

30 October 2020

Re: SME Growth Taskforce and the National Economic Plan

Dear Tánaiste,

We are writing to you on behalf of our members with regard to the upcoming National Economic Plan and the work of the SME Growth Taskforce.

Chambers Ireland is the largest business network on the island, representing 41 member Chambers. Our members are city, town, and county Chambers of Commerce which are active in every constituency of the country. Collectively, we represent over 8,000 businesses which range in scale from the largest Multinationals, to SMEs, the self-employed and through to individual sole-traders.

The National Economic Plan and a Balanced Sustainable Recovery

Given the importance of local economies to our members, and member businesses, Chambers Ireland's perspective is unique within the Irish business community – we seek to support thriving local economies and recognise the diversity of business environments that exist across the cities and regions of the country. For context, in September 2019 [our member chambers signed a pledge to support the Sustainable Development Goals](#)¹, with a focus on five of the goals in particular:

- Gender Equality
- Industry, Innovation and Infrastructure
- Decent Work and Economic Growth
- Sustainable Cities and Communities
- Climate Action

Further, the theme of 'place making' was a cornerstone of our [2020 General Election Manifesto](#)², which like our Pre-Budget submission is structured to align with the 5 goals which we are particularly concerned with. The Sustainable Development Goals have become a useful tool for our network in identifying areas where action is needed (at every level of

¹ <https://www.chambers.ie/policy/sustainable-development-goals/chamber-support-for-the-sustainable-development-goals/>

² <https://www.chambers.ie/wp-content/uploads/2020/01/Chambers-Ireland-Election-Manifesto-2020.pdf>

government), our internal analysis of our policy agenda, and our wider engagement with the business community.

The post-pandemic recovery must be sustainable and must be cognisant of the needs of a more just transition that supports businesses of all sizes in all regions of the country. To achieve this, we wish to emphasise the need to invest in the future resilience of the economy by prioritising sustainable infrastructure, transport, and the generation of renewable energy. This approach will support the competitiveness of SME's and ensure Ireland's continued attractiveness as a place to invest. We must also ensure that we protect Ireland's reputation as an open, inclusive economy that is welcoming and supportive of the many communities who live and work here.

Chambers Ireland Submission to the SME Growth Taskforce

As a member of the SME Growth Taskforce, with representation on the subgroup focusing on Productivity, Digitalisation and Competitiveness, we are grateful for the opportunity to feed into this very important work. We would like to emphasise some of the principles and policies we believe should be integral to supporting SMEs and Entrepreneurs to become more productive, competitive and sustainable. A competitive tax system, that encourages and enables SMEs and Entrepreneurs to create and sustain jobs, will be integral to the post-COVID19 recovery.

Firstly, Government must improve the environment for Irish business, through measures that support competitiveness and ensure that the "Think Small First" principle must become embedded in Irish policy making.

Secondly, the legacy of the COVID-19 crisis in Ireland should be to ensure we are appropriately supporting Ireland's innovators and indigenous entrepreneurs, making this the best country in Europe to start and scale a business. Ireland's taxation system should recognise innovators, investors, and entrepreneurs as key contributors to growth.

Further, in the context of Brexit and global trade, the Irish Government must do more to internationalise the SME sector, thereby ensuring they become more resilient and productive. As highlighted by the OECD, Ireland lags behind other EU member states when it comes to internationalisation. SMEs that seek to trade across borders need additional supports to ensure that they are appropriately diversified to prepare for Brexit, and so that they can capitalise on the trading opportunities offered by the European Union.

While for many people employment is a positive element in their lives, providing purpose and financial independence, for others, the workplace is inaccessible for a variety of reasons. Whether through the inadequate supports for those with disabilities, or the fact that 98% of those with caring responsibilities are women, many people find insurmountable barriers

between themselves and the workforce. Investment by the State in affordable, quality childcare needs to be sustained and increased over the coming years, and this should be partnered with a strategy for flexible workplaces which supports working families in all their varieties.

Finally, additional funding for education and training will be essential to our economic recovery and the creation of new jobs lost to the pandemic. Government must work closely with industry and employers to ensure that the correct investments are being made throughout the education system so that life-long learning is prioritised, skills gaps are addressed, and increased labour force participation is supported.

Recommendations

Supporting Entrepreneurs and SMEs

- Improve conditions to enable greater access to Financial, Venture Capital and Private Equity markets to grow
- Incorporate the ‘Think Small First’ principle across all Government departments through implementation of the SME Test to ensure that new and existing legislation does not have unintended impacts on SMEs
- Conduct further review and reform of schemes like EIS, SURE, and the Key Employee Engagement Programme (KEEP) to ensure that it continues to be accessible and user-friendly
- Reduce 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 through availing of foreign taxation regimes
- Increase the lifetime limit of €1 million in qualifying capital gains under Entrepreneur’s Relief to improve the attractiveness for repeat investors and to encourage increased investment in Irish business
- Expand eligibility criteria for the R&D tax credit rate to medium enterprises
- Introduce a tax-credit to support SMEs in the low-carbon transition. For example, could be modelled on the R&D tax credit, calculated at 25% of qualifying expenditure. As part of its plan for SME Growth, the Government should consider a tax credit for SMEs that have undertaken and completed three items from an approved list, or ‘Sustainable Business Register’, to significantly reduce greenhouse gas emissions or otherwise improve sustainability. For example, the facilitation of remote and flexible working; retrofit and energy efficiency measures; green supply chain guarantees; waste management practices; circular economy measures; and adoption of low emissions transport.

Ireland as an Open, Trading Economy

- Commit to maintaining Ireland's 12.5% rate of Corporation Tax
- Develop and publish an annual Action Plan for Trade, where Government departments and agencies are resourced to support indigenous business, particularly SMEs, to benefit from EU Free Trade Agreements, such as CETA, EU-Japan, EU-Mexico and a future EU-UK trade deal
- Promote and invest in the EEN service to encourage SME internationalisation

Balance Regional Development

- Ensure the implementation of the principles of the National Planning Framework, underpinned by Regional Economic and Spatial Strategies, to support the growth of city regions throughout the country, employment and economic development in their respective regions
- Develop a national policy on “clustering”, and how we can encourage it given how it supports regional economies to innovate and grow
- Collaborate with chambers of commerce to develop and implement new SME support programmes
- Raise awareness of existing business supports that available through chambers of commerce
- Develop a national strategy to support existing co-working and digital hubs and drive development of new regional digital hubs where they don't exist
- Delivery on nationwide access to high speed broadband, which will support flexible and agile workplaces
- To support the digital transition, 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. This could include a new voucher scheme, modelled on the Trading Online Voucher, which supports SMEs to invest in digital marketing and cybersecurity

Inclusive and Flexible Workplaces

- Publish and implement a National Strategy on Flexible and Remote working that supports companies to enable flexible and remote work in line with the objectives of the National Planning Framework
- Establish a working group to develop a strategy to review current workplace conditions so that practical remote and flexible working policies can be adopted by businesses of all shapes and sizes
- Review and Reform the existing e-working allowance to support workers and employers who are continuing to engage in remote working and increase the individual tax rebate for working from home

- Publish a strategy on how to support age-friendly workforces and longer working life
- Publish a national strategy to support labour participation and inclusion in the workplace for people with disabilities
- Increase investment in the Irish Naturalisation and Immigration Service to support retention of skilled migrant workers

Productivity and Life-Long Learning

- Increase resources, both in staff and funding, to Regional Skills Fora, in line with population, to support their efforts to address skills needs around the country
- Target funding for training of line-mangers and employers on how to implement SME-friendly, agile and flexible polices in the workplace
- Implement recommendations of existing reports [such as the recent “Leading the Way” report](#) published by the Expert Group on Future Skills Needs
- Increase investment in training for companies in energy efficiency and the circular economy
- Continue the rollout of increased apprenticeships and traineeships
- Conduct research into the construction sector’s future skills needs
- Improve the use of the National Training Fund to support in-work training and education
- Commit to a review of the existing third level funding structures so that a sustainable long-term funding model can be put in place that will address the current and capital funding needs of these institutions

We look forward to engaging in the continued work of the SME Growth Taksforce and we would welcome further dialogue with you on the above recommendations.

Do not hesitate to contact me should you have any questions or comments.

Kind Regards,

Emma Kerins

Head of Policy and Public Affairs

