Activating Dublin: Responding to COVID-19

13th May 2020

COVID-19 has caused an unprecedented shock to the global economy, increasing risk and uncertainty. The future of the Dublin metropolitan region, as the driver of the Irish economy and accounting for half of economic output, is balanced on the decisions of the next Government. Equally, business has its part to play in helping to reactivate and reinvigorate the city region. We can envisage a city, not as it was, but as a better place for people to work, live and visit. In the reboot post-crisis, there is a truly unique opportunity to reset the economy for a more environmentally sustainable, economically resilient, and more modern and innovative work environment than would ever have been thought possible. We envisage a city that is globally renowned for its quality of life and economic vibrancy. And, working with Government, we can activate Dublin to achieve this vision.

This paper takes stock of the current state of the economy, makes recommendations to support the business community in getting back up and running, and looks to the future with ambition. **Section A** of this report provides a fiscal context for the Covid-19 pandemic. In **Section B**, we detail the measures required by businesses, particularly in relation to liquidity and debt, and the Government supports and policies that need to be put in place. In **Section C**, we illustrate how the Government can take advantage of the crisis to make the bold policy changes and investments required to activate Dublin.

SECTION A

1. Fiscal Context

Ireland now faces into its second recession in two decades. More than 1 million people out of a workforce of 2.4 million are now directly reliant on the State for support. Beirne et al. (2020) estimate the fall in direct tax revenue and associated higher welfare expenditure at about €800 million each quarter for every 100,000 jobs lost, excluding the impact on indirect, profit, and capital tax revenues.

A surplus of 0.7% of GDP was originally expected for 2020, or just over €2 billion. This estimate has been revised as a central scenario by the Department of Finance to be a deficit of about 7.5% of GDP, or €23 billion. If the deficit extends by another quarter or more, it will rise to €30 billion, transferring directly onto an already high General Government Deficit or National Debt. This debt burden is better expressed in terms of debt servicing costs, which depend on both the amount of the National Debt and the interest rate paid. As interest rates are low, the cost of the servicing the debt as a proportion of Government Expenditure is much lower than in the 1980s, for example.

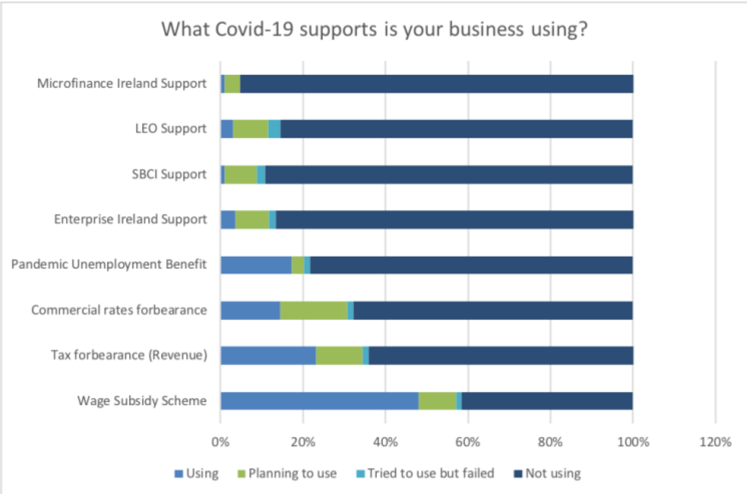
Refinancing of debt by the NTMA generates savings for the Exchequer, as the money is refinanced on better terms. In a recent paper for PublicPolicy.ie, Donal De Buitléir notes that "If the maturing bonds were replaced at an average interest rate of 2 per cent (a conservative assumption) the saving would amount to €460 million a year. This saving would finance €30 billion of borrowing at an interest rate of 1.53%." He concludes "the costs of the additional borrowing necessitated by the crisis are affordable. Notwithstanding this, it is desirable that additional borrowing has extended maturity dates and that the funds are spent in a targeted and efficient way."

We should not necessarily let concerns over the National Debt, then, prohibit the further development of measures to support viable businesses to survive the crisis. We know from previous crises that a firm's chance of survival is greatly enhanced with a clean balance sheet. Writing off or wavering tax liabilities for affected firms might be the simplest way to restart these companies. In future years, however, normal budgeting processes apply and tax revenues will have to match expenditure. With generally high capital, income, and indirect taxes already in place and carbon tax increases flagged for the years ahead, further tax increases will be difficult for the economy to bear. Labour taxes, for example, including income tax and USC raise about 40% of all tax revenues and are already highly progressive, with the highest tax burden borne by those on middle to high incomes.

SECTION B

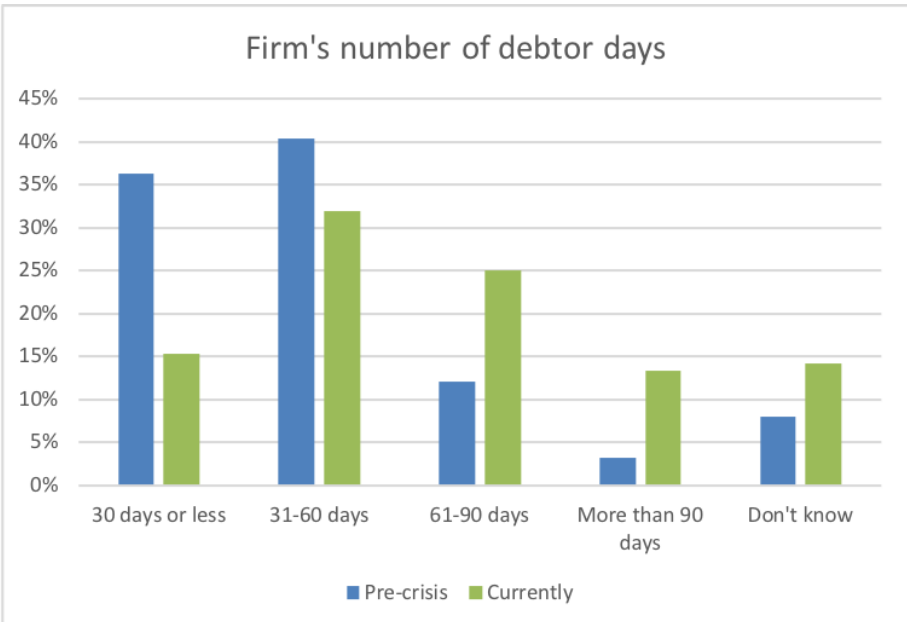
1. Impact on Business

Dublin Chamber analysed the evolution of the impact of the coronavirus epidemic on the Dublin economy in a series of surveys between 9th and 25th March. The proportion of firms declaring an impact on their turnover doubled over the period to just over 80%. All respondents in the Accommodation and Food Service sector indicated a decline in revenue. The coronavirus impacted on business in a number of ways, largely through reduced revenues and cash flow.

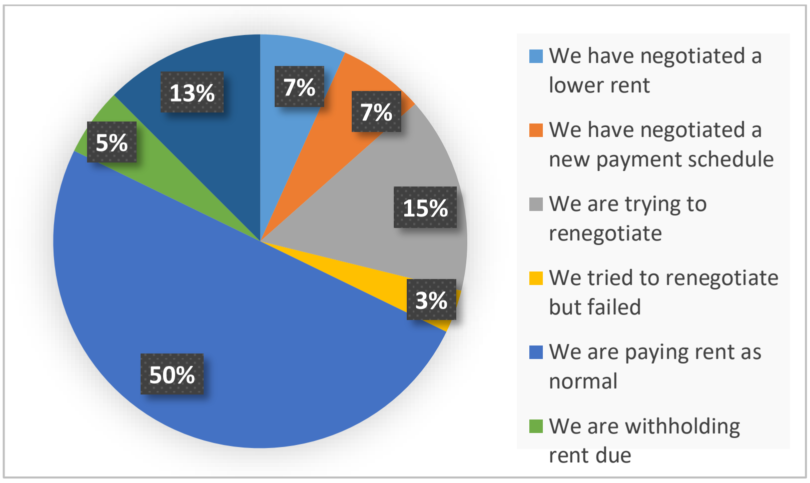


Our latest survey shows how businesses are working hard to manage and reduce their cost base. Almost half of businesses who participated in the survey are availing of the Temporary Wage Subsidy Scheme and a further 17% report use of the Pandemic Unemployment Benefit. A total of 14% and 23% of companies have availed of the Commercial Rates forbearance and Tax forbearance measures respectively, with an additional 27% of companies planning to use these measures in the future. Only 11% of firms experienced problems accessing Covid-19 supports from Government. The most commonly cited problems related to company-specific issues regarding the Temporary Wage Subsidy Scheme, lack of clarity from Revenue, and the complexity of applying for some of the supports. In the current business environment, the phrase 'Cash is King' is mentioned frequently. Cash flow and reduced revenues emerged as pressing issues in our previous surveys, and following on that trend the level of business preparedness in terms of cash reserves varies considerably. Just over 30%, almost a third of businesses, have less than 3 months cash reserves. This compares with almost 22% of companies who have more than 12 months of cash reserves.

The cash problem is reinforced by the increase in the time it is taking for companies to receive payment from clients. Just over one third of firms (36%) made their payments within 30 days pre crisis; this number has fallen by half. Pre-crisis over 75% of companies received payments within 60 days, this has now reduced to 45%.



Companies are seeking to reduce costs. Over 72% of companies surveyed are commercial tenants, with only 50% of them currently paying rent as normal. Many companies are seeking to negotiate with their landlords to agree a lower rent or a new payment schedule, with only 14% being successful so far. Worryingly, 3% of companies who tried to renegotiate with their landlord have failed.



2. The Scale of the Problem for Business: Liquidity, Debt and Demand

There are three broad problems facing firms who were performing well pre-crisis but whose revenues have fallen due to Covid-19. These are liquidity, debt facilities and constraints, and overall demand.

Liquidity

Liquidity is the most immediate issue for firms of all sizes, not just SMEs. The prospects for renewed growth are uncertain and dependent on the confidence of consumers and firms to renew spending. Even if a firm is shut, costs are mounting, adding to its overall debt. Whilst the metaphor of putting firms into some sort of "deep freeze" is a colourful one, firms that are shut with no incoming revenue continue to face bills from suppliers, utilities, commercial rents and potentially salaries. The Temporary Wage Subsidy Scheme is welcome, reducing labour costs, but other costs are mounting, even if they can be deferred. Commercial rates, as well as labour tax and VAT liabilities, can be deferred, but they continue to add debt to the balance sheet. The first corporation tax payments for 2019 are due in June. Meanwhile, payment cycles have stretched out far beyond previous norms, as companies seek to hold on to their cash as a source of competitive advantage.

Debt

Firms that can do so may seek to increase their liquidity by increasing their overdraft facility, debt restructuring, or taking on more long term debt. For these firms, which have not already “maxed out” their debt, improvements to the various loan facilities and debt write-offs are appropriate. The banking sector’s extension of payment deferrals from three to six months is a very welcome and necessary measure in this context.

The Central Bank has already released an additional c. €940 million in capital to the Irish banking sector, which will in turn support an additional €13 billion-€16 billion of lending. More recently, the European Commission issued a banking package to further free up bank balance sheets to offer more business loans, alleviate liquidity shortages, and reduce the risk of insolvency of SMEs. The Strategic Bank Corporation of Ireland (SBCI), Enterprise Ireland and Microfinance Ireland provide a range of loan schemes to qualifying firms. Many such loans are 3-5 years, offer low or no payments in the initial years, with the balance falling due in subsequent years.

Since the 2008 recession, many firms have sought to fund future expansion from their reserves. This partly reflects the lessons from that period in terms of concerns about over-leveraging. It also reflects the significant differential between savings and lending rates of interest, i.e. why save at 1% and borrow at 4%, when you can simply invest your retained earnings? A central issue here then is the cost of loans. The latest evidence from the SBCI points to a low uptake on business loans. This is likely because the interest is too high and criteria too restrictive. Close to zero percent loans are available for businesses elsewhere in Europe including in Germany, France, Italy and the UK, giving other jurisdictions a competitive advantage.

As debts mount, the risk is that many firms may reach their overall natural debt constraint. Often, this is expressed as a constraint of debt relative to earnings (debt/EBITDA). This ratio of debt to earnings before interest, taxes, depreciation, and amortization essentially measures a company's ability to pay off its incurred debt. Thus as debts mount up, the overall solvency of a business comes into question. There is serious concern that this is an issue many directors will face far too quickly. Short-run measures, such as discount invoicing, can sustain a firm, but not in the long term. Loans on favourable terms cannot support a company that has maxed out its natural debt repayment capacity, as it cannot take on more debt. The key policy requirement here is to balance the capital structure that businesses take on and to relieve the pressure on their cash flow. Grant aid, equity, or convertible equity injections (in order of preference) may be appropriate for such affected firms.

To give an idea of the costs impacting on firms, a recent Chambers Ireland survey indicated typical weekly overheads of around €2,000 a week, rising to €5,000 for a quarter of firms. Re-opening will incur a cost for most companies, however, with the amount required typically €3,000. Many firms, however, require €15,000-25,000. For another subset of firms, such as restaurants, whose turnover will continue to be reduced for a prolonged period due to health and safety restrictions, ongoing support for labour or other costs may be appropriate as part of a targeted step down plan.

Demand Stimulus

Consumer confidence has declined precipitously. People who have funds, are likely to save and reduce their debts, rather than spend. Those who suddenly find they have no funds, such as many of the newly unemployed, will further reduce demand. As a result, we believe a critical role for Government will be to instil in consumers and business a renewed confidence in the economy.

3. The Government Response to Date

The response by Government to support business to date has largely focused on alleviating staff costs, assisting retention, debt deferral, highly targeted grant aid (for consulting services and the wavering of rates) and additional debt facilities. These measures have been introduced swiftly, commensurate with the speed of the onset of the crisis, and this is to be commended. Indeed the speed, flexibility and ingenuity across the public service highlights just what can be achieved if the State requires it. It would be a pity to lose this agility as the economy recovers.

On 2nd May, further measures and improvements to existing measures, totalling €6bn, were announced in order "to build confidence, further assist businesses in terms of the management of their companies, and allow them to begin looking to the future and start charting a path forward for weeks and months ahead":

- A €2 billion Pandemic Stabilisation and Recovery Fund within the Ireland Strategic Investment Fund (ISIF), which will make capital available to medium and large enterprises on commercial terms;
- A €2 billion COVID-19 Credit Guarantee Scheme to support lending to SMEs for terms ranging from 3 months to 6 years, which will be below market interest rates;
- A three month commercial rates waiver for impacted businesses;
- The 'warehousing' of tax liabilities for a period of twelve months after recommencement of trading during which time there will be no debt enforcement action taken by Revenue and no interest charge accruing in respect of the warehoused debt; and
- A restart grant for micro and small businesses based on a commercial rates waiver/rebate from 2019 with a cap of €10,000.

On 8th May, additional measures were also announced on the suspension of interest being charged on late payment of income tax and VAT for SME's with a turnover of less than €3m.

These additional measures are welcome. However, implementation will be critical. Many of the Government initiatives announced since March have evolved their criteria over the period of the crisis, and indeed continue to evolve. This has caused some confusion as new measures are announced before the relevant details have been worked out.

Processing delays and the administrative burden in applying for Covid-19 supports also remain a problem. The existing supports do not always deal with the particular needs of particular businesses, such as microbusinesses with less than ten staff or high potential growth "start-ups". For example, many early stage start-ups have zero or minimal revenue (as well as facing particular staff retention challenges). As a result, they may "fall through the cracks" and fail to qualify.

We support the measures introduced by Government, including bank debt holidays/forbearance, the Loan Guarantee schemes and various working capital initiatives. However, further liquidity measures, cost abatement measures, and even grant or equity injections into firms may also be required. Some form of demand stimulus may also be appropriate to support those sectors that are most impacted by the crisis. An overview of the range of initiatives in Ireland in comparison to a number of other countries is outlined below.

Enterprise interventions	Ireland	UK	France	Germany	Italy	The Netherlands	Sweden	Australia	New Zealand	USA	Canada	Switzerland	South Korea	Belgium	Slovenia
Loan/Credit lines schemes	✓	✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓	
Delay in social insurance payment for companies		✓					✓							✓	✓
Suspension of utilities payments					✓										
Tax relief/delay	✓	✓	✓		✓	✓	✓				✓	✓	✓	✓	✓
Grants/Direct payments		✓		✓					✓						
Wage support scheme	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓			
Self-employed income assistance	✓	✓	✓	✓	✓	✓	✓					✓		✓	✓
State purchase of corporate bonds													✓		
Temporary nationalisation of sector		✓													
Bankruptcy protection / Bailout assurance				✓		✓		✓				✓			
Loan repayment holidays	✓				✓				✓				✓		
Government assumption of sick pay costs	✓						✓		✓						
Investment incentive scheme								✓							
Direct support to apprentice								✓							

Source: Presentation by Robert Watt, Department of Public Expenditure Reform, to publicpolicy.ie seminar, 17th April.

4. Business Support Measures

Dublin Chamber recommends the following additional policy responses, comprising further cash injections into the SME sector, minimisation of cash outgoings, improvements to existing schemes, and measures to boost economic confidence.

Operational Issues

The operation of the existing schemes needs to improve. Online pre-qualification guidance for affected companies should be put in place to direct firms to the correct supports and give an early indication of which they may qualify for. This would save weeks of time and cash for under-pressure SMEs by avoiding unsuccessful applications. Consideration also needs to be given to how measures that were planned as temporary are withdrawn, particularly in the context of the possibility that future waves of the virus may cause future business disruption at short notice.

Liquidity – Taxation Measures

The newly announced ‘warehousing’ of tax liabilities will provide liquidity relief to many firms, but also add to their indebtedness, a key issue affecting business recovery. Further measures by the Revenue Commissioners should be implemented including the acceleration of the release of any payments due to firms, such as R&D Tax Credits and refunds such as

Professional Services Withholding Tax. It is also important that the warehousing facility is made available to all firms who need it. Previously, the scheme was largely focused on small business for what appears to be administrative reasons. The Revenue Commissioners need to ensure that medium to larger sized firms in difficulty can also avail of the deferral.

A number of other tax measures to improve liquidity should be implemented:

- Increase the threshold by which VAT can be calculated on a cash basis from €2m to €10m.
- Allow losses in 2020 to be offset against profits arising in the last three years to generate corporate tax refunds.
- Provide accelerated capital allowances for businesses that need to incur expenditure to allow for new post COVID-19 workplace requirements e.g. factories that need to reshape manufacturing lines to accommodate social distancing.
- Relax the rules around the first preliminary tax payment requirements for 2020 and abolish the associated penalties (if the payment is found to be insufficient).[1]

Consideration should also be given to the introduction of a Commercial Rent Tax Credit providing targeted relief for businesses that are unable to meet their rent payments due to a significant decrease in income. According to a recent Dublin Chamber survey over 70% of businesses are commercial tenants and only 14% of them have been in a position to negotiate a lower rent or changes to their payment schedule. Availing of the scheme would require proof of rental payments and would be subject to the same criteria as the Temporary Wage Subsidy Scheme, i.e. open to employers who self-declare to Revenue that they have experienced significant negative economic disruption due to Covid-19. This tax credit could be available as a percentage of the rent paid. Other measures to support and strengthen the arbitration process on commercial rents may also be appropriate.

Finally, while the tax deferrals and ‘warehousing’ of tax debt is welcome, mounting debts for SMEs will continue to hamper recovery for reasons outlined earlier in this document. In the absence of equity support or more substantial grant aid for such firms, Government should give strong consideration to a structured write-off of tax liabilities.

Liquidity – Other Measures

The Restart Fund for micro and small businesses and the Pandemic Stabilisation and Recovery Fund are welcome, providing grant aid for smaller firms and the possibility of an equity injection for medium to larger firms. We understand that details of the Restart Fund are being worked on by the Department of Public Expenditure and Reform in consultation

[1] Preliminary corporate tax payment rules dictate that a company with a tax liability in excess of €200k for the preceding financial year must pay preliminary tax in two instalments for the current year. For a December year end this falls due in June and November. So, for 2020, if 2019’s tax liability exceeds €200k, payments must be made in June 2020 and November 2020. The rules for the June payment are 45% of expected 2020 liability or 50% of final 2019 liability. The payment in November then has to bring the total payment up to at least 90% of the final tax liability for 2020. An expensive penalty and interest regime apply where preliminary tax payments are ultimately insufficient depending on where the final liability lands. Therefore, for the June payment many companies opt for the 50% of prior year option as there is usually more certainty as 2019 is typically finalised at that point. The November requirement should still stand as with close to 11-month data, it would paint a much clearer picture.

with the Departments of Business, Enterprise and Innovation and Housing, Planning and Local Government. It is intended that the fund will operate through a system of rebates/waivers of commercial rates payments from 2019, with a cap per business of €10,000, presumably to eliminate the possibility that larger firms might benefit. Commercial rates are in many cases, however, a small part of overall costs of small firms (5% for firms with less than 50 employees according to Dublin Chamber surveys), and amounting to a few hundred euro in most cases. It remains to be seen, then whether such a sum will provide sufficient funds for firms, particularly those who are already highly indebted, to resume trading. It seems likely that further support will be required. The possibility of a minimum sum, say €3,000, for a rebate should be considered.

We propose that all Government departments and their agencies strictly adhere to a 14 day payment cycle and that information relating to prompt payment should be published on a regular basis. This has been adhered to in the past generally only by Government departments and not by their associated agencies in Health and Housing, for example, which account for the bulk of Government spending.

Debt, Grants and Equity

The Pandemic Stabilisation and Recovery Fund within ISIF provides a significant opportunity to address the needs for equity finance among medium and larger enterprises. This will be an important element of recovery and should be monitored closely, with a view to how it might be extended to support a wider range of firms. Grant aid, equity or convertible equity will be critical to sustain many firms who have already "maxed out" their borrowings, as described earlier.

The €2 billion COVID-19 Credit Guarantee Scheme to support lending to SMEs for terms ranging from 3 months to 6 years, at below market interest rates, is welcome, particularly the longer run nature of the loan. It is important that the Scheme covers criteria specific to Covid-19 circumstances. In general, we believe that longer end dates should be put in place for all existing loan schemes, up from 3-5 years to 7-10 years, as we believe that there is a gap in the market for this type of funding.

We propose that Government should change the LEO Business Continuity Voucher so that a company can bring in its own consultant on board, rather than one from a specified list. Many businesses specialise and need a wider pool of consultants to choose from.

Finally, we propose a more flexible approach to grant aid for start-ups to reflect business needs. For example, while there is a €5,000 Business Financial Planning Grant available to Enterprise Ireland clients, not every company will require financial planning; some instead require help with strategic planning, commercial planning or even guidance on how to pivot.

Stimulate Demand

If small enterprises win and retain more supply contracts to Government and other authorities, this is a 'win-win' for all, generating growth in employment and business taxes. We propose that any public contract below the EU Value Threshold should include the use of LM3 in its criteria. This would ensure that public contracts would take the local economic impact into consideration where appropriate. As smaller enterprises generally do not have the capacity to bid for higher value contracts, the criteria should be limited to contracts of a lower value. The LM3 Online tool has been used to great effect in the UK at local government level, enabling organisations to measure how much using local or non-local suppliers is worth to the local economy. LM3 measures the multiplier effect of income into a local economy over three 'rounds' of spending, taking into account:

- Any organisation’s turnover or project cost including procurement and employee wages and other forms of cost;
- Where and with whom the company spends that money; and
- Where and how suppliers and employees re-spend their incomes.

The multiplier is then calculated for every unit of currency spent within a ‘local’ area selected by the user. For example, an LM3 score of 1.50 would indicate that every €1 earned by your company generates an additional €0.50 for your local area.

Further and specific measures will be required to support the retail hospitality sector. In the first instance, we propose that the existing tax free €500 voucher limit for employees should be doubled, provided the voucher is restricted to purchases in local shops for goods or services in these most impacted sectors.

In response to the issues being faced by businesses as a result of the COVID-19 crisis, Dublin Chamber recommends that Government should:

- Take measures to aid businesses in balancing the capital structure that they take on and relieve the pressure on their cash flow;
- Improve the operation of existing schemes;
- Implement further measures through the Revenue Commissioners to include the acceleration of the release of any payments due to firms, such as R&D Tax Credits and refunds such as Professional Services Withholding Tax;
- Make the warehousing of tax liabilities facility available to all firms who need it;
- Increase the threshold by which VAT can be calculated on a cash basis from €2m to €10m;
- Allow losses in 2020 to be offset against profits arising in the last three years to generate corporate tax refunds;
- Provide accelerated capital allowances for businesses that need to incur expenditure to allow for new post COVID-19 workplace requirements e.g. factories that need to reshape manufacturing lines to accommodate social distancing;
- Relax the rules around the first preliminary tax payment requirements for 2020 and abolish the associated penalties (if the payment is found to be insufficient);
- Consider the introduction of a Commercial Rent Tax Credit providing targeted relief for businesses that are unable to meet their rent payments due to a significant decrease in income;
- Give strong consideration to a structured write-off of tax liabilities;
- Consider a minimum sum, say €3,000, for a Commercial Rate rebate;

- Ensure that all Government departments and their agencies strictly adhere to a 14 day payment cycle and that information relating to prompt payment be published on a regular basis;
- Put in place longer end dates for all existing loan schemes, up from 3-5 years to 7-10 years;
- Change the LEO Business Continuity Voucher so that a company can bring in its own consultant on board, rather than one from a specified list;
- Put in place a more flexible approach to grant aid for start-ups to reflect a fuller spectrum of business needs, including financial planning, strategic planning, commercial planning, or guidance on how to pivot;
- Put in place procurement rules for public contracts below the EU Value Threshold to include the use of LM3 in its criteria; and
- Ensure that the existing tax free €500 voucher limit for employees be doubled, provided the voucher is restricted to purchases in local shops for goods or services in the most impacted sectors.

SECTION C

1. Reimagining the Economy ¦ Activating Dublin

The post-coronavirus world should not simply seek to return to the status quo. Attempting to reset the economy to 'business as usual' would be a historically wasted opportunity. While the cost of the pandemic will be very significant, Ireland should have the foresight and ambition to use this crisis as an occasion to transform the economy for the better. This means taking positive advantage of the changes that have occurred during the pandemic, whether in relation to work practices, European attitudes to state aid and the fiscal rules, or in the new recognition that radical and transformative policies are in fact possible where the common good necessitates it and the political will exists.

In 2012, Dublin Chamber of Commerce established Activating Dublin, in co-operation with Dublin City Council, to respond to the last recession. Amongst other things, it led to the appointment of the Start-up Commissioner for Dublin, a programme to assist firms to sell online, and measures to support youth employment. With the onset of this new crisis, we believe it is time to focus minds on not simply restoring Dublin "as is", but to activate Dublin to be a world class city of the future. The measures below outline some of our thinking as to how to achieve this.

2. Public Capital Investment: Infrastructure

Looking back at the period following the global financial crisis, it is a matter of great regret that vital public capital projects were cancelled or suspended. Following through on the planned infrastructure developments would have significantly mitigated the impact of the crisis by providing a badly needed economic stimulus in the early part of the recovery, supporting jobs in the construction sector, and ensuring that Ireland was in a better position to take advantage of the upswing. Instead, the socio-economic effects of fiscal austerity were exacerbated, and Ireland fell even further behind in its infrastructure offering relative to competitors. Government must not repeat this mistake.

Dublin's future growth must be managed properly through intelligent planning, compact growth, transport orientated development, and investment in sustainable urban infrastructure. Dublin's aspiration to being a sustainable and resilient city is currently threatened as it is literally running out of water and has been named as the 6th most traffic-congested city in Europe. The poor state of Dublin's infrastructure is consistently cited by businesses as among the biggest challenges to the region's economic competitiveness.

To match competing European cities, Dublin requires the modern infrastructure that a mobile skilled workforce has come to expect to support their quality of life. The cost of inaction and half-measures cannot be underestimated. Conservative estimates of the cost of traffic congestion in the Greater Dublin Area amount to €350 million annually, rising to €2 billion a year by 2033. And with Carbon Tax likely to be a multiple of the current target of €80 per tonne in the long term, the evaluation criteria for infrastructure investment projects now should be based on a much higher price for carbon of say, €200-300 per tonne.

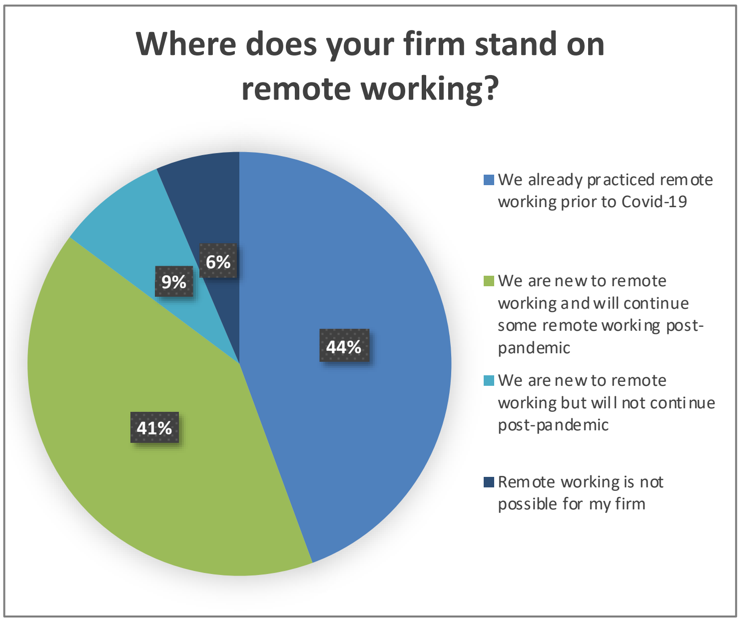
Government should:

- Provide water security for Dublin by completing the Eastern & Midlands Region Water Supply Project by 2025;
- Complete MetroLink, the DART Expansion Programme, and BusConnects by 2027;
- Get the DART Underground project 'shovel ready' by 2025;
- Deliver the Greater Dublin Area Cycle Plan by 2025 so that bikes will account for a 20% modal share by 2030;
- Increase grid capacity to meet increasing demand in the Greater Dublin Area;
- Diversify the energy sources that feed into the national Grid, including offshore wind, to safeguard against failures from a single source;
- Support the development of the North Runway at Dublin Airport to position Dublin as a transatlantic aviation hub;
- Ensure delivery of NDP capital investment commitments and prioritise projects which offer the greatest return on investment;
- Ring-fence Carbon Tax revenue increases for new green infrastructure investment with a focus on cities; and
- Ring-fence any unexpected receipts for capital investment.

3. Modernising the Working World: Remote Working

In the post COVID-19 context, many businesses will have experienced remote working at an unprecedented level. It will be a positive outcome for remote working to remain as an accepted and valued part of the working world. Before the crisis, Dublin Chamber was already a strong advocate for flexible working and remains committed to its promotion and implementation.

The unforeseen acceleration of flexible working practices has created an opportunity to bring many businesses that would not otherwise have considered remote working to consider incorporating it as a long-term policy. A Dublin Chamber survey shows that 41% of members that have newly implemented remote working in response to the lockdown intend to implement a remote working policy post crisis. While full-time remote working is unlikely to be the ideal for most employees and businesses, some level of remote working is achievable for many and must be supported at Government level.



More flexible working and remote working need to be part of working life in Ireland. This will contribute significantly to improved work-life balance, enabling a strong labour participation rate, and easing pressure on commuter infrastructure. But this must be facilitated at Government level by addressing a number of key issues. As there will be many more businesses and employees engaging in remote working, any ambiguities that existed around liability for remote workers and their employers will be put under greater stress due to the vastly increased number of remote workers. If negative incidents relating to remote working result from a lack of clarity in guidelines post-COVID-19, this will greatly hamper the flexible working movement.

In order for remote working to be successfully utilised, Dublin Chamber recommends that Government should:

- Clarify employer liability and duty of care requirements for a home working employee;
- Clarify if an employee when home working would have their home seen as ‘a place of work’ in the eyes of the law or by Local Authorities;
- Advise that the onus must be on the employee to provide a suitable remote working space, including a chair and desk etc., but combine this with government support for appropriate adjustments. Consideration should be given to a tax deduction for home office furniture and equipment purchases along the lines of the highly successful for the bike to work scheme, or to an exemption from BIK taxation for all home office furnishings.
- Maintain that the decision to facilitate remote working for employees remains at the employer’s discretion;

- Invest in broadband infrastructure;
- Provide reassurance for businesses that GDPR compliance when remote working can be upheld through a set of guidelines; and
- Prioritise cyber security.

4. Greening the Economy: Sustainability

The COVID-19 crisis has resulted in an unprecedented shock to the economy, but climate change would incur an even greater shock. Just as COVID-19 has impacted on our way of life, and on the viability of otherwise thriving businesses, and increased unemployment to unprecedented levels, the impacts of climate change would be the same or likely much greater. Government needs to view climate change as an immediate threat and include accelerated and ambitious measures for sustainability and resilience in the post COVID-19 crisis reset.

In the wake of the last recession, for most businesses and for Government, the environmental sustainability was left off the agenda, as anything considered non-essential was put on the back burner. Government and society cannot afford for this to happen again. Despite the pressures that the crisis has now put on the economy, it remains the case that the years to 2030 are critical in the fight to reduce greenhouse gas emissions.

The post-COVID-19 reset must include a campaign to communicate to the public not just the ethical imperative of reducing carbon emissions, but also that it is a requirement to prevent the economic and social disaster that climate change will incur. Given the newfound public understanding of the fragility of our systems and the clear ability of society to adapt when facing a threat, this message about changing behaviours in pursuit of sustainability and resilience may be received and comprehended at a new level. Similarly, the message that making changes for energy efficiency will improve overall resilience for businesses in the event of external shock will be well placed.

In order to accelerate the sustainability reset post COVID-19, Government needs to capitalise on the clear ability for behavioural change that has been exhibited in the crisis and continue to make bold changes.

Government should:

- Continue with plans to increase Carbon Tax and accelerate its timeline to get to €80 per tonne by 2025, recognising that Ireland needs greater ambition in transitioning to a low carbon economy and that this will require a goal earlier than 2030.[2] Revenue raised by the Carbon Tax needs to be ring-fenced for spend on vital infrastructure projects required in the transition away from fossil fuel use;
- Significantly accelerate the implementation of Green Public Procurement, the use of life-cycle costing, and circular economy principles. Dublin Chamber has been

[2] Dublin Chamber Principles for an Impactful Carbon Tax, https://www.dublinchamber.ie/DublinChamberofCommerce/media/banners/Dublin-Chamber-Policy-on-Carbon-Tax-Increase-28-06-19.pdf

lobbying for an acceleration of Green Public Procurement since late 2019 and made a submission to the relevant Government departments highlighting its importance;[3]

- Make access to energy efficiency grants for businesses less onerous and the application process more transparent; and
- Embrace the opportunities that new technologies and innovations can make to the transition to a low carbon economy and remove barriers to their use. For example, the use of e-scooters remains illegal, despite the many benefits they offer as a low cost and energy efficient form of urban transport.[4]

5. Rewarding Risk-Takers

Dublin should have a globally renowned environment for enterprise, with a tax regime that supports entrepreneurs and SMEs at all stages in the business life cycle. The equity landscape must be transformed. This means reforming Ireland's Capital Gains Tax regime, which currently imposes a flat 33% rate on all gains, making it more difficult for indigenous start-ups and SMEs to raise funds. Entrepreneurs need to be encouraged to invest and scale their businesses in Ireland. Growth and innovation must be promoted.

The productivity gap between indigenous and multinational firms needs to be reduced by boosting innovation and R&D by start-ups and SMEs, and by helping them attract and retain talented workers with effective share-based remuneration.

Government should:

- Cut Capital Gains Tax to 20% for unlisted trading firms;
- Commit to maintaining Ireland's 12.5% rate of Corporation Tax;
- Raise the lifetime cap on Entrepreneur Relief to €15 million;
- Tax entrepreneurs at a lower rate of 30% on income from share dividends;
- Boost innovation in SMEs by raising the R&D tax credit rate to 30% for medium-sized firms;
- Lift the restriction on the value of share options qualifying for the Key Employee Engagement Programme to 50% of the value of annual remuneration;
- Support the business community through the introduction of Green Public Procurement; and
- Maintain the Special Assignee Relief Programme, while allowing SMEs to benefit as advised by the OECD Review of SME & Entrepreneurship Policy in Ireland.

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[3] Dublin Chamber Recommendations in support of Green Public Procurement, https://www.dublinchamber.ie/DublinChamberofCommerce/media/banners/Dublin-Chamber_Green-Public-Procurement_Feb-2020.pdf

[4] Dublin Chamber Submission on Personal Powered Transporters, https://www.dublinchamber.ie/DublinChamberofCommerce/media/banners/Dublin-Chamber_-Submission-to-DTTS_PPT_November-1st-2019.pdf