Limerick CHAMBER

Committed to your business needs

Pre Budget Submission 2017

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CHAMBER
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meet
Limerick / Shannon

Pro – Business | Continued Growth

Section 1.1.1 National

Government need to ensure they introduce taxation policies that will provide long-term stability and growth for the country, its citizens and the businesses which drive it. In an increasingly volatile post Brexit international environment, Irish government Fiscal policy is decidedly crucial currently. To ensure an appropriate balance between taxation and expenditure measures; is essential as the Irish economy continues to grow. Although revenues continue to exceed projections and stability in our country's macroeconomic indicators continue to be positive, government must remain focused on; spending tax payers money on strategic investments.

The recent successes of the Irish economy rely on strong export growth performance and maintaining attractiveness for inward investment. In Budget 2017, government must enact policies which support Ireland's value proposition as a competitive and attractive location in which to invest. Costs of employment are particularly significant for Ireland's indigenous SME sector, as it continues to create two-thirds of all new jobs. Budget 2017 must ensure that business and employment taxation burdens; support job retention and creation. As the Irish economy evolves innovation is playing a more significant role, and our entrepreneurs differentiate us; as a dynamic and creative country. A fair and equitable taxation and social protection system must harness and reward Ireland's growing volume of entrepreneurs.

The rate of Ireland's current economic growth differs significantly across the country; and while the Greater Dublin region is experiencing inflationary housing and wage pressures, this does not hold true for all regions. Government must be cognisant of regional disparities as they attempt create an environment for growth. Some regions outside of the capital city continue to suffer from lack of necessary capital investments. The Mid - West region requires capital investment in our physical infrastructure – specifically road and telecoms infrastructures – if the region is to continue to compete internationally and benefit from future prosperity and growth. National Government must utilise the opportunity in Budget 2017 to invest in our country; to deliver balanced regional growth by committing to delivering strategic capital investment projects.

Limerick Chamber is the largest business representative body in the Mid-West region with over 450 member companies who support upward of 50,000 jobs across the region.

- *M20 Limerick – Cork motorway.*
- *N69 Foynes to Limerick City upgrade.*
- *High speed broadband access.*
- *Access to quality affordable housing.*
- *Limerick City centre regeneration.*

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National metrics June 2016

- *Unemployment rate: 7.8%*
- *Annual change from June 2015 – June 2016*
- *GDP: + 2.8%*
- *GNP: +10.6%*
- *Unemployment: -15.2%*
- *Retails sales: +4.5%*
- *Retail sales volume: +10.3%*
- *New car sales: +20%*
- *New goods vehicles: +>24%*
- *Total new vehicles: +>20%*
- *In employment: +2.4%*
- *Number on live register: -12.5%.*
- *Consumer Price Index: +0.4%*
- *Residential Property Index: +6.6%.*
- *Industrial production index: +6.5%.*
- *Gross fixed capital formation: +-2.4%.*

Data sourced CSO 2016

1.2.1 Regionally

The role of Local Government also differs across the country, while the amalgamation of Limerick's local authorities has delivered internal efficiencies, the business and economic development supports that are offered vary considerably from other regions.

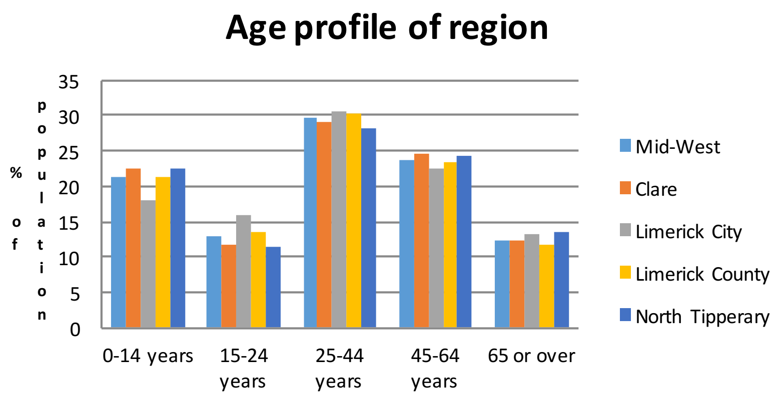

Figure 1 Data sourced CSO 2016

In contrast to the current EU trend, Ireland has a young population; with nearly 25% of the population under 18 years of age. As can be seen from figure 1 less than 12% of the population of Limerick City and County are over 65 and greater than one third of the population are less than 25 years of age. This young and dynamic population is also highly educated containing 2 third level institutions, University of Limerick and Limerick Institute of Technology together these institutions have an aggregate student population of over 18,000.

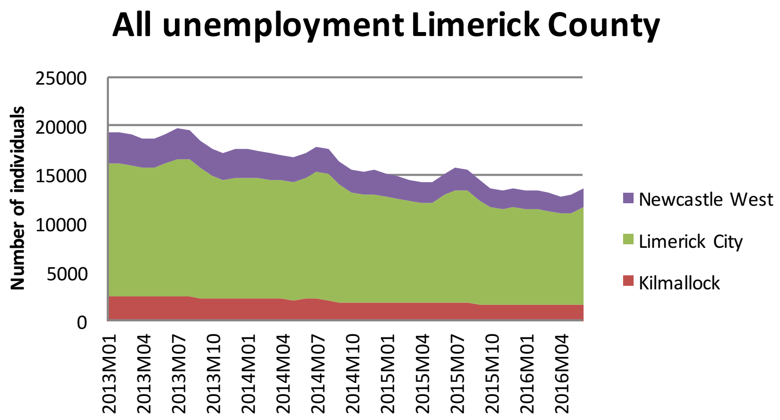

Figure 2 Data sourced CSO 2016

Unemployment has continued to improve nationally over the last number of years. Government needs to remain focused on continuing to reduce unemployment in Budget 2017. As can be seen from figure 2, unemployment in Limerick County has declined consistently over the last number of years. The figure has declined from 19304 individuals on the live register in January 2013 to 13528 individuals in June 2016. This is a decline of almost 30%.

The value proposition of mobile talent as a critical factor of production is increasing as skills shortages deepen across a number of sectors. Ireland must seek to be an attractive location for skilled individuals to relocate to. Marginal rates of taxation play a key role in securing the return of Ireland's diaspora and attracting inward migration. As we seek to expand our reputation as a country with a strong talent pool an attractive and transparent personal tax regime must be introduced.

1.3.1 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 sustainable future of Ireland's pension provision.

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Limerick Chamber recommends:

- *Government should continue to focus on reducing unemployment numbers and creating an environment for job growth and creation*
- *Existing success should be furthered through continued implementation of the Action Plan For Jobs.*

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Limerick Chamber recommends:

- *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.*

2.0.0 Taxation

2.1.1 Taxation

It is essential to ensure sustainable tax revenue streams for the future by ensuring a sufficiently broad tax base with user-based taxes and charges. The Irish taxation system should be simplified and must do more to support enterprise, encourage the self-employed and entrepreneurs to thrive and create an environment which enables 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. 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 this aim is to be achieved.

Ireland has the most progressive tax system of EU and OECD members 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.

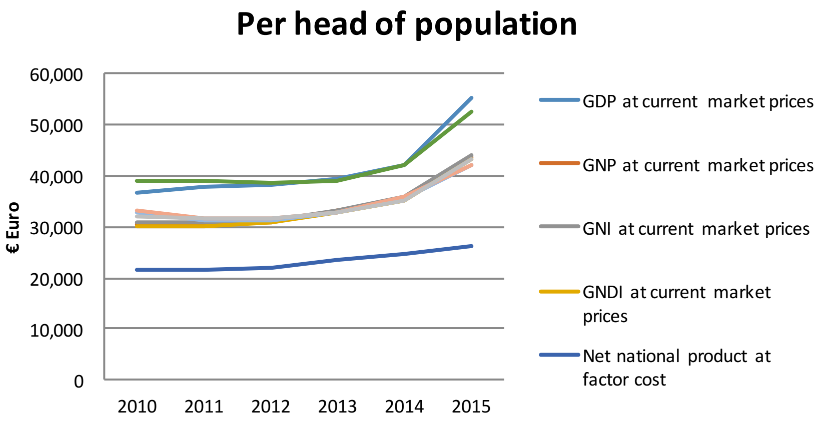

Figure 3 Data sourced CSO 2016

Figure 3 shows that Irish wealth as indicated by all main economic indicators of national income has increased consistently in recent years on a per capita basis. Ireland has one of the highest marginal tax rates in Europe. What is particularly damaging is that this rate kicks in at a level which is much lower than in any other European country. Comparative figures from the ESRI and the UK's Institute for Fiscal Studies show that while less than 20% of UK workers face losing more than 50c from a €1 pay increase in tax and benefit changes; the same figure in Ireland is more than double that. These high losses are a barrier to labour market participation in particular for second earners whose labour market decisions are much more sensitive to tax and benefit changes.

Irish workers currently hit the 49.5% rate of tax at less than the average wage, which is €36,500. The same figure for the 40% rate in the UK is now equivalent to €55,000. This is partly a result of their longstanding policy of automatic indexation of tax bands. In a similar fashion, Budget 2017 should see the entry point to the top rate of tax indexed to the rate of wage growth in the economy. Given employment and wage developments, full indexation of the top rate entry point to wages would cost in the region of €170 million in 2017.

Taxation of entrepreneurs and small business is an issue which has received a lot of warranted attention in recent times. Over the past decade, policymakers across the board have lauded entrepreneurs as being central to developing indigenous firms which can compete globally. The signals we send through our tax system, however, differ greatly from the rhetoric. Improvements were made in Budget 2016 but the new Government must build on these in the upcoming Budget. Commitments need to be followed through; with changes to

Limerick Chamber recommends:

Capital Gains Tax

- *Limerick Chamber recommends a further decrease of Capital Gains tax to 10% in Budget 2017 and an increase to a €10million lifetime threshold which would further encourage investors to invest in Irish enterprises.*

Marginal Tax Rate

- *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.*

Universal Social Charge

- *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.*

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Limerick Chamber recommends:

- *Ireland must continue to engage with the OECD countries cooperate in redesigning international tax structures to combat aggressive tax planning, aimed at minimising Base Erosion Profit Shifting (B.E.P.S.).*

- *Base erosion and profit shifting (B.E.P.S.) is a tax avoidance strategy used by multinational companies, wherein profits are shifted from jurisdictions that have high taxes to jurisdictions that have low tax regimes.*

- *The rate of 12.5% Corporate Tax must be maintained to ensure Ireland remains an attractive destination internationally and to secure continued inward investment.*

taxation the single biggest step the Government can make to encourage more people to go into business for themselves. With the higher rate of USC for the self-employed and the higher rates of CGT introduced in recent years, our tax system has gone in the opposite direction to much of enterprise policy. If we are truly serious about creating a highly-skilled entrepreneurial economy the level of recognition which has been given to the issue needs to be backed by action.

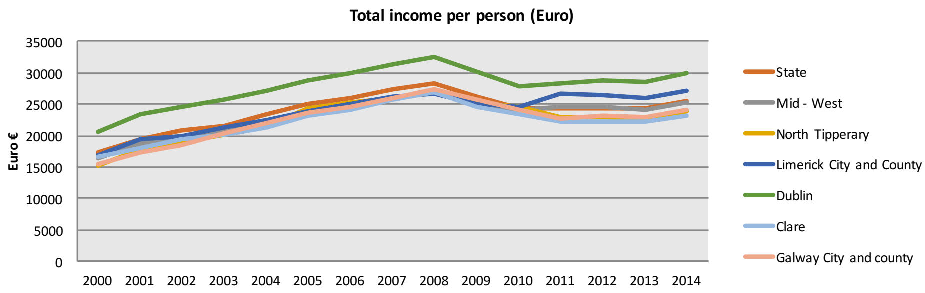

Figure 4 Data sourced CSO 2016

Figure 4 shows, in terms of regional income per person only the Dublin has a higher per capita income than Limerick City and County. Limerick City and County has seen stronger income growth than other regions in recent years. Limerick City and County needs to attempt to continue this above average growth level.

2.2.1 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. Limerick Chamber 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.

2.3.1 Maintain the 9% VAT rate on Accommodation sector.

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.

2.4.1 Social security for self employed

Limerick Chamber welcomes 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 in the event of their business failing. 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.

2.5.1 Small investor scheme

A scheme should be implemented which allows for individuals to loan to or invest in start-up companies or SMEs, the interest or dividends they obtain should be exempted from tax up to a threshold of €10,000 per annum. The purpose of this scheme would be to create additional funding for SMEs from alternative sources to the traditional sources of banks, grants, venture capital etc.

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Limerick Chamber recommends:

Retain the 9% VAT Rate

- *Limerick Chamber is 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.*
- *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.*
- *Implement scheme which allows for individuals to loan to or invest in start-up companies or SMEs, exempted from tax up to a threshold of €10,000 per annum.*

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Limerick Chamber recommends:

Increasing the turnover threshold under which VAT can be accounted for on a cash receipts basis to €3 million.

2.6.1 VAT cash receipts threshold

Businesses can currently have turnover of up to €2m and are only required to reconcile VAT with Revenue when the cash is received or paid as opposed to businesses being required to reconcile with Revenue when invoiced. Increasing this threshold to €3 million should be of great benefit to SMEs from a cashflow perspective. This may reduce their requirement for overdrafts or other external funding.

3.0.0 Expenditure

3.1.1 Where investment is required:

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 developed economy; in order to protect our ability to attract investment and to enable indigenous businesses to continue growth. Investment in our housing, transport, broadband and water services are essential to meet the needs of a growing economy. The economy will suffer if the Government do not tackle the housing crisis and create a properly functioning housing market.

3.2.1 Where We Need to Invest: Capital infrastructure

Infrastructure refers to structures, systems, and facilities serving a country, city, or area, including the services and facilities necessary for an economy to function. Investment in infrastructure development can boost the economic growth. The construction of essential public infrastructure is an important ingredient for sustained economic growth and poverty reduction. Infrastructure development programmes contributes to the rebuilding and development of physical infrastructure. It helps communities by improving their access to essential infrastructure, such as schools and houses; easing access to water supply schemes; employing local skilled and un-skilled labour for construction work.

A large volume of Irelands existing infrastructure is deficient or functionally obsolete. Public investments such as infrastructure are vital to long-run economic growth and fuel higher incomes and living standards for decades. Infrastructure investments create jobs now, when we need them most. Infrastructure creates 16 percent more income than a payroll tax holiday, nearly 40 percent more than an across-the-board tax cut, and over five times as many as temporary business tax cuts. The construction industry has been disproportionately hammered by the recession and has had even greater unemployment levels than the economy as a whole. The cost of borrowing is insanely cheap currently. Deferring maintenance of infrastructure saves money in the short run, but costs much more in the long run. It's certainly cheaper to repair a bridge or a road rather than to rebuild it after its collapse.

Limerick Chamber recommends:

- *Ireland should be spending at least the equivalent of 4% of GDP on public infrastructure.*

4 Main areas where investment is required in Budget 2017

- *Housing*
- *Water*
- *Transport*
- *Broadband*

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Limerick Chamber recommends:

- *Government should at least double the €5.1 billion currently committed to capital funding over the period 2017 to 2021*

The new Programme for Government commits to spending an additional €5 billion on capital over the term of the current Capex plan. It also commits to bringing a review of the plan forward to 2017 in order to effectively target appropriate capital projects. These are both welcome developments but are unlikely to be sufficient in order to head off the real risk the economy faces following a decade of underinvestment. Averaging 2.2% of GDP per annum, even with added expenditure, the Exchequer contribution to the new capital plan will be the smallest on record (since 1970) and likely its smallest in the post-war era. Ireland has a relatively weak public infrastructure, as witnessed by our international rankings, and the fastest growing population in Europe. At the same time our average level of investment has been half that of our European competitors - many of whom have spent between 3% and 4% of GDP over decades on public investment. Over the long-term this investment will be a key driver of competitiveness. As such Ireland should be spending at least the equivalent of 4% of GDP on public infrastructure.

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. While Limerick Chamber recognise the government commitment to provide an increased level of capital investment, 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. 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. Limerick Chamber has previously called for the creation of National Infrastructure Commission 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.
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. Limerick Chamber believes that there are four key areas of infrastructure that urgently require investment nationally. These are; Housing, Water, Transport and Broadband.

3.3.1 M20 Limerick – Cork motorway.

Connecting Ireland's 2nd and 3rd cities with a motorway is critical to support competitiveness and economic growth in the Atlantic Corridor as a whole. As far back as 2007, the Cork to Limerick Route Pre-Feasibility Report concluded that the route between Cork and Limerick suffered from capacity issues and needed to be upgraded to a higher quality. The upgrading of the N20, Cork – Limerick road to motorway standard was previously well advanced by Transport Infrastructure Ireland. A preferred route was selected but this project was ultimately cancelled by the incumbent government a number of years ago due to a lack of funding. The M20 is a key part of the required road infrastructure for connectivity between the "Atlantic City" Regions, allowing the West to act as a Dublin counterbalance. The upgrading of the N20 has been identified as consistently by far the single biggest economic issue in the region. As journey times grow ever more critical from a doing business and competitiveness perspective, the lack of vision in improving links between Cork and Limerick will greatly hamper growth in the region. The current road connection between Cork and Limerick is inadequate for the regions current needs and will become increasing inadequate with each passing year to the extent that it will negatively impact on growth opportunities within the wider region. The completion of the M20 to motorway status would improve synergies between the Cork and Limerick locations. The delivery of an improved M20 would increase the access of companies to labour and reduce costs, while increasing efficiencies and overall competitiveness. The lack of an M20 prevents companies leveraging resources between their facilities, whether it is for mobility of staff, or facilities management and other services.

Limerick Chamber recommends:

- *Maintain and upgrade existing level of infrastructure after continued lack of investment and maintenance.*
- *M20 Limerick – Cork motorway.*
- *M20 between Cork and Limerick is a major requirement in the region and the country.*
- *Government to proactively explore opportunities presented by current historically low rates of interest.*
- *Estimated cost €800million.*

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Limerick Chamber recommends:

N69 Foynes to Limerick.
The upgrading of the N69, Foynes – Limerick road to motorway standard.

Northern ring road.
The ring road north of the national technology park (NTP) which would connect the Galway and Dublin roads.

- *Establish a vacant land tax that is calculated based on land value, thus encouraging a "use-it-or lose-it" approach to land ownership.*
- *Introduce a 'Help to Buy Scheme' to assist first time home buyers.*
- *Introduce a tax incentivised savings scheme for future purchasers of new homes.*

3.3.2 N69 Foynes – Limerick motorway

The upgrading of the N69, Foynes – Limerick road to motorway standard has been previously well advanced by Transport Infrastructure Ireland. A preferred route has been identified although the project has not yet received approval for funding. Growing demographic, large companies such as Aughinish Alumina, growth of Foynes port have all been contributing to the major increase in traffic on the N69.

3.3.3 Northern ring road.

The ring road north of the National Technology Park (NTP) which would connect the Galway and Dublin roads has been identified as being of critical importance to the Mid – West region. This is as the NTP is becoming more of a bottle neck by the day. This is delaying and even cancelling potential business growth in the region.

3.4.1 Housing

It is clear that the State needs to play a significant role in the provision of affordable housing for those who cannot afford private rents. Failure to do this will lead to a build-up of social and economic problems – such as desegregation, competitiveness pressures and urban sprawl. Under the current fiscal rules it will be difficult to deliver sufficient social housing over the coming years. In 2015 the Irish State only delivered 75 new build social houses at a time when demand is at an all-time high. Housing acquisition, which has been the preferred form of social housing provision for local authorities, will only make the housing crisis in the rental sector even worse and push families back into the system.

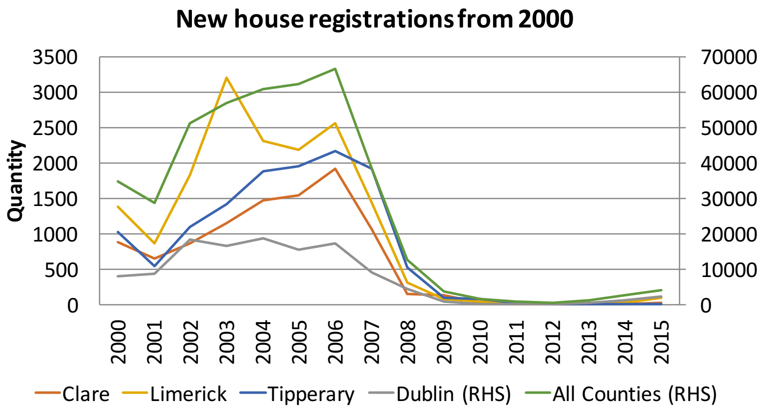

Figure 5 Data source CSO 2016

As can be seen from figure 5, the number of new house registrations is still a fraction of the number produced during the "housing bubble" but also a fraction of the quantity required to sustain a functioning housing market. The housing crisis is one of the biggest socioeconomic challenges in Ireland's recent history. Limerick Chamber 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.

Limerick Chamber recommends:

- *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.*
- *Introduce a temporary VAT rate of 9% for residential construction for a two year period.*

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Limerick Chamber recommends:

- *Introduce of 100% tax deduction on the interest expense incurred on loans to investors in residential property.*

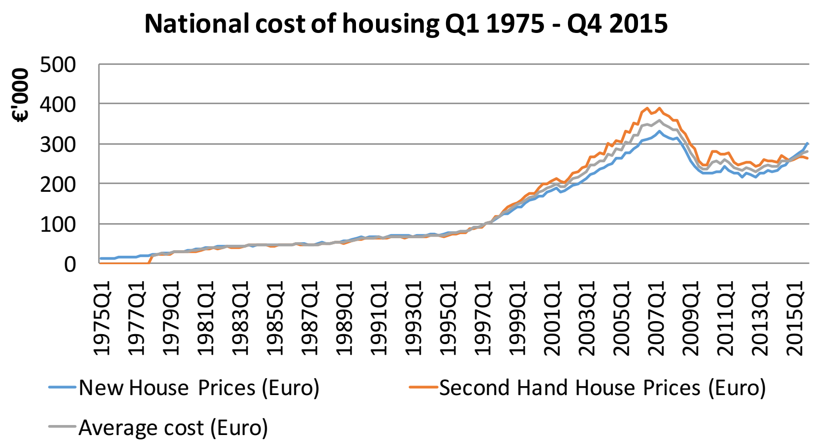

Figure 6 Data sourced CSO 2016

The cost of housing is seeing a return to increasingly unsustainable rates of price increases.

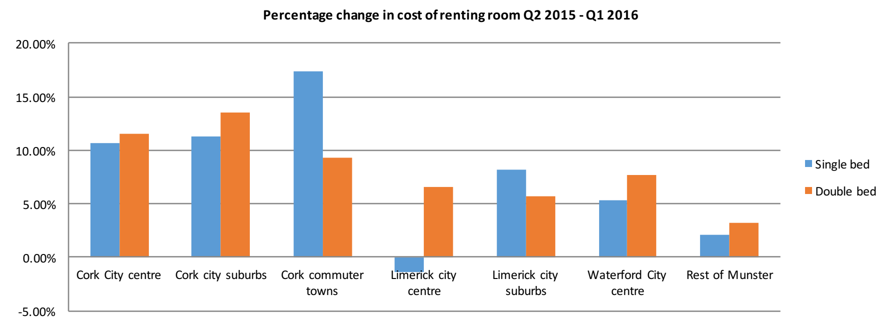

Figure 7 Data sourced Daft.ie 2016

In the 12 months from February 2015 to January 2016 the cost of renting a single or double bed increased in all Munster regions, with the exception of renting a single bed in Limerick City centre. Ultimately, preliminary census (2016) results indicate a change in the structural demand for housing seems unlikely to decrease in the short to medium time; policies are required to increase supply.

3.5.1 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. Limerick Chamber 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.

Business cannot be reasonably be expected to shoulder all the costs associated with Irish water as is currently happening. User pays is the model that must be implemented for residential and business customers.

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Limerick Chamber recommends:

- *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.*
- *The funding model of Irish Water must include appropriate charges for both domestic as well as non-domestic users. Businesses 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.*

Limerick Chamber recommends:

- *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 Electric Vehicles, including reduced Benefit in Kind taxation and zero motor tax for zero emission capable vehicles.*
- *Government must invest in the electrification of Ireland's heavy use public transport and licensed taxi fleet.*

3.6.1 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 and we have been allowing our infrastructure to depreciate through this lack of investment. Our tourism industry, imports and exports, along with our ability to attract FDI are all compromised if our transport networks cannot deal with increasing demand.

Limerick Chamber recognises 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.

Limerick Chamber 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.

3.7.1 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 compared with their international competitors. 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.

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Limerick Chamber recommends:

- *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.*

- *Limerick Chamber 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.*

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Limerick Chamber recommends:

- *The introduction of SEIS designed to boost economic growth in Ireland by promoting new enterprise and entrepreneurship investment.*

3.8.1 Seed Enterprise Investment Scheme (SEIS)

The success of businesses is critical to economic development and with two thirds of all new jobs coming from the indigenous start-up sector; it is an increasingly important focus area for support. Ireland possesses a highly competitive start-up sector, which is capable of competing globally on ideas and talent and raise equivalents to the UK and the US in Venture Capital funding according to O'Sullivan 2015 Ireland struggles in the area of Seed and Angel funding. As part of the Budget 2017 it is proposed to 'roll out the red carpet' for investors and help support the continued development of a strong start-up ecosystem in Ireland. Government should introduce a new investment scheme called the Seed Enterprise Investment Scheme or SEIS. The UK implemented an equivalent scheme in 2012 which has helped attract a new wave of investors. The implementation of these policies are attracting start-ups and investors alike to invest in early stage growth companies in the UK.

This new policy is supported by numerous industry representatives, industry, government agencies and accountancy firms including; The Irish Venture Capital Association (IVCA), Chambers of Commerce across the country, Start-up Ireland, Start-up Limerick, Start-up Cork, Start-up Waterford, Start-up Galway, Start-up Dublin, IBEC, HBAN and within those groups thousands of companies across the country. According to Deloitte (2013), the UK has seen significant increases in investments made by people who since the introduction of SEIS said that they would have invested less or not at all if it had not been for the scheme. In 2013-14, almost 2,000 companies received investment through the Seed Enterprise Investment Scheme (SEIS) in the UK and £164 million of funds were raised. This compares with 1,155 companies raising a total of £86 million under SEIS in 2012-13. HMRC (2015) reported; almost 1,700 of these companies were raising funds under SEIS for the first time in 2013-14 – representing over £148 million in investment.

3.9.1 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-Emissions Trading System Green House Gas emissions are not reduced. Additionally, should Ireland fail to meet its 2020 renewable targets under EU legislation, the State will need to pay for compliance or be threatened with EU fines in the region of €100 million to €150 million for each percentage point short of the overall 16% economy wide target. 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. Solar Photovoltaic (PV) Panels are undoubtedly an option that the Irish economy needs to consider when contemplating decarbonising the economy. Considering that in one hour, the sun radiates enough solar energy to cover for human energy consumption for one year. PV panels provide clean green energy. During electricity generation with PV panels there are no harmful greenhouse gas emissions. Solar energy can be made available almost anywhere there is sunlight. Solar energy is especially appropriate for smart energy networks with distributed power generation. Operating and maintenance costs for PV panels are considered to be low, almost negligible, compared to costs of other renewable energy systems. PV panels have no mechanically moving parts; consequently they have far less breakages and require less maintenance than other renewable energy systems. PV panels are totally silent, producing no noise at all; they are a perfect solution for urban areas and for residential applications. Though solar energy panels' prices have

Limerick Chamber recommends:

- *Financial incentives should be utilised to promote the retrofit of existing and low carbon heating choices.*
- *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.*
- *Feed In Tariff (FIT) introduced to encourage uptake of renewable technologies.*
- *Change in legislation to allow for selling "over the fence" of excess generation.*

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Limerick Chamber Recommends:

- *Government 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.*

- *Increased investment in educational facilities, to cater for increasing student numbers and a growing diversity of learning modes.*

seen a drastic reduction in the past years and are still falling, solar photovoltaic panels are one of major renewable energy systems that should be promoted through government subsidy funding such as FITs, tax credits etc. in an attempt to attain the lower carbon economy Ireland has committed to internationally.

3.10.1 Education and skills

Ireland is internationally 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. 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.

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.

3.11.1 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.

Child poverty rates have dramatically increased since 2008 and the Government has now committed to lifting 97,000 children out of consistent poverty by 2020 as part of the Better Outcomes, Brighter Futures framework. The focus of these targets must be on children living in one-parent families. Children living in one parent families are twice as likely to live in poverty and they live in the most socially excluded families in Ireland. Roll-out commitments made in Budget 2016 to deliver a single subsidised childcare scheme from 2017, replacing the current targeted schemes. The provision of affordable, accessible and quality childcare, including early years and out-of-school care, should be seen as an economic issue which supports families to enter and remain in the workforce.

Limerick Chamber recommends:

- *Establish a programme to enable 50,000 apprenticeships to be completed by 2020.*
- *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. Limerick Chamber 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.*
- *Government should 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.*

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Limerick Chamber recommends:

- *Recognising that the current system is inadequate, a sustainable system for the funding of public sector pensions must be delivered.*
- *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.*
- *Establish a budgetary stabilisation fund from general government revenue surpluses to allow for ongoing Government capital investment during downturns.*

3.12.1 Pensions

One of the biggest risks to the future prosperity of Irish 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. 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. Unless action is taken now, we will be unable to fund our future pension requirements.

3.13.1 Budget stabilisation fund

A Budget Stabilisation Fund can help protect Ireland's economy from the volatility of the economic and business 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.

3.14.1 Establish Local Economic Development Funds

As argued for in previous pre budget submissions by the Limerick Chamber, the introduction of a ring-fenced fund sourced from commercial rates that is reinvested back into the local economy is a model that should be adopted and supported nationally. The role of Local Authorities and local economic actors in advancing the growth of their communities has never been more important with a renewed emphasis placed on Local Authorities and communities as drivers of local economic development.

Drawing on the examples of Cork City Council and international best practice, Limerick Chamber calls for the establishment of a Local Economic Development fund (LED). Funded by ring-fencing a percentage of commercial rates, the LDF, through a competitive process, would be reinvested back into the local economy. This practice should be incentivised by a portion of the fund being match funded from the Central Exchequer.

The fund could also be utilised to support the recommendations made in the Joint Oireachtas Committee on Jobs, Enterprise and Innovation report (march 2015) "Policy Options to Support Business Growth and Job Creation and Retention in Town and Village Centres"4, which included 15 recommendations to support the revival of the retail sector in towns and villages. A key recommendation was the appointment of Town Centre Managers, and Limerick Chamber believes that the Local Economic Development (LED) fund could support the appointment of such a role.

Limerick Chamber recommends that this could form part of national local economic development system which, with the support of Central Government, could be rolled out via Local Authorities across the country.

Limerick Chamber recommends:

- *The introduction of a ring-fenced fund, sourced from commercial rates that is reinvested back into the local economy and used to support local economic development and business growth.*

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Other issues to be considered:

Brexit: Brexit is generally expected to lead to slower growth in the Irish economy than would have been expected. This suggests weaker jobs and earnings growth in the short-term.

BEPS

4.1.1 Other issues to be considered

While it is important that the Government does not overreact in framing Budget 2017, Ireland's strategic interests must be prioritised while the post Brexit scenario remains highly fluid. This should involve policy choices which will solve strategic supply side problems and protect those industries most likely to be adversely affected by the immediate volatility. The Government should not deviate from plans for a modestly expansionary budget for 2017. This would include budget day measures totalling €1 billion and seeking derogation from the EU to invest a further €1 billion in social housing outside the current fiscal rules.

While Brexit is not the outcome Ireland would have wished for, Ireland remains well positioned to benefit from new investment opportunities. Since the advent of the OECD base erosion and profit shifting (BEPS) project, attention has been drawn to the changing global environment where capital is following highly skilled labour. The positioning of Ireland in a post-Brexit world may mean an acceleration of this trend as multinationals, and not just those in financial services, look for an attractive home within the EU. Along with investment decisions, which will affect standards of living, including housing, access to education and public infrastructure. Budget 2017 must address key tax issues – particularly the treatment of share options – which currently make Ireland a less attractive location for more highly skilled workers.

The Irish government needs the conviction to stay the course on fiscal policy; this should involve policy choices which will solve strategic supply side problems and protect those industries most likely to be adversely affected by post-Brexit volatility. Investment in crucial capital and social capacity must be a priority. Given the low carry costs of debt, strong nominal growth rates, a primary surplus and considerable infrastructure gaps, investment can be achieved while reducing the deficit in a prudent manner.
The Government must ensure that enterprises do not face any regulatory, labour cost or tax increases while the current period of uncertainty exists. Ensuring a competitive tax offering for indigenous business has never been more urgent.

4.2.1 Site or Land Value Tax

Limerick Chamber recommends a site or land value tax (to replace the current local property tax), with the valuations and rates assessed nationally, and collected centrally, but with all of the revenue collected going to the county to which the tax was ascribed. The reasons for this are as follows:

Sustainable use of land: A site or land value tax can encourage the more sustainable use of land by encouraging development of under-utilised, serviced, zoned and accessible lands in urban area, thereby promoting consolidation in line with national policy. Evidence, alluded to by the National Economic Social Council in their paper Housing in Ireland: Performance and Policy and background analysis, from jurisdictions such as Denmark and parts of the US in which a site value tax was favoured (as opposed to a building value tax or building and land value tax), indicates that the penalty of higher taxes on zoned and serviced sites, together with a strong planning system, prompts appropriate infill development.

Prevention of dereliction: A site value tax, unlike a building value tax, will act as a penalty to landowners who allow sites to fall into dereliction and will, instead, encourage landowners to use lands to their full potential.

Fairness: Unlike other forms of property tax, a site value tax shares the burden of funding essential services in a way, which takes account of the greater level of services available to some landowners. In addition, it could provide a method by which public expenditure on relevant major infrastructural projects during the boom years could be partly recovered from those receiving the most benefit.

With regard to how a site value tax might be calculated, sites should be valued on the market value of the highest permitted use under the relevant Development Plan for the area in which the land is located. This methodology will take account of circumstances in which large landholdings in urban areas might be unsuitable for large-scale development.

Limerick Chamber recommends:

The development of a site or land value tax to replace existing Local Property Tax.

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Limerick Chamber recommends:

Reduce administrative costs associated with R&D tax credits.

4.2.2 Research & Development tax credits

Under current legislation Research and Development tax credit relief allows companies to get 25% of their expenditure on Research and Development activities relieved for tax. This is subject to many conditions and criteria being met. Limerick Chamber suggests a streamlining of this existing process for SMEs, whereby they would be required to retain less detailed documentation. This would assist companies in availing of this relief, while improving competiveness by reducing administrative costs and burdens.