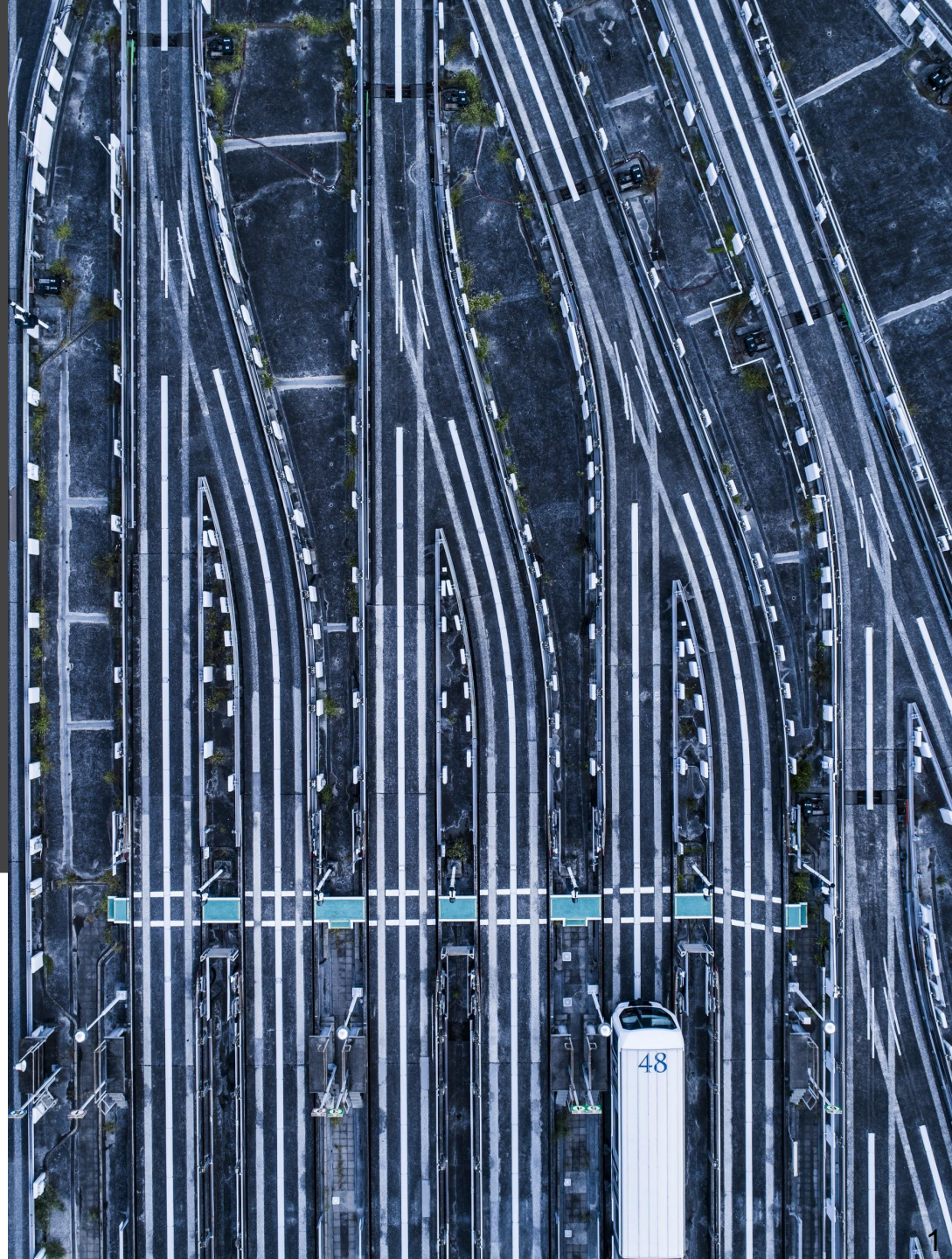


# Points of attention in applying the NOW

May 2020



# Introduction

Based on the Temporary Emergency measure Bridging for Retention of Work (in Dutch: 'Tijdelijke noodmaatregel overbrugging voor werkgelegenheid'), or 'NOW', employers can apply for a subsidy on payroll expenses until 31 May when they have suffered a decrease in revenues of at least 20% due to the corona crisis. The government wants to help companies that are in need of financial support so that they are able to keep paying employees with both a fixed and a flexible contract, with the aim of retaining employment.

The application of the NOW can be challenging. In this publication you will find a number of points of attention that may be of interest.



# Wage and salary bill

The Employee Insurance Agency (in Dutch: 'UWV') determines the amount of the wage and salary bill based on the payroll tax filing of January 2020. The wage also includes the salary of flex workers and zero-hours contracts. Points of attention are:

- Maximum wage that is compensated per employee of € 9,538 per month.
- If a resignation permit application based on economic reasons is filed with the UWV, the subsidy is lowered with 1.5 times the wage bill for which resignation is applied (even if the permit is not provided).
- Only the wage of a director-shareholder that is insured for employee insurance, is included in the wage and salary bill of the operating company.
- When employee bonuses have been paid in January, these are included in the wages for the basis of the application for the advance (maximised at € 9,538). Depending on the wages of March up to and including May, the actual subsidy is determined.
- A decrease in the wage and salary bill for March up to and including May compared with January will lead to on discount for the final amount for the subsidy. The wage and salary bill will not be adjusted upwards if the amount in March up to and including May is higher than three times the wage and salary bill in January 2020. The payroll tax filing of January, as this was filled on 15 March 2020 the latest (including additions), is leading in determining the maximum wage and salary bill.
- Only the information from the payroll tax filing for March up to and including May, insofar these are known to the UWV by 19 July 2020 the latest affect the amount of the final subsidy.
- When international employees are insured for social security purposes in the country of residence (not being the Netherlands), those paid wages will not be taken into account when determining the wage and salary bill for the NOW scheme.
- For the employee expenses a fixed surcharge of 30% is applied. The employer's part of the pension contributions is deemed to be included within this surcharge.





# Decrease in revenues

The decrease in revenues is determined based on the subsidy period March through May, April through June or May through July 2020 compared to the reference-revenues in 2019 (generally a three-month average of calendar year 2019). In this calculation the financial statements are adhered to. Points of attention with regard to determining the revenues are:

- difference with the revenues according to the financial statements when a non-calendar financial year is applied;
- elimination of intercompany revenues within the Netherlands; revenues realised by providing services and/or products to (foreign) group companies should be taken into account based on the existing transfer pricing policies;
- no correction for seasonal influences or strong growth;
- mutation in work in progress (contract assets and/or liabilities) is counted towards the revenues;
- judgement is required in assessing whether subsidies, interest gains and other gains are counted towards to the revenues.

# Group

If the applicant is part of a group, the decrease in revenues is, in principle, determined at the level of the group. The group, for purposes of applying the scheme, includes all Dutch group companies as well as foreign group companies that pay wages and salaries qualifying for Dutch social insurance purposes. Points of attention when determining the group are:

- different subgroups within a group;
- private equity;
- recent mergers or disposals of group companies;
- associates and joint ventures.



# Operating company

Only where the decrease in revenues for the group is less than 20%, can the decrease in revenues for purposes of the subsidy application be determined for the individual operating company. In this case, the following conditions apply:

- The operating company must have its own legal personality.
- Where an operating company belonging to a group applies for the subsidy, the group must declare that no dividends or bonuses will be paid over 2020 and no shares will be repurchased.
- Agreement is reached with a labour union or works council on job retention.
- A 'personnel-bv' (an entity whose activities consist of more than 50% of making personnel available within the group) cannot apply for subsidy itself. Other operating companies can apply, insofar they meet the criteria.
- Other operating companies may not carry out contracts or projects to the disadvantage of the revenues of the company applying for the subsidy, which would normally carry them out. If this happens, the revenues are adjusted upwards for this.
- If employees carry out activities for another operating company during the subsidy period, the decrease in revenues of the applying operating company is limited by the corresponding (theoretical) revenues when determining the subsidy amount.
- The transfer pricing-system, as applied in the financial statements of 2019 or the financial statements that were last adopted, is leading and cannot be adjusted.
- Mutations in inventory of finished products included in the revenues.
- A subgroup consisting of an intermediate holding company and the underlying group companies can be treated as if they are a single legal entity.



# Auditor's report

Within 24 weeks after the end of the subsidy period (for definition see 'Decrease in revenues') an application for settlement should be filed. An accountant must carry out certain procedures related to the decrease in revenues in this settlement application. Which procedures should be performed by the accountant is now being determined by the Dutch professional body for accountants ('NBA') in consultation with the ministry.

An organisation can prepare so that the drafting the settlement (and the investigation by the accountant in that respect) can be as efficient and effective possible. These preparations consist of, where necessary, refining the processes around the allocation of revenues to the correct month and the documentation in this respect. This is important before, during and after the subsidy period. But also for the processes and documentation regarding the additional subsidy conditions for the application of the NOW at the operating company level.



# More information

Would you like additional information? Please contact your regular PwC contact person, who will gladly be of assistance.

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