An Roinn Fiontar,
Trádála agus Fostaíochta
Department of Enterprise,
Trade and Employment

DETE Post-budget consultation

Friday, 21 October 2022, 10:00-12:30pm

SME & State Bodies Group Attendees:

1. Paul Lynam, British-Irish Chamber of Commerce
2. Sarah-Jane Larkin, Irish Venture Capital Association
3. Daryl Byrne, Euronext
4. Martina Fitzgerald, Scale Ireland
5. Margaret O'Rourke Doherty, HABIC
6. Tommy Gill, Play, Activity and Leisure Ireland (PALI)
7. Ellen Kehoe, Family Business Network
8. Tom Parlon, CIF
9. Aebhric McGibney, Dublin Chamber

Officials:

1. Bernadette Hawkes, DETE
2. Dermot Coates, DETE
3. Felix O'Kane, DETE
4. Matt Lynch, DETE
5. Maedhbh Cronin, DETE
6. Fiona Kilcullen, DETE
7. Stephen Foley, DETE
8. Ciara O'Sullivan, DETE
9. Eoghan Hanrahan, EI
10. Sinead Ryan, D/Finance
11. Anne Marie Walsh, DFIN
12. Fiona O'Connor, DFIN (Advisor)

Background

As a follow up to the meeting held with different stakeholder group prior to the Budget with the Tánaiste and Minister Martin a follow up meeting was held to hear their views post Budget.

Summary

In general the feedback was very positive, the measures taken in Budget 2023 were significant and appropriate. The announcement of significant and widely available energy supports, the level of funds directed at childcare and the very significant improvements in the personal tax regime were widely welcomed and seen as potentially transformative.

Amongst SMEs and entrepreneurial bodies, the changes to KEEP and especially the R&D tax credit were well received, although there was continued frustration that our CGT regime remains as a significant deterrent to outside investment and detracts hugely from our attractiveness as a location for founders.

Concerns were also raised from a number of sectors about the cumulative impact of increased business costs in the form of minimum wage increases, statutory sick pay, an additional bank holiday and impending auto-enrolment.

Feedback from the Hospitality and Tourism meeting was largely negative, with widespread criticism of the decision not to extend the 9% VAT rate applicable to the sector beyond the end of February 2023. Participants also questioned the adequacy of the TBESS and examples were provided around the quantum of energy price increases being experienced by businesses in the sector and how in the first instance the 40% rebate was not high enough and then that the €10K cap was too limiting in any case. In common with the retail sector, the absolute limit of €30K across a maximum of three location was identified as a real concern which may have consequences in terms of employment in the coming months. To counter this, it was suggested that a new energy support directly linked to employment and similar to the EWSS will be needed sooner rather than later.

SME and State Bodies Group

Again, members of this group were very positive on the overall Budget, the consensus being that it took a balanced approach and extended supports in most areas.

TBESS was very positively received with no negative issues raised.

Likewise, all stakeholders were positive on the personal tax changes which were seen as very significant. Although one body did say that introduction of a third rate of income tax between €40K and €60K would be a huge step forward.

The SME bodies were positive on the changes announced to both KEEP and the R&D tax credit, albeit the changes to KEEP will not be fully visible until the legislation is released at Committee Stage. The changes to the R&D tax credit were warmly welcomed as the ability to access refundable credits quickly and the removal of limits on this have been key asks of many stakeholders for a number of years.

The one big negative from the SME sector was that there was no change to our CGT regime, either general CGT or Entrepreneurs relief. Some stakeholders called for increased incentivisation for investments in unquoted businesses which could accompany CGT changes to make the whole funding landscape more attractive to investors and founders.

Specific negatives were identified in the form of the concrete levy and no extension to the reduced 9% VAT rate for hospitality.

The Hair and Beauty sector noted the cumulative impact that various costs such as sick pay, extra bank holidays, minimum wage increases, auto enrolment and apprenticeship rates might have on employment in the sector and pointed out that allied to the VAT regime for the sector, this might push more providers into the 'unregulated economy'.

Economic & Tax Policy Unit
ESCED
D/ETE
25th October 2022