Strategic Priorities & Preliminary Recommendations for Budget 2022

Executive Summary

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Introduction

Dublin Chamber is the representative body for businesses in the Greater Dublin Area. Its cross-sectoral membership base spans the spectrum from small start-ups to large multinational firms, giving the Chamber a keen insight into the needs of businesses and their employees at this challenging time. The Chamber's vision is that the Dublin region will be globally renowned both for its economic competitiveness and quality of life. This submission to Government summarises the fiscal priorities identified by the Dublin business community and makes preliminary recommendations for Budget 2022, both in light of the continuing impact of the Covid-19 crisis and the other immediate and long-term challenges facing Dublin region and Ireland.

First, the Government should maintain and adapt business supports to manage the transition out of the pandemic while maximising business survival rates and minimising long-term economic scarring. Second, it must develop a national strategy for the recovery of urban Ireland, with a focus on delivering housing at appropriate densities and sustainable infrastructure to support this. Third, it should adopt ambitious measure to boost investment in Irish enterprise and increase national competitiveness as a location for entrepreneurs. Finally, the Government should accelerate the transition to a sustainable and innovative economic model that will form the basis of prosperity in a rapidly changing world. These objectives are discussed in more detail below.

Our priority recommendations in respect of each of these goals are:

- ✓ **Maintain Covid-19 business supports until a summary rescue process is in place for small firms in difficulty.**

- ✓ **Double public capital investment in housing, targeted in urban areas to deliver appropriate accommodation and ease pressure on the private market.**

- ✓ **Introduce a 20% Capital Gains Tax rate on disposals of investments in SMEs to boost investment in Irish enterprise.**

- ✓ **Introduce a 'Going Green' Tax Credit to encourage adoption of sustainable business practices, accelerating the carbon tax timeline if needs require.**

1. Maintain & Adapt Business Supports

Dublin Chamber acknowledges the very considerable Government support provided to businesses during this crisis. To prevent these efforts from going to waste, it is vital that supports are withdrawn in a gradual and well-publicised way and are replaced where necessary with new forms of support reflecting changed circumstances. We particularly welcome the assurances provided in the Economic Recovery Plan with respect to EWSS, tax debt warehousing, and the lower tourism VAT rate. Businesses have closed and will close due to Covid-19. We need to make sure that viable firms are supported, but also that new firms can raise finance, trade and generate employment. Business and consumer confidence will be key factors affecting how business owners and entrepreneurs make these investment and trading decisions.

1.1. Deliver the summary rescue process for small firms before withdrawal of Covid-19 business supports.

Dublin Chamber welcomes the first details of the Small Companies Administrative Rescue Process (SCARP) and urges Government to expedite this legislation, which should be enacted and commenced before the Covid-19 business support architecture is fully withdrawn. The commencement of the legislation should be accompanied with a targeted communications campaign to explain the rescue process to qualifying companies, bearing in mind that many time-pressed business owners who have been impacted by the pandemic will be unaware of the new system and may have limited knowledge of the examinership process in general.

1.2. Continue a gradual withdrawal of the EWSS and other supports for SMEs with a schedule of planned reductions to allow for financial planning.

Despite bleak conditions in many sectors for the last year, two in five Dublin Chamber members expect staff levels to remain unchanged in Q3 2021; meanwhile almost half of companies (48%) expect staff levels to increase over the same period, six times the 8% of businesses expecting staff numbers to decline.[1] Unemployment due to Covid-19 remains a concern. However, the low expectation of further job losses this quarter is testament to the success of the Temporary Wage Subsidy Scheme (TWSS) and its successor, the Employment Wage Support Scheme (EWSS), in stabilising the labour market. It is vital that Government continues this support for as long as necessary to maintain the connection between employers and employees, and to minimise the long-term scarring effects of the crisis on the labour market. It is important that businesses impacted by Covid-19 do not face a 'cliff edge' but have a clear roadmap of planned reductions. Similarly the Covid-19 Restrictions Support Scheme (CRSS) has been a vital lifeline for many businesses and Government should provide for its availability in the event of future restrictions. Dublin Chamber encourages Government to continue with its phased approach to withdrawal of EWSS and other supports with a published schedule of planned reductions to allow for financial planning.

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[1] Dublin Chamber Quarterly Business Outlook Survey Q2 202, https://www.dublinchamber.ie/getattachment/977316e8-3a76-4af5-bd5a-4a324be6b920/Dub-Chamber_survey-report_Q2_final.pdf?lang=en-IE

1.3. Extend the commercial rates waiver for impacted businesses.

Business feedback suggests that the commercial rates waiver has been a particularly valued support throughout this crisis, and there is strong demand for continuation of this relief. The waiver is due to expire at the end of Q3, and businesses with rateable premises require certainty from Government as to their future cost base in the context of depressed trade and possible volatility in public health conditions and associated restrictions. Even after the easing of restrictions, a period of relief will be required to support business recovery. Dublin Chamber recommends use of the Covid-19 contingency package announced in Budget 2021 to fund a continuation of the commercial rates waiver to the end of the year for the most impacted businesses.

1.4. Boost business liquidity by rolling out new long-term finance facilities.

It is likely that the true impact of Covid-19 on many businesses will only become apparent following the withdrawal of the present Government supports. In Q1 of 2021, almost one in three (31%) Dublin Chamber members identified their most pressing challenge at present as a challenge in their business finances, e.g. managing cash flow, reducing costs, or accessing finance.[2] To maximise the survival rate of such businesses, new and workable finance facilities should be provided at an early stage so that businesses do not wait until they are at crisis point before engaging with lenders. The hesitancy many businesses feel in relation to debt finance at present can be substantially relieved by structuring loans on longer terms of repayment. The 7-10 year loans available through the Future Growth Loan Scheme, offered by the SBCI with the support of the Dept. of Enterprise, Trade & Employment, the EIB, and the European Investment Fund, have attracted significant interest and provide an appropriate model for the support now required.

[2] Dublin Chamber Quarterly Business Outlook Survey Q1 2021, https://www.dublinchamber.ie/DublinChamberofCommerce/media/banners/Dub-Chamber_survey-report_Q1_v3_3.pdf

2. Deliver a National Strategy to Renew Dublin & Ireland's Urban Centres

Dublin is the demographic, economic, and social hub of our country. Its success and that of Ireland's other city regions is vital to national prosperity and wellbeing. However, Ireland's investment in public transport, the public realm, and other urban infrastructure has long lagged behind that of our European counterparts. Now, our cities also face the extraordinary challenge of Covid-19. Urban Ireland has been particularly badly affected by the pandemic, with city centres facing long-term questions about their future. Cities are constantly called upon to change and innovate, to become smarter, more sustainable, and resilient. But the pandemic has dramatically accelerated existing trends, particularly in the areas of remote working and the digital agenda. These changes raise profound questions about the future of Ireland's cities and the long-term viability of many of the jobs and businesses they support.

Both the urban and rural economies have been affected by the current crisis, but in vastly different ways, while rural Ireland has been placed at the centre of the Government's policy response. Dublin Chamber calls for an action plan to transform and renew urban Ireland. Urban recovery is a national priority, which cannot be simply left to local authorities with limited means and resources. Failure to properly plan and support the recovery of urban Ireland risks a devasting impact not only on our city centres, but also on the broader city regions and hinterlands which they support. The unique and unprecedented challenges facing cities must be at the heart of the Government's strategy for economic recovery. The NPF commits to sustainable compact growth and high-density brownfield redevelopment. If these aspirations are to survive the impact of Covid-19, Ireland will need an ambitious strategy for its urban areas that addresses the converging challenges of digitalisation, remote working, and online retail. It will need a holistic action plan to boost urban living and footfall, encourage the night-time economy, invest in active travel infrastructure and the public realm, and deliver the vision of the 15 Minute City.

2.1. Double public investment in housing, targeted in urban areas to deliver appropriate accommodation and ease pressure on the private market.

Inadequate housing and infrastructure have consistently been ranked by businesses as the most pressing challenges to Dublin's economic competitiveness and even in the midst of the pandemic, investment in housing and infrastructure remained the top two budgetary priorities for Dublin businesses.[3] In May 2021, almost three in four companies reported that, other than Covid, accommodating the growing population with affordable housing is the biggest challenge facing Dublin from a business perspective.[4]

Inflation in the price of accommodation has been and will likely remain the most immediate threat to cost competitiveness in Dublin, while supply issues threaten to affect the city's global reputation as a magnet for foreign direct investment. Moreover, the collapse in footfall and closure of premises during the pandemic highlights the urgent need to make our cities

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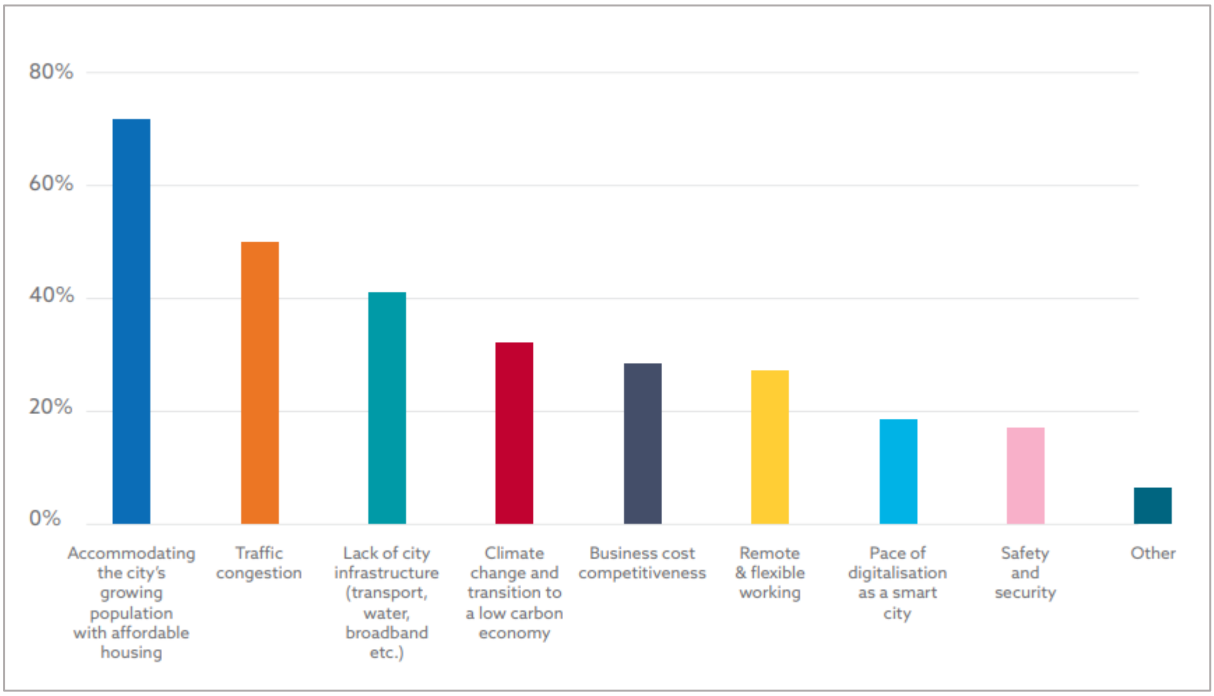
[3] Dublin Chamber, Quarterly Business Outlook Survey Q1 2021, https://www.dublinchamber.ie/DublinChamberofCommerce/media/banners/Dub-Chamber_survey-report_Q1_v3_2.pdf

[4] Dublin Chamber, Quarterly Business Outlook Survey Q2 2021, https://www.dublinchamber.ie/getattachment/977316e8-3a76-4af5-bd5a-4a324be6b920/Dub-Chamber_survey-report_Q2_final.pdf?lang=en-IE

home to liveable communities that can sustain urban businesses and ensure urban centres are safe and vibrant.

Figure 1: Apart from Covid-19, what are the top three challenges facing Dublin from a business perspective?



The State must play a central role here, and urban housing should resume priority in public capital investment. To reduce pressure on the private market, social housing provision needs to shift definitively from reliance on acquisition and rental support to the construction of purpose-built social and affordable homes on a large scale. The positive borrowing environment and suspension of EU fiscal rules are an opportunity to address this challenge in an ambitious way. Government should heed the ESRI's call to take advantage of these conditions and double investment in housing to €4 billion in 2022 to head off another decade of inadequate supply and concomitant damage to our social fabric and economic competitiveness. Short-term inflationary pressures may be inevitable in the construction sector, and Government should seek to offset these by grappling with the price and availability constraints on developable land. First, the Government should engage seriously with the recommendations of the Kenny Report on the price of building land. Second, local authorities should be given the freedom to vary the Vacant Site Levy to reflect local circumstances. Meanwhile, Government should ensure regulatory stability to provide medium-to-long-term certainty for private developers.

2.2. Prioritise sustainable infrastructure investment in the Greater Dublin Area.

Green infrastructure in urban areas offers the greatest potential to achieve carbon reductions by effecting large-scale change in consumer behaviour. Dublin Chamber has long argued that the State should allocate national resources in a way that respects and reflects where Irish people live in their greatest numbers. The GDA is the engine of the Irish economy and Ireland's largest population hub. Dublin has been ranked among the most traffic-congested cities in the world, with an average of almost 250 hours lost per driver annually.[5] Conservative estimates of the economic cost of traffic congestion in the GDA amount to €350 million per annum, rising to a cost of €2 billion per annum by 2033.[6] This impacts both upon business competitiveness and quality of life, while also retarding the city's transition to a green future. Irrespective of Covid-19-driven fiscal deficits, the positive borrowing environment should be used to accelerate delivery of sustainable infrastructure projects in the capital city region. Priorities include:

- **MetroLink**
- **DART+ and DART+Tunnel**
- **Luas Expansion**
- **BusConnects**
- **GDA Cycle Network Plan**
- **Eastern & Midland Region Water Supply Project**
- **Broadband Infrastructure**

2.3. Encourage residential density in areas of high demand.

Urban density remains a crucial driver of sustainable city planning. Redevelopment of brownfield sites for residential use, particularly with one and two-bed apartments, will be crucial to meeting the goals of the National Planning Framework, increasing urban density, and meeting demand for housing appropriately. Consideration should be given to:

- A targeted exemption from stamp duty on the sale of buildings converted to multiple dwellings in areas of high demand. The onus would be on the developer to show that this benefit has not been clawed back from purchasers by way of price increase. This could be done by comparison of prices of similar dwellings.
- A Capital Gains Tax exemption on sale of gardens in appropriate urban areas which are sold for the purposes of intensive residential development.
- An examination of impact of various costs, including taxes and levies, on the commercial viability of brownfield apartment construction.

2.4. Support modal shift by providing new grant aid for SMEs to cover the costs of new cycling related facilities.

Covid-19 has proved a positive catalyst for rapid roll-out of cycle infrastructure across Dublin. However, most SMEs, unlike some larger firms, simply do not have the bike storage, shower, and changing facilities to accommodate a major shift to cycling by their employees; they also face liquidity issues and cost constraints that do not burden many larger firms. In the absence of funding to address these constraints, it is unlikely the authorities' cycling targets will be met. To make the proposed modal shift more realistic, support for SMEs should be introduced. In addition to new public bike storage as part of the GDA Cycle Network Plan, Budget 2022 should make new grant aid available specifically for SMEs to cover the costs of new cycling-related infrastructure on private commercial premises.

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[5] INRIX Global Traffic Scorecard 2018, http://inrix.com/scorecard/

[6] Dept. of Transport calculation, Dáil Question No: 346, John Lahart TD. Ref No: 1857/17, Proof: 348, Answered by the Minister for Transport Tourism and Sport Shane Ross.

3. Reward Enterprise & Entrepreneurship

Dublin Chamber works closely with start-ups and entrepreneurs and welcomes the attention to this area in the Programme for Government. The enterprise agenda is more relevant now than ever as Ireland charts its course out of the crisis and plans for a post-Covid future. The pandemic has highlighted the extent to which the entrepreneurs are risk-takers who drive innovation and employment. Dublin Chamber recommends that a renewed focus on Ireland's indigenous enterprise environment should take place to establish entrepreneurship and SME growth at the centre of Ireland's economic strategy post-Covid-19, alongside continued success in attracting and retaining foreign direct investment in a context of growing global competition. Meanwhile, those who have lost jobs due to the pandemic should be invited to engage in re-skilling specifically to equip them to start a business; Start Your Own Business (SYOB) training under the remit of the LEO should be reassessed and updated, while access to financial supports such as the Back To Work Enterprise Allowance must be ensured to provide support while a micro-enterprise builds viability.

With Brexit in mind, the Chamber has compared the taxation environment for enterprise in Ireland with that in the UK to provide a broader competitive context for our proposals.

Figure 2: Ireland-UK Tax Comparison 2021

€1.1657 per £1 – 28/06/21 (www.ft.com)	Ireland (Budget '21)	UK (Budget Spring 21)
Income Tax		
Salary at which rate changes to 40% [7] [€/£]	€35,300	€58,601
Effective total tax rate on dividends at higher rate	52%	32.5%
Different assessment for self-employed.	Yes – 3% USC levy on income over €100,000	No
Possible to defer income tax on share-options given to specific key employees[8]	Yes – subject to restrictive KEEP conditions for SMEs	Yes
Capital Gains Tax		
Standard rate	33%	20%
Entrepreneur relief – CGT rate	10% on gains on qualifying assets up to €1m	10% on gains on qualifying assets up to €1.1m
CGT rate on disposal of shares in SMEs	33%	10%
CGT rate on EII Incentive Scheme qualifying investment or equivalent gains	33%	0%
Corporate Tax		
Knowledge Development Box / Patent box income	6.25%	10%
Corporate Tax rate	12.50%	19%

[7] In the UK, the 40% rate comes into effect on income from £50,271 - £150,000, over £150,000 45% tax rate.
[8] Conditions relating to qualifying employees are being amended to allow for part-time or flexible working arrangements and those companies who operate through group structures.

R&D Tax Credit – upfront refunds for early stage/scaling companies[9]	No	Yes
Capital gains tax business asset rollover relief	No	Yes
Value Added Tax		
Standard Rate[10]	23%	20%
Registration Threshold for SME providing services[11]	€37,500	€99,085

3.1. Introduce a 20% Capital Gains Tax rate for investments in SMEs

Dublin Chamber has long made the case for an improved environment for equity investment in Irish SMEs. Ireland's present CGT regime effectively incentivises passive investment in 'blue chip' foreign firms over investment in higher-risk domestic enterprises by applying a flat 33% CGT rate, one of the highest in Europe, irrespective of risk profile or the contribution of the underlying investment to the Irish economy. To address this, Dublin Chamber supports a 20% rate of CGT on investments in unquoted trading companies where shares have been held in excess of 3 years. This would start to address the investment gap in the Irish SME sector, estimated at €1 billion in any given year. The move would likely cost less than the 2% VAT cut last year and may well reward the exchequer just as cutting CGT has done in the past. While lower than the 10% rate available under the UK Investors Relief, this would be an important step to encourage investment in indigenous business.[12]

3.2. Improve the Employment & Investment Incentive (EII) for SMEs and start-ups.

To improve the support that the EII scheme provides for start-ups, the administrative burden and other inappropriate barriers to qualification for the scheme should be addressed. The relief itself should be made more attractive, both to investors and to companies with ambitions for growth, by improving the treatment of losses or disposals and vesting the relief over the 4-year period. To fulfil the potential of the EII to be truly effective for start-ups, the number and range of individuals participating via the scheme needs to be increased Opening up a much wider range of investment vehicles such as limited liability partnerships and specialist regulated venture funds by which individuals could attain the benefits of EII whilst simultaneously gaining access to invest in and support a diversified portfolio of SME and early-stage ventures (rather than having single company risk) would be a key catalyst in helping to build a healthier angel and early-stage venture ecosystem to support entrepreneurs and the wider business community. Further details on improvements to the EII are available in our recent submission here.

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[9] UK Budget 2021 confirmed that the capping of the amount of SME payable R&D tax credit that a business can receive in any one year will be introduced from 1st April 2021

[10] Temporary 5% reduced rate of UK VAT for certain supplies of hospitality, hotel and holiday accommodation, and admissions to certain attractions, effective 15 July 2020 to 30 September 2021.

[11] The threshold for the registration of VAT in the UK is £85,000.

[12] HM Revenue & Customs internal manual, *Capital Gains Manual*, CG63500P, https://www.gov.uk/hmrc-internal-manuals/capital-gains-manual/cg63500p. The Dept. Finance has previously said it is unable to calculate the cost of introducing any version of the UK scheme in Ireland on the grounds that tax returns do not identify the amount of chargeable gains associated with unquoted shares. Dáil Éireann Debate Thursday 5 July 2018, Question No. 86, Reference No. 29776/18. Deputy Pearse Doherty. Answered by the Minister for Finance Paschal Donohoe.

3.3. Extend the 30% R&D Tax Credit to medium-sized companies.

The European Commission has advised that the emphasis in Ireland's R&D strategies for business should be to build up research and innovation capability within Irish SMEs, and has recommended that the R&D tax credit scheme must be targeted at SMEs specifically.[13] This was echoed by the OECD in its Review of SME and Entrepreneurship Policy in Ireland, commissioned by the Department of Business Enterprise & Innovation. The 30% rate should be extended beyond small and micro enterprises to all SMEs in line with these recommendations.[14]

3.4. Raise the lifetime limit on Entrepreneur Relief to €15m.

Entrepreneur Relief from Capital Gains Tax provides for disposals of qualifying business assets by entrepreneurs to be charged at a lower 10% CGT rate up to a lifetime limit on chargeable gains.[15] The aim is to encourage entrepreneurs to found, operate, and dispose of businesses in the State, and to build a reputation for Ireland as a country that welcomes and rewards enterprise. Dublin Chamber proposes raising the lifetime limit cap on qualifying gains for Entrepreneur Relief from €1 million to €15 million to encourage greater ambition and scaling by entrepreneurs.[16] Consideration could also be given to given to amending the 5% share requirement to refer to the point of investment, ensuring that entrepreneurs who retain their initial investment are not penalised as subsequent external investment is received.

3.5. Reduce income tax on dividends for entrepreneurs to 30%.

To develop prospering indigenous businesses on a large scale, Ireland should provide a supportive environment for entrepreneurship throughout the life cycle of a business, rather than merely during the start-up phase. Promotion of a start-up culture must be combined with effective long-term rewards for entrepreneurs who choose to stay on and scale their businesses rather than accept the allurement of a short-term reward by selling the firm prematurely. Ireland's present tax regime lacks this long-term approach. Currently, divestment is the only means by which entrepreneurs can extract large-scale value from their firm in a manner that is not subject to the full rate of income tax, as Entrepreneur Relief only applies to CGT on the value of shares. Dublin Chamber proposes tax entrepreneurs at a lower rate of 30% on income from share dividends.[17] The qualifying criteria would be the same as those that apply to individuals and firms with respect to Entrepreneurs Relief. This should encourage more entrepreneurs to retain and grow their business, reducing the

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[13] European Commission Research & Innovation Observatory Country Report 2017: Ireland, p. 26

[14] The cost of raising the rate to 30% for all SMEs was estimated at €30 million. Dáil Éireann Debate Thursday 5 July 2018, Question No. 87, Reference No. 29777/18. Answered by the Minister for Finance Paschal Donohoe. The overall cost of the R&D tax credit reached €553 million in 2014. Dept. Finance, Economic Evaluation of the R&D Tax Credit, October 2016., p.6, https://igees.gov.ie/wp-content/uploads/2014/01/R-and-D-Credit-Evaluation-2016.pdf#page=6

[15] Qualifying business assets include those in most productive businesses, excluding businesses involving land dealing or holding investments.

[16] This has been costed at €84m using the using the static costing model employed by the Department of Finance. Dept. Finance, TSG 19/05 Tax Incentives for SMEs, p. 22, https://assets.gov.ie/19118/6aaf283f06f74698a49833ea74100098.pdf#page=22

[17] Revenue tentatively estimated the total cost of a 30% income tax rate on dividend income from Irish resident companies (replacing all income tax, PRSI, and USC currently collected) *applied universally* at €95 million. Restriction of the scheme to qualifying entrepreneurs would of course limit the cost to a fraction of this figure. Dáil Éireann Debate Thursday 5 July 2018, Question No. 85, Reference No. 29775/18. Answered by the Minister for Finance Paschal Donohoe.

number of “trade sales”. Consideration should also be given to extending this dividends relief to income from distributions paid to employees in qualifying start-ups in order to help them attract and retain staff.

3.6. Make the Key Employee Engagement Programme relevant to SMEs.

Dublin Chamber recommends that a ‘liquidity option’ should be provided to enable the redemption of KEEP shares after a minimum holding period of 5 years in a manner subject to CGT rather than income tax. Detailed guidance should be issued on valuations to provide clarity for firms facing the compliance burden of issuing share options at market value. The restriction of the value of share options granted to any individual to 50% of the value of his/her annual remuneration should be lifted. In the absence of major changes in this regard, consideration should be given instead to the abovementioned tax reduction on distributions to employees in start-ups.

3.7. Allow SMEs to benefit from the Special Assignee Relief Programme.

Access to skilled labour in Dublin has been a problem affecting firms of all sizes, but in recent years SMEs have particularly struggled to compete for the talent they require to expand.[18] SMEs face intense competition for specialists from multinational firms with a broader international scope and a much greater capacity to offer attractive remuneration. Dublin Chamber proposes extended the SARP to new recruits by SMEs. The salary requirement would remain the same to restrict the programme to high-skilled employees.

[18] While Local Enterprise Offices offer Business Expansion Grants of up to €150,000 in value which may be used to cover salary costs, these are restricted to micro enterprises with 10 employees or less. https://www.localenterprise.ie/Discover-Business-Supports/Financial-Supports/Business-Expansion-Grant/

4. Support Green and Digital Transformation

Ambitious measures are needed to accelerate the transition to a sustainable and innovative economic model for Ireland that will form the basis for prosperity in a rapidly changing world. The Government must support the transition to new ways of living, working, and doing business so that companies can continue to operate effectively post-Covid-19. In particular, this will require involve encouraging the adoption of green business practices and supporting digital transformation among SMEs.

4.1. Introduce a 'Going Green' tax credit.

Sustainable business practices will be a key requirement of business resilience in the coming years, and proactive measures should be adopted to encourage them, potentially improving both Ireland's FDI offering and its indigenous SME base. Many of the changes required for a business to 'go green' involve a significant initial outlay, and Government support would particularly assist SMEs in making the transition. The Government should consider a tax credit for businesses 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. Items could for example include: 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. The credit would be linked to the costs incurred in completing these items, and would be modelled on the R&D tax credit, calculated at 30% of qualifying expenditure.

4.2. Accelerate the Carbon Tax timeline as needs require.

In the context of the uncertain economic outlook, and the extraordinary pressure on the public exchequer this year as Ireland grapples with the social and economic impact of Covid-19, it appears inevitable that the Government will have to adopt new fiscal adjustment measures. In addition to making appropriate use of the positive borrowing environment the Government should accelerate the carbon tax timeline if necessary in order to secure the funding required for a revised and expanded National Development Plan that will advance Ireland's transition to a green, sustainable, and digitalised economy. This ought to be accompanied by a clear schedule of future increases to allow businesses to plan financially.

4.3. Support home working by increasing the individual tax rebate and targeting a home retrofitting grant at remote workers.

At present, persons working from home may make an individual tax rebate claim against 10% of the costs of home working (including electricity, broadband, and heating) at their marginal tax rate at the end of the year. The rebate is very modest. For example, if tax is claimed back on expenses worth €100 (10% of annual bills amounting to €1000) by someone on the lower income tax rate of 20%, only €20 would be received. The Government should give consideration to allowing an individual tax rebate against 50% of allowable expenses associated with working from home, in order to make the scheme more effective and support home working. A new SEAI grant for home retrofitting should be introduced specifically targeted at those who are remote working. Alternatively, consideration could be given to classifying SEAI supported retrofitting projects as zero VAT rated products.

4.4. Boost support for SME digitalisation

Digitalisation will be a key enabler of SME resilience in the post-pandemic economy. Covid-19 has accelerated the process of digital transformation, and it is important that Irish SMEs do not fall further behind larger businesses or their international counterparts. While Irish consumers are interested in buying Irish online, Irish businesses lag in terms of their ecommerce capabilities.[19] Over Christmas 2020, 43% of Irish consumer spend online went to Irish businesses in the run up to Christmas; 57% went to international players, according to Revolut data covering 1 million Irish people.[20] This was despite a 540% increase in people searching on Google to 'shop local' in Ireland.[21] The digital agenda needs to be placed at the centre of the Government's indigenous enterprise policy as part of a clear strategy with central direction. Responsibility for implementation of a revised National Digital Strategy should be assigned to an identifiable Government Department or agency, including responsibility for better communicating the practical opportunities offered by business digitalisation. In light of the dispersed nature of existing Government supports, road-mapping is required to guide businesses towards the most appropriate support for their circumstances, e.g. through a central portal. The Government should offer a mix of supports, e.g., through flexible grants or vouchers which may be used for improved connectivity, ancillary services to allow for digitalisation such as security services, and support for migration to cloud. Consideration should also be given to incentives for the financial system for lending to SMEs for digital investment. Support for programmes such as the Online Trading Voucher, and the Enterprise Ireland-administered Online Retail Scheme should be increased, with a focus on raising awareness among SMEs. Moreover, the needs and levels of digital investment vary widely across and even within sectors. Budget 2022 should provide further direct support to enable digital investment by SMEs while allowing flexibility so that businesses can select the most appropriate tools or technologies for themselves.

[19] https://irishtechnews.ie/irish-businesses-path-to-digital-maturity-stalls/
[20] https://www.irishtimes.com/news/ireland/irish-news/shoppers-spent-more-on-christmas-2020-than-in-previous-year-1.4467459
[21] https://www.rte.ie/news/business/2020/1023/1173492-google-search-for-shop-local-ireland-up-540/