Chambers Ireland
Advancing business together

Pre Budget Submission 2020

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Budget 2020 Submission

The priorities of Chambers over the past several years have largely focused on the need for rapid strategic investment in infrastructure and the facilitation of labour force growth to make up for the “lost decade” following the financial crash.

The message coming from our members this year remains the same, with an increased commitment to take more action to meet climate change challenges. Implementation of the National Development Plan and efficient delivery of key infrastructure projects will be critical if we are to ensure the competitiveness and sustainability of the Irish economy into the future.

Unemployment is at its lowest level since the height of the Celtic Tiger, and as of May 2019, we are now in the territory of what Government classes as “full employment”. Continued growth, driven by a jobs-led recovery, has returned the kind of prosperity to Ireland that would not have been imaginable only a few years ago.

However, Ireland in 2019 is also a tale of two economies.

While industry is experiencing a boom, the underinvestment in infrastructure, particularly housing, is a significant threat to our competitiveness and to the sustainability of our economic recovery. The shortage of affordable housing is impacting both employees and employers with negative quality of life consequences for many. This impact is being increasingly felt countrywide.

In addition, past Budgets have not delivered for SMEs and entrepreneurs. Budget 2020 must include credible reforms and investment to support the drivers of economic growth in communities across the country. These measures must include tax reform, policies that support regional tourism and job creation. The training options available for businesses and SMEs will be important in addressing industry level skills challenges. Investing in training and education for SME importers and exporters who want to upskill in areas such as customs and logistics will be crucial in preparing businesses for Brexit.

We must also see more investment in public transport, roads, broadband and water infrastructure, urgent steps are required to support a rapid transition to a low carbon economy. Our collective inaction at introducing measures to support Ireland becoming a climate resilient and decarbonised economy means that we lag behind our competitors. Significant activity is needed if we are to meet our 2030 targets and mitigate our role in climate change. This involves making significant investment in our energy grid, introducing a regulatory framework for offshore renewable wind energy, and supporting research projects that will help us meet our decarbonisation targets. Above all we need a focus on implementation, as we have now used up any time we may have had available for prevarication.

It is in our power to address the infrastructure and housing deficits. But in order to do so, we will need to make a series of reforms that will support how we manage land, build homes and deliver infrastructure. In short, we need to ensure that productivity and efficiency are at the heart of how the State supports the delivery of these necessary projects. Regular capital programme reporting and more effective project management is essential.

More productive, efficient approaches to managing the economy must also be matched with policies that support sustainability and inclusion. With unemployment now just over 4%, we must think strategically as to how we can support greater labour force participation. State investment in affordable childcare must continue if we are to support greater participation of women in the workplace. In fact, supports for flexible, inclusive workplaces that are family and age friendly will support not only labour activation, but improve health, well-being and productivity.

In the background to these challenges, we continue to face significant external risks, including rising international trade tensions which could have a devastating impact on an economy as open as Ireland. The UK's decision to leave the European Union in 2016 has not yet had a dramatic impact on the Irish economy, but there is unanimous acceptance that once the UK departs the Union, particularly if it leaves without a deal, the economy will take a significant hit with many Irish businesses likely to suffer adverse consequences including job losses and a reduction in growth.

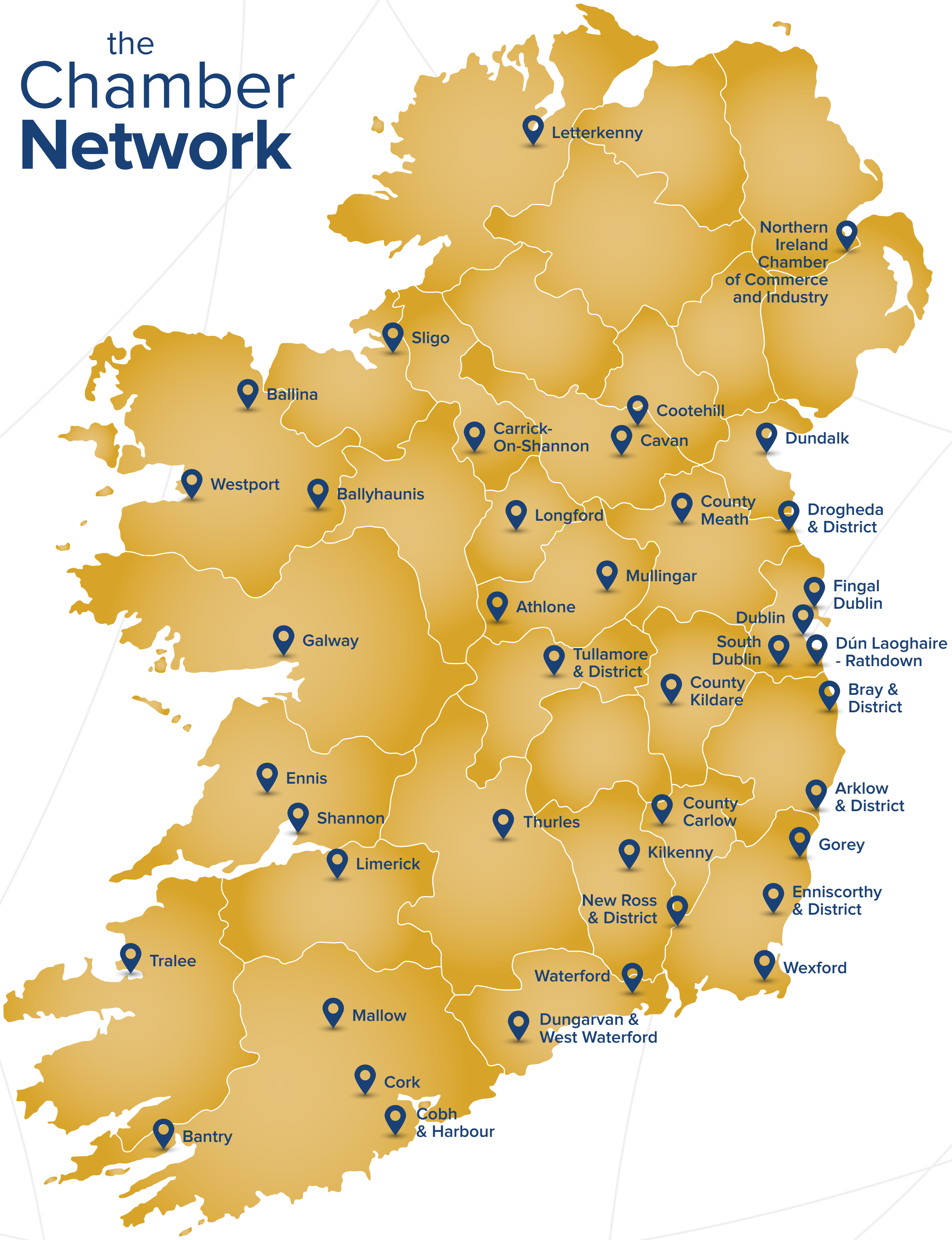
Even though threats such as Brexit continue to cast a shadow, we have an opportunity in Budget 2020 to make a range of strategic investments and introduce innovative policies that will support infrastructure delivery, decarbonisation and a transformation to a more future-focused, inclusive economy.

Our Budget 2020 Submission makes a series of proposals to address these challenges in the following four chapters. These recommendations include measures that will support promised infrastructure investment and delivery of affordable homes, investment that will support the transition to a low carbon economy, supports for SMEs and Entrepreneurs and recommendations that will support greater labour force participation through targeted investment in affordable childcare, broadband and education.

We face significant adaptation of our tax system over the next few years arising from some of the big issues for global taxation such as the digital economy and climate change. It is vitally important to facilitate businesses and individuals in making informed investment and borrowing decisions based on a medium to long term understanding of the direction of tax strategy. Therefore in areas such as carbon taxation we call for clear, medium term announcements of intended future changes rather than piecemeal changes on an annual basis.

Ian Talbot,
Chief Executive,
Chambers Ireland

the Chamber Network



Executive Summary

A- Infrastructure and Housing

Optimise investment in capital projects and infrastructure

- Ensure the immediate transfer of sufficient capital to the National Surplus Reserve Fund
- Delivery of the National Development Plan (NDP) transport and infrastructure projects
- Improve reporting requirements for all large NDP projects and programmes
- Expand high-speed broadband nationwide
- Upgrade our electricity network to enable long-term energy security

Ensure efficient planning and the productive use of land

- Enact the legislative framework for the Land Development Agency (LDA)
- Create a vacant land registry
- Expand the LDA's compulsory purchase order powers
- Implement a strengthened vacant land levy that incentivises infill and brownfield construction

Strengthen the delivery of housing in our cities, towns and regions

- Introduce legislation to support co-operative property ownership models
- Reform Fair Deal charges to make these houses available to the rental market
- Extend the time limit on Rent Pressure Zones
- Continue the Living City Initiative (LCI) beyond 2020
- Broaden the remit of LCI to include long term vacant commercial properties built post-1915 and reform the scheme to include acquisition costs of LCI qualifying properties
- Expand LCI to the towns and cities identified in the National Planning Framework (NPF)
- Introduction of a scheme, modelled on the LCI, focused on regional towns

Support a more cost-effective and productive construction sector

- Conduct an independent review of all existing housing policies
- Maintain current policies while a review is ongoing to create certainty
- Classify SEAI supported retrofitting projects as zero VAT rated products
- Create a retrofitting home improvement fund
- Conduct research into the construction sector's skills deficits
- Introduce funds for upskilling existing construction workers in high-tech construction methods
- Reform apprenticeships
- Introduce a targeted, time-bound, reduction of Construction VAT for affordable high-density apartment new builds in cities
- Expand the number of construction sector work visas
- Create guidelines on how Local Authorities apply construction duties and levies
- Targeted reductions in construction duties and levies for NPF compliant properties

B - The Low Carbon Economy

Decarbonising the Economy

- Increase investment in the electricity grid
- Immediately ring-fence carbon taxes and re-invest into green infrastructure that supports climate targets
- Implementation of the nationwide ban on the burning of smoky coal and other prohibited fuels
- Invest in research about innovative technologies such as Carbon Capture Storage (CCS)
- Intensify efforts to meet afforestation targets
- Create a national strategy that supports the decarbonisation of agriculture, like sustainable Anaerobic Digestion (AD)
- Ensure there is ongoing investment in water infrastructure

Generating Renewable Energy

- Increased investment into grid infrastructure
- Deliver the Marine Planning and Development Management Bill to support the development of offshore wind farms
- Introduce a Microgeneration support scheme for business and SMEs
- Support the transition of the gas network from natural gas to renewable gas

Decarbonising Heat and Transport

- Increase funding for retrofitting of existing builds
- Increase investment in decarbonisation of public transport
- Develop a clear government procurement policy that commits the State to purchasing low to zero carbon vehicles in the future
- Invest in the accelerated roll-out of a national fast-charging network for the EVs
- Increase the Electric Vehicle Grant Scheme
- Extend the Vehicle Registration Tax for Battery Electric Vehicles (BEV) from 2021 to 2025
- Expand bicycle sharing schemes
- Invest in appropriate infrastructure to support the transition of heavy goods vehicles to compressed natural gas

Support Business Transition to a Low Carbon Economy

- Allocate more funding for Local Authority energy agencies to support communities and business to become more sustainable in their energy use
- Introduce supports for business to engage in the circular economy
- Modernise waste management systems
- Increase investment into skills, apprenticeships and re-training so more people can move to jobs in the low-carbon economy
- Introduce a recycling deposit system
- Introduce fund supports for business as part of implementing the Single-Use Plastics Directive

C - SMEs and Entrepreneurs

Helping Business to Compete

- Continue to make incremental increases to the entry point to the higher rate of income tax on a multi-annual basis
- Introduce a short-term tax credit on employer PRSI to enable microbusinesses to grow and increase employee numbers
- Gradually reduce the Capital Gains Tax rate of 33% so that it is in line with competitor countries
- Increase the lifetime limit of €1 million in qualifying capital gains under the Entrepreneur's Relief to €10 million
- Review and simplify the reliefs which are available, such as Retirement Relief, and integrate it within a more expansive Entrepreneurs' Relief
- Introduce a mechanism where entrepreneurs can apply for a "small business rollover", which would support serial entrepreneurship
- Further review the Key Employee Engagement Programme (KEEP)

Supporting Tourism

- Develop a national aviation strategy which will target additional funding and supports for regional airports to develop new routes
- Increase the funding provided through Tourism Ireland for regional co-operative marketing activities
- Allocate additional resources for State agencies to increase levels of investment in niche areas that distinguish Ireland as a destination

Tax Equity for the Self-Employed

- Bring Earned Income Tax Credit for self-employed in line with the Employee Tax Credit
- Introduce full equity in taxation between the self-employed and PAYE workers

SMEs and Trade

- Publish an annual Action Plan for promotion of trade agreements
- Introduce targeted vouchers for SMEs impacted by Brexit to obtain advisory services
- Expand the current customs training programmes targeted at SMEs
- Support the Chamber Network in providing customs training to exporters seeking to upskill in the areas of customs regulation and documentation
- Introduce additional supports for businesses, including retail, who wish to expand their activities in e-commerce and online trading

D - An Inclusive and Future Focused Workplace

Access to Affordable Quality Childcare

- Increase in funding to support the roll out of the National Childcare Scheme
- Continue investment in the Early Childhood Care and Education Programme
- Expand mentoring programmes for childcare providers
- Maximise use of schools and existing community facilities for after school childcare
- Deliver on the commitment to provide a study on the cost of the provision of childcare

Flexible Family Friendly Workplaces

- Introduce a national strategy on agile and remote working
- Target investment at training for line-mangers and employers on how to implement SME-friendly agile work practices
- Deliver on nationwide access to high speed broadband
- Conduct a review of Paternity Benefit to understand any obstacles for take-up
- Conduct a consultation ahead of the introduction of additional parental leave

Inclusion in the Workplace

- Develop a strategy on how to support age-friendly workforces and longer working life
- Amalgamate all the current supports in the Reasonable Accommodation Fund banner into one overall grant
- Ensure that funding for specialised equipment is received and controlled by the employee

Investment in education and training

- Continue the rollout of increased apprenticeships and traineeships
- Improve the use of the NTF to support in-work training and education
- Introduce a voucher model for funding skills courses targeted at SMEs
- Increase funds for targeted training in sectors like construction and hospitality
- Increase investment in entrepreneurship and innovation education for students in transition year
- Increase investment in career guidance at second level
- Increase investment in the Irish Naturalisation and Immigration Service

Infrastructure and Housing

Our communities and our economy face enormous challenges in the years ahead. Globally we are seeing massive demographic shifts, new technologies are transforming economies, and our environment is struggling with climate change.

The National Development Plan 2019-2027 (NDP) presents an opportunity to apply a long-term perspective that allows us to prepare for the opportunities and to develop our country in response to the threats that are to come.

To be successful in this we must:

1. Optimise our investment in infrastructure
2. Make better use of our land through improving planning
3. Strengthen our cities and towns through improved housing delivery, and
4. Boost productivity by modernising our housing sector

The priority issue for Budget 2020, as identified by our network of chambers, is that we must see real progress in the capital projects included in the NDP. For this to happen, the funding which was committed to needs to be delivered, project deadlines must be met, and programme budgets have to be adhered to. Therefore, continual financial oversight of these projects is critical.

Important multi-annual projects, such as Metrolink, the M20 corridor, and the upgrade of the A5, are contingent on the availability of ringfenced financing which is independent of the short-run economic climate. Global economic headwinds mean that a well-funded Rainy Day Fund is of primary importance.

On housing, the lack of appropriate and affordable homes is a crisis that needs significant state action. Since the publication of “Rebuilding Ireland” housing supply in urban areas has not improved and the housing shortage has spread to the regions, severely impacting the economies of our smaller towns and regions.

The housing supply crisis is a significant drag on the domestic economy and a threat to our competitiveness which is contributing to dramatic increases in the cost of living. Affordability, and reduced discretionary spending hold back the domestic economy and increase our reliance on the international sector. Meanwhile, difficulties in finding appropriate and affordable housing risks making Ireland a less attractive target for foreign direct investment.

Housing costs directly hurt local businesses and SMEs by making it harder to hire and retain key staff. These costs lead to increased wage demands incommensurate with domestic growth which is making it harder for companies to recruit. Frequent moves or threat of eviction sap productivity for those living under housing uncertainty, while long commutes reduce employee flexibility. This housing instability and insecurity affects key quality of life measures and is making recruitment and retainment of staff difficult, particularly in urban areas.

In light of the supply-side problems in the housing market, Budget 2020 interventions within the housing space need to be focused on supply side initiatives which will increase the availability of accommodation that is both affordable and appropriate to the needs of a disproportionately young and mobile workforce in our small open advanced economy.

To this end, policies must target the key costs factors affecting housing supply, for example, the Land Development Agency must intercede in the market to reduce land price speculation that increases the costs of housing and delays construction. In addition, Approved Housing Bodies with subvented finance combined with the underutilised capacity of the smaller developers could reduce the financing problems of apartment builds. Government and the industry must create education and training pathways that lead to a productive, efficient, construction workforce which is skilled in high-tech methods. At present, it is not viable to build apartments in many cities. If progress is not made on this front, the targets for apartment dwellings on brown-field sites under the NDP will not be delivered. We should develop a strategy that addresses the cost of building. This strategy must include policy reforms that support the construction sector by boosting productivity and reducing costs through innovation and investment in skills. In addition, such a strategy must also include time-limited incentives to support the immediate construction of high-density homes.

Recommendations:

1. Optimise investment in capital projects and infrastructure

- Ensure the immediate transfer of capital to the Rainy Day Fund, so that ongoing funding for infrastructure in the event of an economic downturn is available.

- The NDP transport projects must be delivered. Brexit has shown how important it is for us to reconfigure and reinvest in our external sea and air connections. Internally, our inter and intra urban transport networks need investment to tackle congestion through projects like BusConnects, rapid transport corridors and rail infrastructure.

- Improve oversight of capital projects through more regular project and programme reporting. For example, accounting officers, within the civil and public service, who have large capital intensive projects reporting into them, could prepare accounts and risk assessments for each of these projects and submit them to a body like the Comptroller and Auditor General (C&AG) for publication before the Houses of the Oireachtas.

- The speedy implementation of a strategy that extends access to high-speed broadband throughout the country.

- The continued co-ordinated upgrading of our electrical network to ensure that we can sustain economic development over the decades to come.

- The introduction of a national strategy in response to Brexit which will ensure that all our state airports are connected to continental European hub airports year round.

2. Ensure efficient planning and the productive use of land

- Empower the Land Development Agency (LDA) to expand the supply of land for residential housing developments through the speedy passage of the required legislation.
- In collaboration with Local Authorities, task the LDA to create a vacant land register for all commercial (C) and residentially (R) zoned property which can inform future policy by gathering data on the correct scale of vacant land and property in the state.
- Provide the LDA with increased Compulsory Purchase Order (CPO) powers and support it with a referendum for such powers if necessary.
- Increase Vacant Site Levies on sites that have been vacant for in excess of 3 years, with levies increasing automatically annually according to a stated schedule, and have unpaid levies deducted from the CPO price on such properties.
- Empower the LDA to fund these activities by creating zoned serviced land packages sold to Approved Housing Bodies for high-density residential builds, or where single vacant dwellings are secured, the sale of this to the relevant Local Authority or an appropriate Approved Housing Body.

3. Strengthen the delivery of housing in our cities, towns and regions

- Introduce a legislative framework that supports shared property ownership models, like the co-operative and co-housing legal structures seen in Netherlands and Denmark, that will respond positively to the distinct challenges of urban, high-density living.
- Reform the Fair Deal Scheme so that when rental income accrues from a Fair Deal dwelling, the costs associated with renting that dwelling should be discounted from reckonable income. Up to 80% of the income which an individual on the Fair Deal receives must go to the HSE. But the share that remains is often less than would be required to finance the investment, the repair work, the LPT, retrofitting, and maintenance of a rented residential unit. This creates the perverse disincentive that it can be cheaper to let a house lie empty than have a tenant stay there.
- Extend the time limit on Rent Pressure Zones (RPZ) in the greater Dublin and Cork zones which are to lapse automatically in late 2019 and early 2020. Without an extension to the RPZ designation, these regions are likely to see large rent increase demands that will drive up housing costs in the major economic engines of our economy and significantly damage our competitiveness.
- Extend the Living Cities Initiative (LCI), which applies to Cork, Dublin, Galway, Kilkenny, Limerick, and Waterford Cities beyond the 4 May 2020 deadline.
- Expand the scheme so that it can be extended to long term vacant commercial properties which do not currently qualify for the scheme because they were built after 1915.
- Amend the LCI, and encourage new investment in the growth cities, by incorporating the costs of buying LCI qualifying properties into the relief and reduce the inheritance/CGT tax disincentives to invest in certain properties by allowing the unused capital allowances attached to a property to be transferred with ownership.

- The LCI should be extended to all the regionally significant towns and cities identified in the National Planning Framework, including Drogheda, Dundalk, Letterkenny, Sligo and Athlone.

- Introduce a scheme, modelled on the LCI, focused on smaller regional towns. Such a scheme, if integrated with supported living in towns would simultaneously bring life to the smaller towns, facilitate downsizing, and also make it easier to provide social services to these populations.

4. Support a more cost-effective and productive construction sector

- Immediately conduct a high-level, independent review of the housing policies which have been implemented so that we can establish what worked, what did not, and what we can do next.

- In advance of this independent review, maintain all existing policies to ensure stability and certainty within the market.

- Re-classify SEAI-supported home and business retrofitting schemes as zero VAT rated products to incentivise both companies and consumers to retrofit their homes and make them more heat and energy efficient.

- Create a retrofitting home improvement fund to provide subsidised finance to those seeking to implement an SEAI-supported retrofitting scheme.

- Conduct a thorough skills assessment within the construction sector to outline the deficits there and how to bridge the gap.

- Direct the National Training Fund to support the up-skilling of existing construction workers in high-tech construction methods.

- Reform the current apprenticeships available in the construction industry to increase uptake and ensure that those in training can future-proof their careers.

- Introduce, during the transition period to increased productivity in the sector, reductions to Construction VAT, targeted at new builds where the density is in excess of 50 units per hectare, and which are sold as part of ‘affordable’ schemes in the city regions identified in the NDP. Such a targeted VAT reduction would support the delivery of apartments in the interim, creating opportunities for skills development to occur.

- Increase the number of skilled visas that can be acquired for the construction sector to meet the capacity required to deliver housing targets.

- Reform the collection of construction duties and levies and require the Department of Housing and Local Government to draw up guidelines to regularise the imposition of development levies which will ensure that the scale and timing of these levies are rational and consistent across the country.

- Provision should also be made for such levies to be discounted where they are for residential units that are compliant with the public policy direction of the NDP.

The low carbon economy

Climate change is the most serious threat to our global environment. The UN's Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) and Intergovernmental Panel on Climate Change (IPCC) reports both reflect how global warming and increases in temperature put countries at risk of drought, floods and extreme heat.

In May, Ireland became the second country in the world to declare a climate and biodiversity emergency. Now that there has been an acknowledgement of how pressing the issue is, it is imperative that actions to address this challenge now follow.

Decarbonising the economy is one of the largest challenges that Ireland faces. Most of Ireland's energy needs are associated with heating and transport. The Irish population is expected to grow by 20% from 2016 to 2040; this increase in demand will have a major impact on our infrastructure. Approximately 1.5 million residential homes in Ireland need retrofitting. Retrofitting does not just decrease emissions; it reduces energy usage and improves efficiency. If we are to meet our target of 500,000 EVs by 2030, up from only 6,500 at present, and if we are to increase the number of homes retrofitted to at least 45,000 a year as mandated by the National Development Plan, more funding must be made available to support this transition. While heat and transport electrification is necessary, without the decarbonisation of electricity, we continue to create more emissions rather than reduce them. Investment in the electricity grid, as well as incentives to go electric, will be instrumental in making sure this happens.

The recently published Climate Action Plan has recommended that the existing carbon tax should be increased from €20 a tonne to €80 a tonne by 2030, to disincentivise people from using carbon fuels. While research shows that carbon tax can be very effective when it comes to changing consumer behaviour, in order for behaviour to change, alternatives for consumers of carbon products need to exist. Without real alternatives, carbon taxes have an unjust impact on those on low incomes, or on people residing in parts of the country with limited access to public transport.

Government must also be conscious of the impact that increases to carbon tax will have on local economies in the Border counties. Any increase in carbon tax which does not happen on an all-island basis could negatively impact businesses operating along the border with Northern Ireland, rather than change consumer behavior and reduce emissions. Ahead of increases to existing rates of carbon tax taking effect, the current Exchequer returns from carbon tax should be immediately ringfenced and strategically invested in green infrastructure, public transport, and funds that will support communities to transition to green transport and heating alternatives.

Beyond the decarbonisation of heat and transport, Government must prioritise strategic investment in innovative infrastructure and technologies such as Carbon Capture Storage (CCS). Increased planting of forests and a plan around Anaerobic Digestion (AD) to reduce agricultural emissions will be instrumental in supporting the reduction of carbon in the economy.

Generating renewable energy plays a major role in the transition to a low carbon economy. Ireland has great untapped renewable energy sources, particularly offshore wind energy, that are key to securing the Irish energy supply post-2020 and beyond. In 2018, wind provided 85% of Ireland's renewable electricity and 30% of our total electricity demand. Not only does Ireland have the potential to run on renewable energy, but Ireland could become a net exporter of renewable electricity to the European grid. However, there are regulatory and financial barriers such as the delay of the Marine

Planning and Development Management Bill, that prevent us from meeting our targets and providing green renewable energy for Ireland. It is imperative that we invest in renewable energy and remove the obstacles preventing renewable development.

The transition to a low carbon economy will change the way in which business in Ireland operates. The business case for adapting to circular practices is widely recognised. According to the European Commission, circular economy activities are estimated to create around 580,000 jobs in the EU. Irish enterprises have many opportunities to reap the benefits of implementing circular practices. However, to make the right investments for a sustainable business, guidance, support and training programs need to become available to help facilitate this transition.

By 2050, our energy production, the way we travel and how we consume will have to drastically change. Although we are not going to meet our 2020 targets, accelerated action through decarbonising the major emitter sectors will bring us closer to meeting future targets and combat the effects of climate change. If we are to achieve near zero-net emissions investment must match the scale of the challenge. In the following chapter, we have set out a range of recommendations that support the decarbonisation of the economy, generation of more renewable electricity and will support the business transition to a low carbon economy.

Recommendations:

1. Decarbonising the Economy

- Sustained and increased investment is needed in the electricity grid to ensure that it is future proofed and has the capacity to meet decarbonisation targets.

- Ensure progression of the North-South Interconnector and the Celtic Interconnector to ensure energy security for the island of Ireland.

- Existing carbon taxes should be immediately ring-fenced and re-invested into public transport and infrastructure that supports the expansion of electric vehicle infrastructure and retrofitting of existing builds in parts of the country where there are fewer existing alternatives.

- In advance of the introduction of phased increases to the carbon tax, Government must commit to carrying out an impact assessment on consequences for SMEs and consumers, particularly commuters, following on from increases in carbon taxation.

- Deliver a speedy implementation of the ban on the burning of smoky coal and other prohibited fuels.

- Ensure that funding and resources are allocated to research innovative technologies such as Carbon Capture Storage (CCS).

- Intensify efforts to meet afforestation targets of 8,100 hectares per annum from 2020 in order to meet 18% land cover target by 2046.

- Develop a national strategy for sustainable Anaerobic Digestion (AD) and research the possibility of providing AD low-interest loans or grants relative to the installation costs, to support reducing agriculture emissions.

- Ongoing investment in water infrastructure to ensure the sustainability of supplies into the future and the safeguarding of our environment through the elimination of the discharge of untreated water into our rivers and sea.

2. Generating Renewable Energy

- Increased investment into grid infrastructure to enable 40% electricity generation from renewable sources by 2020, which would facilitate an improvement in the transition grid.

- Publish and enact the Marine Planning and Development Management Bill so to provide the legal framework for delivering offshore wind energy.

- Introduce a microgeneration support scheme for business and SMEs for the growth of electricity production.

- Fund research into how the gas-networks can be future proofed to transition from the delivery of natural gas to renewable gas and potentially hydrogren.

3. Decarbonising Heat and Transport

- Review and expand the commitments contained in the National Development Plan of retrofitting 45,000 homes annually and bringing these houses to at least a BER of B2.

- Make homes that use solid fuel (such as coal and peat) and those that do not have central heating the primary target of retrofitting.

- Increase the investment the decarbonisation of public transport, such as investment in bio-methane vehicles and the widescale electrification of trains and buses.

- The State should create an "Electric Vehicle first" procurement requirement for all transport unless there is a service related justification.

- Invest in an accelerated roll-out of a national fast-charging network for the EVs, particularly in rural parts of the country where there are limited options for public transport.

- Increase the grants available for electric vehicles and chargers. As it stands there is a maximum grant of €5,000 for EVs and a grant of up to €600 for chargers. This should be increased if we are to increase the EV take up.

- Extend the Vehicle Registration Tax (VRT) for Battery Electric Vehicles (BEV) from 2021 to 2025.

- Expand bicycle sharing nationwide, to reduce commuter emissions especially in areas of intense congestion.

- Expand bicycle sharing nationwide to facilitate Green tourism and provide low carbon transport alternatives in tourist areas.

- Invest in appropriate infrastructure to support the transition of heavy goods vehicles to low carbon fuel options like Compressed Natural Gas.

4. Supporting the Business Transition to a Low Carbon Economy

- Commit funding to expand the network of local authority energy agencies to act as a local one-stop-shop structure providing practical advice to households and businesses on significantly reducing carbon emissions, retrofitting homes and availing of Government supports and advice from agencies like the SEAI or the Climate Action Regional Offices.

- Introduce circular economy supports like the recent €600,000 funding DCCAE Circular Economy Call. Rather than placing a focus on the novel approaches to circularity, the emphasis should be placed on the business transition.

- Develop state funded supports that give strategic guidance for SMEs who wish to engage in the circular economy.

- Develop and implement a strategy to modernise waste management systems, so that the loop on circular waste management is closed.

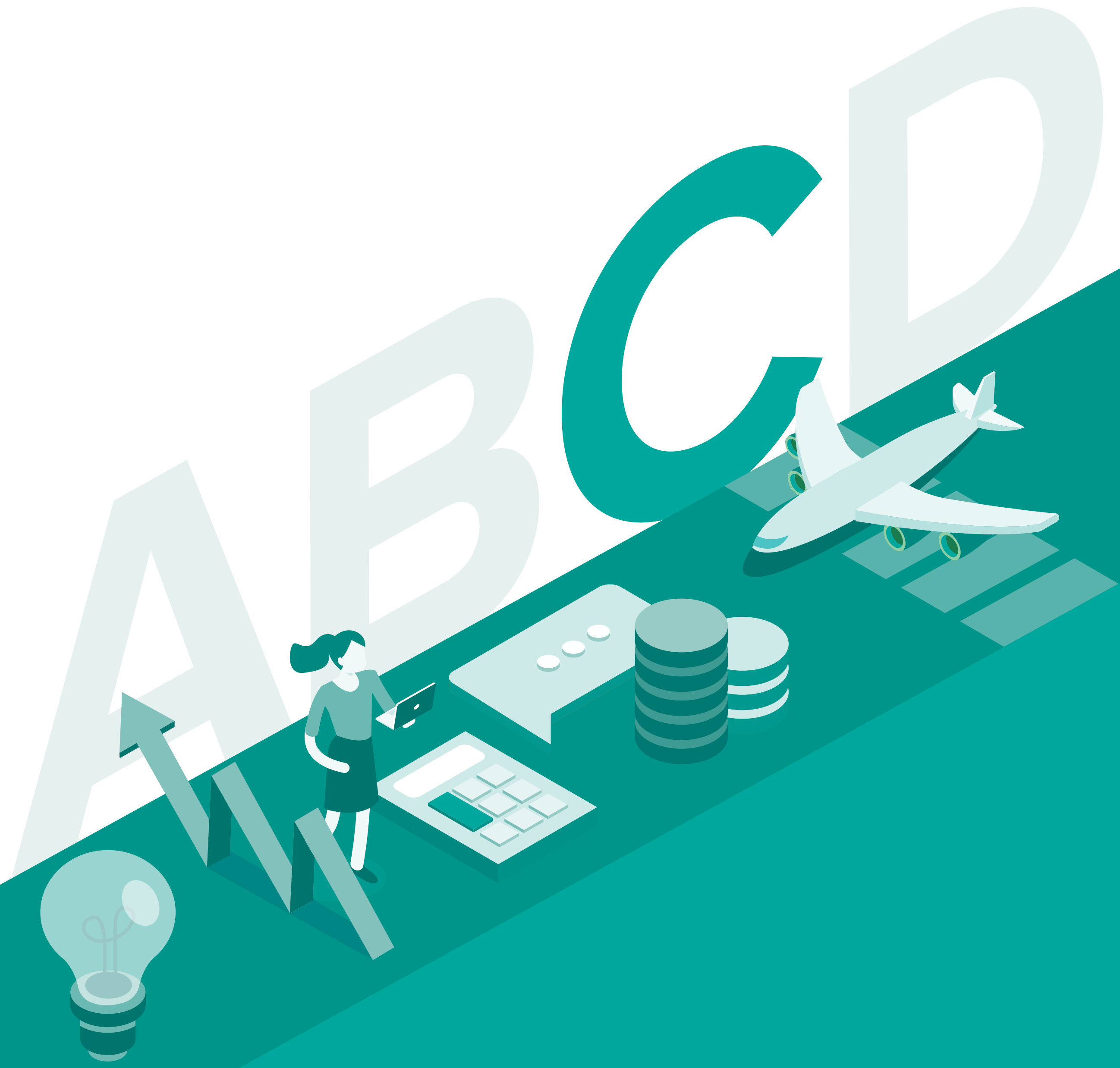
- Introduce measures to strengthen waste prevention and management for marine litter.

- Create clear rules and guidance to improve recycling targets for bio-waste and textiles.

- Invest in re-training programmes to support the transition from jobs reliant on fossil fuels to low carbon jobs in areas such as energy retrofitting for buildings, sustainable forestry, renewable energy and peatland restoration.

- Introduce a recycling deposit system (DRS) similar to the schemes operating in 38 countries that have increased recycling rates to more than 90%.

- Implement the EU Directive on Single-Use Plastics and introduce supports for business and consumers such as public awareness campaigns, advice for SMEs on how to eradicate single-use plastics from their business, the available alternatives to plastics and how to adapt their supply chain ahead of the introduction of the Directive.



SMEs and Entrepreneurs

Entrepreneurs are the innovators and change-makers in industry and small businesses, accounting for more than 99% of enterprises, are the lifeblood of the Irish economy.

Ireland's taxation system should ensure that innovators, investors and entrepreneurs are recognised as contributors to growth and are taxed fairly. The government must do more to support entrepreneurs and enable microbusinesses to grow and succeed.

Our submission proposes a range of measures to improve the environment for Irish business owners, through measures that improve competitiveness and support the environment they operate in. Helping our SMEs to remain competitive must be taken seriously by Government, as smaller businesses can feel the impacts of increases in costs and changes to regulation much more than larger companies. The "Think Small First" principle must be more deeply embedded in Irish policy making.

In addition, previous commitments by Government to deliver tax equity between PAYE workers and the self-employed were widely welcomed, however, progress has been slow, and this must now be delivered fully in Budget 2020.

Small businesses face significant barriers to growth due to the costs associated with scaling, whether that is hiring additional staff, finding new markets or investing in their business. Irish exporting SMEs also need additional supports to ensure they are both prepared for the impacts of Brexit, and that they are prepared to capitalise on opportunities available through new trade deals, increased growth outside of the European Union and are appropriately diversified.

Recommendations:

1. Helping Business to Compete

- Government should continue to make incremental increases to the entry point to the higher rate of income tax on a multi-annual basis, so that Ireland is in line with comparable countries in the OECD and can maintain our competitiveness when it comes to attracting talent.

- Introduce a short-term tax credit on employer PRSI to enable microbusinesses to grow and increase employee numbers. If applied to businesses with less than 10 employees, the introduction of a 3-year tax credit on employer PRSI for each new hire would support microbusinesses to create jobs and enable them to grow.

- The gradual reduction of the Capital Gains Tax rate of 33% for non-passive investment, a move which will also help the exchequer benefit from taxation dividends that arise from CGT as individuals will have less incentive to engage in regulatory arbitrage though availing of foreign taxation regimes.

- We recommend increasing the lifetime limit of €1 million in qualifying capital gains under Entrepreneur's Relief to €10 million in order to improve the attractiveness for repeat investors and to encourage increased investment in Irish business.

- Review and simplify the reliefs which are available, such as Retirement Relief, and integrate it within a more expansive Entrepreneurs' Relief that take account of both people living/working longer, and the considerable costs of long periods of retirement.

- We recommend that Government consider the introduction of a mechanism where entrepreneurs can apply for a "small business rollover", which would support serial entrepreneurship and would allow those who have successfully created new businesses to roll over their capital gains accruals in active investment in a new business.

- The introduction of the Key Employee Engagement Programme (KEEP), announced in Budget 2018 was welcomed, however, the scheme continues to be underutilised and requires further review. For example, Government must consider the issue of the buy-back exclusion.

- The definitions of 'financial activities' should also be narrowed to exclude high-tech start-ups and SMEs in fields adjacent to traditional finance.

2. SMEs and Tourism

- Develop a national policy on "clustering", and how we can encourage it given how it supports regional economies to innovate and grow.

- Develop a national aviation strategy, which includes additional funding and supports targeted at airports to support the development of new routes and support post-Brexit connectivity.

- Government should increase the fund provided through Tourism Ireland for regional co-operative marketing activities and the promotion of our regional ports and airports.

- State agencies should be resourced to increase levels of investment in niche areas that distinguish Ireland as a destination, such as Ireland's growing potential as a place for unique and high-quality food, along with increased walking and cycling routes across the country as a means to promote activity in every region and to attract diverse types of visitors.

3. Tax Equity for the Self Employed

- In this Budget cycle Government must, as previously committed, bring the Earned Income Tax Credit for self-employed in line with the Employee Tax Credit. Following Budget 2019, the total earned income credit for self-employed individuals sits at €1,150 annually leaving a discrepancy of €500 with the Employee Tax Credit.

- Self-employed earners earning more than €100,000 are faced with an additional USC burden of 3% more than a PAYE worker earning the same amount of income. Government should introduce full equity in taxation between the self-employed and PAYE workers.

4. SMEs and Trade

- Develop and resource an annual Action Plan for Trade, where Government departments and agencies are resourced to support indigenous business in reaping the benefits from EU Free Trade Agreements, such as CETA, EU-Japan and EU-Mexico.

- Introduce vouchers for SMEs impacted by Brexit to obtain advisory services on specific issues, such as currency management, exporting and customs, which will support them in actively preparing their businesses.

- Expand the current customs training programmes targeted at SMEs.

- Increase support for the Chamber Network, given its expertise in the issuance of trade documentation, in providing customs training to exporters seeking to upskill in the areas of customs regulation and documentation.

- Introduce additional supports for businesses, including retail, who wish to expand their activities in e-commerce with a view to becoming more engaged in the Digital Single Market and with a view to competing with UK businesses selling online, who may have a competitive edge post Brexit, due to exchange rate fluctuations.

An Inclusive and Future Focused Workplace

Work life for many people in Ireland is a positive element in their lives and provides purpose and financial independence. However, increasingly employees are under pressure from the high cost of living, high tax burden and costly childcare.

For others, the workplace is inaccessible for a variety of reasons, either through the inadequacy of supports for those with disabilities or the fact that more than 98% of caring responsibilities in Ireland are carried out by women.

With unemployment continuing to fall, it is imperative that Government supports policies which will improve the rate of workplace participation and enable the retention of key staff in employment. In particular, the challenge of retaining women in the workforce has been highlighted as a concern for employers and has been attributed, in part, to the difficulty employees have in accessing affordable childcare. The high cost of childcare often means that for parents, particularly lone parents, it is not cost-effective to both work and pay for childcare. A recent study by SOLAS found that there are 218,000 women on home duties not participating in the workforce. Irrespective of their level of education, women over the age of 35 have lower participation rates in the workforce than their EU counterparts. Research shows the lack of availability of affordable childcare and after-school care are likely to be a significant contributing factor. While significant progress has been made in addressing the affordability of childcare, this investment needs to be sustained and increased over the next several years. This investment must also be partnered with a strategy on how the workplace can become more flexible and supportive of working families. This means we need to ensure that shared parental leave is introduced in a way that supports the needs of working parents. Flexible work policies also require Government support, with investment in a nationwide broadband infrastructure as a strategic necessity.

Along with investment in childcare and broadband, additional funding for education, from primary to tertiary is essential for the competitiveness of our economy. Following the publication of the inter-departmental Future Jobs Ireland Plan 2019, we call on Government to work closely with industry and employers to ensure that the right investment is being made right throughout the education system, that life-long learning is prioritised, that skills gaps are addressed and increased labour force participation is supported. It should be administratively easy for businesses to access skills and training for their employees. In addition, we need to ensure that when employers are required to address skills gaps through the employment of migrant workers, that the system is robust and can process these requests as efficiently as possible.

Recommendations:

1. Access to Affordable Quality Childcare

- With the National Childcare Scheme due to be rolled out this autumn, Budget 2020 will require additional funds to meet demand, so we recommend an increase in funding to support the roll out of this scheme.

- Increased investment in services and infrastructure that enable childcare providers to expand places for children under the age of three.

- Continued investment in the Early Childhood Care and Education (ECCE) Programme.

- Expand mentoring programmes like "Better Start" that aims to improve the quality of childcare and early childhood education.

- The Action Plan on School Age Children, put in place to improve the provision of breakfast club/after school childcare in all parts of the country, is due for review in 2020. We call on Government to maximise the use of schools and existing community facilities which have suitable environments available for school-age childcare where demand exists and ensure that the targets set out in this action plan are being met.

- Deliver a value-for-money cost analysis as per the commitment in the Programme for a Partnership Government 2016. It is imperative that data on the exact cost of delivery of childcare provision is published as soon as possible to ensure that further investment contributes to making childcare more affordable for parents.

2. Flexible Family Friendly Workplaces

- A commitment to introduce a national strategy on agile and remote working, which will draw together trade unions and employers in committing to a set of guidelines that supports greater uptake of flexible and agile working.

- Through the National Training Fund, target investment in training for line-mangers and employers on how to implement SME-friendly agile work practices, which can include remote, flexible and compressed working hours.

- Deliver nationwide access to high speed broadband, which will support flexible and agile workplaces.

- Conduct a review of Paternity Benefit to understand any obstacles for take-up.

- Examine the possibility of making the two-week paternity leave entitlement more flexible so families can decide how to draw down the payment in the first few months of a child's life.

- A commitment for a consultation ahead of the introduction of additional parental leave in autumn 2019. Expanded parental leave that ensures both men and women share caring responsibilities more equally will be crucial if real progress is to be made in narrowing the gender pay-gap. However, this will only be impactful if parental leave can be managed by employers sustainably and if the new entitlements are in line with what working families need, so they can manage caring responsibilities in the home.

3. Inclusion in the Workplace

- Latest census data shows that the over 65s are the fastest growing population segment in Ireland. This demographic is likely to have a longer working life than at present and we recommend that Government develop a strategy to ensure that this cohort of employees is supported to remain in the workplace for longer. Additional leave entitlements and flexible and agile working arrangements will be a key part of supporting this strategy.

- Amalgamate all of the current supports covered by the Reasonable Accommodation Fund into one overall grant that will cover everything needed to accommodate an employee with a disability at work.

- Reform how funding for specialised equipment and supports is allocated, by ensuring that it is directly received by the prospective employee with a disability, thus empowering the jobseeker to seek work independently and with supports already in place. Linking the supports to the place of work can have the effect of trapping individuals in jobs and may be a deterrent for prospective employers in hiring an individual with a disability where there is the requirement for an application for supports to potentially delay matters.

4. Investment in education and training

- Continuous engagement with employers across the Chamber Network in the roll-out and publication of annual Future Jobs strategies.

- Government must commit to the continued roll-out of increased apprenticeships and traineeships in a wider range of fields, particularly in professions that will support the delivery of housing and the transition to a low-carbon economy.

- Following the commitment of Government to refocus the National Training Fund, regular consultation with employers is required to ascertain what training for employees is required.

- The introduction of a voucher model for funding skills courses for SMEs should be introduced to enable SMEs to select their preferred training provider from the market.

- Government must continue to support the re-skilling and up-skilling for those in employment through bodies such as Skillnet Ireland in order to increase life-long learning levels in Ireland.

- There is a need to increase targeted training in particular sectors, including the hospitality sector and construction sectors which are struggling to fill vacancies due to a lack of suitable candidates.

- Government must increase investment in entrepreneurship and innovation education for students in transition year in order to prepare them for their future careers and to foster the soft skills that will enable them to succeed.

- Investment in career guidance at secondary level is also required, particularly if the Future Jobs strategy and targets for apprenticeships are to be delivered on. Engagement between third-level institutions and the private sector continues to show success. Similar models for secondary level/private sector engagement may also provide value and should be investigated.

- Increased investment in the resources and capacity of Irish Naturalisation and Immigration Service so skilled work visas and employment permits can be processed rapidly and efficiently.

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