Cork Chamber
Advancing business together

Budget 2024
Submission

Contents

CORK CHAMBER BUDGET COMMITTEE

Our thanks to the budget committee who have volunteered their time to help prepare this submission.

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Foreword

This pre-budget submission has been developed based on feedback from our members with guidance from Cork Chamber's Budget Committee.

Budget 2024 comes at a time of unprecedented budget surpluses but also increasing constraints on growth across housing, transport, energy and climate, with a continuing inflationary cycle and an urgent need for planning reform.

To echo the Summer Economic Statement, Budget 2024 is framed against the backdrop of an economy that is operating at, or perhaps even beyond, its maximum sustainable level, with the lack of sufficient housing a key bottleneck and inhibitor of growth.

In that context, Budget 2024 presents a clear opportunity to invest in key critical infrastructure to support our growing population, economy and climate goals with a surplus that can be invested now in medium/long-term capital investment plans like public transport, energy and urban infrastructure and housing.

The focus should be on increasing capital rather than current spending. Budget 2024 is an opportunity to strategically support balanced regional growth across the country and to overcome challenges within our economy whilst building on our strengths. A dedicated Climate Neutral Cities Fund would play a key part in achieving that goal.

This submission highlights the importance of vital investment in the required housing, green energy transition, infrastructure, transport transition, and in the availability of affordable housing to attract and retain the talent our companies need to succeed while generating a positive impact on business, communities, and livelihoods.

On behalf of Cork Chamber, thank you to our members and our Budget committee, Andrew Guerin, Stephen Keohane, Brian Fitzgerald, Joanne O'Brien and Julie Healy for their contributions.

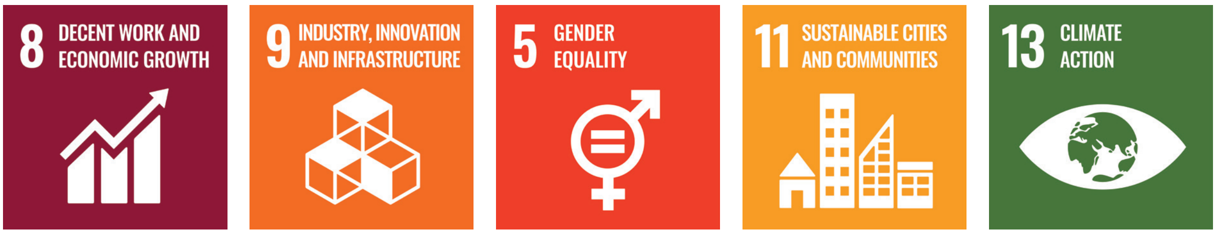
Seamus Downey, Budget Committee Chair

Conor Healy, Cork Chamber, CEO

Introduction

Cork Chamber represents 1,200 members together employing over 100,000 people throughout the city, metropolitan area and county. Our vision is to be a world leading Chamber of Commerce, delivering on a progressive economic, social and sustainability agenda at the heart of a vibrant business community. Our direction is guided by our formal pledge to uphold the United Nations Sustainable Development Goals, five of which have been identified by the Chambers Ireland network.

All our policy outputs, including our Budget 2024 Submission aim to work 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.



WHAT OUR MEMBERS SAY

When surveyed, our members shared their priorities for Budget 2024, including how to utilise the budget surplus.

34% of respondents called for the budget surplus to be used to stimulate housing construction, 25% for sustainable public transport, 19% for investment in climate action, and 16% towards a rainy-day fund (6% other).

TOP BUDGET PRIORITIES FOR MEMBERS

1. Cost of living measures

2. Supply side housing stimulus

3. Infrastructural investment

4. Business competitiveness measures/Tax reform

5. Climate action investment

Budget Priorities

HOUSING

Housing is the key issue for businesses, society and the number one issue for our members. With a rapidly growing population beyond projections, housing investment to deliver up to 60,000 homes annually is needed. Mixed tenure across all development types is essential as well as high-density apartments to meet our climate goals through all market avenues. Extending the Croí Cónaithe Cities scheme to the rental market would contribute greatly to the viability of rental apartments. Increasing income thresholds further to Cost Rental is required to ensure the market is accessible.

INFLATION, COMPETITIVENESS AND BUDGET SURPLUS

Budget 2024 has the opportunity to ease the inflationary pressures being placed on businesses and households while also positioning Ireland as an attractive place for investment and talent. Increased capital spending versus current spending to invest in critical infrastructure across housing, transport and energy, improving the entrepreneurial ecosystem, dynamic modelling of impacts of new tax measures and improving the competitiveness of the personal tax regime are key to enhancing business competitiveness and easing inflation.

PROJECT IRELAND 2040

Continued and accelerated investment in Cork's urban and transport infrastructure is required to meet the growth and climate needs of the city region, including accelerated development of suburban rail, light rail and delivery of Bus Connects, in support of the mission to meet Cork's EU climate neutral and smart city objective by 2030. A dedicated fund to finance the next seven years of investment to meet this target for Cork and Dublin should be established.

ENERGY AND RENEWABLES

Energy security, sustainability and the deployment of renewables will be key to Ireland and Cork's ability to meet Ireland's ambitious but necessary climate action targets, to providing a resilient and affordable clean energy supply while servicing much of the country's energy needs and to continuing to attract Foreign Direct Investment. A renewable energy taskforce for Cork and investment in Ireland's ports is crucial for Ireland Inc. to reap the economic and environmental benefits and transform this potential to reality.

EDUCATION & SKILLS

Budget 2024 must support our education and skills development. Reported by our members, the availability of skills is a key barrier to business growth and the sustainability transition. Increased investment in our third level universities, research institutions and apprenticeships is needed to meet skills shortages and ensure Ireland continues to provide world class graduates, key to continuing to attract local and international talent and FDI.

TOURISM

Enhanced investment in the tourism industry for marketing and sustainability initiatives is required to achieve a sustainable recovery, including the continued expansion of the Business Energy Support Scheme. In tandem, it is critical that An Garda Síochána resources are increased in line with population growth in order to police cities such as Cork in a safe manner and to enable the increased visual presence on streets to deter and detect crime.

Housing

Accommodation availability to support talent attraction and retention is the top issue for our members at present. The housing crisis and housing shortages are consistently identified by our members, large and small, as the number one barrier to business growth and has moved from being a societal issue to a business issue with the potential to become damaging to our national economic and inward investment model. A holistic response that increases supply in all aspects of the market is required to deliver the step change in housing supply that we all want and that is needed to accommodate the projected population growth under the National Planning Framework.

HOUSING INVESTMENT TO REFLECT A GROWING POPULATION

Housing investment must reflect the needs of a growing population and requires well in excess of the 30,000 units a year targeted under Housing for All. The budget should align with the Housing Commission's findings and the rapid growth of our economy and population, necessitating the delivery of up to 60,000 units annually.

INCENTIVES FOR MIXED TENURE IN APARTMENT DEVELOPMENTS

Mixed tenure is essential in new high-density apartment developments and while cost rental is welcome, we need to see a mix of tenures in new largescale developments which necessitates changes in the Croí Cónaithe Cities scheme. Currently the 100% owner occupier condition makes it unviable for developers to finance apartment developments.

A change to this condition to allow a percentage of those apartments to receive support but to be sold on the open market without that requirement would both produce a mix of tenures but also make the developments viable. A requirement can still be put in place to ensure that at least 50% of the units are for owner occupiers, but with the current conditions on Croí Cónaithe Cities, many sites with planning permission for large numbers of apartments in city centre sites across the country will remain inactivated.

RAISING COST RENTAL INCOME LIMITS

We acknowledge the recent increases made to the cost-rental income limits, however these increases are still too modest and do not reflect couple's earnings in or around the average industrial wage. A further extension of the income limits for cost-rental is required to include higher incomes that reflect couple's earning in or around the average industrial wage and currently do not qualify for cost-rental. The current cost-rental model locks a large proportion of the population out of the housing market, particularly middle-income couples, because they exceed the net income limit for the schemes.

Introduce indexation to account for inflation to ensure cost rental remains affordable.

Increase the investment in cost-rental in tandem with this to increase supply of units. Currently there are only a limited number planned and the current budgeted allocation is inadequate.

COST-RENTAL FINANCING

One significant hurdle to the operation of the Cost Rental Scheme has been the conditionality around funding available to Approved Housing Bodies due to uncertainty around interest rates, where the cost of funding is no longer fixed at initial assessment. To overcome this barrier:

- Provide confirmation of the cost of funding to the AHB when they sign the contract with a developer.

TIMEBOUND TAX-BASED MEASURES FOR APARTMENT DEVELOPMENT

Accelerated capital allowances were key to delivering high density apartments in Cork city centre e.g., Blackpool, that would never have been built without them. A short-term introduction of capital allowances for less than five years would deliver a significant number of apartment units and is needed to turn the dial and deliver a step change in housing delivery.

APARTMENT VIABILITY

The unviability of apartments remains an ongoing concern that is that is inhibiting development from progressing beyond the planning stages, demonstrated in two Cork Chamber and CIF Southern Region reports completed by EY[1] and KPMG[2]. There are several recommendations within these reports that will increase viability of high-density housing developments, namely:

- Reduce the rate of VAT on residential construction activity to 5% for the period up to 2030

- Provide tax depreciation of 4% per annum for apartment developments and explore accelerated capital allowances over seven years for Build to Rent (BTR) and Private Rental Sector (PRS)

ACCELERATED RELIEFS FOR BROWNFIELD SITES

City centre brownfield sites, such as those at the docklands in Cork, should be designated for accelerated tax reliefs over a time-limited period to unlock development. Construction levies and duties should have targeted reductions for high density development on these sites.

HOUSING & UISCE ÉIREANN INFRASTRUCTURE

Increased multi-annual funding for Uisce Éireann is needed to catch-up on decades of underinvestment and meet the needs of a growing economy and population. The lack of adequate water infrastructure is still proving a major roadblock to construction of housing.

Increase funding and mandate Uisce Éireann to deliver increased capacity for new builds and housing schemes, ensuring that they are resourced adequately to meet these demands and the additional inflation associated costs.

A triage system should be employed when projects enter the planning system where strategic infrastructure applications are accelerated and prioritised for processing to speed up delivery.

1 https://www.corkchamber.ie/wp-content/uploads/2022/03/Viability-and-Affordability-of-Apartment-Building-in-Cork-City.pdf)
2 https://www.corkchamber.ie/wp-content/uploads/2022/03/Apartment-Viability-Report-FINAL-13-July-2021.pdf).

Housing
CONTINUED

LAND VALUE SHARING TAX

The Land Value Sharing proposal contained in the Land Value Sharing and Urban Development Zone Bill (General Scheme) is fundamentally flawed as it is retrospective in nature and applies following a grant of planning. It is therefore another tax on housing output and should be paused for a full review.

RESIDENTIAL ZONED LAND TAX

This tax should not be applied to any housebuilder that has been delayed by factors outside their control such as judicial review, infrastructure capacity constraints or the phased development of lands for residential purposes or any matter related to the planning system be it pre-application or planning process.

INCENTIVES FOR EMPLOYERS - RENTAL ACCOMMODATION

Introduce incentives within the business sector to let properties to staff. For example, taxing rents received by corporate employer from their employees at 12.5% (as opposed to the current 25% rate), employers receiving additional deductions in respect of the purchase/retrofit of 'green' properties, additional tax reliefs available to employees that let retrofitted properties from their employer (additional income tax credits, reduced Benefit in Kind (BIK) where less than market rent paid to employer).

Rental income received should not be surchargeable income for the purposes of the close company surcharge.

RENT A ROOM RELIEF

Increase the threshold and incentivise the take up and awareness of this practical tax relief available to individuals who rent rooms in a qualifying residence, where income earned less than €14,000 a year, is exempt from tax. The relief may be adjusted such that the €14,000 is exclusive rather than inclusive of reimbursement payments which may be made to the owner by licensees for utility bills etc.

Inflation, Competitiveness & Budget Surplus

Inflation has the potential to hinder business development and businesses' ability to provide employment and Ireland's ability to attract and retain personnel in a global context, eroding value and worsening the cost-of-living crisis. Budget 2024 has the opportunity to ease the pressures being placed on businesses and households while also positioning Ireland as an attractive place for investment and talent.

CAPITAL SPENDING VS CURRENT SPENDING

The focus of the budget should be on increasing capital spending versus increasing current spending, that should be the key guiding principle for Budget 2024 to tackle major infrastructure gaps in the Irish economy.

BUDGET SURPLUS

The Chamber believes that investment in critical infrastructure to increase the carrying capacity of the economy across housing, transport and energy and meet our climate targets, is the best use of the exchequer surpluses. Investment in infrastructure consistently delivers a higher ROI than other approaches, including reducing the national debt with current elevated interest rates.

HOUSING

Housing is the number one issue for businesses in Ireland. We are in the middle of a housing shortage and capital should be used to deliver the supply we need with the construction industry making clear there are no capacity constraints due to a decline in office and hotel construction. There are 7,000 units with planning permission in Cork City alone waiting to be activated and the budget surplus should be leveraged to deliver sustainable affordable housing at scale.

RENEWABLES AND ENERGY INFRASTRUCTURE

Renewables including offshore wind offers Ireland a once-in-generation opportunity to transform our economy and society, and meet our climate commitments. The surplus should be used to increase investment in our grid, to harvest our renewable energy potential more quickly, to support port development and energy infrastructure to support the next generation of clean fuels and sources including hydrogen in Cork and across the country.

ACCELERATED TRANSPORT INFRASTRUCTURE INVESTMENT

Transport infrastructure investment consistently delivers a higher return than almost any other investment class. Cork and Ireland have a number of strategically important transport infrastructure projects waiting to be delivered, including light rail that can be accelerated to shorter timelines pre-2030 if investment is committed now. There has never been a better time with a rapidly rising population, urgent climate targets and a surplus that can meet the capital requirements for these projects without borrowing that should be actioned now.

CONTINUED

POPULATION GROWTH

The context for all of these proposals is a more rapidly growing population than that which was planned for and forecast under the NPF and NDP. Investment plans need to be recast to meet the needs of a more rapidly growing population and in the context of our lagging performance on urgent climate targets. The proposed investments of the surplus will both meet the needs of a growing population but also deliver a strong return on investment.

In tandem, it is critical that An Garda Síochána resources are increased in line with population growth in order to police cities such as Cork in a safe manner and to enable the increased visual presence on streets to deter and detect crime.

DYNAMIC MODELLING OF IMPACTS OF NEW TAX MEASURES*

It is important that the consideration of policy measures take into account the broader impact, both direct and indirect, on the economy to facilitate informed policy decision making by Government. We believe it is more appropriate that dynamic modelling be used which takes into account these behavioural changes and provide a better picture of the impact on the Irish economy and provide Government with valuable information needed to make informed policy decisions.

For example, currently the costing of tax expenditures is estimated based on the tax foregone. This method of costing and reviewing the impact of tax expenditures does not take into consideration the behavioural changes associated with these tax expenditures i.e., this costing and review process uses static, rather than dynamic modelling.

The myriad benefits of our R&D tax credit regime, both in terms of attracting and retaining valuable R&D investment in Ireland, as well as promoting innovation in businesses based in Ireland, may not be captured in a review of the regime using just static modelling. Rather, any meaningful review of the regime would need to include dynamic modelling in order to reflect the substantial benefits delivered to the broader economy under the relief with higher skilled jobs and the opportunity to attract new projects and create new businesses with resultant increases in corporate, income and consumption taxes.

BROADEN THE ENTREPRENEUR RELIEF BY:

- Applying a reduced 10% tax rate to both dividends and capital gains, thereby making it tax neutral for the entrepreneur whether they receive a return in the form of dividend income or a capital gain and reducing the incentive to sell high growth SMEs and start-ups early; and
- Increasing the lifetime limit to €5 million (or €1 million per venture); and
- Opening the relief to passive investors thus encouraging private investors to invest risk capital in start-ups and in turn support the broadening of Ireland's domestic corporate base.
- Clarification on a legislative basis that the existence of a holding company does not in itself prevent the relief in liquidation cases. This should cover scenarios where the trading company has been sold and a holding company is being liquidated to access the sales proceeds.
- The extension of the relief to trading groups that may have dormant entities within their group structure. Such entities are common in Irish corporate structures and there does not seem to be an intended rationale for the denial of relief under the prevailing provisions.

ENHANCE THE CURRENT INVESTMENT AND START-UP INVESTMENT INCENTIVES SUCH AS:

- Employment Investment Incentive Scheme (EIIS) – through simplifying and relaxing the conditions for relief and improving certainty for participants on qualification for the relief.
- Under current regime, controlling founders are prohibited from having personal holding company structures in place. This creates a dilemma for personal planning for future

*See appendix.

reinvestment purposes versus the need for funding under the EII scheme. A simple legislative amendment would eliminate this anomaly and be well received in the market.
- An extension of the reporting deadlines for EII companies to Revenue.
- Granting EII relief up front as opposed to on a phased basis.
- Start-Up Relief for Entrepreneurs (SURE) – through expanding the relief to include previously self-employed individuals (currently only available to previously employed and unemployed persons).
- Start-Up Relief for Entrepreneurs (SURE) - Introduce an awareness campaign targeting recently unemployed who are thinking about setting up their own business.
- Develop a fund to invest in R&D intensive Irish start-ups, in conjunction with the multinational base in Ireland, allowing investments in such a fund to count towards the 25% credit on qualifying R&D expenditures.
- Create a Sovereign Wealth Fund with an allocation to Irish venture capital and private equity funds and the companies they finance.

IMPROVE THE COMPETITIVENESS OF IRELAND'S PERSONAL TAX REGIME:

- Lessening the burden of our progressive tax system and high marginal income tax rate, by increasing the point at which individuals pay the top rate of tax and eliminating the 3% USC surcharge for self-employed individuals.
- Reducing the rate of capital gains tax from 33%, or at a minimum consider the introduction of a lower rate of capital gains tax, at 20%, for investors in SME companies.

EXPAND AND IMPROVE THE BUSINESS ENERGY SUPPORT SCHEME TO MITIGATE COST OF BUSINESS COST RISES

Given ongoing elevated energy prices and inflationary pressures, the Business Energy Support Scheme should be expanded and improved to mitigate huge rises in businesses' operating costs.

INDEXATION

The tax system should take account of inflation through automatic indexation in areas such as:

- Personal Tax Allowances and credits and standard rate cut off bands
- USC and PRSI thresholds
- Pension thresholds for contributions and the Standard Fund Threshold (SFT)
- Capital Gains Tax (CGT) annual exemption
- Capital Acquisitions Tax (CAT) class thresholds
- CAT small gift exemption

Similarly, indexation should be re-instated for the computation of (Capital Gains Tax) CGT gains to ensure that only the gain in real terms is subject to taxation.

Applicable rates for capital allowances, including industrial buildings allowances, should also be increased to take account of the time value of money loss of writing off over the same period in a high inflation environment.

LATE PAYMENT RATES

The interest rates in relation to the late payment of tax should be 3% per annum across all tax heads to aid business cash flow.

CHILDCARE

Increase core funding for childcare providers, particularly small and medium-sized providers to ensure adequate supply of childcare places across the country in face of inflation in cost base.

Continued engagement with relevant stakeholders and increased investment in childcare services and early education infrastructure - school breakfast clubs and after school childcare to help support working parents.

Expand mentoring programmes like "Better Start" that aim to improve the quality of childcare and early childhood education.

Project Ireland 2040

ACCELERATION OF THE PUBLIC SPENDING APPROVAL FOR INFRASTRUCTURE

The urgency of infrastructure delivery across energy, transport and housing is being unnecessarily delayed by approved projects getting delayed in the extended review and elongated approval processes. This process should be streamlined and shortened as it is a key barrier to Ireland meeting its targets across housing, transport, energy to support economic growth. At a minimum the process should be shortened with set deadlines for completion to provide certainty for project delivery.

DEDICATED FUND FOR CLIMATE NEUTRAL CITIES

Cork and Dublin have been designated as EU mission cities for climate neutrality to 2030. A dedicated fund should be established by central government to fund the next seven years of investment to meet that target of climate neutrality for Cork and Dublin by 2030. Currently no such dedicated funding exists and is urgently required to meet our climate targets.

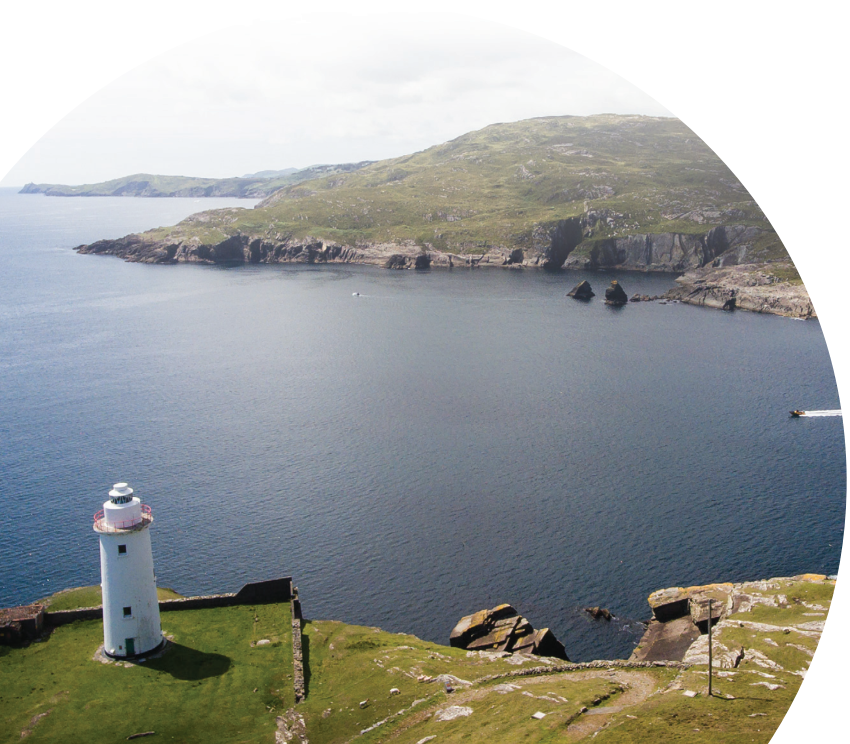
ACCELERATION OF CORK'S LIGHT RAIL

Acceleration of light rail network development in Cork to bring forward delivery date to 2030 is clearly possible and should be actioned immediately.

ACCELERATION OF SUBURBAN RAIL INVESTMENT

Accelerate investment in suburban rail electrification in the Cork region to meet the need for €300 million in rail electrification infrastructure works to be completed by the end of 2025 so that new electric trains arriving in Ireland can run on Cork's suburban lines. This includes twin tracking and construction of eight new stations to deliver faster, more frequent, more sustainable services. Suburban rail is the fastest way to deliver sustainable mass transit in Cork and there are no barriers to delivering on the programme of investment pre-2025.

Key is investment in and delivery of electric engines and carriages for Cork region suburban rail pre-2025. This order for Cork should be prioritised to enable acceleration of the sustainable suburban rail rollout in Cork.



PRIORITISE INFRASTRUCTURE INVESTMENT

Prioritise infrastructure which aligns with Project Ireland 2040 under which the National Planning Framework and the National Development Plan 2021-2030 sets out the strategy for infrastructure development up to 2040.

Ensure Budget 2024 carefully positions the public finances to be able to accelerate the design, planning, final investment decisions and timely delivery of the major infrastructure projects in the pipeline for Cork as envisioned in Project Ireland 2040[3] including:

- Suburban and light rail
- M/N28 Cork to Ringaskiddy Road
- BusConnects Cork
- Lower Lee (Cork City) Flood Relief Scheme
- Strategic roads and multimodal connectivity
- M/N20 Cork to Limerick road
- N25 Carrigtwohill to Midleton
- Cork City Docklands
- Social infrastructure such as health, education, culture and community

TAXSAVER SCHEME

Full exemption from all Income Tax benefits in relation to the provision of providing certain public transport benefits to employees (such as the Taxsaver Commuter Ticket Scheme). Dual benefit of allowing businesses to support employees with rising costs associated with commuting without increasing wages and also encourages greater use of public transport.

SECOND-HAND ELECTRIC VEHICLES (EV)

Introduce measures to encourage a market for second hand electric vehicles by way of tax incentives. Consider reducing the VAT rate on EVs to reduce the cost of these vehicles and make them a competitive greener choice.

ROADMAP FOR FUTURE MOTOR TAXATION

Draft a roadmap on future taxation policy, detailing how Government intends to transition and replace revenue from VRT/excise/motor tax.

3 https://www.gov.ie/en/publication/befe7-prospects-2022-irelands-major-infrastructure-project-pipeline/

Energy And Renewables

DESIGNATION OF CORK AS A NATIONAL RENEWABLE ENERGY HUB

Cork Harbour, including Bantry, are nationally important for delivering our climate and energy targets. The energy, port, grid access, education, and research infrastructure is already in place in Cork. Cork Harbour's strategic location as a gateway to the EU and Ireland's enormous maritime jurisdiction, and the complementary scale and location of Bantry Bay with its deep water combine to make Cork a designated national renewable energy hub and a central plank towards delivering Ireland's and the EU's climate action targets.

Cork has the greatest export potential due to its proximity to the EU market and the likelihood of increased interconnection locally including that for an EU 'Supergrid'.

CORK CLEAN ENERGY PARK

Develop an energy park in Cork for the production of renewable liquid fuels and green hydrogen that will deliver Ireland's energy security and independence, remove Ireland from the extraordinary cost of energy importation, and enable Ireland to become an renewable liquid fuel exporter. The current energy related infrastructure and skilled workforce in Cork makes this the ideal location to do so and investment should be concentrated in this area to reap the full benefits.

CORK RENEWABLE ENERGY TASKFORCE

Establish a government renewable energy taskforce for Cork to accelerate the development of Cork as a national and international renewable energy hub and coordinate stakeholders, investment (government and private) in port, grid and planning to deliver by 2030.

INVESTMENT IN PORTS AND RENEWABLE ENERGY

Port investment is crucial to delivering on our renewable energy targets and to reaping the benefits and spin off job creation from the development of our abundant offshore wind resources. Significant investment is needed now in our major ports to deliver on both our offshore renewables targets and to facilitate job creation. A failure to move quickly to upgrade our ports for this capacity could see us lose out on the major investment and job creation that will be generated by offshore renewables, to ports in neighbouring countries. Government needs to move quickly to ensure investment in our major ports to deliver both on our climate targets and the economic growth associated with renewables development.

RESOURCING AND DELIVERY

A dedicated team with timelines for the delivery of Phase 3 and the Future Framework needs to be resourced so that Designated Marine Area Plans (DMAPs) for Phase 3 can be developed in parallel with Phase 2. Ireland must harness the maritime expertise necessary to deliver its extraordinary offshore wind climate action targets and attract and hold FDI. Industry membership of these teams is essential to assist understanding and improve certainty of how such ambition can be achieved within a maritime environment that brings a raft of new challenges.

RESOURCING OF REGULATORY AUTHORITIES

From day one, Maritime Area Regulatory Authority (MARA) will need capability and capacity, to ensure it rapidly facilitates applications to develop renewable assets. An Bord Pleanála (ABP) and the National Parks and Wildlife Service (NPWS) also need significant additional resources to enable the decabonisation of our society. This is an urgent and important investment to meet our energy and climate goals.

GRID INVESTMENT AND INTERCONNECTION

Ireland needs to implement the grid investment plans already in place and unlock investment to deliver a 21st century electricity grid and to substantially upgrade our electricity grid, enhancing capacity, project viability and reduce dispatch down for both onshore and offshore. Ireland must also be prepared to connect its future electricity grid with Europe and the suitability of such connection with an energy hub on the South coast at Cork presents obvious synergies.

RESS 3

Recent interest rate hikes raise the cost of financing which will need to be factored into future auctions. Potential reductions in price cap applied in the auction would undermine the deliverability of projects and the viability of the RESS 3 (Renewable Electricity Support Scheme) auction. Previous auctions took place at a time when cost of capital was at all-time lows and inflationary/supply chain pressures were not as prevalent. It is critical renewable projects are profitable to attract the capital required to enable the decarbonisation of our economy.

CAPITAL ACQUISITIONS TAX ON SOLAR

Capital acquisitions tax (CAT) on utility scale solar is a barrier to entry for farmers and land holders which if addressed will encourage the development of more solar farms. To develop a renewable energy project, developers usually contract with an appropriate landowner to lease their land to host the site. Current CAT rules state that beneficiaries who inherit agricultural land are eligible for 90% relief on the market value of the asset but that this is contingent on the total land being utilised for solar panels constituting less than 50% of the total land holding.

PLANT AND MACHINERY

Introduce a time limited 'super deduction' (up to 130% of capital expenditure incurred) until 31 December 2024 for the purchase of all plant and machinery and capital expenditure on buildings/ factories that receive a recognised accreditation for overall energy performance.

SUSTAINABLE CRITICAL INFRASTRUCTURE INVESTMENT STANDARDS

Ensure that all critical infrastructure investment is aligned with the European Commission's 'Sustainable Finance' definitions.

RETROFIT INCENTIVISATION

There is an increasing need for focus on retrofit of existing commercial buildings, particularly those occupied by SMEs which often suffer from split incentives, and with a move by large multinational companies to new office buildings that meet new sustainability requirements. A clear focus and incentive package is required to retrofit and decarbonise our existing commercial building stock.

Introduce measures to incentivise both private individuals and the private business sector to invest in green properties. Some suggested measures in this regard include additional 'green' tax reliefs in respect of Capital Gains Tax liabilities arising on the disposal of properties that have been retrofitted.

Extend help to buy scheme to include 'help to insulate' second hand homes with attention to households on the brink of living in energy poverty to support a just transition.

Introduce a reduced rate of stamp duty, or indeed an exemption from stamp duty, where a retrofit of a second-hand property has taken place within a specified time period after the initial purchase of the property.

Encourage a regional approach on financial retrofitting initiatives by fostering partnerships between local authorities and the financial sector, drawing inspiration from the effective strategies adopted in Parma[4] and Melbourne[5].

Explore the implementation of Environmental Service Agreements, which link tax incentives to the progress made by local authorities in their endeavours to decarbonise buildings within the region.

Create a regional task force focused on local retrofitting, bringing together representatives from the public, private, and financial sectors to encourage cooperation among stakeholders and lead the efforts in decarbonisng the built environment.

4 https://energy-cities.eu/best-practice/energy-renovation-of-residential-buildings-through-soft-loans-and-third-party-financing-2/)
5 https://c2e2.unepccc.org/kms_object/1200-buildings/.

Education And Skills

BRIDGE THE FUNDING GAP

Bridging the funding gap of annualised core funding so that funding will be raised by at least €307 million. Government agrees that this gap needs to be closed and should be completed immediately to improve the quality of programmes, their outcomes, and the accessibility of third-level education.

NATIONAL TRAINING FUND

The national training fund (NTF) is currently in surplus to the tune of €2 billion and this should be used in three ways:

1. Upskilling for those in employment
2. An incentive scheme for employers
3. Core funding

A recurring drawdown annually from the NTF for core funding.

VISA AND TALENT ATTRACTION

Continue to reform and simplify the work visa/permit process. In line with Cork Chamber's Budget 2024 recommendations on housing, infrastructure and transport- invest to boost Ireland's attractiveness as a location for international talent.

SKILLS AND RESEARCH

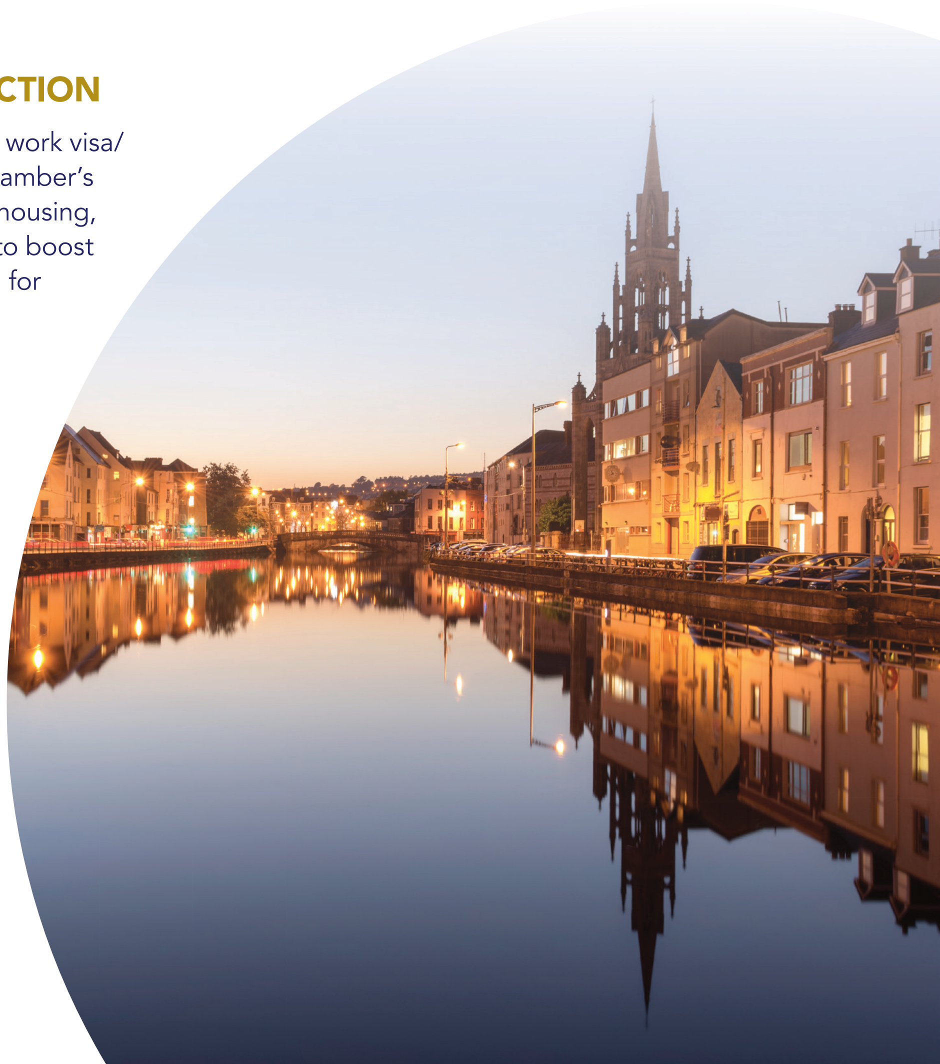
Increase funding for apprenticeships in order to meet the skills shortage in vital sectors. Support apprentices across sectors to gain hands on experience while pursuing higher education with the support of their employer.

Introduce a new skills tax credit to incentivise employers to invest in training for workers with no or low qualifications and to upskill existing employees.

Increase funding towards research infrastructure and capability.

STUDENT HOUSING

Increase the capacity of Higher Education Institutions to build and manage their own Purpose Built Student Accommodation (PBSA) in Budget 2024.



Tourism

EXPAND AND IMPROVE THE BUSINESS ENERGY SUPPORT SCHEME TO MITIGATE COST OF BUSINESS COST RISES

Given ongoing elevated energy prices and inflationary pressures, the Business Energy Support Scheme should be expanded and improved to mitigate huge rises in businesses' operating costs.

REINSTATE THE 9% TOURISM VAT RATE AND SUPPORT IRISH COMPETITIVENESS

Reinstate the 9% VAT rate for tourism businesses in line with European competitors.

ADDRESS CAPACITY CHALLENGES ACROSS ACCOMMODATION, CAR HIRE AND INFRASTRUCTURE

Key capacity challenges exist across accommodation, car hire and infrastructure and these need to be tackled for the sector to grow and reach its full potential.

INVESTMENT TO FUND SUSTAINABILITY INITIATIVES AND SUPPORT VULNERABLE ENTERPRISES

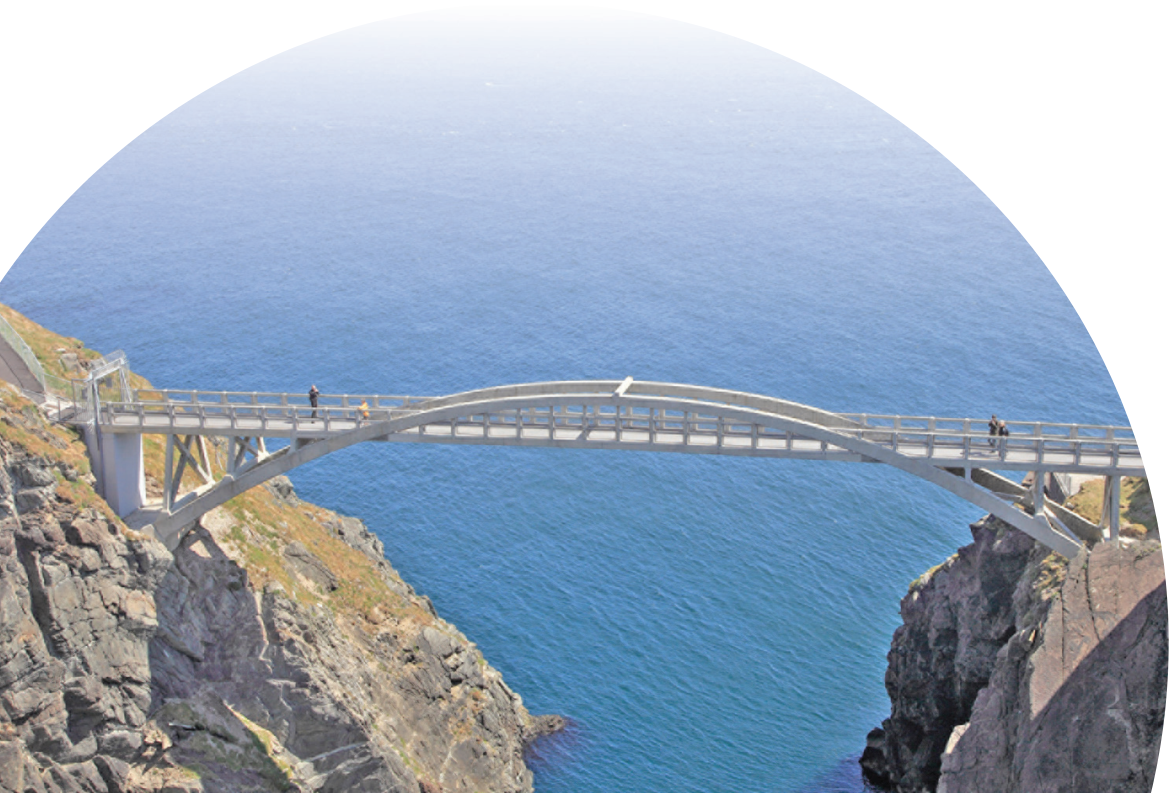
Target funding for retrofitting of tourism businesses to reduce energy consumption and carbon footprint.

TOURISM PROMOTION

Enhanced investment and support for tourism marketing to achieve a full and sustained recovery as quickly as possible.

TRAINING AND DEVELOPMENT

Targeted funding and resources for training and skills development.



Appendix

DYNAMIC MODELLING

It is important that the consideration of policy measures take into account the broader impact, both direct and indirect, on the economy to facilitate informed policy decision making by Government.

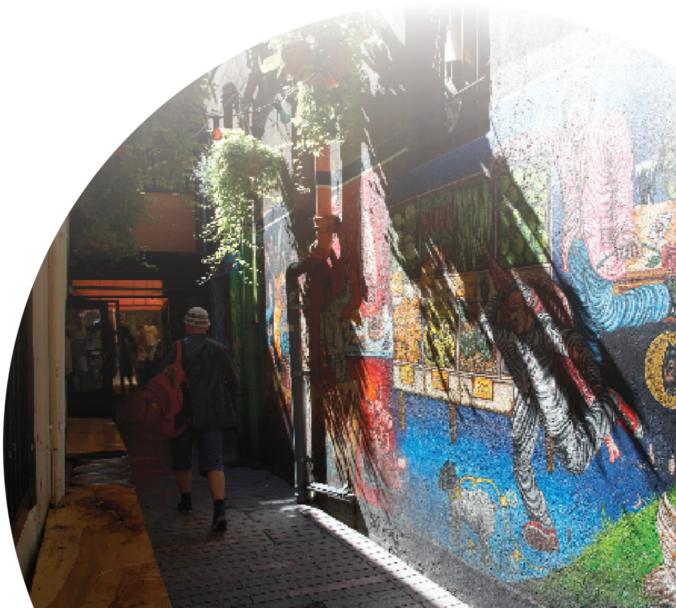
For example, currently the costing of tax expenditures is estimated based on the tax foregone. This method of costing and reviewing the impact of tax expenditures does not take into consideration the behavioural changes associated with these tax expenditures i.e. this costing and review process uses static, rather than dynamic modelling.

We believe it is more appropriate that dynamic modelling be used which takes into account these behavioural changes and provide a better picture of the impact on the Irish economy and provide the Government with valuable information needed to make informed policy decisions.

There are several ways in which one could do this. One could look at changes in a narrow sense such as only looking at the change of behaviour of those directly affected by the taxation law change or one could look more broadly at all the changes in the economy resulting from the taxation law change.

For example, and in considering Ireland's continued attractiveness in a competitive global economy, SARP is intended to attract employees and businesses of substance to Ireland which may not otherwise have arisen without the regime. To apply a static analysis in determining the value of the relief would be to entirely ignore that some of the individuals availing of the relief would not have come to Ireland without the regime, the additional allocation of profits to their Irish employer as a result of their employment in Ireland, the Irish jobs created by the individuals, the income tax collected as a result of these employments and the increase in Exchequer income tax, PRSI and VAT yields and so on. Ignoring the broad and dynamic impact of tax expenditures runs the risk of one completely underestimating the benefits of the expenditure.

Similarly, the myriad of benefits of our R&D tax credit regime, both in terms of attracting and retaining valuable R&D investment in Ireland, as well as promoting innovation in businesses based in Ireland, may not be captured in a review of the regime using just static modelling. Rather, any meaningful review of the regime would need to include dynamic modelling in order to reflect the substantial benefits delivered to the broader economy under the relief with higher skilled jobs and the opportunity to attract new projects and create new businesses with resultant increases in corporate, income and consumption taxes.



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