Chambers Ireland Budget 2017 Submission

CHAMBERS IRELAND
IN BUSINESS FOR BUSINESS

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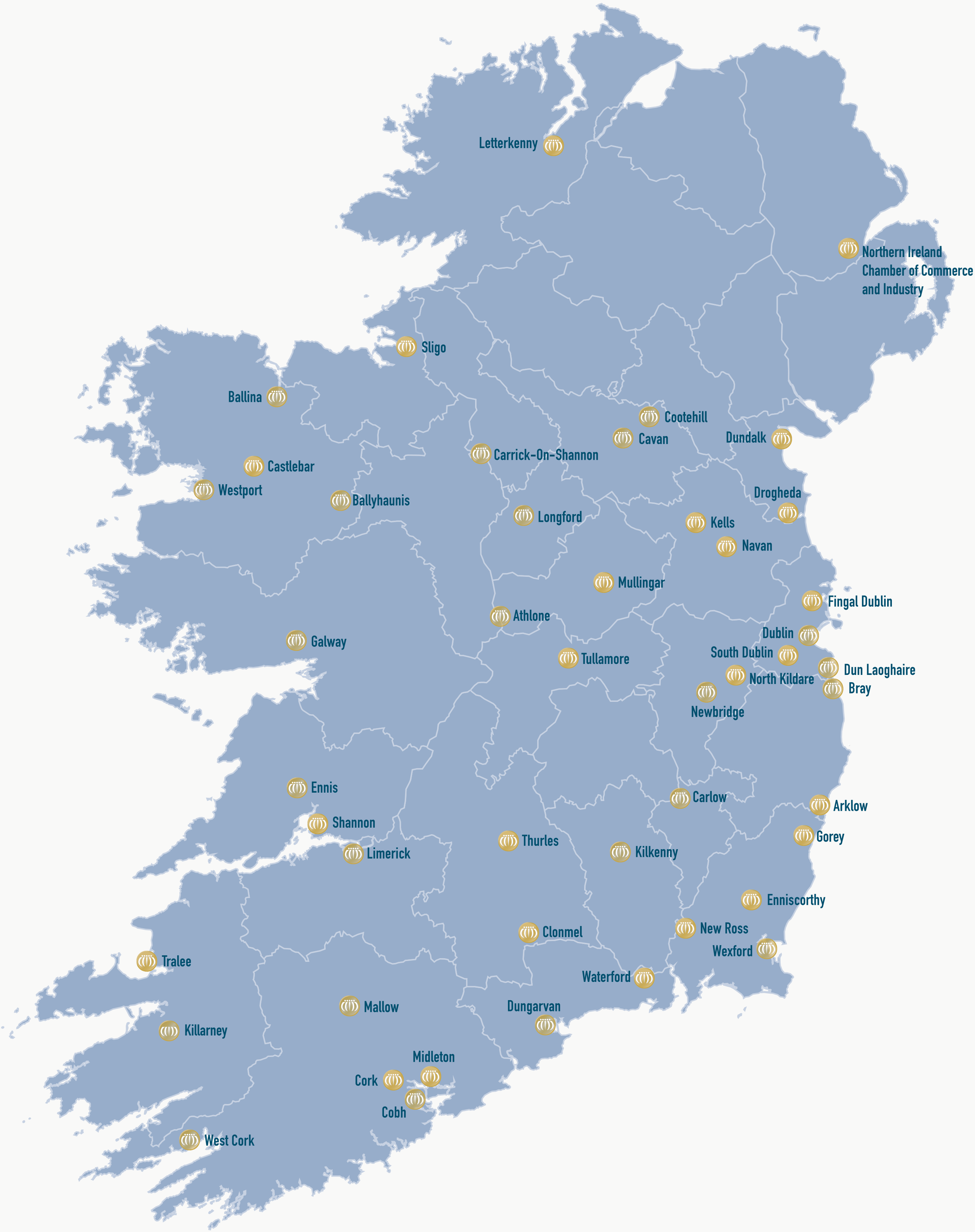
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Introduction

The context for consideration of the economic outlook for Ireland in Budget 2017 and beyond is, unfortunately, dominated by the uncertainties created by Brexit. Over recent years, Ireland's economy has experienced robust growth. However, it is now clear that we must prepare for some degree of negative impact stemming from external forces.

The direct impact of Brexit on our unique trading relationship with the UK and its impact on other economies globally must be taken into consideration in Budget 2017 and in Ireland's broader economic plans.

Even discounting the British referendum, our economy would still face many significant challenges to maintaining its growth trajectory and achieving full employment.

The nature of Ireland's small, open economy means that we remain vulnerable to global economic volatility and uncertainty. There is a real risk that even as the economy continues to grow, a loss of cost competitiveness and infrastructural deficits could obstruct our growth.

On a more positive note, our current strong economic growth figures do provide us with a window of opportunity to weather the worst of any global or UK economic downturn but we must focus the limited resources we have on preparing the economy for the future.

This submission is based on three pillars representing the areas that need greater investment to bolster our economy and maintain growth into the future.

Supporting growth: It is essential to ensure sustainable tax revenue streams for the future by broadening our tax base with user-based taxes and charges. Our taxation system should be simplified and must do more to support enterprise, encourage the self-employed and entrepreneurs to thrive and enable indigenous companies to create jobs and drive economic growth. We must strike a balance between the extremely progressive income tax system we already have versus one that is punitive and internationally uncompetitive.

Where we need to invest: Investment in infrastructure is needed not only to protect our ability to attract investment but also to ensure our indigenous economy can continue to grow.

It is vital that we address infrastructure funding in Budget 2017 and ensure that our infrastructure system is able to meet the needs of a modern economy in order to protect our ability to attract investment and to enable indigenous businesses to grow. Investment in our transport, broadband and water services are essential to meet the needs of our growing economy. Similarly, the economy will suffer if we do not tackle the housing crisis and create a properly functioning housing market.

Securing our future: Ireland's status as one of the most open economies in the world brings both opportunities and threats.

This means that we must implement long term policies to ensure our growth is sustainable. To secure our future in the long term we need to invest in childcare and education, while also meeting our international climate change commitments and securing the future of Ireland's pension provision.

While Brexit undoubtedly poses certain risks to our economy, we are currently in a strong position to prepare for this, while at the same time strengthening the ability of Irish businesses to compete at home and abroad. Budget 2017 is an opportunity for Ireland to refocus on strategically investing in key areas of our economy to ensure that we have the infrastructure necessary to support existing Irish business and to welcome new businesses to our shores. We must now take the opportunity to secure our future by making plans to invest in areas that will address our long term challenges for the benefit of all those living and working in Ireland.

Ian Talbot
Chief Executive Chambers Ireland

Summary of Recommendations

Supporting Growth

- Ensure equity in tax credits by ending discrimination in the taxation of the self-employed. Increase the Earned Income Tax Credit to €1,650 to match that of the PAYE worker in Budget 2017.
- A timeline should be set out to bring the USC for the self-employed earning over €100, 000 in line with that of PAYE workers.
- A reduction of the marginal tax rate to below 50% would provide a tax system that supports productivity and will help attract and maintain a skilled workforce.
- A further decrease of Capital Gains Tax rate to 10% and an increase to a €10million lifetime threshold.
- Self-employed and owner-directors should be able to avail of an opt-in social protection scheme to allow them access to social welfare should their business fail.
- Increase flexibility in the application of approved Employee Share Schemes.
- Reduce the liability for taxation for qualifying SMEs and their employees under Employee Share Schemes.
- The rate of 12.5% Corporate Tax must be maintained.
- Retain the 9% VAT rate for hospitality and tourism sector

Where We Need to Invest

HOUSING

- Establish a vacant site value tax which rises as the value of vacant land suitable for development rises.
- The recommendations of the Kenny Report on the compulsorily acquisition of building land by local authorities for a cost no more than 25 per cent above its zoned value should be implemented.
- The implementation of the "Vacant Site Levy" should be brought forward to 2017 and the 3% rate increased.

WATER

- A sustainable funding model for Irish Water must be agreed and implemented as soon as possible.
- The water funding model must include appropriate charges for both domestic as well as non-domestic users.
- Water consumption levels must be a factor in the calculation of any water charges.

TRANSPORT

- Restore funding in land transport to long run average rates for developed countries; additional capital funding should be front-loaded to ensure our transport network can cope with current demands.
- Enhance urban connectivity as a priority.
- Infrastructure spending on roads should prioritise steady state maintenance to protect against further depreciation of the network.

BROADBAND

- Prioritise and accelerate investment in the roll out of the National Broadband Plan to areas where there is a capacity to generate an economic activity amongst local businesses.
- Increase the current minimum goals of 30mpbs for downloads and 6mbps for uploads contained in the National Broadband Plan.

Securing our Future

DECARBONISING OUR ECONOMY

- Develop a package of non-fiscal behavioural incentives to support the uptake of low emission vehicles, including free tolls/use of bus lanes/free on-street parking while charging.
- Roll out appropriate fiscal incentives to support the uptake of EVs, and introduce financial incentives to promote retrofit and low carbon heating choices.
- Invest in the electrification of Ireland's heavy use public transport and licensed taxi fleet.

EDUCATION AND SKILLS

- Increase the provision of training targeted to the long-term unemployed and early school leavers
- The capital allocation to the Department of Education and Skills must be increased.
- Increase funding and subsidisation for flexible training and education courses. The National Training Fund should be refocused to provide flexible management training to support productivity in businesses, particularly SMEs.
- Ireland's apprenticeship programmes should receive the funding necessary to enable them to succeed and become a preferred option for school leavers in the longer term.

CHILDCARE

- Introduce subsidies conditional on educational quality standards being met.
- Develop a national policy to ensure the effective provision of accessible after-school care. This should involve using facilities of public schools.
- Provide direct subsidies to the providers of child and afterschool care in the form of capitation grants. These subsidies should be means tested based on household income.

PENSIONS

- Increase flexibility in regulations governing pensions to allow workers to gradually transition into full retirement.
- Implement incentives to encourage enrolment in private sector pensions; a subsidy rather than a tax relief may be more attractive to workers.
- Ensure that it is as administratively easy and cost effective as possible for SMEs and entrepreneurs to establish or participate in pension schemes.
- A sustainable system for the funding of public sector pensions must also be delivered.

BUDGET STABILISATION FUND

- Establish a budgetary stabilisation fund from general government revenue surpluses.

Chambers Ireland represents the largest network of businesses in the State.

Budget 2017 is an opportunity to invest in key areas of our economy.

Supporting Growth

Through our taxation system we have the ability to encourage entrepreneurs and innovators in creating jobs and strengthening the economy, but the Irish tax system needs to be made more equitable to the self-employed if we are to do this. Ireland has the most progressive tax system in the EU but with a very low entry point for the top rate of tax. We must ensure that we recognise the contributions made by entrepreneurs and job creators to our economy. Ireland needs to do more to foster a culture of entrepreneurship and support the Irish start up community, particularly since we may face increased competition for our high potential start-ups from the UK. We must also protect our attractiveness to inward investment and ensure that we maintain sovereignty in our taxation policy, while working with international partners to ensure fairness in international taxation.

Supporting Entrepreneurs

Ireland needs to be more encouraging of entrepreneurship and the growth of indigenous enterprises. One way to promote this is through a more supportive tax system for entrepreneurs. The tax system should ensure that innovators, investors and entrepreneurs are recognised as contributors to growth and are taxed fairly. Improvements to our tax regime have the potential to attract greater inward investment while also encouraging indigenous entrepreneurship.

We recommend:

Equity in Tax Credits

- The self-employed continue to be discriminated against in our taxation system through a lower Earned Income Tax Credit than the PAYE worker. We welcome the introduction of the Earned Income Tax Credit of €550 in Budget 2016 available to the self-employed and to business owner/managers who are ineligible for a PAYE credit on their salary income. We would like to see this credit increased to €1,650 to match that of the PAYE worker in Budget 2017.

Universal Social Charge

- Bring equity in USC rates for owner-directors and self-employed. 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. A timeline should be set out to bring the USC for the self-employed earning over €100, 000 in line with that of PAYE workers.

Marginal Tax Rate

- As Ireland's economy continues to grow we face increased challenges to our ability to attract the highly mobile executives and skilled workers needed to support this growth. Ireland's high marginal income tax rates are a significant factor undermining the attractiveness of the country as a place to work. A reduction of the marginal tax rate to below 50% would provide a tax system that supports productivity and will help attract and maintain a skilled workforce.

Capital Gains Tax

- The reduction in the Capital Gains tax to 20% in the disposal of a business was a positive step for entrepreneurs. However it is widely accepted that the threshold of €1 million was too low to be impactful. We would recommend a further decrease of this rate to 10% in Budget 2017 and an increase to a €10million lifetime threshold which would further encourage investors to invest in Irish enterprises.

Social protection for owner-directors/self-employed

- We welcome indications from the Department of Social Protection that the benefits available to the self-employed after payment of PRSI contributions will be expanded. At present, there is a significant variation between the social benefits available to the self-employed paying Class S PRSI and to employees. The self-employed and owner-directors should be able to avail of an opt-in social protection scheme to allow them access to social welfare should their business fail. Providing a wider opt-in PRSI scheme for the self-employed will create a more supportive tax environment for entrepreneurs and job creators in the event of business failure or an illness that prevents them from working.

Retain the 9% VAT Rate

- The introduction of the reduced rate of VAT for the hospitality and tourism sector has helped to support employment and improve the competitiveness of the sector. The accommodation and food sector will come under pressure due to sterling volatility and reduced tourist numbers following Brexit. An increase of this VAT rate could have a negative impact on the ability of the sector to create further employment and on the retention of current staff. This could potentially have a disproportionate effect on regional employment numbers. We are calling for the retention of the reduced VAT rate of 9% for those operating in the hospitality and tourism sector and a commitment to maintain this rate for the future.

Support Employee Share Ownership

The Irish economy suffered a significant reduction in international competitiveness during the boom period as wage increases outstripped productivity increases across the economy. This ultimately resulted in decreased export levels. Ireland again faces the prospect of increasing wage demands eroding our international competitiveness. We must ensure that wage rates are not decoupled from productivity levels. Encouraging the uptake of employee share ownership schemes is one means of maintaining a direct link between firm productivity and remuneration.

According to the European Commission's 2014 study on Employee Ownership and Participation[1], employee financial participation leads to higher productivity and, therefore, higher competitiveness and growth, as well as strategic stabilisation of ownership. The study also highlights that at company level schemes such as Employee Share Ownership Schemes (ESSs) contribute to solving problems such as absenteeism, labour turnover and the retention of key employees as well as business succession and funding, especially for SMEs and micro-enterprises.

We recommend:

- The mandatory application of such schemes to all employees makes them less attractive for employers who may wish to recognise and support productivity within certain business operations or high performing teams. We believe that increased flexibility in the application of approved shares should be considered.
- The current tax treatment of employee share options makes them unattractive to employees. The fact that the liability for income tax, PRSI and USC arises upon exercising of the option requires employees to have immediate access to cash in order to meet this liability in advance of any potential income from the sale of shares. If and when shares are eventually sold by an employee, they are then liable for CGT. We believe that for qualifying SMEs and their employees there should be no liability for taxation when an employee exercises their option at market value, and that any profits upon disposal should then only be liable for CGT.

1 http://ec.europa.eu/internal_market/company/docs/modern/141028-study-for-dg-markt_en.pdf

Corporate Taxation and Transparency

Events in recent years have brought renewed focus on international corporate tax structures. Ireland's clear and transparent corporate tax system and corporate tax rate of 12.5% have been a contributing factor for multinationals choosing to locate operations here. Chambers Ireland has welcomed the recommendations in the OECD Base Erosion and Profit Shifting Report on reforming the international tax system to tackle avoidance. We need clear international solutions to tackle the gaps and mismatches in existing international tax rules and we must avoid uncertainty in the system for multinationals on the future of international tax structures. We consider tax authorities of sovereign governments to be the most appropriate authorities to process complex and confidential data relating to a company's tax returns. We also believe that steps to reform international tax frameworks must be taken multilaterally rather than by individual countries or blocs.

We recommend:

- The rate of 12.5% Corporate Tax must be maintained to ensure Ireland remains an attractive destination internationally and to secure continued inward investment.
- Ireland must continue to show leadership as OECD countries cooperate in redesigning international tax structures to combat aggressive tax planning.
- EU Member States must retain their tax sovereignty in order to develop the tax policies that are most appropriate to their requirements. The ability to formulate tax policy and decide on rates independently is a crucial component of Member States' ability to develop their economic and social policies.

Where We Need to Invest

A lack of investment in Ireland's infrastructure since the start of the economic downturn has led to serious deterioration of the existing infrastructure stock. At the same time, demographic changes are placing ever greater pressure on our infrastructure system and new infrastructural needs are emerging. We believe that there are four key areas of infrastructure that urgently require investment. These are; Housing, Water, Transport and Broadband.

Where We Need to Invest

Ireland needs greater levels of investment in capital infrastructure. The projected levels of public capital expenditure laid out in the Stability Programme Update 2016 remain low by historical and international standards according to the Irish Fiscal Advisory Council.[2] While we recognise the commitment to provide an additional €5.1 billion in capital funding over the period 2017 to 2021, this will still leave Ireland with one of the lowest levels of infrastructure investment in the EU. It is also worth noting that given average deprecation costs of around 2.1% of GNP, there is very little scope for new capital projects.

The National Competitiveness Council recently highlighted that infrastructural bottlenecks now have the potential to undermine Ireland's competitiveness[3]. Substantial and sustained capital investment is needed for Ireland to maintain economic growth in the long run.

Along with increased capital expenditure, we must ensure that infrastructure projects are based on robust analysis of future business and population needs and avoid the short-termism and policy instability which politically motivated projects often produce. Chambers Ireland has previously called for the creation of National Infrastructure Commission[4] to independently assess and prioritise infrastructure projects of strategic importance and we again reiterate the need for such a body in conjunction with increased investment in infrastructure.

2 http://www.fiscalcouncil.ie/wp-content/uploads/2012/01/FAR_Draft_08.06.16_Website_Final.pdf
3 http://www.competitiveness.ie/Publications/2016/Cost-of-Doing-Business-2016.pdf
4 http://www.chambers.ie/assets/media/Downloads/Publications/Vision%202021%20FINAL.pdf

Housing and Active Land Management

The housing crisis is one of the biggest socio-economic challenges in Ireland's recent history. Chambers Ireland welcomes the recently published Housing Action Plan and its commitment of €5.35bn of investment in housing over the coming years. The lack of suitable housing is threatening Ireland's overall economic performance and it is essential that we see an increase in affordable housing as soon as possible. The rising cost of housing in urban areas is driving higher wage demands, and making it difficult for companies to find accommodation for their employees, particularly hindering FDI. The domestic economy is being impacted as the consumer spending necessary to support the domestic demand is curtailed as households divert a disproportionate percentage of their income towards accommodation costs. Ireland needs to rapidly increase the construction of the right mix of accommodation, in the right locations, and at the right price. This can only be done through a mix of increased private and social housing construction. While the Housing Action Plan sets forth many policy proposals in a bid to increase housing supply and stimulate private sector investment in housing, we must also be aware that our taxation system can be a vital tool in incentivising appropriate housing supply. Further to the points of the Action Plan, Chambers Ireland would like to see the points below introduced to increase the supply of land and housing on the market.

We recommend:

- Establish a vacant land tax that is calculated based on land value. As the market value of an undeveloped parcel of land increases, the rate of tax that applies on its disposal increases, thus encouraging a "use-it-or-lose-it" approach to land ownership. This incentivises the release of development land when the market needs it.

- The recommendation contained in the Kenny Report that land suitable for building may be compulsorily acquired by local authorities for a cost no more than 25 per cent above its zoned value should again be considered given the rapidly increasing prices of building land.
- The implementation of the "Vacant Site Levy" should be brought forward to 2017 and the 3% rate reconsidered. The rate of 3% of the market value of the vacant site is too low to incentivise bringing the land to market as annual land value increase are currently running in excess of this rate.

Water

Inadequate investment and management over decades has meant that Ireland's water infrastructure is desperately in need of upgrade and repair. High leakage rates, varying water quality standards and ongoing disruptions to water supply are all issues which need to be addressed in the short term. Bringing our water infrastructure up to the necessary standards of a developed country will require a single utility to manage the water network, large-scale capital investments, and an ongoing revenue stream to operate and maintain the infrastructure. Chambers Ireland is firmly of the view that water charges are an absolute necessity. Water services provision must be funded by both businesses and households and domestic water charges must form part of any long term, sustainable funding model.

We recommend:

- A sustainable funding model for Irish Water must be agreed and implemented as soon as possible to allow for urgent investment in our water network.
- This funding model must include appropriate charges for both domestic as well as non-domestic users. Business and households must pay their fair share.
- In order to support resource sustainability and the principle of equity, water consumption levels must be a factor in the calculation of any water charges.

Transport

Good transport links enable regional networks to develop, and give businesses better options and opportunities for trade. Without increased investment in transport we risk undermining our ability to support economic growth, as well as damaging our national competitiveness. Recent years have seen reduced levels of investment in road transport[5] and we have been allowing our infrastructure to depreciate through this lack of investment. Our tourism industry, imports and exports, and our ability to attract FDI are all compromised if our transport networks cannot deal with increasing demand.

We recommend:

- We recognise the necessity to prioritise the funding for steady state maintenance of our road infrastructure which will prevent the network from depreciating further.
- Enhanced urban connectivity should be delivered as a priority. As Ireland's economic hubs continue to grow, so too must the connectivity within and between them.
- We support the goal to restore funding in land transport to long run average rates for developed countries; but given the severe underfunding in recent years, we would like to see additional capital funding being front loaded to ensure our transport network can cope with current demands.

Broadband

We cannot expect businesses to grow and thrive in Ireland if we do not provide them with the same opportunities to connect and trade online. Next-Generation Broadband provision is needed for Irish businesses to expand their trade internationally and to increase online service provision and e-commerce opportunities, as well as to facilitate FDI. A significant digital divide currently exists between urban and rural areas. Accelerated investment is required across the country to reduce this divide and to enable Irish SMEs to compete on a level playing field.

We recommend:

- The Government must prioritise investment in roll out of the National Broadband plan to areas where there is a capacity to generate an economic activity amongst local businesses.
- Chambers Ireland is of the view that download and upload speeds should take into account the future needs of businesses, and the current minimum goals of 30mpbs for downloads and 6mbps for uploads should be increased to reflect the pace of development in this sphere.

5 https://data.oecd.org/transport/infrastructure-investment.htm#indicator-chart

Securing Our Future

In order to ensure that Ireland experiences continued economic growth and strengthened social wellbeing we must ensure that investment also reaches areas where the economic returns may not be immediate, but which will have serious implications for the country if they are not addressed urgently.

The de-carbonisation of Ireland's economy, investment in our young people, along with pension requirements and budget stability are issues which will have consequences for Ireland well into the future if actions are not taken now.

De-Carbonising Our Economy

The COP21 Paris Agreement of 2015 will have a significant impact on the policy decisions Ireland will make in the years and decades to come as we are obliged to move to a more decarbonised economy. Many issues will need to be addressed, from how we generate our electricity and how we store it, to how we build our infrastructure, operate our transport system and heat our homes and workplaces. Business will also need to play its part by working with Government to support innovation and investment in low-carbon technologies.

These obligations also have financial consequences as the current legal position is that the Exchequer will be obliged to pay for compliance or, failing that, fines if agriculture and other non-ETS GHG emissions are not reduced. Additionally, should we fail to meet our 2020 renewable targets under EU legislation, the State will need to pay for compliance or be threatened with EU fines in the region of €100million to €150 million for each percentage point short of the overall 16% economy wide target.[6] Given this risk of significant financial penalties, the rapid transition to a low carbon economy is not a choice, but a necessity.

Under EU obligations, Ireland must decarbonise its road transport sector to achieve emissions reduction targets. Government must take steps to decarbonise our transport sector and increase the take-up of low carbon modes of transport such as electric vehicles.

Likewise, removing carbon emissions from our built environment will require that the deep retrofit of our building stock including insulation measures and a move to lower carbon heat sources such as heat pumps or biomass.

We recommend:

- Government must commit to developing a package of non-fiscal behavioural incentives to support the uptake of low emission vehicles that can be rolled out, including free tolls/use of bus lanes/free on-street parking while charging.
- Government must also roll out appropriate fiscal incentives to support the uptake of EVs, including reduced Benefit in Kind taxation and zero motor tax for zero emission capable vehicles. Similarly financial incentives should promote retrofit and low carbon heating choices.
- Government must invest in the electrification of Ireland's heavy use public transport and licensed taxi fleet.
- Government should set a plan for the phase out of oil boilers in concert with measures to facilitate consumers and businesses to move to low carbon heating solutions

6 https://www.seai.ie/Publications/Statistics_Publications/Energy_Modelling_Group_Publications/Ireland%E2%80%99s-Energy-Targets-Progress-Ambition-and-Impacts.pdf

Education and Skills

Ireland is recognised as having a world class education system and a highly educated population. Recent years have seen the introduction of many positive changes to our education and training system; however our economy still has significant skills gaps which risk impeding growth and future job creation. The current skills mismatches and gaps must be addressed as a priority, while also ensuring that the skills needs of the future will be met.

Additionally, our education system is facing demographic challenges across all levels of education. According the figures published by the Department of Education, the upward trend of previous years in numbers of learners at all levels of the education system will continue for the period 2015 to 2017 and beyond. Pupil numbers in primary schools are projected to increase by 25,000 between 2015 and 2018 to 569,000. Projections for second level are for an increase of 12,000 pupils over the same three year period to 350,000.[7] At third level, numbers of full time students will increase by almost 9,000 over the next three years to 174,000 and will continue to increase until at least 2028. This occurs in parallel to the ongoing underfunding of third level education. Since 2008 the higher education capital budget has been reduced by 85% while student numbers have increased by 25%. Similarly, the expansion and delivery of ambitious targets for increased numbers participating in apprenticeship programmes will need substantial funding.

We recommend:

- We must increase the provision of training targeted to the long-term unemployed and early school leavers in order to increase overall employment levels and negate the risk of entrenched unemployment. This will help address the high incidence of jobless households in Ireland.
- Educational facilities have deteriorated considerably and have not kept pace with the specifications required for education in hi-tech and innovative disciplines. The capital allocation to the Department of Education and Skills must address the issue of investment in educational facilities to cater for increasing student numbers, a growing diversity of learning modes and upgrade of equipment within laboratories.
- Funding and subsidisation for flexible training and education courses should be increased to allow for the ongoing professional development of those in the workforce. Lifelong learning must be supported in order to enhance the productivity of our enterprises. The National Training Fund should be refocused in light of decreasing unemployment figures to provide flexible management training to support productivity in businesses, particularly SMEs.
- It is imperative that Ireland's apprenticeship programmes receive the funding necessary to enable them to succeed and become a preferred option for school leavers in the longer term. 50,000 places by 2020 is an ambitious target, but supporting this strategy will pay dividends into the future.

7 PQ reply [252] to Deputy Carol Nolan form Minister for Education Richard Bruton on the 8/6/2016 available at http://oireachtasdebates.oireachtas.ie/debates%20authoring/debateswebpack.nsf/(indexlookupdail)/20160608~WRN?opendocument#WRN01100

Childcare

A lack of affordable child and afterschool care remains a major issue for the Irish economy. Access to affordable childcare services has positive implications for female labour market participation, the well-being of children, the gender-pay gap, and Government revenues due to higher labour force participation rates.

In our Pre-Budget Submission 2016, we recommended that Government should make childcare affordable by introducing direct public subvention in the long-term and reforming the ECCE scheme in the short-term. We welcomed Government's commitment to extending the ECCE model to cover a second year. We also welcomed the pledges in the Programme for Government 2016 to review and assess both the cost and quality of the childcare sector. However, we are of the view that more detailed plans and financial commitments need to be put in place to ensure that childcare is properly financed in the long-term.

We recommend:

- There must be greater emphasis on the quality of childcare. Government should focus on educational quality levels within the childcare sector and make subsidies conditional upon educational quality standards being met.
- Lack of access to after-school services for children needs to be addressed. We would like to see a national policy developed to ensure the effective provision of accessible after-school care. This should involve using facilities of public schools.
- We recommend that Government provide direct subsidies to the providers of child and afterschool care in the form of capitation grants. These subsidies should be based on household income.

Pensions

One of the biggest risks to the future prosperity of our citizens is a lack of adequate pension provision amongst private sector workers. Recent studies predict that current contributions to the State pension fund will not be sufficient to pay the levels of benefits necessary for an adequate standard of living for future retirees. Figures released by the Central Statistics Office in May 2016 show that the number of workers who had a pension in the fourth quarter of 2015 fell to 46.7% compared with 51.2% in the same quarter in 2009. Additionally, the proportion of workers who expected the state pension to be their main source of income rose from 26% in 2009 to 36% in 2015.[8] When public sector and semi-state workers are excluded, the proportion of private sector workers belonging to a pension scheme falls to 33% when compared with 37% in 2009. This reduction in the proportion of workers belonging to pension schemes comes at a time when the number of over 65s in Ireland is expected to grow significantly. The CSO is projecting that the number of people aged between 20 and 64 will increase by only 6pc to 2.96 million by 2046 but that the number of over-65s will almost treble to 1.41 million.[9] Unless action is taken now, we will be unable to fund our future pension requirements.

We Recommend:

- Regulations governing pensions must be made flexible to allow workers to gradually transition into full retirement allowing part time work or job sharing.
- Incentives should be implemented to encourage enrolment in private sector pensions; a subsidy rather than a tax relief may be more attractive to workers.
- The Government must ensure that it is as administratively easy and cost effective as possible for SMEs and entrepreneurs to establish or participate in pension schemes.
- Recognising that the current system is inadequate, a sustainable system for the funding of public sector pensions must be delivered

8 http://www.cso.ie/en/releasesandpublications/er/q-penp/qnhsmoduleonpensionsq42015/
9 http://www.cso.ie/en/releasesandpublications/er/q-penp/qnhsmoduleonpensionsq42015/

Budget Stabilisation Fund

A Budget Stabilisation Fund can help protect Ireland's economy from the volatility of the economic cycle and can stabilize expenditure and investment at times of uneven tax revenues. Many countries have successfully established Budget Stabilisation Funds that provide a financial buffer during economic downturns. As a small open economy, Ireland is particularly vulnerable to shifts in international trading conditions. Therefore to allow for effective future planning and to support the stability of state revenue and expenditure a national Budgetary Stabilisation Fund should be created from any future surpluses of Government revenue.

We recommend:

- Establish a budgetary stabilisation fund from general government revenue surpluses to allow for ongoing Government capital investment during downturns and help smooth national income and expenditure profiles.

Budget 2017 Chambers Ireland Budget 2017 Submission

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