shared trade identity.

Franchising is a comprehensive business relationship whose four essential elements ensure a better success rate than starting a non-franchised business. These are:

- A legal agreement between the franchisor and franchisee
- An operations manual, on the workings of the business written by the franchisor
- A training programme, provided to the franchisee
- On-going support, from the franchisor to the franchisee during the term of the contract

In return for these the franchisee pays the franchisor an initial franchise fee and a continuing management services fee based on a small percentage of turnover.

The franchisor will assist in setting up and maintaining links with the franchisee through continued support including advice, training and ongoing research of the concept.

A franchise agreement is a legally binding contract that defines the obligations of the franchisor and franchisee throughout the period of the operation of the franchise. It defines the duration of the contract, the territory in which the franchisee will conduct business and the level, frequency and method of payment of all continuing fees. It may also include equipment specifications, extension and termination clauses and the conditions under which either party may terminate or extend their business arrangement.

The operating manual may be an integral part of the agreement, obliging the franchisee to follow the strictly defined business method laid out in it.

The operations manual is a "blueprint" for the operation of the franchise. It provides specifications and instruction on how to conduct the franchise activity on a day-to-day basis. It includes such diverse areas as equipment specifications (where applicable), financial and accounting procedures, product preparation and presentation, staff selection, local advertising and promotion and customer liaison. It should provide the franchisee with a source of reference for all conceivable business situations that may arise. It should be subject to revision on a regular basis and remains the property of the franchisor.

The franchise package presents the business being franchised in a tangible form. It brings together the elements of the business, reflecting the accumulation of the franchisor's total operational experience. It specifies the range of items that must be purchased to ensure that a uniform image is presented to the consumer. In a retail outlet the package may include the shop front, layout and design, product display, fixtures and fittings and equipment necessary to operate the business. In a service franchise the package includes business stationery and promotional literature; it may also include equipment and materials.

The initial franchise fee covers the franchisor's expenses in recruiting, training and setting up the franchisee in business. It also covers areas such as site selection and design. There is usually a small profit element for the franchisor.

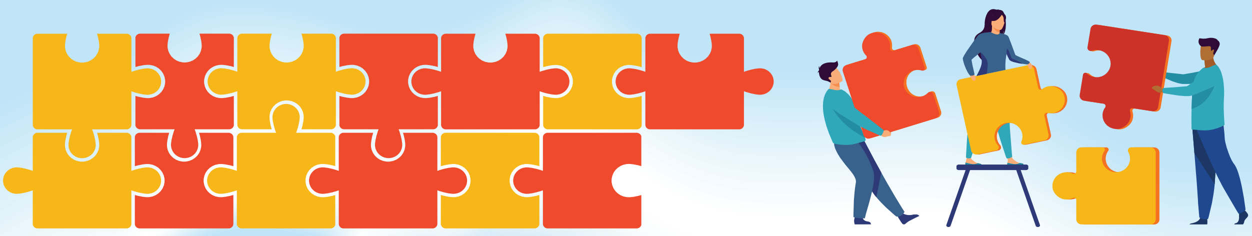
The continuing fees, also known as the management services fee (MSF) or royalty, is a payment usually made on a monthly basis by the franchisee to the franchisor or master franchisor. It is calculated as a percentage of the franchisee's gross turnover, excluding VAT.

The advertising levy covers the franchise system's advertising and promotional activities. It is usually calculated as a percentage of the franchisee's gross turnover, excluding VAT.
Territory is the area within which the franchisee has the right to conduct the franchise business. The territory may be defined in terms of population size or street/town/county. A map may form part of the agreement, defining the specific territory for the franchisee. Exclusive territory may or may not be offered. If it is, the franchisee is assured that no competing units of the same system will be introduced within the area.

There is a wide range of franchises available so it may help to narrow your choice through the following key questions –

- Does the franchise have a proven track record?
- Does it have the four elements mentioned above?
- Can you identify with the concept?
- Will it work in your chosen area?
- Do you have the necessary finance?

www.irishfranchiseassociation.com



business briefs

TRAVEL INSURANCE – A Necessary Extra

Travel insurance can seem like a boring and unnecessary item on your pre-travel to do list – why spend money protecting yourself against a holiday disaster which may never happen? However, expensive holiday disasters, such as cancellation, medical emergencies or lost possessions, can strike at any time, whether you're popping over to Europe for a long weekend or travelling the world for two years.

The main items covered by travel insurance are:

- **Cancellation Cover**
- **Emergency Medical Expenses and Repatriation** – NOTE There are many travel medical plans available that include Covid-related medical expenses. But since not all do, it's important to verify Covid coverage before buying a plan if it's a priority for you.
- Personal Possessions, Travel Documents and Gadgets.
- **Activity Cover** - Some travel medical insurance policies won't cover expenses that resulted from activities such as mountain climbing, skydiving or parasailing.

If you plan to engage in activities like this, work with a travel insurance agent to compare adventure travel insurance plans to make sure your particular activities will be covered.

- Legal Advice
- Personal Accident

The most common overseas medical emergencies policyholders experience include:

- Fractures from falls
- Trauma involving motor vehicles
- Respiratory problems such as a collapsed lung
- Cardiovascular problems such as a heart attack

If you don't have the right coverage in place and you get injured or sick on your trip, you'll be stuck paying medical bills out-of-pocket.

FUTURE GROWTH LOAN SCHEME

The Future Growth Loan Scheme is a long-term loan (7-10 years) that is offered by the SBCI with the support of the Department of Enterprise, Trade and Employment, the Department of Agriculture, Food and the Marine, the European Investment Bank and the European Investment Fund (EIF).

The Future Growth Loan Scheme (FGLS) benefits from a guarantee from the European Union under the European Fund for Strategic Investments (EFSI).

Loan amounts available range from €25,000 to a maximum of €3,000,000 per eligible applicant. Initial maximum loan interest rate of 4.5% for loans < €250,000 and 3.5% for loans >= €250,000. Variable interest rates are subject to change.

Loans unsecured are available up to €500,000 Applicants for loans greater than €250,000 must submit a business plan to the relevant financial provider Optional interest-only repayments are also available in certain circumstances

Applicants must choose one of the below loan purposes:

- Investment in machinery or equipment
- Investment in research and development
- Investment in business expansion
- Investment in premises improvement
- Investment in process innovation
- Investment in people and/or systems
- An "applicant" is an SME or small mid-cap that applies for a loan under the FGLS

The provision of funding for these loans is being made under the De Minimis Regulations, which permit the provision of State aid to companies that do not have to be notified to the European Commission by the EU member States. SMEs may avail of de minimis aid to the maximum value of €200,000 in any three-year fiscal period.

In the case of certain loans, State aid may arise by virtue of the discounted interest rate received by the SME on SBCI loans, and if so, the SME will be advised. It is important to note that the aid is not the amount of the loan.

Cycle to Work Scheme

Remember:

The Cycle to Work Scheme allows an employer to buy a bicycle and safety equipment for employees.
This will not be a taxable benefit-in-kind.
There are two spending limits under the Scheme as follows:

	Pedelecs or e-bikes	€1,500
	Other bicycles	€1,250

Employers are not obligated to run the scheme.
Employees can avail of the scheme once every four years.

PENSIONS & PROPERTY

The Irish pension landscape is changing rapidly. 2021 saw a plethora of publications, primarily from the Pensions Authority setting out the framework under which pension schemes will have to operate. There is more to come between now and when Auto Enrolment (a pension investment Scheme making personal pensions mandatory for all employees) arrives in early 2024 as part of Government's strategic plan to increase pension coverage in Ireland to help combat long term pension deficits as our population ages.

In 2021 IORP II was transposed into Irish law, and this has been a game changer for those that want to invest and control what their pension scheme invests in, the popular asset being property. While the pension framework has become more complicated and requires sound professional advice to navigate through, it is still possible to invest in unregulated assets such as property or assets not readily available through off the shelf pension scheme. Indeed, it remains possible to borrow within a pension arrangement to invest in property. The key is to understand each pension arrangement, and which one is right for you?

Small Self-Administered Schemes were the traditionally known arrangement to invest in property. For those less affiliated with the jargon, the title covered all pension types regardless of whether you were a company director, sole-trader, employee or retired. Other than the professionals within the pension sector, the titles became almost irrelevant to the objective: to invest ones pension fund in directly held assets such as property and avail of the associated tax benefits to save for retirement.

As pension Schemes fall under IORP II, they have become all but defunct for the purpose of investing in unregulated assets such as property. Schemes are established under Trust, sponsored by an employer for the benefit of the member. Schemes were commonly used by companies to provide retirement benefits for their directors and employees. IORP II limits the exposure to unregulated assets and imposes onerous obligations on Trustees making self-administered Schemes unworkable where the investor wants to invest the majority of the pension fund in unregulated assets such as property.

Instead, PRSA's and Buy-Out-Bonds (also referred to as PRB's) have become the primary arrangement now used to invest in property. They are governed by separate legislation to Schemes, are not subject to IORP II and they do not encounter the same restrictions when it comes to investment in unregulated assets. They can move smoothly between both regulated and unregulated investment assets with no limitation on the exposure to either type of investment.

Put self-administered in front of the title, PRSA or Buy-Out-Bond and you then have an arrangement that allows for investment in property or other assets giving choice and control back. The process of investment remains the same, the pension holder sources the property, and their self-administered pension purchases the asset. The property is then held on the "balance sheet" of the individual's pension, for it is the asset of the pension, not a personal asset of the pension member. On retirement the pension assets such as property does not need to be sold and can be rolled over into an ARF (Approved Retirement Fund) thereby extending the life of the investment and generating income in retirement.

The purchase costs and legal fees are paid from the pension fund, as are any running/maintenance costs for the property. Any rental income generated from the property goes back into the pension fund and is not subject to income tax. If the property is sold there is no capital gains tax applicable on any capital appreciation of the property.

It is not all about property... it is simply unwise to keep all your eggs in one basket. One must cast their mind back to the Irish property crisis and the devastating impact on personal wealth. Self-administered arrangements can invest in multiple asset types and when coupled with the attractive tax incentives make a very powerful vehicle for long term wealth accumulation. There is now a need more than ever before to get professional specialist pension advice to enable you to navigate the transfer network so as to invest your pension in unregulated assets such as property if desired.

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SHORT-TERM LETS – A Summer Earner

If you rent out your property, or a room in your property to visitors for short-term lets there are certain tax implications, and there may also be other rules that you need to follow. Short-term lets are stays of less than 14 days at a time, for example, if you rent out your property on a booking website such as Airbnb.

If you are renting out a property, or a room in your property for short-term lets, you may have to apply to your local authority for planning permission to change the use of the property, so it can be used for tourism and short-term letting purposes.

This requirement for planning permission only applies to homeowners in Rent Pressure Zones (RPZs) who:

- Let out their entire home (principal private residence) for short-term lets of more than 90 days in total while they are away. (Your principal private residence is the place where you ordinarily live).
- Let out a second property for short-term lets. It is unlikely that planning permission for short-term lets will be granted in areas of high housing demand, where there is high rent inflation, insufficient supply and lots of applications.

  For information on the forms you may need to fill out and the full list of Rent Pressure Zones, visit www.rtb.ie/rent-pressure-zones

Redundancy Payments (Amendment) Act 2022 commenced

On 31 March 2022, government announced a scheme for payments to employees who were made redundant and who were unable to accrue reckonable service due to layoffs caused by the Covid-19 public health restrictions.

The State funded payment known as the “Covid-19 related lay-off payment” (CRLP) will be made from the Social Insurance Fund (SIF) in respect of periods of lay-off due to Covid-19, where the employee is subsequently made redundant. In essence a person will receive a State funded payment at the end of their employment as if they had not been laid off during the specific Covid related period.

The amount an eligible worker will receive will depend on the length of time they were placed on lay-off due to Covid-19. The calculation for the payment is based on existing statutory redundancy provisions and the maximum amount which any one employee will be entitled to is €2,268.

Following approval by the Minister for Finance, the CRLP is exempt from income tax and USC. This brings the payments into line with the tax treatment allowed to statutory redundancy lump sum payments.

COMPANIES (MISCELLANEOUS PROVISIONS) (COVID-19) ACT 2020 EXTENDED TO 31 DECEMBER 2022

The interim period of the Companies (Miscellaneous Provisions) (Covid-19) Act 2020 has been further extended to 31 December 2022 following Government approval this week. The Act makes temporary amendments to the Companies Act 2014 and the Industrial and Provident Societies Act 1893 to address issues arising as a result of Covid-19.

The Act makes provision in respect of business solvency by increasing the period of examinership to 150 days and increasing the threshold at which a company is deemed unable to pay its debts to €50,000.

The Act also extends the provisions allowing 240,000 companies and 950 industrial and provident societies in Ireland to hold their Annual General Meetings (AGMs) and general meetings by electronic means. The continuation of these important amendments will provide additional breathing space to struggling businesses and provide continuity for businesses to the end of this year.

AUTHORISATION REQUIREMENTS EXTENDED TO HIRE-PURCHASE & OTHER TYPES OF CREDIT

Authorisation from the Central Bank of Ireland is now required in relation to a broader scope of credit which also includes hire-purchase and consumer-hire business.

A new cap of 23% APR has been imposed on consumer credit agreements and consumer hire-purchase agreements. The authorisation requirements apply in relation to a regulated business, which includes the business of a retail credit firm or the business of a credit servicing firm.

Under the new Act, the definition of “credit servicing”, has been expanded to require an authorisation where a firm engages in the following activities in respect of consumer-hire and hire-purchase agreements:

- the holding of legal title to the rights of the owner under the agreement
- the management or administration of the agreement, or
- communicating with the hirer in respect of the management or administration of the agreement

In addition, the 2022 Act amends the 1995 Act such that it applies to a person who has invited, by way of advertisement, consumers to avail of credit without payment of interest or any other charge.

THE KEY WORDS ON YOUR WEBSITE – Are they Working?

When it comes to improving your online presence for Search Engine Optoimisation (SEO) in your county or further afield, measuring results is a necessity. How else will you know if you are investing in the right digital marketing activity or keywords?

Tracking how you rank for your selected keywords will help you understand what is and isn't working for you. By using a tracker tool, you will be able to see how you rank in an online search and monitor how your rank position has improved.
Understanding which keyword or keyword group is performing well lets you prioritise better. Tracking enables you to pinpoint SEO opportunities with accuracy and make changes based on facts, not whims.

It is also essential to keep in mind that keyword rankings can fluctuate frequently. Avoid obsessing over the one that doesn't seem to be improving. Instead, look at the overall performance of your keywords. Once most of your keywords are moving in the right direction, then you are on the right track.

Did you know?

Your rank can differ depending on the device being used or even the geographical location of the person doing a search? Ensure you research where you rank on desktop and mobile.

It's not only your rank results that you can track but your competitors too. Some keyword tracking tools provide competitor analysis that allows you to compare keyword use. Opportunities can be found in monitoring competitors as you will see which keywords they are not optimising and what's working. Keep in mind that measuring organic traffic is as important as tracking keyword rankings. Traffic coming from organic sources can also show unexpected keywords being used to find your brand. Insights like this, when acted upon, can set you apart from your competitors online.

Irish businesses with international markets need to track keywords on more than just Google's search engine. Despite Google's enormity, it is not the search engine of choice (or even accessible) in all countries.

When you are looking for a tracking tool, make sure it tracks the right search engine for you. Here's an idea of which search engines are most popular in the following countries:

- UK: Google, Bing, Yahoo
- Ireland: Google, Bing, Yahoo
- China: Baidu
- Russia: Yandex
- Australia & New Zealand: Google, Bing, DuckDuckGo
- USA: Google, Bing, Yahoo
- Canada: Google, Bing, Yahoo
- India: Google, Bing, Yahoo

Five Keyword Rank Tracking apps that are well used and recommended are:

1. Ubersuggest – Free and Paid Options Available

Ubersuggest is suitable for anyone new to SEO and keyword tracking. It's also useful for businesses with multiple websites, which can all be tracked on one dashboard. For each site, you will be able to track how you rank for each keyword on mobile and desktop.
You can also track how you rank in any locatio. If you are looking to increase your business in a specific area, or penetrate new regions, this tool is very useful.

2. Serpfox – Limited free options and paid options available

Serpfox has been around for some time, and they focus on what they are good at – rank tracking. A useful feature for the busy business owner is that Serpfox lets you set up reports that come to your inbox. No need to log in and analyse – Serpfox does it for you. Serpfox is simple to use and tracks both mobile and desktop rankings. This tracking tool prides itself on fast results and accurate data.

3. SEMRush – Free 7 day trial

SEMRush is a good option for users who want an all-in-one SEO tool for keyword and competitor research as well as rank tracking. Not only does SEMRush track daily ranking changes, but it also helps with competitor analysis, local SEO and keyword research. With SEMRush, you can monitor how your website performs on the all-important Google search. You can monitor your competitor's performance against your own website. See how you rank against each other for organic and paid results and see which landing pages are performing best.

4. Advanced Web Ranking – Starts from €49 per month

Advanced Web Ranking offers daily, weekly and on-demand ranking results. Not only that, but it tracks across devices and all search engines. You can also follow your competitor's performance side by side with your own. Keeping you better informed and helping you stay ahead of the competition.
If you have more than one website to track, then Advanced Web Ranking is a good choice. Not only can you track them on one easy to use interface, but you can also customise reports for each or all of them.

5. Google Search Console – Free but limited

With Google Search Console, you can see how keywords perform in search ranks. Although you can only check your own site, the interface is straightforward and quick to understand. Using Google Search Console to track your SEO activity is an easy way to view quickly if your efforts are working or not.
As you would expect from a Google tool, this tool only shows results for its own search engine results pages. Not a problem if Google is the only search engine you need to show up in.

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