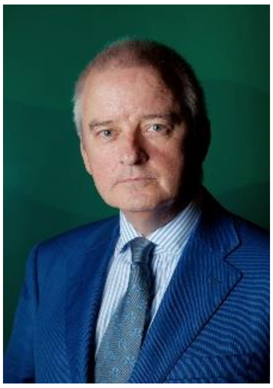
Budget 2022

Family Business Network Ireland: Pre-Budget Submission 2022

Family Business Network Ireland

August 2021

A MESSAGE FROM THE EXECUTIVE DIRECTOR



As the nation begins to emerge from what has been one of the most difficult periods since the foundation of the State, we find ourselves in a very different position from this time last year. One that while remaining uncertain, allows for a more optimistic outlook in terms of opportunities. However, significant damage has been done to the economy, with an unprecedented level of hardship imposed on employers and employees alike. As businesses reopen, customers return and families reconnect, it is important that we do not lose sight of the challenges that remain as we enter the 'Living with Covid' phase of the Pandemic.

Since its founding, the Family Business Network has striven to best represent the concerns and values of family run businesses in Ireland. Their role in the Irish economy is one that has representation in not only every sector, but every county, town and village and, unlike the FDI sector, does not just support jobs and taxes but also supports actual communities, through long-lasting and active engagement. Their role will be foundational in supporting the economic recovery and, as such, it is only right that government policy can best support their needs in return. The Family Business Network has outlined three areas where we feel this can be best achieved.

1. Ensuring a Sustainable Recovery
2. Rebalancing the Irish Economy to Support Indigenous and Family Businesses
3. Building the foundations of the Future

With such economic challenges remaining, it is critical that government policy is focussed on seizing the opportunities that lie ahead and supporting businesses every step of the way. This will be essential as Ireland attempts to reinvigorate and reorganise our economy as we emerge from the throes of the Pandemic. As always, family businesses will be at the heart of this recovery and it is crucial that Budget 2022 reflects this fact. The following pages will outline how the Family Business Network believes this can be best achieved.

John McGrane

Executive Director, The Family Business Network

About the Family Business Network of Ireland (FBN)

The Family Business Network of Ireland (FBN) was founded in 2013 by leading Irish business families. It represents family businesses throughout the country and has members from a broad variety of sectors, all essential to supporting and driving the Irish economy. Family businesses contribute over 50% of Ireland's GDP, employ nearly a million people across every town and village in the country and provide billions of euros to the exchequer annually.

The Importance of Family Businesses to the Irish Economy

"We cannot consider the Irish Economy without considering the role of Family Businesses. Family businesses account for 70% of all businesses in Ireland and more importantly, they employ 1 million people, representing 45% of the total workforce and 55% of the private sector workforce".

(Michael Walsh, President of the Family Business Network of Ireland)

- There are **173,000 Family businesses** in Ireland.
- Irish Family businesses employ **nearly a million people**, that's more than the State and foreign businesses combined.
- Approximately **seven out of ten** Irish Businesses are Family owned.
- Irish owned businesses contribute just under **€19bn** to the Exchequer. [1]
- Indigenous Irish businesses **contributed four times** as much to the recovery of the economy (2013-2019) in Net National Product as their foreign owned counterparts.[2]
- **Family businesses are essential for regional development**. Family businesses are important to local economies especially in rural areas. Unlike their FDI equivalent, family businesses can be found in every town and village in Ireland. Family businesses tend to remain loyal to their home locations, even when they have become global players.

[1]Source: Revenue, 2020. Corporation Tax 2019 Payments and 2018 Returns. Available at: https://www.revenue.ie/en/corporate/documents/research/ct-analysis-2020.pdf
[2] Fitzgerald, 2020. Understanding Recent Trends in the Irish Economy https://www.esri.ie/system/files/publications/QEC2020SUM_SA_FitzGerald.pdf

The Importance of Family Businesses to the Communities across Ireland

"73% of family businesses measure success differently to non-family businesses, with family-owned businesses typically seeing success in broader terms than merely profit and growth. Family businesses contribute to the social fabric of regions throughout Ireland as, unlike internationally mobile businesses, they have a long-term commitment to local communities and employees." (PwC, 2016)

- There is a family business **in every town and village** in Ireland.
- Family businesses are **values led**. According to PwC's 'Irish Family Business Report', 80% of Irish Family businesses believe that a clear sense of values and purpose leads to increased revenues and profits[3].
- Irish family businesses support their communities - **74% of Irish family businesses** felt a responsibility to **support community initiatives**.
- Family businesses are **more likely to support charitable activities** than non-family businesses, and their commitment to being philanthropic, socially responsible and good members of the community is genuinely felt, deeply held and more robust.
- Other firms may come and go; if treated fairly, **family firms are here for good.**
- Family businesses **hire local, buy local, support local and vote local.**

[3] https://www.pwc.ie/reports/family-business-report-2019.html

Introduction

The Family Business Network Ireland (FBN) welcomes the opportunity to make a submission on behalf of our Board, Executive and Members to Budget 2022. The recommendations contained within this submission are the culmination of inputs from surveys, meetings and interactions with family businesses throughout the country, augmented with expert analysis and input from the FBN executive team.

Over the past 18 months, FBN has played an integral part in working in partnership with the Government in developing Ireland's pathway to recovery. FBN has been an active member and participant in the Tánaiste's 'State Bodies and Business Forum', the National Economic Dialogue and the Pensions Commission, as well as several other relevant influential policymaking fora. FBN has also met with dozens of TDs and Ministers in our campaign to highlight the indispensable role family businesses play in the Irish economy throughout every constituency in the country and the potential of family businesses to lead the national economic recovery.

Throughout these deliberations and various national dialogues, FBN has acknowledged the unprecedented role of the Exchequer in supporting enterprises and livelihoods through various government supports such as the Employment Wage Subsidy Scheme, the Covid Restrictions Support Scheme (CRSS), the Tax Debt Warehousing Scheme and the Commercial Rates Waiver. These supports have safeguarded the future of thousands of Irish businesses and in turn protected hundreds of thousands of jobs.

Our submission takes an optimistic view of the future of the country whereby the Government is bold enough and ambitious enough to embrace the changing nature of the Irish economy. This submission outlines how, with the right economic environment, family businesses can drive forward a new economy that is stronger and more sustainable than before.

This submission is designed around 3 Key Pillars:

1. Ensuring a Sustainable Recovery.
2. Rebalancing the Irish Economy to Support Indigenous and Family Businesses.
3. Building the foundations of the Future

1. Ensuring a Sustainable Recovery

"A clear majority of Irish family-run businesses who are members of the Family Business Network are likely to create new jobs in their communities within the next twelve months if there is a supportive political and economic environment for them to do so. Family businesses will be a key delivery partner in Ireland's recovery strategy."

(John McGrane, Executive Director, Family Business Network of Ireland)

It is to the Government's credit that for the first time since the foundation of the State, that a government has responded to an economic crisis with counter cyclical measures. Schemes such as the Employment Wage Subsidy Scheme, Covid Restrictions Support Scheme, the Tax Debt Warehousing Scheme and the Commercial Rates Waiver, have protected thousands of businesses and hundreds of thousands of Jobs. In fact, according to the Irish Fiscal Advisory Council, the Government's supports for the economy may have halved the contraction in real GNI* in 2020 adding that the Government's decision in Budget 2021 to continue temporary supports was appropriate. With the economy beginning to open on a phased basis and the vaccination programme accelerating rapidly, the Irish economy may now be primed for a rapid recovery this year followed by strong growth in 2022, as illustrated in Table 1.1.

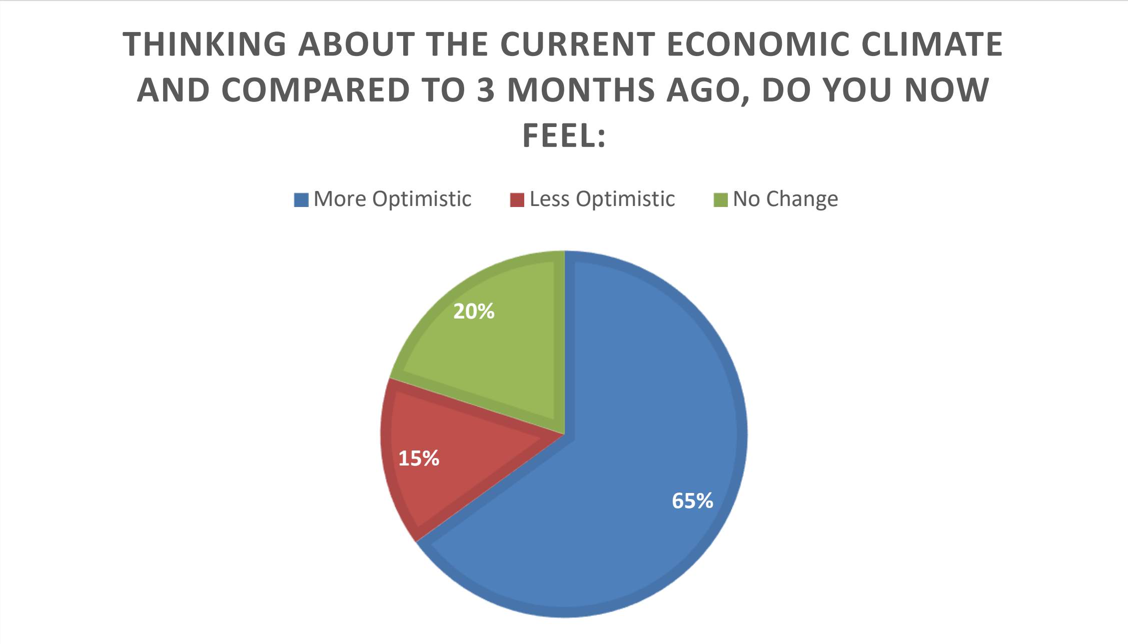
Table 1.1: Economic and Unemployment rate projections for the Irish Economy for 2021 and 2022.

Source	Growth Rate (Year)	Growth Rate (Year)	Unemployment Rate (Year)	Unemployment Rate (Year)
ESRI (June 2021)	8.5% GNP (2021)	5.7% GNP (2022)	9.0% (2021)	7.1% (2022)
Department of Finance (July 2021)	8.8% GDP (2021)	5.1% GDP (2022)	11.0% (2021)	7.25% (2022)
European Commission (July 2021)	7.2 GDP (2021)	5.2% GDP (2022)	N/A	N/A

These projections are borne out in the growing confidence of family businesses. According to our analysis of the National Family Business Sentiment Survey (Graphs 1.1 and 1.2), 65% of family businesses are more optimistic about the current climate for employing and doing business in Ireland than they were just 3 months ago (April 2021), with only 15% indicating that they were less confident.

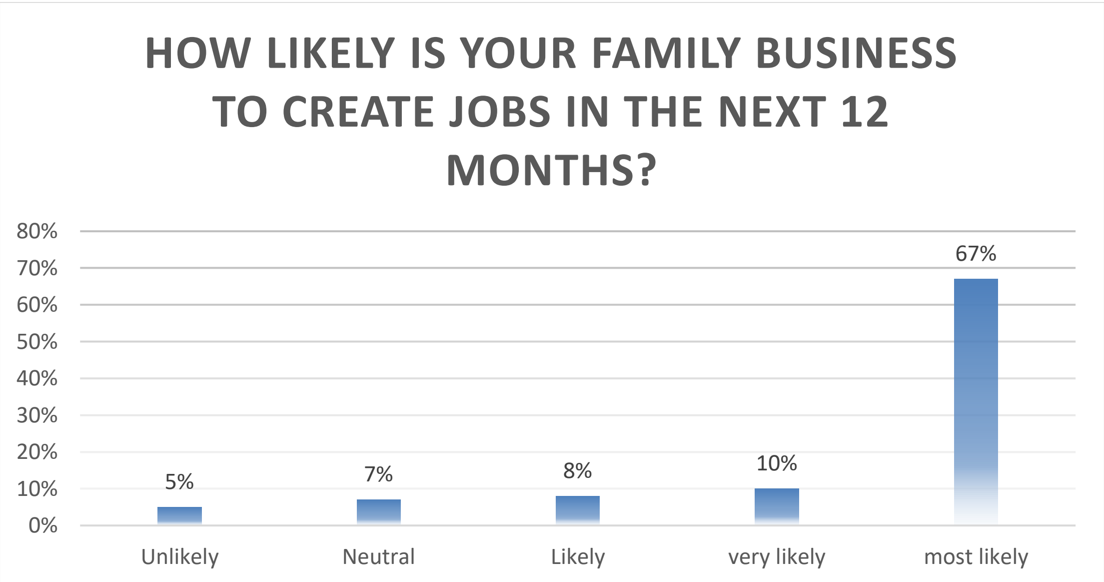
When asked to consider the likelihood of creating jobs over the next 12 months, the mood from family businesses was even more buoyant with 67% of family business indicating that they would “Most Likely” create jobs in the next 12 months with an additional 10% indicating that they were “Very Likely” to create jobs in the next 12 months.

Graph 1.1: Assessing Family Business Sentiment



Source: The National Family Business Sentiment Report from The Family Business Network in partnership with Smith & Williamson

Graph 1.2: Assessing the likelihood of Family Businesses to create New Jobs in the next 12 Months



Source: The National Family Business Sentiment Report from The Family Business Network in partnership with Smith & Williamson

To ensure that the recovery is realised and to prevent a two tiered or K shaped recovery that leaves behind indigenous businesses or regions in Ireland, it is essential that the Government does not prematurely end supports for businesses as they emerge from the aftermath of the Pandemic. FBN welcomed the publication of the National Recovery and Resilience Plan in June. This Package of €3.6bn which focuses on sustainable public finances, supporting a return to work, re-building sustainable enterprises, and supporting a balanced and inclusive recovery was timely and offered clarity to businesses in terms of critical supports such as the Employment Wage Subsidy Scheme, Debt Warehousing, Rates Waiver and Covid-19 Restrictions Support Scheme. FBN is broadly supportive of this plan but cautions against an immediate cessation of supports. A tapered and well publicised approach that considers the differing challenges facing various sectors throughout the country should be adopted.

The Employee Wage Subsidy Scheme:

The Employee Wage Subsidy Scheme has been a lifeline for businesses and employees throughout the country. Maintaining the link between the employer and employee has ensured that employment will rebound as the economy recovers. FBN believes that a phased withdrawal of this scheme is prudent and we acknowledge that the Recovery Plan extends this scheme until the 31st of December 2021. However, FBN advises that the Government maintains this scheme until at least June 2022 with a tapered withdrawal of supports commencing in January 2022.

The Pandemic Unemployment Payment (PUP):

FBN supported the introduction of the Pandemic Unemployment Payment as a much-needed support for workers who had lost their jobs and were unable to return to work due to Government health regulations. However, the evidence is now indicating that the PUP is acting as a disincentive for a sizeable minority of workers in the most vulnerable sectors such as retail, tourism and hospitality. This is occurring at a time when businesses reopening are crying out for workers. The Government should phase out the Pandemic Unemployment Payment (PUP) with reduced support maintained for employees transitioning over to full time employment.

Tax Debt Warehousing:

The Tax Debt Warehousing Scheme, available to support businesses that are experiencing tax payment difficulties due to Covid-19, has been one of the most supportive schemes the Government has introduced, supporting close to 90,000 business and warehousing €2.5bn thus far. FBN recommends that this Scheme be extended at least until the end of 2022. Businesses impacted by Covid-19 are still liable for their tax obligations, however the additional breathing space would allow them to stimulate the circular economy as they get back on their feet, in turn supporting other Irish businesses. The only cost to the State is deferred income. There also needs to be greater engagement between Revenue and impacted businesses to ensure realistic repayment schedules are put in place.

The Commercial Rates Waiver:

FBN welcomes the extension of the Commercial Rates Waiver for eligible businesses until the end of Q3 2021. However, FBN believes this should be extended until at least the end of 2021 and to all businesses whose trade has been restricted. Notwithstanding FBN's view that the Commercial Rates system is not fit for purpose (Section 2:2) and should be replaced permanently, we note that numerous categories of businesses have been excluded from the Scheme, including all businesses deemed in the "Office" Valuation Category. We note that businesses in this category must demonstrate that their turnover is down 75% on 2019 to avail of the waiver. FBN would assert that under such criteria, all viable businesses under this category would be excluded. Therefore, the scheme should be amended to alleviate pressure on distressed businesses who can demonstrate a 30% reduction in turnover compared to 2019.

Recommendations:

- ✓ The Government should maintain the Employee Wage Subsidy Scheme (EWSS) until at least June 2022 with a tapered withdrawal of supports commencing in January 2022.
- ✓ The Government should phase out the Pandemic Unemployment Payment (PUP) with reduced support maintained for employees transitioning over to full time employment.
- ✓ The Tax Debt Warehousing Scheme should be extended until at least the end of 2022 with realistic repayment schedules put in place for impacted businesses.
- ✓ The Commercial Rates Waiver should be expanded to include undesignated businesses such as those categorised as "Offices" who can demonstrate a 30% reduction in turnover as compared to 2019.

2. Rebalancing the Irish Economy to Support Indigenous and Family Businesses

"Family businesses hire local, buy local, support local and vote local. As global tax rules or work-from-home policies change and the Foreign Direct Investors stop investing here, it's Ireland's family-run employers that we'll depend on for our future; if they're enabled, they'll power-up the recovery, if they're not, they can't."

(John McGrane, Executive Director, Family Business Network of Ireland)

For the past sixty years, Ireland has adopted one of the most successful FDI strategies in the world generating billions of euros of tax revenue and thousands of jobs. However, one of the central tenets of that strategy has been Ireland's Corporate Tax rate of 12.5% which is now under threat from wide ranging reforms which have been agreed by the G7 and the OECD. While Ireland has yet to sign up to the framework, it is likely that some significant changes will be made to our Corporate Tax regime. The Department of Finance estimates that the exchequer may lose approx. €2bn a year in Corporate Tax revenue, while other experts put the loss at a far greater amount. FBN believes that Ireland will always be a hospitable place for foreign direct investment, however these changing circumstances should now act as a catalyst for reinvigorating the domestic economy, of which family-run businesses make up the vast majority of firms. If the Government successfully creates an economic environment that is conducive to indigenous and family businesses, then family businesses will do what they do best - innovate, invest and employ, which will more than make up for any potential loss of FDI activity in Ireland.

To create an economic environment that is conducive to growth, these three areas need urgent attention:

i. Tax Reform
ii. Measures to enable Family Businesses to Drive the Recovery
iii. Supports for Family Business Succession

i. Tax Reform:

Taxation is a key policy lever that the Government can use in order to support indigenous and family businesses in creating jobs and growing the economy in a sustainable and regionally balanced way. FBN welcomes the establishment of the Commission on Taxation and Welfare, an initiative that the Family Business Network has called for over the last number of years.

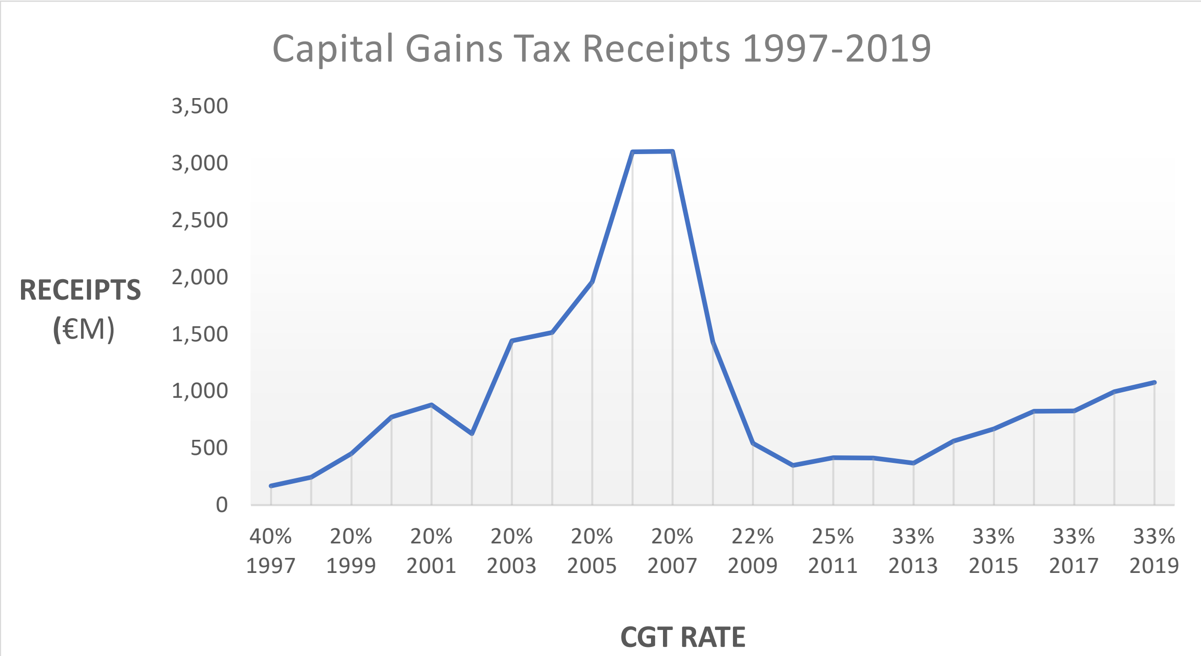
The Commission has been tasked by the Government to independently consider how best the taxation and welfare systems can support economic activity and promote increased employment and prosperity in Ireland. FBN looks forward to working with the Commission to ensure its recommendations are supportive of the conditions needed to generate domestic growth and employment across the country. It is hoped that the Commission takes an open approach to consultations from representative bodies such as FBN, who represent the largest collective employers in Ireland – family-run businesses.

In relation to tax initiatives for Budget 2022 and future budgets, it is hoped that the Minister would consider historically consistent evidence that not all tax increases lead to increased revenue and therefore the Minister should avoid increasing any taxes that could threaten economic recovery and jeopardise employment growth. Secondly, the Minister should bear in mind that not all tax cuts will cost the exchequer revenue, while some may have the potential to grow the exchequer's revenue through stimulation of economic activity. To this point, the OECD as well as others developed a ranking on taxes and economic growth from the most damaging to the economy to the least damaging. These analyses indicate the following:

1. **Corporation Tax.** Corporation Tax is the most sensitive to changes to its rate. This should be of no surprise in a globalised world where capital is easily moved. Ireland is evidence of this and has benefited more than any other country from its low Corporation Tax rate. With Ireland's standard 12.5% rate under threat, it is essential that Ireland becomes more competitive in other tax headings.

2. **Capital Gains Tax.** Capital Gains Taxes (CGT) are the second most sensitive to change. Perversely, Ireland now has the 3rd highest CGT rate in the OECD. This is despite having demonstratable success the last time this rate was cut (Graph 2.1).

Graph 2.1: Capital Gains Tax Rates and Receipts 1997 -2019



Sources: Budgets 1997 to 2020, Department for Finance

Furthermore, the OECD Report on 'SME and Entrepreneurship Policy in Ireland' has stated that:

"The Irish Capital Gains Tax rate of 33% is high compared to the OECD mean, ***which may discourage investment and entrepreneurship".***

This punitive rate places Irish family businesses at a distinct disadvantage as compared to their peers. FBN is of the view that a reduction in the standard rate of Capital Gains Tax will release pent up funds and incentivise investment of other capital assets. Given that Capital Gains Tax accounts for less than 2.0% of total exchequer revenue, the risk to the exchequer from any reduction in CGT revenue is minimal, whereas the likely increase in exchequer receipts from a rate cut will help deliver Ireland's much needed recovery. FBN recommends the Government cut the standard rate of Capital Gains Tax from 33% to 20%.

3. **Personal Taxes:** The third most damaging tax to economic growth is personal taxes, specifically the marginal rate of tax. A high marginal rate of tax distorts behaviour in such a way that the Government never gets anywhere near the full economic value of an increase. Except for Flat Tax countries, Ireland's marginal rate of tax kicks in at the lowest entry point in the OECD. The OECD have warned that Ireland's "*high marginal rates of personal taxation may constrain entrepreneurship as well as the attraction of talented entrepreneurial labour from abroad*". FBN recommends that Budget 2022 put in place a roadmap to increase the entry point to the marginal rate of taxation to €50,000.

4. **Consumption Taxes:** Consumption Taxes are the fourth most damaging to economic growth. Ireland's standard rate of VAT (23% rate) is the 8th highest in the world. These taxes are also the most regressive as they are equally levied across all demographics in society. At a time when the retail sector is just coming up off its knees and continues to compete with online retailers, consideration should be given to reverting to the 21% VAT rate on a permanent basis.

The disparity between the economic environment in which Irish indigenous business operates in comparison to their FDI peers is borne out in the recent Institute for Management Development (IMD) World Competitiveness Yearbook. This is an annual assessment that benchmarks the performance of economies based on more than 330 criteria measuring different facets of competitiveness. It ranks Ireland second for attracting investment with Investment Incentives, third for Foreign Investors, fourth for Corporate Tax Rate on profit and fifth for lack of protectionism. However, Ireland's greatest weaknesses are centred around domestic tax issues ranking 54th for Ireland's Consumption Tax Rate, 43rd for Collected Personal Income Tax and 39th for Real Personal Taxes – these rankings place Ireland in the bottom half of countries assessed. To address this imbalance domestic tax reform is urgently needed.

Retain the 9% VAT rate:

The tourism and hospitality sector supports an estimated 260,000 jobs across the country equating to one in every nine jobs in Ireland. It is also the sector that bore the greatest brunt of the Covid-19 crisis with just under nine of every ten employees in the sector availing of some form of Covid-19 government supports during the peak of the crisis. As this sector slowly begins to reopen and emerge from this unprecedented crisis, it must be given all the support it needs to avoid irreparable damage. FBN welcomes the commitment from the Government that the 9% VAT rate will be maintained until September 1, 2022. However, FBN is of the view that this rate should be made permanent.

Employer PRSI:

As Ireland recovers from the devastating impact that Covid-19 has had on our society and economy, it is imperative that the Government's primary focus is to get people back to work. FBN recommends that the Government maintain its temporary reduction of employer PRSI until at least the end of 2022. FBN opposes the consideration that Employer PRSI should be used as a means to replenish the Social Insurance Fund. This would in effect act as a tax on new jobs.

Government Spending:

Tax cuts are funded in a similar way to Government expenditure, whether by economic growth which drives revenues, by tax increases elsewhere or by reduced expenditure. Notwithstanding FBN's view that the initiatives we have proposed will be self-funding through economic growth, it is prudent that the Government factors in a potential revenue cost. FBN notes that the Summer Economic Statement projects that over the period 2022-2025, core current expenditure will grow by approximately 4.7%. The Government is linking expenditure growth projections to economic growth (adjusted for inflation). This is a prudent approach, however it should allow for projected tax cuts within its expenditure targets on a ratio basis. In addition, FBN notes that the Irish Fiscal Advisory Council has flagged that

"In recent years departmental expenditure ceilings are set, not with a view to controlling expenditure with realistic ceilings, but merely to comply with legal requirements."

In FBN's view, departments should be judged on the targets that are set and whether they achieve desired results, not just by their level of investment. Tax cuts will play an integral part in successfully delivering the new economy and should not be sacrificed for departments that breach their expenditure ceilings.

FBN members overwhelmingly believe that growing the economy is the best way to fund any costs associated with Covid-19 measures:

85% of family businesses believe that 'Stimulating and Growing the Economy' is the most appropriate means to fund the financial cost of Covid-19 to Ireland.

(The National Family Business Sentiment Report from The Family Business Network in partnership with Smith & Williamson)

Recommendations:

- ✓ FBN supports the Minister for Finance's decision to engage in a Public Consultation on the 'OECD International Tax Proposals on Corporation Tax'.
- ✓ At risk Corporate Tax revenue should not be used to fund permanent public expenditure increases.
- ✓ For Ireland to remain internationally competitive the Government needs to raise the entry point into Ireland's marginal rate of tax. In Budget 2022, the Minister for Finance should set out a multi-year plan to raise the entry point to the marginal rate of tax to €50,000.
- ✓ FBN supports the Tax Strategy Group[4] assessment that recommends the Government cut the standard rate of Capital Gains Tax from 33% to 20% as a strong foundation to rebalance the economy from FDI reliant to a broad-based innovative economy.
- ✓ The 9% VAT rate for the Hospitality and Tourism Sector should be made permanent.
- ✓ The Government should maintain the temporary reduction on employer PRSI to stimulate employment growth until at least the end of 2022.

[4] https://taxpolicy.gov.ie/tax-strategy-group/

ii. Measures to enable Family Businesses to Drive the Recovery

Recommendations:

- ✓ **Establish a State Agency for Indigenous and Family Businesses**: Given its importance in the economy and the reliance the labour market has on family business, the Family Business Network believes that family businesses' priorities need significantly greater recognition, engagement and support especially at a time when Ireland's FDI model is vulnerable to externalities. To its credit, the IDA has been one of the most successful Government Agencies in the world and it is our belief that a domestic equivalent be established to support and facilitate investment in indigenous and family businesses in Ireland.

- ✓ **Review and Replace Commercial Rates**: FBN has long held the view that the Commercial Rates system, which is a relic from Victorian times, is no longer appropriate in the digital age. This system unfairly discriminates against local family businesses which are the lifeblood of villages and towns across Ireland, in favour of multibillion-euro online retailers such as Amazon, who do not compensate the local community. The Irish Government should follow the lead of the UK Chancellor of the Exchequer and conduct a fundamental review into the Commercial Rates regime in Ireland.

iii. Supports for Family Business Succession:

Family businesses are the beating heart of the local economy and communities throughout the country. They do not invest for short-term gain and are committed to communities they have been embedded in for generations and will be for generations to come. The tendency for family businesses to have a long-run outlook with regards to business strategy makes them a vital source of stability during uncertain economic and political times. Therefore, it is important that the tax system is conducive to ensuring an efficient transition to the next generation within each family business. FBN endorses the recommendations contained within PwC's Pre-Budget Submission 'Recovery and Renewal – supporting private business and SMEs in Budget 2022' which will help alleviate some of the issues surrounding family business succession and transition.

Recommendations as outlined in the submission by PwC 'Recovery and Renewal – supporting private business and SMEs in Budget 2022':

- ✓ Introduce a temporary reduction in the Capital Acquisitions Tax (CAT) rate to 20% for a period of 2 years.
- ✓ Remove anomalies from how CGT Retirement Relief is calculated to avoid confusion and to ensure that it operates on a consistent basis with the CAT Business Relief.
- ✓ Remove the arbitrary €3m cap on the value which can qualify for Retirement Relief on the transfer of shares for those aged 66 years of age and older for a period of two years with a further review to take place at that time.
- ✓ Raise the Band A CAT Threshold (including all gifts and inheritances from parents to their children) to €500,000.
- ✓ Remove cash as a non-qualifying asset in trading businesses for CAT Business Relief purposes until and unless the cash is invested in non-qualifying assets.
- ✓ Increase the lifetime limit for Entrepreneur Relief to €5m.
- ✓ Disposal of Businesses – Introduce a bona fide test in the anti-avoidance legislation introduced in Finance Act 2017 into Section 135(3A), Taxes Consolidation Act 1997 to facilitate genuine commercial transactions.
- ✓ Introduce temporary measures to reduce gift tax liabilities in order to provide a window of opportunity to encourage a transfer of wealth. Consider reducing the gift tax liability to 75% of the inheritance tax liability as was the case prior to 1994.

3. Building the Foundations for the Future

"Family businesses are highly trusted – in fact, they are the most trusted form of business globally".

(Edelman Trust Barometer, 2019)

Ireland is going through a period of immense economic change between its emergence from Covid-19, Brexit, the Green agenda and Digitalisation. To grasp the opportunities from these changes, FBN believes we need to lay the foundations for an economy that is fit for purpose. This means adjusting the economy to impending changes and addressing long standing structural deficiencies. To this end, FBN would like the Government to prioritise the following:

Developing the Green Economy:

The race to NetZero carbon emission by 2050 is on, and every aspect of society will be required to play its part. The Green Agenda is particularly relevant for family businesses which are strongly connected to their communities and are conscientiously oriented towards ensuring a sustainable business for future generations. The development of Environmental, Social and Governance (ESG) reporting will soon be an integral part of the day-to-day operations of every business. Family businesses are leading in this endeavour and want the Government to do more to support all businesses leading the way to a just transition.

The Government must support businesses on this journey. To this end, the following **recommendations are made:**

- ✓ Introduce a Green Tax Credit to support business with the outlays of adjusting their business to a more carbon neutral approach.
- ✓ Ensure that all Local Enterprise Offices are equipped to support businesses through training and grants as they familiarise themselves with Environmental, Social and Governance (ESG) reporting.
- ✓ Publish in advance the proposed schedule of Carbon Tax increases so businesses have advanced knowledge of impending additional costs.
- ✓ Ringfence Carbon Tax Revenue into a 'Green Fund' that should be spent locally and proportionally on decarbonisation initiatives.

Digitalisation:

Digitalisation is fundamentally changing the economy and our society. Countries that embrace digitalisation will lead the new industrial revolution, while countries that fall short will be left behind. Currently Ireland has a two-tier pathway to digitalisation with some regions and indigenous businesses being left behind. According to the Department of Enterprise, Trade and Employment:

"While Ireland is already in a strong position, being among the most digitalised countries in the world for many years, the digital economy appears to run at two different speeds, with a small number of foreign-owned multinationals with high digitalisation levels and productivity, and traditional indigenous SMEs, which are slower in leveraging digital solutions to reduce costs, drive innovation and expand market presence."

Businesses that move towards digitalisation will increase their productivity and expand their reach beyond their localised customer base. However, it is challenging for businesses to digitalise when good broadband access in many parts of the country is not available and the costs of digitalisation can be burdensome.

Recommendations:

- ✓ An essential component of digitalisation in Ireland is the development of the 'National Broadband Plan'. Its implementation should be based on explicit targets with enhanced oversight.
- ✓ A Digital Fund should be established to support business to adapt their business model towards digitalisation.

Insurance Reform:

There has been considerable progress on insurance reform in the last four months. The new judicial guidelines on personal injuries were published on 24th April. While the new guidelines do not deliver the 80% reduction in minor injury damages that is necessary to bring us close to comparable jurisdictions, they do deliver an estimated 50% reduction which is still significant if delivered consistently in insurer settlements, court awards and Personal Injuries Assessment Board (PIAB) assessments. However, there are further reforms that need to be made and we ask the Department of Finance to make resources available to allow:

- ✓ Meaningful reform of the Personal Injuries Assessment Board.
- ✓ Enactment of new legislation to rebalance the duty of care.
- ✓ Resourcing for An Garda Síochána to pursue insurance fraud.
- ✓ A comprehensive plan of action by the Insurance Competition Office at the Department of Finance to ensure the urgent entry of more underwriters into the Irish liability and motor insurance markets.

Planning Reform:

FBN has been a consistent advocate for reform of Irelands planning laws. The current system is under-resourced, outdated and underpinned by ineffective legislation. We welcome the progression of the Planning and Development Bill through the Oireachtas which will ensure that if an individual intends to challenge a planning decision they must first go through An Bord Pleanála and also that judicial reviews cannot be brought for unintentional administrative errors. Further supports are needed to ensure that the legislative changes are underpinned by investment.

Recommendations:

- ✓ Increase resources for An Bord Pleanála and Local Authorities.
- ✓ Prioritise the Creation of the new Planning and Environment Court which should result in more expeditious decision making.
- ✓ Establish an electronic planning system to speed up and promote greater participation in the planning process.

Responding to Brexit:

While most businesses have been pre-occupied with the Pandemic, Ireland's largest two-way trading partner, the UK, formally exited the European Union and they are now trading under third country rules for customs procedures. The UK is a particularly important trading partner for Ireland's family businesses, many of whom rely on the UK market as an integral part of their supply chain.

To alleviate some of the challenges of Brexit and to ensure their supply chains are maintained, FBN puts forward the following **recommendations:**

- ✓ Support the challenged logistics sector by recognising HGV licences from countries such as Ukraine, India, Malaysia, the Philippines, Argentina, Bolivia and Brazil.
- ✓ The EU Brexit Adjustment Fund should be utilised to support traders who are incurring additional costs associated with exporting into Britain.
- ✓ The Department should immediately implement the digitalisation of Export Health Certificates .

The Social Contract:

The family businesses of Ireland take great pride in how they treat their employees. In general, they tend to have a lower staff turnover than non-family run businesses and many of their employees stay with them through generations. FBN believes that the pandemic has shown that a new 21st Century Social Contract needs to be developed that balances the rights, responsibilities, and obligations of all citizens. An effective social contract will enable businesses, workers and society to thrive together. The development of a new Social Contract should be done in partnership with Employee Unions and a wider array of business and employer representative organisations. Impending decisions about Remote Working, Paternity Leave, mandatory Sick Pay and addressing Child Care costs should be done in full dialogue with all employers, beyond the narrow scope of the Labour Employer Economic Forum (LEEF). Undemocratic decisions that may result in increased costs for businesses are tantamount to a tax on jobs amid a jobs crisis. The immediate priority should be to reduce the high unemployment rate but also to stimulate the creation of sustainable new jobs.

Recommendation:

- ✓ FBN reiterates its recommendation that a National Economic and Social Forum should be established which brings together stakeholders from across all sectors to assist in formulating an economic plan and social contract for the decade ahead.

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