BUDGET 2021
ASSESSMENT OF KEY MEASURES

Macroeconomic Context

- Uncertainty is a major challenge. Business confidence in Ireland stood at -58 points in Q2, up from -77 in Q1 but still among the lowest in Europe. Efforts to contain the increasing spread of COVID-19 are impacting on the ability of the economy to operate at full capacity, with both national and regional curtailments in economic activity.

- GDP fell by 6.1% in Q2 from Q1, and 3% below its level in Q2 2019. The European Commission's summer forecast noted that Ireland's GDP is projected to contract by at least 8.5% in 2020, but the Government says it expects a 2.5% decline for the year as a whole, with domestic demand falling by 6%.

- Unemployment is approximately is expected to decline to just over 12% in Q4 of this year, with an annual average of just under 16%. A total loss of 320,000 jobs is forecast in 2020, with this recovering by approximately 155,000 jobs next year.

- Next year, the projection is for a GDP growth rate of 1.75%, while 10.25% unemployment is projected. 2019 growth levels are not expected to return until 2022 at the earliest.

- Budget 2021 framed on the basis of a no-deal Brexit and no broadly available vaccine for Covid-19.

DUBLIN CHAMBER

Supporting Businesses through the Covid-19 Crisis

Announcement

- Extension of the Employment Wage Subsidy Scheme through 2021, should it be required.
- Extension of commercial rates holiday into Q4 2021.
- VAT rate reduction from 13.5% to 9% from 1 November 2020, in recognition of the unprecedented challenges facing the Hospitality and Tourism sector.
- Tax warehousing will be extended to include repayments of TWSS owed by employers and preliminary tax obligations for adversely affected self-assessed taxpayers. Debt warehousing provisions to be extended to include the 2019 balance and 2020 preliminary tax to allow self-employed taxpayers to defer payment for a year with no interest applying; 3% will apply thereafter with no surcharge.
- New COVID-19 Restrictions Support Scheme (CRSS), will offer a targeted, timely and temporary sector-specific support to businesses forced to close or trade at significantly reduced levels as a result of restrictions imposed on them in response to COVID-19 (see next slide for details).

Dublin Chamber reaction

- Business confidence has been low in Ireland due to uncertainty about the future outlook, but the Covid-19 support measures announced on 13th October will provide valuable relief and reassurance to the business community.
- The EWSS extension is particularly welcome, as businesses feared a cliff-edge at the end of Q1 2021, but it should be noted that the scheme may be amended next year so the breadth and quantum of support may vary during the year. Extended tax warehousing will also provide important relief.
- Support for Local Authority finances to meet the cost of a further rates waiver is also welcome.
- The VAT reduction will be welcomed by the tourism and hospitality sector and should be helpful in combination with the CRSS.

COVID-19 RESTRICTIONS SUPPORT SCHEME

Announcement

- Grant scheme for businesses prohibited from operating or only able to trade at significantly reduced levels as a result of restrictions imposed in response to Covid-19. Will generally apply when Level 3 or higher restrictions are imposed.
- Qualifying businesses can apply to Revenue for a cash payment, representing an advance credit for trading expenses that are deductible for income and/or corporation tax purposes ("ACTE") for the period of restrictions resulting in operations being prohibited / reduction in activities, effective from 13 October.
- Payments will be calculated (through self-assessment) on the basis of 10% of the first €1m in turnover and 5% thereafter, based on average VAT exclusive turnover for 2019, subject to a maximum weekly payment of €5,000.
- It will be brought into effect by Finance Bill 2020 and run from Budget day until 31 March 2021.

Dublin Chamber Reaction

- The CRSS represents the most important new support measure introduced in Budget 2021 for businesses in the sectors most impacted by Covid-19 restrictions.
- This should help to alleviate the challenges which particularly face those in the tourism and hospitality sector heading into the winter season.
- Businesses are advised to await Revenue guidance to see whether they qualify.

DUBLIN CHAMBER

Investing in Irish Enterprise

Announcement

- No change to the 33% CGT rate or relief for investments in unlisted SMEs.
- Entrepreneur Relief from CGT now available to those who have been 5% shareholders for any continuous 3 year period.
- €30m in initial funding for a new equity fund for domestic innovation-driven enterprises, with matching funding to be sought from European Investment Bank, European Investment Fund, etc.
- Commitment to review EIIS this year 'in light of the impact of the current crisis'.
- Earned Income Tax Credit for the self-employed to be increased to the PAYE equivalent of €1650, which combined with ability of self-employed taxpayers to warehouse their 2020 preliminary tax liability will bring further relief.

Dublin Chamber reaction

- Failure to change CGT or introduce a version of the UK's 'Investor Relief' scheme is the major missed opportunity of Budget 2021. However, the amendment to Entrepreneur Relief and commitment to review EIIS are positive.
- The promised equity fund is welcome, but will likely take time to be effective and must be complemented by measures to stimulate private investment.
- The Chamber has long campaigned for tax equity for the self-employed and welcomes the increase to the earned income tax credit.

DUBLIN CHAMBER

Supporting Employees
&
Improving the Labour Market

SUPPORTING EMPLOYEES & IMPROVING THE LABOUR MARKET

Announcement

- €132m in additional funding for the National Broadband Plan.
- Revenue Commissioners has confirmed that the cost of broadband may be included in a tax rebate claim for utility expenses as part of home working. Details will be set out in the Revenue guidance.
- €200m for training, skills development, work placement schemes, recruitment subsidies and job search and assistance measures to include 10,000 upskilling and reskilling opportunities through SOLAS and Skillnet Ireland.

Dublin Chamber reaction

- Continued investment in broadband is essential to support remote and flexible working.
- Revenue guidance on broadband costs is welcome but further support may be needed to support home working as advised in the Dublin Chamber pre-budget submission.
- Skills development will be critical to minimise the long-term economic scarring effects of the current crisis on the labour market, so the funding in this area is very welcome.
- The lack of a major increase in support for affordable childcare will come as a disappointment as this is an obstacle to labour market participation, impacting on women in particular.

DUBLIN CHAMBER

Accelerating the Transition to a Sustainable Economy

GREEN ECONOMY MEASURES

Announcement

- Carbon tax to rise €7.50 to €33.50 per tonne. This will apply to auto fuels from Budget day and all other fuels from 1 May 2021. Carbon tax will rise each year by €7.50 up to 2029 and by €6.50 in 2030 to achieve €100 per tonne.
- Revenue from the CT increase to go towards the National Retrofit programme and Just Transition measures. Revenue to be ring-fenced; €100m allocated for residential and community energy efficiency, a 80% increase on the 2020 funding. Funds will also be allocated to urban cycling and active travel.
- 1,500 courses to be provided in retrofitting as part of the 10,000 upskilling and reskilling courses announced.
- €2 million for an education campaign on waste and the circular economy. €38 million capital funding for energy efficiency and renewable projects.
- EVs to be procured as part of the implementation of Green Public Procurement.

Dublin Chamber reaction

- Dublin Chamber welcomes the ring-fencing of carbon tax revenue to fund investment in transition measures. The clear schedule of planned increases to carbon tax is important to help businesses plan ahead.
- Re-skilling Irish workers for the green economy has been a key ask from the Chamber as it will be important to prepare the labour force for the future.
- The Chamber has been an early champion of both Green Public Procurement and the promotion of circular economy policies by Government, so we particularly welcome the progress here.

SUSTAINABLE INFRASTRUCTURE & HOUSING

Announcement

- Expenditure on core capital programmes to increase by €1.6 billion next year.
- Capital expenditure will increase to €10.1 billion.
- Over €3.3 billion has been allocated for capital investment in land transport, including progressing major public transport projects outlined in Project 2040, such as MetroLink, the DART Expansion Programme, and the BusConnects Programme.
- €150 million is being provided for the Urban and Regeneration Development Fund in 2021.

Dublin Chamber reaction

- Dublin Chamber has long made the case for greater infrastructure investment, and warned that cutting capital programmes during times of fiscal pressure is counter-productive.
- Our submission argued for increased capital investment, prioritising sustainable infrastructure projects in the Greater Dublin Area, both to act as a stimulus and to avoid Ireland losing competitiveness in the years ahead.
- The capital envelope of €10.1 billion is the largest ever that has been allocated to investment in public transport, homes, and schools, and is very welcome, as is the continued commitment to projects like DART expansion, MetroLink, and BusConnects.

What's next?

DUBLIN CHAMBER

Finance Bill 2020

- The Finance Bill 2020 is scheduled to be published on 22 October, and will be debated in the following weeks before being signed into law in December. Revenue to publish guidance on CRSS.

National Economic Plan

- A new National Economic Plan has been promised for publication within about a month of Budget 2021 outlining the Government's intentions for the recovery of the economy from Covid-19 and a possible disorderly Brexit.
- Dublin Chamber will be campaigning for further measures to support business as part of this recovery plan, including efforts to improve equity investment in the domestic economy.

Review of the Capital Plan

- The National Development Plan, the Government's programme of capital investment which currently runs to 2027, will be reviewed before the end of the year. The revised plan will run to 2030, allowing for the inclusion of new infrastructure projects.
- Dublin Chamber will be lobbying for prioritisation of infrastructure projects in the Greater Dublin Area, with a particular focus on public transport, cycling infrastructure, water, and energy.

Contact Dublin Chamber’s policy team with your business feedback by emailing:

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