



## **PRE BUDGET SUBMISSION 2016**

### **GALWAY CHAMBER**

#### **Context**

*'Galway's future is dependent on its capacity to be a major driver of regional development and a significant contributor to national success. Galway's future success requires the interaction of a dynamic regional capital with a thriving region.*

*The wider global context of new emerging economies and markets, of global innovation and competition for investment and talent presents Galway with both future opportunities and challenges and must inform Galway's economic planning.*

*To do this we must support our entrepreneurs and small businesses. We must support our local economic development. We must invest in physical and social infrastructure and we must continue to promote efficiency in our public service.*

*Galway Chamber's initiatives this year have included the PorterShed, the flagship cluster of Galway's entrepreneurs, start-ups, accelerators and incubators as part of the Galway City Innovation District and Venture West, a conference bringing together companies in the West of Ireland with capital providers.*

*Frank Greene, President*

It is the intent of Galway Chamber that:

- Galway will lead the Western Region
- Will build with others a Strong Western Axis

We aim to:

- Accelerate socio-economic development to drive GVA above the national average
- Lead the sustainable development of our natural resources including tourism, marine and agriculture to full and flexible employment within private and social enterprise
- Work with the Western Axis to build a world class industry and enterprise corridor that encourages entrepreneurship and the establishment of new enterprises, strengthens and improves indigenous companies, attracts FDI, and leverages natural resources

The Pre Budget Submission by Galway Chamber is made under the following headings:

- 1. Public Sector Cost Savings/Reform**
- 2. Infrastructure**
- 3. Commercial Rates**
- 4. Pensions**
- 5. Education**
- 6. Taxation**
- 7. Stimuli for Business**
- 8. Productive Investment**
- 9. Galway**

## **1. PUBLIC SECTOR COST SAVINGS/REFORM**

- Establish a formal envelope for the public service pay and pensions bill and mandate that all costs must fall within it.
- Cap the taxpayer's fiscal liabilities regarding future public service pension liabilities by bringing pensions in line with the private sector. All new recruits to Irish state and semi-state bodies should have their pensions structured on a defined contribution rather than a defined benefit basis.
- Abolish increments.
- Seriously analyse the cost and productivity benefits of outsourcing Deliver on the full shared services agenda with a view to ensuring quantifiable and real savings for the taxpayer.

## **2. INFRASTRUCTURE**

### *The National Development Plan Capital Spend*

- The proposed 1 billion in savings should be achieved through the deferral rather than the cancellation of vital infrastructural projects and through consultation with stakeholders to ensure consistency with the Government's balanced regional development objectives.
- Advantages must be taken of price reductions for capital projects to accelerate vital programmes.

### *Broadband*

- Broadband infrastructure now in place must be enabled. Further initiatives must be delivered to address locational disadvantage. The same price structure must be applied countrywide. It is no longer acceptable that this cost to business is more expensive outside Dublin National coverage is a minimum standard if Ireland is to deliver on its knowledge economy potential.

## **3. COMMERCIAL RATES AND LOCAL AUTHORITY CHARGES**

- The Local Government Efficiency Review Group identified savings of up to €500 million through the restructuring of Local Government functions. Budget 2016 must signal its intention to achieve this level of savings in order to eliminate the current over reliance on the business sector and reduce the burden of Commercial Rates on the business

community. Cost savings achieved by local government must be ringfenced and not 'clawed back' by central government

- The property tax must be used to fund local services and development. Although collected centrally, additional funds must be spent at a local level and so ease the financial burden of the business community. It must not be used indirectly to boost Central Government income by bringing in matching reductions in the General Purpose Grant being provided to local authorities
- Revaluation of property must be fair and equitable. We call for a range of measures to reflect the economic realities of doing business and assist struggling SMEs.
- Local authority charges must fall to reflect current activity levels in the economy as rising business costs, especially the inconsistent rises in local authority charges which threaten the competitiveness of business and local jobs, must be curtailed. These inconsistencies across local authority areas result in a varied environment for businesses depending on which local authority they are located. Some can find themselves at a competitive disadvantage relative to businesses in other areas, even those who are nearby.

### ***The Retail Sector***

Providing improved support for retailers will increase job creation and retention and improve consumer confidence....

•Reinstate the reduced employer PRSI rate of 4.25% as previously introduced under Budget 2011 and reversed in Budget 2014, this would be of significant benefit to Retailers

- A rates reduction for companies located within town and city centres which provide much needed employment and contribute to the quality of life in these areas
- a reduced VAT rate on housing repair, maintenance and improvement which would stimulate goods demand
- tougher enforcement of "black market" activities
- reduce the standard rate of VAT to 21%
- give local authorities flexibility over rates to encourage an attractive retail mix in town centres.

## **4. PENSIONS**

- As an incentive to participate in Personal Pension Schemes pension contributions of up to a minimum of 30% of income should be allowable irrespective of age
- The reliefs that exist should not be reduced or restricted as an incentive to participation

- Enhance tax reliefs for low paid workers re PPS participation
- The Government must ensure that it adheres to its proposed end-date of 2014 for the pensions levy

## **5. EDUCATION and TRAINING**

- Government should use the National Training Fund for Strategic Training Needs (see Stimuli)
- Productive investment is needed to encourage both our own highly trained people and leading foreign experts to work, teach and innovate technology in Ireland thus ensuring indigenous development and training.
- Broaden tax reliefs in respect of training and education and make provision for a long-term commitment to enterprise-led training initiatives under the auspices of Skillnets from the National Training Fund

## **6. TAXATION**

### *Corporate Tax Rates*

- Continue to defend our 12.5% Corporation Tax. This is a vital draw for FDI which generates more jobs per head of population in Ireland than in any other country.

### *VAT*

- Government commitment to maintaining the 9% VAT rate for the hospitality sector

### *PRSI*

- The PRSI earning thresholds are a disincentive. When these thresholds are crossed (€353 weekly gross pay for employees, €356 for employers) the full amount of earnings is subject to the higher rate of PRSI, not just the amount over the threshold. This is a particular disincentive for lower paid workers in service industries

### *Tax Reliefs*

- Highest level of Tax Relief on pension contribution to be available to all in order to encourage lower and middle income earners to pension plan.

### *R&D Tax Credit*

- Continue to encourage Research & Development activity through the R&D tax credit
- Allow greater flexibility in utilising the credit in that it should be allowed for offset against payroll taxes at the request of the taxpayer, where the credit could otherwise be used against mainstream taxes.

This should not cost the exchequer anything extra but would be an “above the line” relief under US GAAP and make the Irish site’s labour cost look less costly for US based FDI.

- Move to a full volume basis for the credit, ie remove the base year hurdle in the calculations.
- Special 35% credit for SME’s instead of the 25% rate currently.
- Increase fiscal support for training in the workplace

#### *Capital Gains Tax*

- It is vital that the country’s capital is focused on investment in enterprises, rather than savings. Individuals as founders and investors should be encouraged to deploy capital through investment in enterprises. CGT should be reduced from current levels to 20% in line with the rates of neighbouring countries.

#### *Personal Taxation*

- There must be no increase in personal taxation
- Make work Pay: Increase the entry point to marginal tax by €1.5K
- Reduce the marginal rate by 1%.
- Self-Employed Universal Social Charges and benefits be brought into line with PAYE benefits & charges.
- Anybody on the minimum wage should not be in the tax net.
- Social welfare must not be a disincentive to work

## **7. STIMULI FOR BUSINESS**

#### *Business Creation*

Job creation must be encouraged and supported by incentivising enterprise, rewarding entrepreneurship, encouraging investment, reducing the cost of employment and limiting taxes on employment

- Government must expedite the Enterprise Finance Guarantee Scheme
- Employers must be incentivised to keep employees in employment rather than losing their jobs and going onto social welfare
- Government must be proactive in supporting and incentivising employers to take on new staff. This could be achieved through a further reduction in the current rate of Employers PRSI and the expansion of the Employer Jobs (PRSI) Incentive Scheme to include all new employment created for a period of two years instead of the current twelve months.
- Start-up service sector companies that have the potential to reduce dependency on imports should be grant supported in the same way as manufacturing/export oriented companies.

- An active purchasing policy by Government (itself one of our largest purchasers) to promote the purchasing of services and products from start-ups, SMEs and consortia of SMEs. Enforce Department of Finance Circular 10-10
- Reduce the cost of tendering for Government Contracts
- Government tenders should consider the ‘total tax take’ from projects rather than the actual cost of the project.

#### *Training and Upskilling*

- Due to the changing nature of skills and new demands placed on staff there is more need than ever for training and upskilling. There must be guaranteed funding to support this in order to offer subsidised, competitive, accessible training to employees. Any disincentives to training and upskilling must be removed.
- The National Training Fund is a levy on employers and as such a proportion should be ring fenced to upskill owner managers and management teams of SMEs; existing workforces of SMEs; first time exporters entering new markets and for the “eEnabling” of SMEs

#### *Cost Competitiveness*

- A review of compliance requirements in an effort to reduce compliance costs to small businesses by not imposing the same rigours on small businesses as large businesses
- It is absolutely vital that this Budget seeks to improve the cost competitiveness of Irish companies in every way it can. It is particularly important that our ability to compete in international markets is a priority.

#### *Reduce, Recycle, Reuse*

- Incentivise business to use the latest in energy and waste reduction technologies and also promote research and development into technologies aimed at reducing our collective carbon footprint
- Implement ‘smart’ metering for Domestic and Business electricity users and incentivise the achievement for reaching energy saving targets.

#### *Residential Housing Provision*

- Lack of residential housing poses a risk to ongoing economic recovery
  - New measures needed to facilitate an increase in supply
  - Rising house prices and spiralling rent cost affect urban workers
  - Reduce VAT on the construction of residential properties from 13.5% to 9%

- Suspend development levies on residential development in areas of strategic importance for two years.

## **8. PRODUCTIVE INVESTMENT**

Incentivise Local Authorities to ring fence a portion of commercial rates for local economic development through a match funding program from the Exchequer

The 5 yr "Regional Action Plan for Jobs" of €250m is totally inadequate and propose that it be at least doubled

Government should establish through the NTMA/ISIF a savings & investment scheme similar to the former PRSA (funds committed for 5/7yrs which would earn additional €1 per €5) and monies used as an investment vehicle for scaling up of young companies and infrastructure projects such as broadband, research infrastructure, education, City Centre rejuvenation, Port development etc. Any such Fund must have weighting towards investments outside Dublin.

Retailers and SME's to off-set costs of establishing on line presence against their VAT costs

"The Living City Initiative" (Special Regeneration Areas (RSA)) be extended in size and focus not just on City Living but also on encouraging City Working - tax breaks be extended to encourage inner city employment projects such as developing City Centre Innovation Districts.

## **9. GALWAY**

Galway Chamber calls on Government to consider certain issues pertinent to Galway. The Galway Chamber proposes that the Government deploy part of the remaining value of the National Pension Reserve Fund to support development initiatives within Galway:

- Specific provisions in the forthcoming budget to back the Government commitment to implement the CEDRA's 34 recommendations for rural Ireland and encouraging Rural Revival.
- Specific provision in the forthcoming budget to back the Government's commitment to its "Harnessing our Wealth" strategy, published two years ago, which aims to double the value of the marine economy to 2.4% of GDP by 2030 and increase turnover to exceed €6.4billion by 2020.



- Specific provision in the forthcoming budget that will stimulate a Galway City and Salthill regeneration including specific provision to encourage a distinctive inner-City Innovation District (see PorterShed startup), assistance towards establishing a Galway City Conference/Exhibition/Performance centre, development of a covered inner city country market area and development of Galway Harbour and establishing the Harbour Area as a leading centre of Marine Technology and Marine-based Industry.
- Regional Economic disparities, particularly in relation to the West of Ireland, must be immediately addressed. Economic incentives must carry an attractive positive weighting to entice FDI and EI placement in the West
- Prioritise the reintroduction of the National Spatial & Economic Plan to counteract the increasingly “two-speed” (Dublin & Cork) Ireland and implement meaningful well-funded policies and governance to counteract the current unbalanced development and promote Regional recovery.

### **Galway Port**

The Development of Galway Port is key to Galway’s future. We have long advocated the redevelopment of the Port and continue to support the work of the Galway Harbour Company. The Galway Port development is essential to driving Galway’s future development and to maximising the potential for tourism and marine sciences, exploration/energy and marine leisure.

### **Marine Energy Resources**

The majority of this country’s potential ocean energy resource lies off the west coast of Ireland and the challenge is its exploitation to the benefit of the region and nation.

- Policy regarding all aspects of ocean energy including offshore Wind, Wave and Tidal must be promoted, developed and implemented.
- This policy will include issues regarding planning, foreshore leasing and licensing; grid connection; stakeholder alliances; support for research and promotion of investment with the ultimate aim of realising the jobs and income potential of the sector.

### **Road Infrastructure**

Galway Chamber believes that the Galway City Outer Bypass N6 (including a fifth bridge across the Corrib) and the Gort to Tuam N17/N18 must go ahead.

### **Tourism**

Tourism in Ireland employs 25% more people than agriculture but only gets a tenth the financial support from the State (ITIC Submission), we propose that the Government focus on the long-term viability and growth of this important industry and endorse the call of ITIC for:

- the Government "to provide a Capital budget of €15m in 2015 to support further development of the Wild Atlantic Way, projects already in train, and those that are ready-to-go";
- to provide an annual Capital budget of €50m to Tourism product development over the period 2015 to 2020, and
- Earmark part of the remaining value of the National Pension Reserve Fund to support tourist related projects including the proposed development of Medieval Galway, a covered food/craft market, to build an iconic City centre, flexible, event complex.

### **Enterprise Parks**

- To provide tax incentives for the rejuvenation of the Mervue Business Park and redevelopment of the Industry and Business Parks at Ballybrit, Parkmore and Oranmore.

We urge both national and local government to support the work of the business community and to ensure that where possible job creating projects be secured for Galway in the short term to allow Galway to maintain its attractiveness as a location to live, work and do business in the longer term.

Galway Chamber  
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