Pre-Budget Submission 2023

DUBLIN CHAMBER

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1. Introduction

Dublin Chamber is the representative body for businesses in the Greater Dublin Area. Its membership reflects the full spectrum of economic activity in the city region and ranges from start-ups and sole traders to large multinationals and semi-state companies. This gives the Chamber a keen insight into the needs of businesses and their employees. Dublin Chamber members are united by the vision that the Dublin region will be globally renowned for its economic competitiveness, sustainability, and quality of life.

Budget 2023 comes at a time of increased financial pressure and uncertainty for businesses and consumers. As businesses continue to recover from the impact of the pandemic, they are faced with soaring energy prices, rising input costs, supply chain uncertainty and an increase in the cost of capital. Nine out of ten firms have witnessed a rise in non-wage business costs over the past year, and energy has been the biggest contributor to this. Meanwhile, inflation is running at rates not seen since the 1980s.

The Government's response to the pandemic was swift and effective, with emergency measures playing a critical role in stabilising the economy. Government must now seek to protect capital expenditure budgets against current spending pressures, whilst also ensuring value for money is achieved. Dublin Chamber believes the focus of Budget 2023 should be on investment in urban infrastructure and housing. Rather than increases in current spending, recent corporation tax "windfall gains" should be dedicated to a "rainy day" fund specifically earmarked to maintain medium/long term capital investment plans.

Based on close consultation with businesses, Dublin Chamber has identified four strategic priorities to shape the next budget. These are:

- ✓ **Develop a Returning to Work credit for second earners taking up employment, coordinated with the Home Carer Credit;**
- ✓ **Introduce a 20% Capital Gains Tax rate on disposals of investments in SMEs to boost investment in Irish enterprise;**
- ✓ **Enhance taxation on vacant land, and introduce taxation on vacant properties to promote their more effective use; and**
- ✓ **Adhere to the schedule of planned increases to carbon tax and ringfence all Exchequer returns from Carbon Tax to fund investment in green infrastructure, public transport, and funds that will support communities and businesses to transition to green transport and heating alternatives.**

2. Labour Participation

With unemployment running below 5%, the economy is close to full employment. Dublin Chamber's 2021 Q4 Business Outlook Survey reported that over half of all businesses regarded staff retention and recruitment as the biggest challenge facing them in 2022, and over two thirds experienced an increase in staff turnover in the past six months[1]. Increased attrition levels and difficulty recruiting for roles have been accompanied by upward wage pressure. Central Bank/Indeed research has found that labour supply is not keeping pace with demand in many sectors, including construction, hospitality and software development, thus putting upward pressure on wages[2]. This further adds to the cost of running a business and undermines Dublin's cost competitiveness.

Given the strong demand for labour and the tightness of the labour market, there is an opportunity to increase the level of labour force participation and raise income levels for many households by tackling disincentives arising from the cost of childcare and the high marginal effective tax rates facing many families.

Childcare costs in Ireland are among the highest in the EU and, considering the relatively low level of entry to the higher tax bracket, this acts as a huge disincentive for returning to the workforce.[3] The combination of high childcare costs and an unsupportive income tax regime particularly undermines female labour market participation. Irish women with more than one child are less likely to return to full time employment after maternity leave.[4] Meanwhile, approximately half of working mothers have considered leaving the workforce due to childcare costs.[5] The current system is not fit for purpose and greater state intervention in the sector is necessary to provide a steady supply of affordable, quality childcare. More investment is needed if Ireland is to reduce childcare costs and achieve a more sustainable and diverse labour market.

Dublin Chamber welcomes the recently announced changes to the National Childcare Scheme that will extend access to subsidised early learning and childcare for children and families. However, Government must go further and move toward a more universal form of childcare,

1. Dublin Chamber, Q4 Business Outlook Survey, https://www.dublinchamber.ie/Portals/0/Business%20Trend%20Surveys/Dub%20Chamber_survey%20report_Q4_final.pdf?ver=2021-12-14-161410-540&timestamp=1639498472959
2. Irish Times, https://www.irishtimes.com/business/economy/unemployment-falls-to-pandemic-low-of-7-9-as-labour-market-recovers-1.4718050
3. European Commission, https://eacea.ec.europa.eu/nationalpolicies/eurydice/sites/eurydice/files/infoecec_final.pdf; Independent.ie, https://www.independent.ie/business/personal-finance/latest-news/childcare-costs-hereamong-the-most-expensive-in-europe-38290772.html
4. CSO, https://www.cso.ie/en/releasesandpublications/er/eampb/employmentanalysisofmaternityandpaternitybenefits2016-2019/
5. Irish Times, https://www.irishtimes.com/news/social-affairs/half-of-working-mothers-consider-giving-upwork-over-childcare-costs-1.4189580

learning from the example of Nordic models where childcare is viewed more as a basic state service rather than a private sector endeavour.[6] Oireachtas research has concluded that this approach would have positive impacts on affordability, accessibility, child wellbeing, and maternal wellbeing.[7] Research by the Department of Children and Youth Affairs indicates that a public state-run option could run at a cost of up to €2 billion annually; however, there are a number of options to consider.[8] While the cost to the exchequer of progress toward a State funded model is significant, it provides an important opportunity to advance broader national goals with respect to labour market participation and gender equality. The European Commission's official statement on early childcare education systems outlines in its first recommendation that provision must be available and accessible to all; this is not currently the case in Ireland.[9]

As any move to a universal childcare system may take some time, Government should additionally consider introducing a Return-to-Work tax credit for second earners returning to or taking up work. It is important to note that although Ireland's income tax system is progressive for low and middle earners by European standards, the entry level for the highest rate of income tax is very low. Ireland's marginal effective tax rate thus acts as a deterrent to a second earner in a two-parent family looking to re-enter the workforce whilst also

6. World Economic Forum, https://www.weforum.org/agenda/2019/03/nordic-nations-best-places-for-parentschildren/
7. Oireachtas Research Paper, https://data.oireachtas.ie/ie/oireachtas/libraryResearch/2020/2020-06-16_l-rsnote-public-provision-of-early-childhood-education-an-overview-of-the-international-evidence_en.pdf
8. Irish Times, https://www.irishtimes.com/news/social-affairs/annual-cost-of-providing-state-run-childcarecould-top-2bn-1.4309217
9. European Union Lex, https://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=uriserv%3AOJ.C_.2019.189.01.0004.01.ENG&toc=OJ%3AC%3A2019%3A189%3ATOC

paying for childcare. A report by the European Commission found that the reduction in benefits due to an increase in the income of a secondary earner is relatively large in the United Kingdom, France, Finland, Luxembourg, Ireland, Lithuania, and Slovenia.[10] The report also found that in the majority of European countries there is no association between incentives to increase work intensity and presence of children in the family, but Ireland was noted as an exception due to women secondary earners with children facing a higher median Marginal Effective Tax Rate than those without children. Ireland and the United Kingdom stand out as countries where women potential secondary earners with children are penalized due to high childcare costs.

The Future Jobs Ireland Plan 2019 called for the consideration of 'income tax arrangements for second earners that optimise financial incentive to work, taking account of the impact that the income tax system may have on female participation in the workforce.'[11] As the Irish economy continues to experience housing supply pressures, limiting the options for migrant workers, policies that reduce labour participation by second earners should be given renewed analysis. For example, further increases to the Home Carer Credit, as outlined in the Programme for Government, risk undermining labour market activation, potentially conflicting with the European Commission Country Specific Recommendation to pursue labour market activation policies. This concern was expressed strongly in the 2019 Tax Strategy Group Paper.[12] The attractiveness of returning to work, even at the higher salary levels generally commanded by skilled employees, is weakened by the structure of the tax system and the low level of state support for childcare costs currently available. Dublin Chamber recommends the introduction of a Returning to Work credit of, say €5,000, for second earners taking up employment. Its operation would need to be coordinated with the Home Carer Credit and it could be tapered to be withdrawn over a five-year period after taking up employment. The measure itself could be withdrawn as the labour force participation gap diminishes.

Recommendations

- ✓ **Make sustained progress towards a more universal model of childcare to enhance female participation in the labour force.**
- ✓ **Introduce a Returning to Work credit for second earners taking up employment, coordinated with the Home Carer Credit. In addition, there should be no further increases in the Home Carer Credit.**

10. European Commission, Secondary earners and fiscal policies in Europe, https://eige.europa.eu/docs/3086_150511_secondary_earners_en.pdf
11. Tax Strategy Group Papers 2019, https://assets.gov.ie/4437/131218110520-4b2fade89c4a49dda62b98d824ea1c96.pdf
12. Ibid.

3. Supporting Indigenous Enterprise and Entrepreneurship

Dublin Chamber works closely with start-ups and entrepreneurs and welcomes the attention to this area in the Programme for Government. 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.

While much of the multinational sector has proved resilient during the crisis, indigenous SMEs have borne the brunt of the economic damage and require a new focus at the heart of Irish economic policymaking. Global economic and political volatility makes this a strategic imperative; Ireland must remain attractive to international investors while also taking action to avoid overreliance on a small number of highly mobile firms.

This will require a radical rethink of enterprise policy in support of small and medium indigenous enterprises and the implementation of the recommendations outlined in the OECD review of Ireland's entrepreneurship policies. Dublin Chamber welcomed the publication of the SME and Entrepreneurship Growth Plan in December 2020, which was informed by the work of the OECD. An implementation group was established in February 2021, but progress on the actions outlined in the plan has been slow. Dublin Chamber understands that the work of the implementation group will inform the preparation of a new White Paper on Enterprise policy by year end and looks forward to seeing how the productivity and profitability of indigenous firms can be enhanced. Real ambition for Foreign Direct Investment was shown by Government in the adoption of a 12.5% corporate income tax rate, and the time has come for a complementary ambition to be shown for Ireland's SME sector through an overhaul of indigenous enterprise policy.

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

Figure 1: Ireland-UK Tax Comparison 2022

€1.176 per £1 – 30/05/2022 (www.ft.com)	**Ireland** (Budget 22)	**UK** (Budget Spring 22)
Income Tax		
Salary at which rate changes to 40% [13] [€/£]	€36,800	€59,119
Effective total tax rate on dividends at higher rate	52%	39.35%
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	Yes – subject to restrictive conditions of KEEP	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 down to €1.1m
Effective rate first ~€1m on exit after five years	10%	10%
Capital gains tax rate on disposal of shares in SMEs	33%	10%
Capital gains tax rate on Employment and Investment 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%
R&D Tax Credit – upfront refunds for early stage/scaling companies	No	Yes
Capital gains tax business asset rollover relief	No	Yes
Value Added Tax		
Standard Rate	23%	20%
Registration Threshold for SME providing services[14]	€37,500	€99,960

13. In the UK, the 40% rate comes into effect on income from £50,271 - £150,000, over £150,000 45% tax rate.
14. The threshold for the registration of VAT in the UK is £85,000.

3.1 Introduce a 20% Capital Gains Tax Rate for Investments in SMEs

Growing Ireland's indigenous business base will require greater investment in SMEs. The ESRI identified a significant investment gap in the Irish SME sector in a joint study with the Department of Finance, estimating that the gap amounts to over €1 billion annually.[15] However, Ireland's flat rate of Capital Gains Tax undermines efforts to promote investment in SMEs as there is no incentive to invest in a home-grown start-up rather than in a longer-established multinational company.

On the contrary, the 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, the third highest in Europe,[16] irrespective of the level of risk taken, or the contribution of the underlying investment to the Irish economy. Angel investors, people providing their services as employees, and shareholders who do not meet the 5% threshold to avail of Section 597AA (Entrepreneur Relief) are therefore unfavourably treated. Moreover, the distinction between large quoted companies, with a liquid market for the sale of shares, and unquoted firms, with a much less liquid market, is not reflected. This is clearly inequitable and runs contrary to the national interest, which lies in building up a greater indigenous business base while mitigating excess reliance upon a small number of highly mobile entities. With a similar concern in mind, the UK introduced an "Investors Relief" from CGT. It offers a lower CGT rate of 10% on lifetime gains of up to £10 million from disposals of shares in an unlisted trading company or the holding company of a trading group.[17]

The Government has previously said it is unable to calculate the cost of introducing any version of the scheme in Ireland as tax returns do not identify the amount of chargeable gains associated with unquoted shares.[18] It has been calculated that a blanket CGT reduction to 20%, applying to investments in both listed and unlisted firms, would reduce Exchequer revenue by €481 million in a full year.[19] However, this static costing does not account for the increased revenue generated by stimulating business investment and greater participation in share ownership, and is obviously larger than the cost of a targeted reduction.

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15. Dept. Finance, Capital Gains Tax Capital Acquisitions Tax, Stamp Duty, Tax Strategy Group -19/11, July 2019, p. 10, https://assets.gov.ie/19127/bf33c368730e4dc58cc7c7930c9b8487.pdf
16. Finance Act 2017 introduced the new Section 135(3A), TCA 1997, as an anti-avoidance mechanism. In practice it serves to convert many genuine transactions from distributions that are subject to CGT into distributions subject to income tax. E.g. management buyouts are a traditional mechanism to allow key stakeholders to exit or retire from their businesses. But making these transactions subject to income tax undermines their attractiveness; it pushes businesses towards sales to third parties or liquidation if a CGT exit is to be achieved.
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.
18. It has previously been argued that Ireland's less generous scheme is compensated for by the existence of Retirement Relief, which can be claimed to values ranging from €500,000 to €3 million. However, this ignores the reality of successful serial entrepreneurship today, which often takes place well before retirement age. Moreover, the combined value of the current reliefs is still substantially lower than the UK equivalent. Dept. Finance, TSG 17/11, Capital & Savings Taxes, 25 July 2017, p.5
19. Dept. Finance, TSG 19/05 Tax Incentives for SMEs, p. 22, https://assets.gov.ie/19118/6aaf283f06f74698a49833ea74100098.pdf#page=22

3.2 Tax Entrepreneurs at the Lower Rate of 30% on Income from Share Dividends

To succeed in developing prospering indigenous businesses on a large scale, it is critically important that Ireland provides 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 allure of a short-term reward by selling the firm prematurely. Ireland's present tax regime lacks this holistic and long-term approach. In the UK, the effective total tax rate on share dividends at the higher rate is 39.35% compared with 52% in Ireland, a stark differential in the context of Brexit.

In availing of the 30% dividend tax rate, entrepreneurs will be incurring an additional 12.5% corporation tax liability on whatever amount they decide to extract by way of dividend as opposed to salary. Although that's a corporation tax liability rather than an income tax liability, it still amounts to a reduction in total profits in the company, so an entrepreneur would think about the cost to them of availing of a reduced tax on dividend scheme as being 42.5% rather than 30%. This is still more attractive than marginal labour tax rates, but the differential is much less than it appears when the corporation tax cost is not highlighted.

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. Changes introduced by the Finance Act 2017 have increased the difficulty.[16] The result is an inefficient incentive that drives successful businesspeople to sell up rather than stay on and grow their business further. While divestment is an appropriate and desirable outcome for serial entrepreneurs, for example, it should not be the only option that is encouraged. In many cases, the scaling of Irish SMEs may be of greater long-term value to the Irish economy. Dublin Chamber proposes to 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. Additionally, they should be restricted to entrepreneurs who are growing their businesses as opposed to individuals who operate as one-person limited company entities. This should encourage more entrepreneurs to retain and grow their business, reducing the 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.

3.3 Improve the Employment & Investment Incentive (EII)

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. It is crucial that the EII scheme rules are simplified, and that greater certainty is provided for companies and individuals participating in the scheme. At present, the provisions of the EII scheme are complex, it can be difficult for start-ups to understand and the penalties for getting it wrong can be steep. Improving certainty for participating companies could substantially increase uptake of the relief. The EII scheme provisions should be amended such that where a company has provided correct and complete information to Revenue, a confirmation that it is eligible for the EII Scheme can be issued to the company. This would be similar to the operation of the equivalent UK EIS rules.

16. Finance Act 2017 introduced the new Section 135(3A), TCA 1997, as an anti-avoidance mechanism. In practice it serves to convert many genuine transactions from distributions that are subject to CGT into distributions subject to income tax. E.g. management buyouts are a traditional mechanism to allow key stakeholders to exit or retire from their businesses. But making these transactions subject to income tax undermines their attractiveness; it pushes businesses towards sales to third parties or liquidation if a CGT exit is to be achieved.

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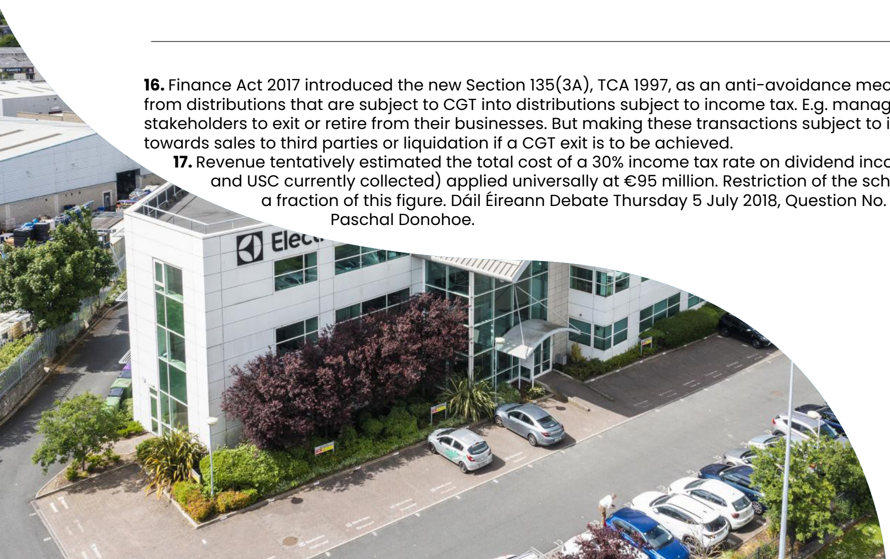

3.4 Make the Key Employee Engagement Programme (KEEP) Relevant to SMEs

Dublin Chamber welcomed the initial introduction of KEEP in Budget 2018, having campaigned for such a measure to help SMEs retain talent and compete with larger firms. The incentive aims to support SMEs in competing with larger enterprises to recruit and retain key employees. Smaller or younger companies with growth potential may not have the cash resources available to offer comparable salary packages to large, established businesses. However, where the employee believes in the growth potential of the firm, and by extension the potential for the company shares to increase in value, remuneration in the form of share options can improve the attractiveness of the SME employment offer. However, four years on KEEP has failed to achieve its policy objective of helping small firms to attract and retain staff. It remains irrelevant to most of the target cohort of firms and take-up of the scheme is negligible. Despite repeated business feedback that KEEP remains overly restrictive and ineffective, only minor changes to the rules have been made in recent years and it is generally only relevant if a company is going to be sold. A key issue for SMEs is a lack of liquidity in shares. As share redemptions by private companies are subject to income tax, KEEP is effectively restricted to being a consideration suitable for companies targeted for sale, undermining its intended incentive effect for employees. To level the playing field and support the scaling of Irish SMEs, this anomaly must be addressed.

3.5 Change the Lifetime Limit on Entrepreneur Relief to a Venture Limit

Entrepreneur Relief from CGT 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. To qualify, among other conditions, an individual must own at least 5% of the business and have spent a certain proportion of their time working in the business as a director or employee for three out of the previous five years prior to disposal. Dublin Chamber made the case for revised Entrepreneur's Relief in 2015 and welcomed its introduction in Budget 2016. Government has previously acknowledged that 'retention [of the relief] is important in the context of possible Brexit impacts and other issues that may arise as the UK exits the EU'.[18]

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 has previously proposed 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. The cost of raising Ireland's lifetime limit up to €10 million, as promised by the previous Government, has been estimated at €81 million using the static costing model employed by the Department of Finance.[19] In the absence of such a measure being put in place, Dublin Chamber recommends that the €1 million lifetime limit on Entrepreneur Relief be altered to a "venture limit". This would act as an incentive for entrepreneurs to continue to build businesses in the State after their first business is sold, and fulfils the aim of building Ireland's reputation as a country that welcomes and rewards enterprise.

Recommendations:

- ✓ **Cut CGT to 20% for unlisted trading firms.**
- ✓ **Tax entrepreneurs at a lower rate of 30% on income from share dividends.**
- ✓ **Make EII relief more accessible and attractive.**
- ✓ **Make KEEP relevant to SMEs.**
- ✓ **Changer the €1 million Lifetime Limit on Entrepreneur Relief to a €1 million Venture Limit.**

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18. It has previously been argued that Ireland's less generous scheme is compensated for by the existence of Retirement Relief, which can be claimed to values ranging from €500,000 to €3 million. However, this ignores the reality of successful serial entrepreneurship today, which often takes place well before retirement age. Moreover, the combined value of the current reliefs is still substantially lower than the UK equivalent. Dept. Finance, TSG 17/11, Capital & Savings Taxes, 25 July 2017, p.5

19. Dept. Finance, TSG 19/05 Tax Incentives for SMEs, p. 22, https://assets.gov.ie/19118/6aaf283f06f74698a49833ea74100098.pdf#page=22

4. Housing

According to Dublin Chamber members, housing availability is the biggest issue impacting Dublin's competitiveness at present. The second biggest issue members have identified is the availability of skills and talent, reflecting concerns about staff recruitment and retention at company level. These responses suggest that whilst the two issues are distinct, they are interlinked, with many businesses reporting that the cost and availability of skilled labour in Dublin is greatly impacted by the cost and availability of housing.

Low levels of housing and apartment construction over many years in the region have not kept pace with rising population and employment levels and now threaten the city's global reputation as a place to do business. As international tax rules converge, other factors relevant to international business and investors will likely become key areas of intense global competition in the future. The housing crisis in Ireland is already a significant negative factor for investors looking to establish substantial operations here and may well be a determinatively negative factor for future prospective investors unless urgent action is taken to resolve this. Moreover, the collapse in footfall and closure of premises during the pandemic, particularly in central urban areas, highlighted the urgent need to make Ireland's five cities home to liveable communities that can sustain urban businesses and ensure urban centres are safe and vibrant.

According to a report by the National Economic and Social Council, 'Ireland must bring about a fundamental change in its system of urban development, land management and housing provision. It must evolve from a speculative and highly cyclical system to a permanently affordable, stable, and more sustainable system of housing.'[20] We concur. Ireland's housing supply gap urgently needs to be bridged. The number of new homes built in 2020 and 2021 are below the 21,241 homes built in 2019 and far below the 35,000 new homes, which the ESRI says are needed each year to meet demand.[21] Moreover, the headline count of the 2022 census shows that population growth has exceeded previous forecasts. This suggests that the housing target of 35,000 new homes each year is a conservative one, and the goal should be to meet or exceed it.

20. National Economic and Social Council, http://files.nesc.ie/nesc_reports/en/150_Housing_Policy.pdf
21. CSO, https://www.cso.ie/en/csolatestnews/presspages/2022/newdwellingcompletionsquarter42021/?utm_source=TW&utm_medium=TW&utm_campaign=NewDweQ42021

There is also an affordability gap that is continuously growing. In its latest analysis of the market, Daft found that asking prices for houses rose 3.8 per cent through the second three months of this year to an average of €311,874. That figure was 9.5 per cent more than during the same period in 2021, while the second-quarter jump was the biggest three-month gain in almost two years.[22]

The State must play a central role here, and urban housing should resume priority in public capital investment. For some time now it has been evident that the welfare system is picking up the responsibilities for housing due to the lack of capital investment in the area. There has been a sustained failure to invest in social housing construction and this has placed enormous pressure on the welfare system. 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. Mixed tenure and development are important, and government should focus on the supply side of solutions in this respect.

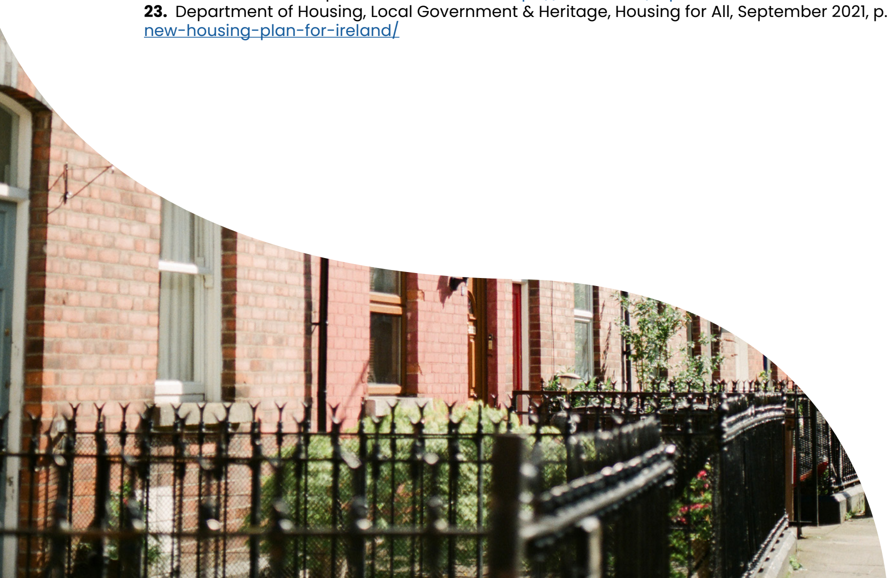
Government should seek to offset the inflationary pressures in the construction sector by grappling with the price and availability constraints on developable land. Dublin Chamber has repeatedly called for Government to engage seriously with the Kenny Report, and we therefore welcomed the relevant commitments within the Housing for All Action Plan. The Plan commits to introducing 'updated Kenny Report style powers to ensure sharing of the increase in land values resulting from zoning decisions and more community gain.' The commitment to development of a Land Value Sharing system is positive, promising to secure 'a proportion of the value uplift of a development site, tracked from a point of zoning or designation, to a point of planning permission.'[23] The development and implementation of this system must be prioritised by Government to address the systemic issues affecting the land market, reducing the "hope value" which encourages speculation, and providing more certainty at the outset.

Adoption of off-site manufacturing (OSM) and modular construction can play a positive role in managing costs. However, due to capacity constraints and other reasons outlined above, continued inflationary pressures may be inevitable in the construction sector in the short-term. This increases the onus on Government to offset these by grappling with the price and availability constraints affecting developable land.

In this context, Dublin Chamber offers a number of recommendations, primarily to address the cost of land, and to encourage more intelligent use of existing property:

- ✓ **Increase and accelerate the Zoned Land Tax & Introduce a Vacant Homes Tax**
- ✓ **Reform the Living City Initiative as an up-front grant**
- ✓ **Reform & reinstate CGT rollover relief on a targeted basis**
- ✓ **Review Help to Buy Scheme**

22. Irish House Price Report Q2 2022 | Daft.ie, https://ww1.daft.ie/report?d_rd=1
23. Department of Housing, Local Government & Heritage, Housing for All, September 2021, p. 79, https://www.gov.ie/en/publication/ef5ec-housing-for-all-a-new-housing-plan-for-ireland/

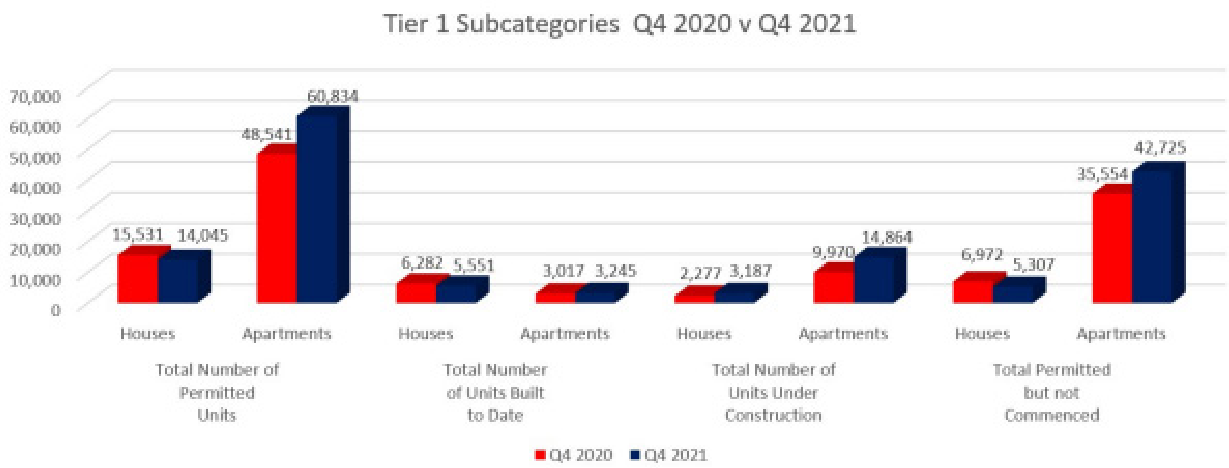


STRENGTHEN TAXES ON VACANT LAND AND PROPERTY

4.1 Zoned Land Tax

Mobilising vacant and underused property is crucial to increasing housing supply. This requires active land management by the Government, including measures to increase the holding cost of vacant land zoned for residential development and encourage timely delivery of homes to the market. There is a growing gap between the volume of planning permissions and accommodation under construction: construction has been started on only about one third of the units with planning permission across the four Dublin local authorities up until the end of 2021. Further work is required to understand why this is the case and ensure that housing construction is commenced swiftly where planning permission is granted.[24]

Figure 2: Housing Supply Coordination Task Force Q4 2021 Returns



Reform of the Vacant Site Levy was needed as it has not effectively advanced housing development. Just €21,000 was collected from the levy in 2020, suggesting a problem in collecting the tax due. In addition, the levy is only applicable to sites larger than 0.05 hectares, thus excluding many smaller urban sites which could play a role in facilitating rapid housing construction using existing access roads and services.[25] Dublin Chamber therefore supports the move to a Residential Zoned Land Tax announced in Budget 2021, which will affect any land zoned and serviced for housing no matter how small. The move towards collection by the Revenue Commissioners is also welcome, as this will likely improve compliance. However, the new Residential Zoned Land Tax is levied at a rate that is lower than the previous Vacant Site Levy and is not due to commence until 2024.

The long lead-in time, of two years for land zoned before January 2022 and three years for land zoned after January 2022, is a matter of concern. In addition, it is not clear why the Residential Zoned Land Tax rate of 3% of the market value of the land should be lower than the 7% currently charged under the Vacant Site Levy. The Joint Committee on Housing, Local Government and Heritage has argued that in the current climate of high inflation, a zoned land tax of 3% will not go far enough to disincentivise land hoarding.

Dublin Chamber recommends that the Zoned Land Tax be set at the 7% rate already applicable under the Vacant Site Levy, and that the 3-year lead-in period be returned to one of 12 months.

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24. Housing Supply Coordination Task Force For Dublin, Q4 2021 Returns, https://www.gov.ie/en/publication/47c56-housing-supply-coordination-task-force-return-reports-q1-q4-2021/
25. The Irish Examiner, https://www.irishexaminer.com/news/arid-40333667.html

4.2 Vacant Property Tax

CSO figures estimate there could be 137,000 vacant homes across the country at present.[26] Ireland compares poorly to other European countries, such as Denmark which has a vacancy rate of 7.2%[27], largely achieved through a system for property ownership and use that effectively ensures that no home is vacant for longer than 180 days a year. Government must proactively put measures in place to tackle Ireland's vacancy problem. The Commitment announced in Housing for All to 'Collect data on vacancy levels in residential property with a view to introducing a vacant property tax'[28] should be put into motion. Dublin Chamber supports the Joint Committee on Housing, Local Government and Heritage's recommendation that the Department 'consider the introduction of a Vacant Homes Tax with reasonable exemptions.'[29] An immediate effective and hefty vacant property tax would both provide urgently needed housing supply, whilst disincentivising property speculation.

4.3 Reform the Living City Initiative as an Upfront Grant

A desktop study by Dublin City Planners in 2018 suggested that between the canals in Dublin City there was enough space on vacant upper floors to accommodate 4,000 apartments.[30] The National Planning Framework sets ambitious targets for compact growth and urban densification, which will be challenging to achieve. Meanwhile, the future economic vibrancy of Ireland's urban centres is contingent not only on attracting customers from outside but on maintaining a base population to support local businesses in a context of changing commuting and shopping patterns. Higher residential density in central areas is key to Dublin Chamber's vision of a 15-minute city[31]; it will also provide greater surveillance of the public realm, which is necessary to address negative perceptions of urban safety identified in the Chamber's Global Reputation Report.[32] To achieve this, the problem of disused property and under-utilised space in central areas of Dublin must be tackled. However, due to the sensitive nature of protected historical buildings and the scale of refurbishment which they often require, such works are often prohibitively expensive and not commercially viable.

Strong and consistent feedback over the years indicates that the Living City Initiative (LCI) is not an attractive business proposition. Refurbishments of protected historical buildings require particular attention and specialist treatment making major demands on a property owner's time and finances for a limited return. As detailed at the 2021 Vacancy Summit, the cost of refurbishing a three-storey Georgian building comprising two small apartments over a ground-floor shop space will run to approximately €670,000. This compares with the c. €420,000 cost of a comparable refurbishment on a non-protected structure.

The LCI is failing in its objective of encouraging refurbishments on the scale that Dublin requires. As of December 2021, Dublin City Council had received just 155 valid applications for the scheme - 86 from owner occupiers and 68 for rental accommodation, and work had been completed on only 94 projects.[33] Despite an upsurge in queries after every promotional campaign by

26. Joint Committee on Housing, Local Government and Heritage, Urban Regeneration Report May 2022, https://data.oireachtas.ie/ie/oireachtas/committee/dail/33/joint_committee_on_housing_local_government_and_heritage/reports/2022/2022-05-24_urban-regeneration_en.pdf
27. The Danish Property Federation's Market Statistics, https://www.google.com/search?q=denmark+property+vacancy+rate&rlz=1C1GCEA_enIE976IE976&sxsrf=ALiCzsaNra8EaZ-an4DAjeFyoge_TxUaNg%3A1653904357092&ei=5ZOUYqOWBYjZgAaKg4OYAQ&ved=0ahUKEwjjnMnt-Yb4AhWILMAKHYrBABMQ4dUDCA4&uact=5&oq=denmark+property+vacancy+rate&gs_lcp=Cgdnd3Mtd2l6EAM6BAgjECc6BggAEB4QBzolCAAQHhAPEAc6BAghEApKBAhBGABKBAhGGABQAFjvEWDnEmgAcAF4AIABiAGIAZMIkgEEMTYuMZgBAKABAcABAQ&sclient=gws-wiz
28. Housing for All, Table of Actions
29. Joint Committee on Housing, Local Government and Heritage, Urban Regeneration Report May 2022, https://data.oireachtas.ie/ie/oireachtas/committee/dail/33/joint_committee_on_housing_local_government_and_heritage/reports/2022/2022-05-24_urban-regeneration_en.pdf
30. Joint Committee on Housing, Local Government and Heritage, Urban Regeneration Report May 2022, https://data.oireachtas.ie/ie/oireachtas/committee/dail/33/joint_committee_on_housing_local_government_and_heritage/reports/2022/2022-05-24_urban-regeneration_en.pdf
31. Dublin Chamber, Dublin: The 15-Minute City, https://www.dublinchamber.ie/Portals/2/Submissions/Dublin_The-15-Minute-City.pdf?ver=2021-07-31-130511-660
32. Dublin Chamber, Dublin's Global Reputation, https://www.dublinchamber.ie/Portals/0/Dublin%20Global%20Reputation/Dublin-s-Global-Reputation-Report-(1).pdf?ver=2021-08-30-093923-530
33. https://www.irishtimes.com/news/environment/disappointing-uptake-for-scheme-to-redevelop-vacant-dublin-buildings-1.4756345

Dublin City Council, most do not apply due to the age criteria of the property, the property being outside the designated area, the confusing nature of the application process, and low level of the support relative to the financial outlay and time commitment involved.

With the scheme scheduled to end on 31st December 2022, the Government should take the opportunity to renew the LCI as a more effective incentive. Dublin Chamber recommends increasing the financial incentive by providing a direct grant. To provide a compelling proposition to property owners, the grant should be in line with the Serviced Site Fund payments of €100,000 per unit in Dublin, and €50,000 in other cities. Meanwhile, the tax relief for owner-occupiers should be accelerated and applied over a shorter period. The boundary of the designated area in Dublin city should also be extended to include both sides of the North Circular, South Circular, and Berkley Roads. Dublin Chamber further proposes that the LCI should be expanded to include long term vacant properties built post-1915 in the cities and towns specified in the NPF.

4.4 Reform & Reinstate CGT Rollover Relief on a Targeted Basis

The conditions that justified the abolition of Capital Gains Tax (CGT) rollover relief, namely a low inflation environment and a simple flat CGT of 20%, are no longer in place. CGT rollover relief should therefore be reformed and reinstated on a targeted basis to encourage the conversion of appropriate and centrally located urban buildings for residential purposes. In order to reach the densification goals set out in the National Planning Framework, Government should reintroduce rollover relief from CGT for businesses with respect to the amount of the proceeds received from the sale of property for conversion to residential use which is re-invested in a replacement property (i.e., new site and/or building) where that property is used in the trade of the enterprise. This would free up land in city centre locations ideal for residential development, whilst also enabling businesses to move to more suitable locations where they would be able to expand further without being impeded by a Capital Gains Tax liability which they may struggle to pay along with the cost of a replacement premises.

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29. Qualifying business assets include those in most productive businesses, excluding businesses involving land dealing or holding investments.
30. It has previously been argued that Ireland's less generous scheme is compensated for by the existence of Retirement Relief, which can be claimed to values ranging from €500,000 to €3 million. However, this ignores the reality of successful serial entrepreneurship today, which often takes place well before retirement age. Moreover, the combined value of the current reliefs is still substantially lower than the UK equivalent. Dept. Finance, TSG 17/11, Capital & Savings Taxes, 25 July 2017, p.5.
31. This has been costed at €84m 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
32. Programme for a Partnership Government, p.38, https://www.merrionstreet.ie/MerrionStreet/en/ImageLibrary/Programme_for_Partnership_Government.pdf#page=38
33. Dept. Finance, TSG 19/05 Tax Incentives for SMEs, p. 22, https://assets.gov.ie/19118/6aaf283f06f74698a49833ea74100098.pdf#page=22

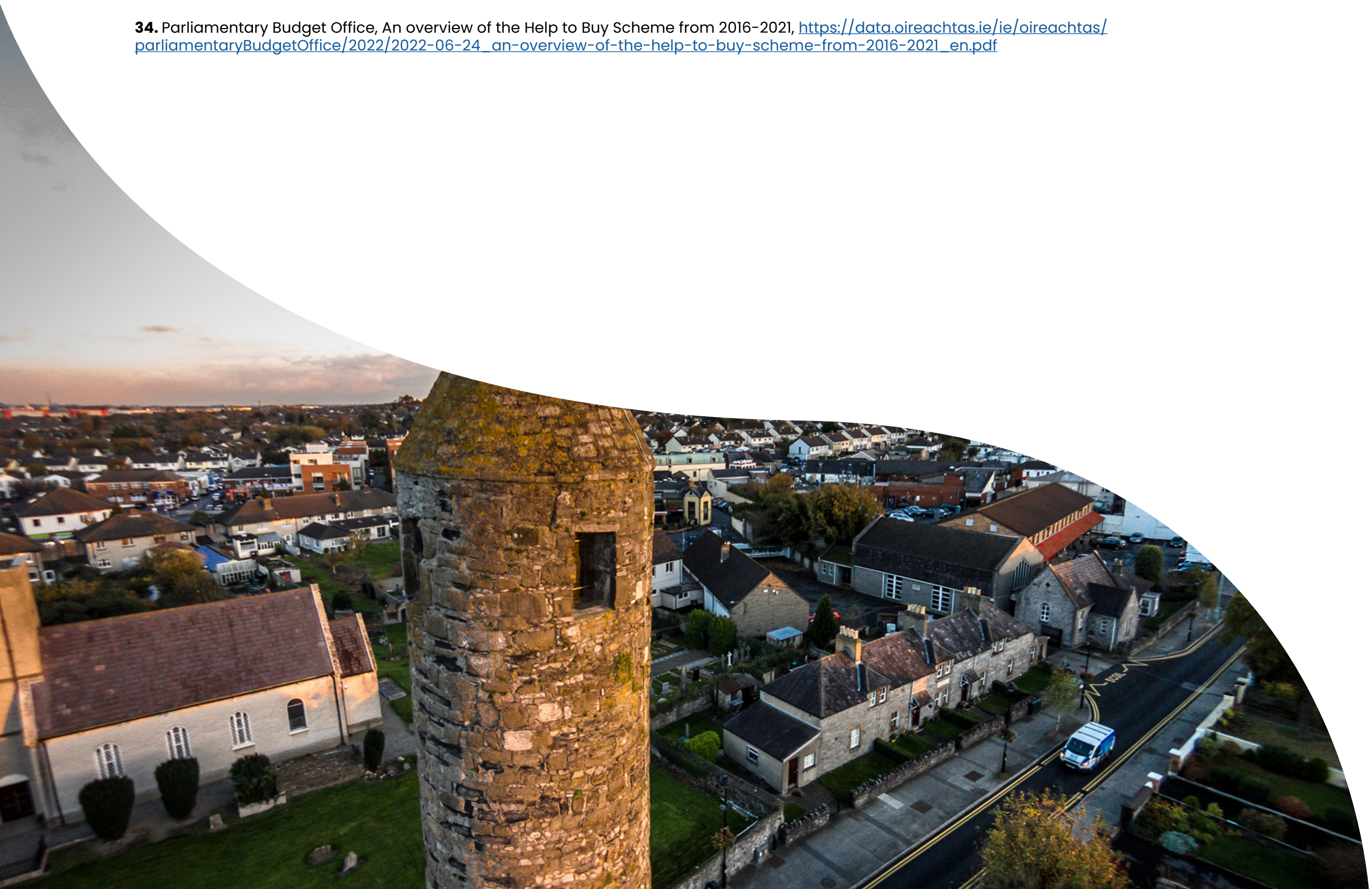
4.5 Review the Help to Buy Scheme

The Help to Buy Scheme (HTB) in its current state, is not fit for purpose. The scheme cost €180 million last year, four times the original estimated cost of the €40 million per annum for the scheme when it was first introduced. The cost of the scheme to the Exchequer has continued to grow year-on-year since its introduction. HTB has been the subject of two independent reviews: an impact assessment (2017), and a Cost Benefit Analysis (2018). Dublin Chamber supports the Tax Strategy Group's recommendation that the time has come for a further review of HTB. Given the time that has elapsed since the last review and the continuing rise in house prices, a further formal review of the efficiency and effectiveness of the scheme is needed. The high cost, the changing policy context in which the relief operates, and the advent of other non-tax Housing For All measures that have similar objectives, as well as the requirements of the tax expenditure guideline considerations, indicate that a review is needed. Further, a recent report by the Parliamentary Budget Office (PBO) found that a third of recipients did not need assistance and could instead use the scheme to create larger deposits for more expensive properties. The report notes that Increasing purchasing power for households, while housing supply is constrained, will very likely lead to higher house prices.'[34] Unless it can be demonstrated that the scheme has aided supply or lowered prices, Dublin Chamber suggests that it be scrapped. The funds used in the scheme should be redirected towards a scheme that will actually galvanise supply in high-demand areas in furtherance of the Government's own goals regarding densification under the NPF.

Recommendations:

- ✓ **Increase and accelerate the Residential Zoned Land Tax and introduce a Vacant Homes Tax.**
- ✓ **Reform the Living City Initiative as an up-front grant.**
- ✓ **Reform & reinstate CGT rollover relief on a targeted basis.**
- ✓ **Review Help to Buy Scheme.**

34. Parliamentary Budget Office, An overview of the Help to Buy Scheme from 2016-2021, https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2022/2022-06-24_an-overview-of-the-help-to-buy-scheme-from-2016-2021_en.pdf



5. Infrastructure

5.1 Prioritise Sustainable Infrastructure in the Greater Dublin Area

Cities inherently offer opportunities for more sustainable ways of living, from the use of public transport to the ability to effectively and efficiently deliver public services. Indeed, the Intergovernmental Panel on Climate Change recently acknowledged the critical role that cities have to play in saving the planet.[35] Cities provide opportunities for meaningful climate action, whether that be through green buildings, reliable supplies of clean water and renewable energy, or sustainable transport systems. The sustainability mission is closely intertwined with the revitalisation of the Dublin region.

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 Dublin city region is the engine of the Irish economy and Ireland's largest population hub. Dublin's success is critical to Ireland's success. However, contrary to perception, the capital city region has been significantly underfunded relative to other regions in the past. This is despite the fact that infrastructure investment, particularly public transport investment, is more efficient in high-density zones where greater use will be made of completed projects.

Ireland's recent pattern of capital expenditure is among the most unstable in Western Europe, with the level of public investment falling precipitously after the last economic crisis.[36] Future capital investment plans can be threatened not only by fluctuations in the economy, but by significant cost overruns in individual projects. With this in mind, we recommend taking steps to guarantee the delivery of the economic infrastructure improvements that are necessary to compensate for past decades of underinvestment. As was recently argued for by the Fiscal Advisory Council, corporation tax "windfall gains" should be dedicated to a "rainy day" fund and continued medium/long term capital investment, rather than funding increases in current spending.[37]

It is also clear that the current planning system requires reform to assist in the delivery of key projects. Without adequate resourcing the planning process fails to run effectively and

35. IPCC, https://isocarp.org/news/ipcc-special-report-cities-climate-change/#:~:text=Cities%20are%20integral%20to%20fighting,carbon%20budget%20that%20is%20not
36. Eurostat, General Government Gross Fixed Capital Formation in European countries, 2001-2015
37. Irish Fiscal Advisory Council, Fiscal Assessment Report, May 2022, https://www.fiscalcouncil.ie/wp-content/uploads/2022/05/FAR-May-2022-Box-G-Exchequer-has-benefited-from-some-E22-billion-excess-corporation-tax-.pdf

efficiently. Additional staffing, training, and appropriate resources are required to achieve a faster decision-making process and a more effective planning system.

Ireland's poor track record with respect to the timely delivery of new public transport infrastructure for its capital city is a source of growing irritation for businesses. Frustration has only been heightened by growing international travel in the last decade and wider public exposure to the standard of public transport available in comparable European capital cities, which often boast extensive underground, heavy, and/or light rail networks. Both business and casual travellers have increasingly come to appreciate the cost to Dublin of a long-running failure to deliver high-quality public transport, both in terms of economic efficiency and quality of life.

European cities of comparable size to Dublin, Copenhagen and Zurich offer instructive examples of what can be achieved in terms of modal share through ambitious investment in public transport and active travel infrastructure over many years. In Copenhagen, the bicycle accounts for 41% of all journeys, public transit accounts for 27% of journeys, while the private car represents just 26% of the modal split.[38] In contrast, Zurich offers an alternative model weighted more towards public transport and walking; as of 2015, public transport held a 41% mode share in Zurich while journeys on foot held a 26% share.[39] Dublin has not benefited from the level of sustained investment in public infrastructure and the public realm required to achieve this, but policymakers should nonetheless reflect on successful models in setting targets for the coming decades.

Projects that help to achieve the vision of a 15 Minute City should be prioritised. The Chamber's vision for Dublin calls for significant investment in public transport and infrastructure projects, both within the city and wider GDA, to enable us to reach the level of public transport that will enable modal change. To achieve this vision, similar

investment in active transport, i.e., walking and cycling, and the public realm will also be required.

Dublin Chamber welcomes the recent decision by Cabinet to approve the Preliminary Business Case for MetroLink so that a Railway Order application can be made without delay. Likewise, speedy approval and delivery of the DART+ projects should be at the top of the agenda. Meanwhile, sight must not be lost of the DART underground interconnector, which will be crucial to the development of an integrated public transport system in Dublin and across the island of Ireland. This project has been discussed in various iterations since 1971. A half-century later, no progress has taken place. Dublin Chamber requests that €40 million in funding be set aside for a Railway Order and tender design process to bring it to 'shovel ready' status by the end of the current Government term in 2025.

Dublin Chamber further calls for accelerated progress on abstraction legislation to ensure Dublin has sufficient water by the end of the decade, and allow the construction of a pipeline from the Shannon. Ongoing sustained investment in water infrastructure is critical to ensure the

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38. Deloitte, Deloitte City Mobility Index: Copenhagen, 2019, https://www2.deloitte.com/content/dam/insights/us/articles/4331_Deloitte-City-MobilityIndex/Copenhagen_GlobalCityMobility_WEB.pdf
39. Nash, Corman, & Andrews, Public transport priority in 2020: Lessons from Zurich, p.7, https://doi.org/10.3929/ethz-b-000408156

sustainability of drinking water supplies into the future and ensuring we safeguard our environment through the proper treatment of wastewater and stopping the discharge of untreated wastewater into our seas and rivers.

Last, but by no means least, a clear Government strategy on energy security is of vital importance. Ireland needs to reduce its carbon emissions, whilst crucially ensuring that there is a secure supply of energy for Ireland in general, and the Dublin region in particular. Talk of restricting FDI in the region because of underinvestment in energy generation has been counterproductive. In light of the war in Ukraine, it is essential that the Government tackles the issue of supply by boosting investment in generation and the grid. The planning process must be sped up so that no more time is wasted.

5.2 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.

6. Sustainability

Dublin Chamber has for more than a decade been a strong voice in advocating for sustainability and the importance of the business voice in national climate action goals. The Chamber is committed to upholding the UN Sustainable Development Goals (SDGs) and, in particular, works in support of Goal 11 Sustainable Cities and Communities, Goal 8 Decent Work and Economic Growth, Goal 9 Industry, Innovation and Infrastructure, Goal 5 Gender Equality, and Goal 13 Climate Action. The Chamber is leading the way in preparing businesses for the transition to a green economy through its Sustainability Academy, which offers participating businesses a comprehensive range of supports including training in green public procurement.

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. A recent report by the EPA stressed that even if every planned climate policy and measure outlined in the Climate Action Plan were fully implemented on time, Ireland's greenhouse gas emissions would only fall by 28% by 2030 - a little over half what is legally required, and that urgent implementation is desperately needed.[40] 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. For Ireland to meet its 51% emissions reduction target by 2030 all industries will have to make substantial changes. 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.

Energy industries account for 15% of Ireland's overall emissions.[41] In order to achieve Ireland's targets a switch to renewable electricity is essential, as recognised by the Climate Action Plan 2021 which proposes that 80% of electricity demand should be supplied through renewable generation by 2030. Government has further set a target of delivering 5 gigawatts of offshore wind by 2030. Given that we are now just 8 years away from 2030 it is essential that efforts are accelerated to ensure that the targets outlined by the Climate Action Plan 2021 are achievable. Europe's ongoing energy crisis has added to the need for urgency in this transition, from both a price and a supply perspective. The invasion of Ukraine, and the continuing energy crisis, has highlighted the importance of accelerating the switch to our own indigenous, renewable energy systems and reducing our reliance on imported fossil fuels. Government needs to commit to increased investment in the electricity grid to ensure that it is future proofed and has the capacity to meet decarbonisation targets, including the progression of the North-South Interconnector and the Celtic Interconnector to ensure energy security. Government must further ensure that funding and resources are allocated to research innovative technologies such as Carbon Capture Storage, Hydrogen, Biogas and Anaerobic Digestion. The potential of Green Hydrogen is of considerable interest, and moves should now be made to ensure that it is a viable energy source in the near future. The national Hydrogen strategy must be completed to give certainty to the industry and Government should set targets for purchasing a minimum volume of Green Hydrogen each year at a fixed price so that the industry will have certainty over customer demand. Investment is needed to ensure our existing gas infrastructure is hydrogen ready and that we have capacity to store and export excess Compressed Green Hydrogen.

In addition to the policy proposals discussed below, Dublin Chamber stresses the importance of maintaining the acceleration of carbon tax as was planned for in Budget 2022, despite pressures that may be mounted to reverse or slow this down in the context of inflation. Dublin Chamber welcomed the continued ring-fencing of carbon tax revenue to fund investment in transition measures in Budget 2022. Adherence to the schedule of planned increases to carbon tax is important to help businesses plan ahead.

Dublin Chamber has several specific policy recommendations to facilitate Ireland's goals as outlined in the Climate Action Plan 2021:

6.1 Electric Vehicle Supports

In 2019, Ireland's vehicle fleets accounted for 20.3% of the country's total CO2 emissions (according to the EPA's 44 Provisional Greenhouse Gas Emissions report) and 40.6% of nitrogen oxide (NOX) emissions (according to the Informative Inventory Report). The make-up of the Irish vehicle fleet plays a significant role in determining ambient air pollution levels.[42] Ireland ranks poorly in comparison to its European neighbours when it comes to Electric Vehicle take up: only 5% of new vehicles in Ireland in 2020 were EVs, compared to 25pc in the Netherlands and 75pc in Norway.[43] This is largely due to the lack of charging infrastructure

40. EPA Ireland, Ireland's Greenhouse Gas Emissions Projections 2021-2040, https://www.epa.ie/publications/monitoring--assessment/climate-change/air-emissions/irelands-greenhouse-gas-emissions-projections-2021-2040.php?utm_source=website
41. EPA, https://www.epa.ie/our-services/monitoring--assessment/climate-change/ghg/latest-emissionsdata/#:~:text=Agriculture%20is%20the%20single%20largest,%25%20and%2012.3%25%2C%20respectively.
42. https://www.gov.ie/en/consultation/0a7cf-consultation-on-the-clean-air-strategy-for-ireland/
43. REA, Energy Transition Readiness Index: http://www.nnebooks.co.uk/REA/Energy%20Transition%20Readiness%20Index%202021/index.html

that has been rolled out, Ireland ranks joint last among 12 European countries evaluated in a report by the REA in this regard.[44] Currently there are approximately 41,000 EVs on Irish roads and 1,350 public charge points.[45] Much will need to be done if Ireland is to reach its goal of 1 million EVs by 2030, as laid out in the Climate Action Plan. Investment in charging infrastructure, and the acceleration of planning around this is essential. Dublin Chamber recommends an accelerated rollout of a national fast charging network for EVs with a focus on regional areas, while providing for public transport in urban settings.

However there also needs to be cost incentives to encourage a wider scale rollout of EVs in Ireland. In recent focus groups held by Dublin Chamber, the need for clarity around the extension of various tax reliefs and funding schemes to assist businesses and individuals with their sustainability goals was noted as highly important. For example, there was a call for clearer communication and decision making surrounding the Benefit in Kind tax scheme for electric cars, and its possible extension. It was stressed that businesses and individuals need assurances and medium to long term commitments from government before they fully engage with such schemes. There is a need for clear and consistent public communications on budget supports to ensure confidence and awareness of government EV policies.

It was recently suggested by the Department of Finance that Electric Vehicles valued at less than €50,000 will no longer be exempt from benefit-in-kind tax, with rates for electric cars ranging from 9 to 22 per cent.[46] Dublin Chamber calls for the benefit-in-kind exemption for lower-value electric cars to be retained.

6.2 Increase Support for R&D in Green Technologies

An OECD study published in September 2020 found that both R&D tax incentives and direct funding are effective in incentivising R&D investment by businesses.[47] In this regard, we recommend enhancing the existing R&D tax credit regime to allow for a credit with respect to expenditure incurred in relation to R&D activities undertaken with respect to solar, wind, hydro, or biomass energy technologies, as well as other green technologies (for example, soluble or compostable materials for packaging, air filtration methods, ocean cleaning technology, etc.).

6.3 Invest in Training

Another pillar which will be essential in accomplishing "sustainable industrialisation" is education and training. Businesses cannot achieve sustainability goals by assigning them to staff members who are principally focused on other things; specialised individuals need to have sustainability as their core focus. Enterprises and employers are currently facing challenges in finding the appropriate level of skills, as a recent report by Skillnet argues there is a need to 'coordinate the upskilling and training response: in terms of activities required by education and training providers to ensure that skills needs are met, while also ensuring that there are no shortages of unskilled/ general labour that may be required.'[48] This will be key in transitioning Ireland to a zero-carbon economy. Government should therefore invest in re-training programmes to support the transition from jobs reliant on fossil fuels to low carbon jobs in areas such as energy retrofitting for buildings, sustainable forestry, renewable energy and peatland restoration.

44. REA, Energy Transition Readiness Index: http://www.nnebooks.co.uk/REA/Energy%20Transition%20Readiness%20Index%202021/index.html
45. https://home.kpmg/ie/en/home/insights/2021/12/road-one-million-electric-vehicles-sustainable-futures.html
46. Tax Codes Debate, https://www.oireachtas.ie/en/debates/question/2021-05-20/214/#:~:text=Electric%20vehicles%20will%20benefit%20from,employees%20with%20low%2Demission%20cars.
47. MicroBeRD: An OECD study on the impact of R&D tax incentives https://www.oecd.org/sti/microberd-rd-tax-incentives-policy-note.pdf
48. Skillnet, skills-for-zero-carbon-dete-egfsn-nov-21.pdf (skillnetireland.ie)

6.4 Introduce a "Going Green" Tax Credit

Dublin Chamber welcomes the recent introduction of the Green Transition Fund, but more still needs to be done to encourage SMEs to adopt sustainable practices. One measure that could be introduced to enhance SME engagement in "going green" is a tax credit linked to measures implemented to reduce the business's carbon emissions. There are many ways in which such a tax credit could operate. For example, the tax credit could be made available for SMEs 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. This list could be developed with, for example, the SEAI. It would also be important for the list to be dynamic, to reflect ongoing advancements in technology. Items on the list could for example include retrofit and energy efficiency measures; green supply chain guarantees; effective waste management practices; circular economy measures; and adoption of low emissions transport. The tax 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.

It is further important that Government develops a strong communications strategy to ensure that the scheme is widely recognised and promoted. A recurring point of critique regarding the sustainability question is the lack of a coherent communications strategy, or "one stop shop" in terms the incentives available to encourage a shift to sustainable practices.

Recommendations:

- ✓ **Adhere to the schedule of planned increases to carbon tax.**
- ✓ **Retain the benefit-in-kind exemption for lower-value electric cars.**
- ✓ **Existing R&D tax credit regime should be enhanced to allow for a 30% credit with respect to expenditure incurred with respect to R&D activities undertaken with green technologies.**
- ✓ **Invest in Training.**
- ✓ **Introduce a "Going Green" tax credit.**

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