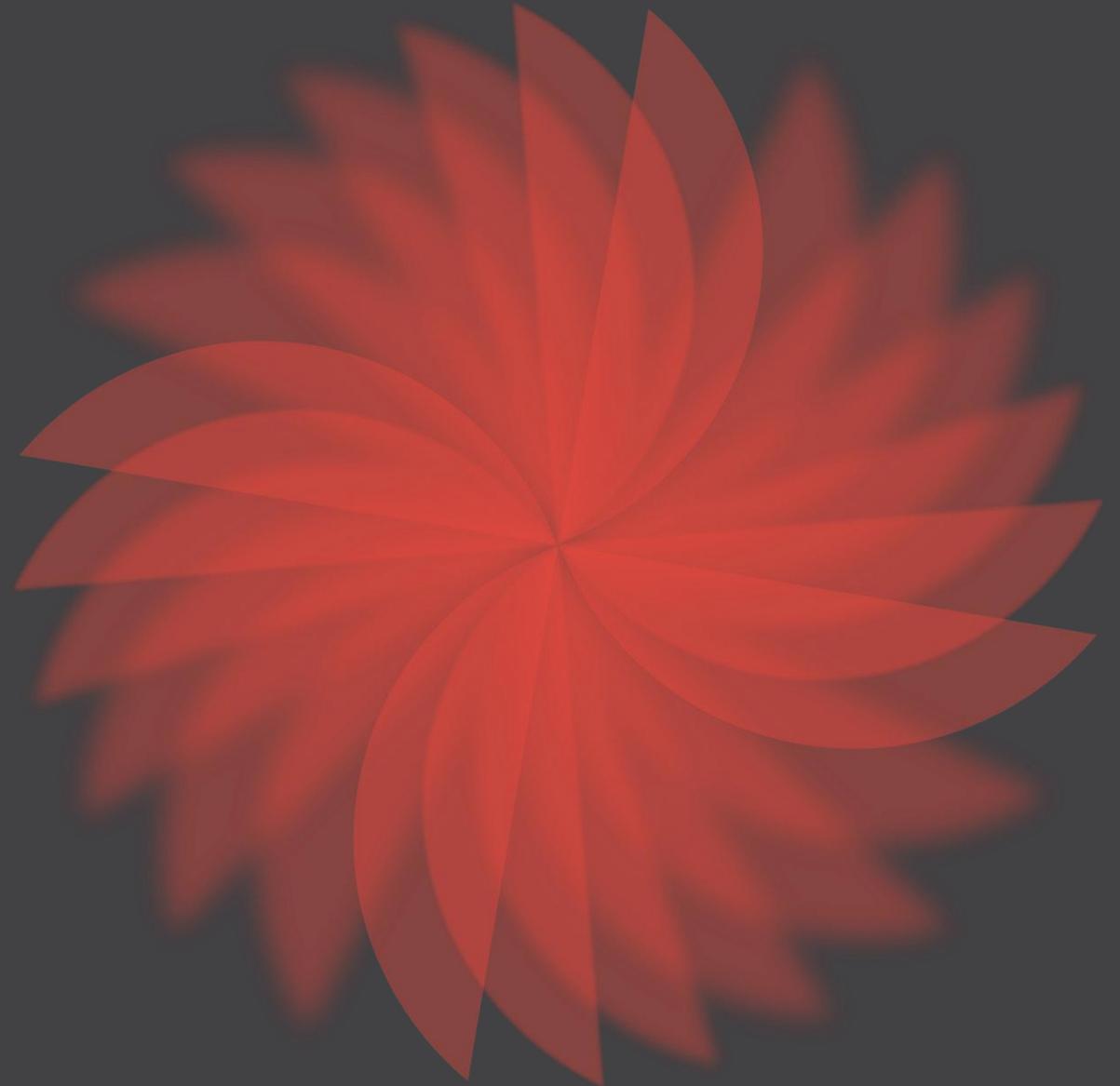


# Harnessing Abundance

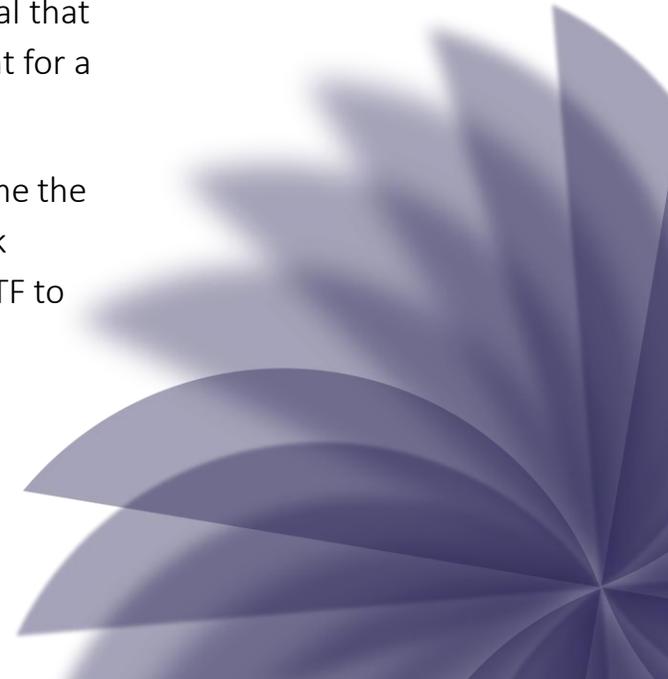
Ibec Budget Day 2024 analysis deck

**HARNESSING** Budget  
**ABUNDANCE** Submission  
2024



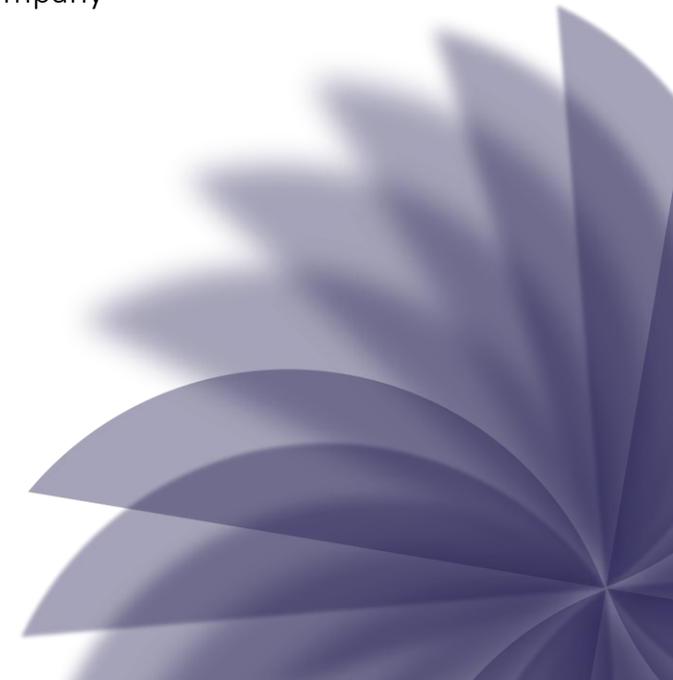
# Key messages

- Budget 2024 strikes the right balance between investment ambition while further enhancing social cohesion.
- We welcome the Government's investment ambition set out in Budget 2024, particularly the establishment of the National Infrastructure Fund which has the potential to enhance critical infrastructure delivery over the coming decade.
- The increase in the R&D tax credit to 30% was also a key Ibec ask and will ensure two Ibec asks, that large MNEs retain the benefits of the credit as we moved to a new Global Minimum Tax and that SMEs will see improved benefit from the credit – something Ibec has long lobbied for.
- The support package for labour costs in 2024 will provide much-needed relief for firms facing substantial government-imposed increases in labour costs (up to 25% by 2026). While more work needs to be done in this area, it is crucial that this scheme becomes operational as quickly as possible, remains easily accessible, and serves as the starting point for a broader conversation about the transition to significant labour market changes over the coming years.
- While Ibec is disappointed that the National Training Fund (NTF) could not be unlocked in this Budget, we welcome the intention set out to find ways, including possible legislative changes to unlock the fund. Ibec will continue to work closely with the Government to find a practical and pragmatic solution to unlock the €1.5 billion surplus in the NTF to ensure that education and training remain essential components of Irish competitiveness.



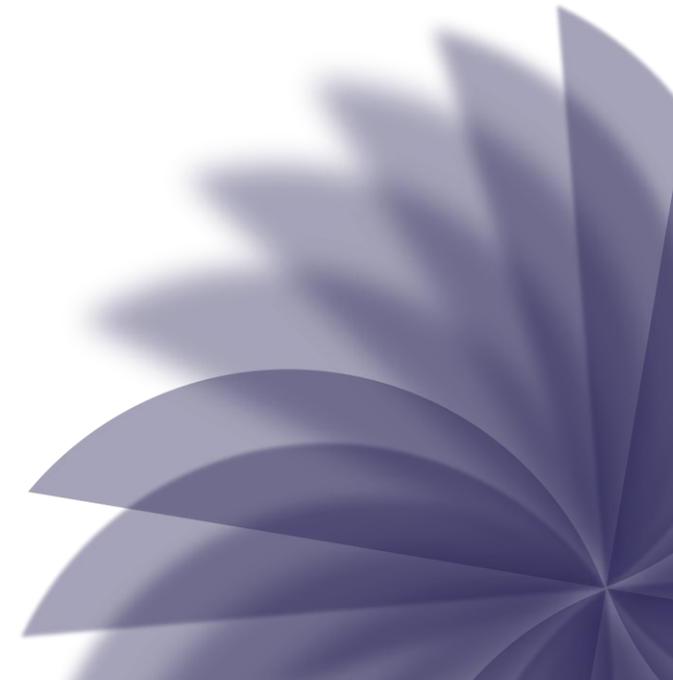
# Key wins for business

- ✓ Introduction of a National Infrastructure Fund
- ✓ Increase in the R&D tax credit to 30% and increase in Y1 repayment to €50,000
- ✓ €250 million package in development on temporary supports for labour market costs for business
- ✓ Increase in entry point to the top rate of tax and the tax credits to prevent fiscal drag
- ✓ Improvements in key schemes on business tax – Entrepreneurs Relief for Angel investors in particular
- ✓ Extension of ACA for energy efficient equipment to December 2025
- ✓ Extend BIK relief of €10,000 on OMV of company vehicles and longer extension of the tapering mechanism on company electric cars until at least 2025 – 2027.
- ✓ €67 million for delivery of 3,000 additional craft apprentices
- ✓ Increase in S481 cap to €125 million
- ✓ Increased spending on childcare of €65 million, reducing childcare costs by 25% from September 2024.
- ✓ 20% average public transport fare and other discounts continued at cost of €150 million



# Where more needs to be done

- Deliberations on the National Training Fund (NTF) ultimately delivered a deadlock. This is tied to the inclusion of the NTF under the Departmental ceiling of the Department of Further and Higher Education, Research, Innovation and Science. However, we welcome the intention set out to find ways, including possible legislative changes to unlock the fund.
- €99 million in funding for Higher Education (including €60 million for core funding under funding the future) is welcome but more will need to be done to meet shortfalls in both higher education and innovation spending.
- Whilst the one-off SME support, linked to rising costs for businesses, is welcome. This will require more transitory supports in the coming years.
- More will need to be done in future Budgets to expand on supports for decarbonisation for business through grant measures.



# The economic and fiscal approach

- In 2024, the Government has allocated a total package of €14 billion. This includes €5.2 billion in so call 'core' spending and €1.2 million in net tax measures. On top of this the Government will spend approximately €4.8 billion on non-core funding (Ukraine and Covid supports) and €2.75 billion on one-off cost of living supports (€0.4 billion tax and €2.3 billion expenditure).
- On top of the normal Budget Day package, the Government has committed to two separate funds:
  - The **'Future Ireland Fund'** which will be used to build up a Sovereign Wealth fund to help in paying for future pensions and ageing costs – this will see 0.8% of GDP committed to it each year until 2035 (around €4 billion in today's money) and will also see the transfer of €4 billion from the existing 'National Reserve Fund'.
  - The **'Infrastructure, Climate and Nature Fund'**, which Ibec has long lobbied for, will see a commitment of €2 billion per annum each year between 2024 and 2030 to accrue to a total of €14 billion. More on this in the next slide.
- Given the place Ireland finds itself in the economic cycle, running a strong fiscal surplus of around 3% of national income (c. €8 billion) in 2023 and 2024 is appropriate.
- This will leave Ireland with one of the most significant surpluses of any developed country over the period which may be further expanded by the potential introduction of a Qualified Domestic Minimum Top Up Tax of 15% on some corporate profits.

# A National Infrastructure Fund

- Ireland hasn't had a consistent predictable stream of public capital investment and projects for any consistent period over the past three decades.
- In Budget 2024, Government has reflected a key ask of Ibec lobbying by setting up a National Infrastructure Fund which would target a fund up to an additional €14 billion, with €2 billion committed by Government each year to the fund.
- 25% of fund can be used in any given year where there is a significant deterioration in the public finances.
- The fund will guarantee projects are protected during downturns, lessen the need for rapid 'catch-up' in capital spending and improve value for money and give greater certainty to sectors in the supply-chain of infrastructure delivery, allowing organisations and workers to build capacity and to retain skills in both the public and private sectors.
- Up to a cumulative €3 billion of the funds can be drawn down early if needed to help meet climate targets through additional capital projects.



# Income Tax and income supports

- The tax package of a total of €1.5 billion includes an increase in the standard rate band by €2,000 and tax credits by €100 each. It also includes changes on the USC 2% rate band ceiling by €2,840 and a reduction in the 4.5% USC rate to 4%.
- Subject to Government agreement on final scheme design and the necessary PRSI increases, the Government will introduce a Pay-Related Jobseeker's benefit scheme which links the rate of benefit to a person's previous earnings, from December 2024.
- There will also be a 0.1% increase in all employee and employer PRSI from October 2024 to begin path toward pension sustainability which will continue over the coming decade.
- On the other tax measures – extending the excise rate reductions to April and August 2024, VAT 9% for gas and electricity to October 2024, the extension of the rent tax credit to €750 and the introduction of a new Mortgage Interest Relief will in total cost of €700 million.
- A further €150 million has been committed to maintain and enhance the 20% average public transport fare and other discounts for young people.
- There will also be a social welfare increase of €1.3 billion, with over €900 million of this going to an across the board increase of €12/week I personal and qualified adult rates from January 2024.

**Ibec comment:** 'Today's income tax package is a welcome reflection of business priorities particularly increases in the top rate entry point. The broader income supports package will support consumer sentiment and help offset some of the cost-of-living challenges facing households.'



# 'One off' expenditure supports

Measure	Exchequer Cost	Recipients	Benefit Received
€450 in Energy Credit (3 x €150)	€900m	All households	December 2023, January/February and March/April 2024
Social Protection – Double Week – (This is in addition to Christmas Bonus paid in December)	€342m	1.4 - 1.5 million individuals	January 2024
Child Benefit – Double Month	€179m	c.640k families relating to c.1.2m children	Q4 2023
€300 Fuel Allowance Lump Sum	€123m	c.370k individuals	Q4 2023
€200 Living Alone Allowance	€47m	c.230k individuals	Q4 2023
€400 one-off payment to recipients of the Carer's Support Grant, Disability Allowance, Blind pension, Invalidity Pension and Domiciliary Care Allowance (one payment per individual/household)	€138m	c.350k individuals	Q4 2023
€100 Qualified Child Increment Lump Sum	€37m	c.370k children	Q4 2023
€400 Working Family Payment Lump Sum	€18m	c.47k families	Q4 2023
Other Measures (Higher Education Student Contribution, Schools Capitation, School Transport, State Exam Fees.)	€250m	Various	Q4 2023
Foster Carer Allowance Double Payment	€2m	c.5k recipients	Q4 2023
Extension of Youth Travel Card	€20m	Various	2024
<b>Subtotal Household Measures</b>	<b>€2,055m</b>		
Business supports	€250m		2024
<b>Total Measures</b>	<b>€2,305m</b>		

# Income Tax changes versus opposition alternative Budgets

**Table 1: Change in income tax, USC and Employee PRSI, as a % of gross wages**

	Social Democrats	Sinn Féin	Labour	Budget 2024
€ 20,000	-2.3%	-0.9%	-0.5%	0.0%
€ 30,000	-1.5%	-1.1%	-0.4%	-0.7%
€ 40,000	-1.1%	-0.8%	-0.3%	-0.9%
€ 50,000	-1.5%	-0.7%	-0.7%	-0.8%
€ 60,000	-1.3%	-0.5%	-0.6%	-1.5%
€ 70,000	-1.1%	-0.5%	-0.5%	-1.3%
€ 80,000	-1.0%	-0.4%	-0.4%	-1.2%
€ 90,000	-0.9%	-0.4%	-0.4%	-1.0%
€ 100,000	-0.8%	-0.3%	-0.3%	-0.9%
€ 110,000	-0.4%	0.5%	0.5%	-0.8%
€ 120,000	-0.1%	1.2%	1.2%	-0.7%
€ 130,000	0.1%	1.8%	1.8%	-0.6%
€ 140,000	0.3%	2.3%	2.4%	-0.6%
€ 150,000	0.5%	2.4%	2.2%	-0.5%
€ 160,000	0.6%	2.4%	2.1%	-0.5%
€ 170,000	0.8%	2.5%	1.9%	-0.5%
€ 180,000	0.9%	2.5%	1.8%	-0.4%
€ 190,000	1.0%	2.5%	1.7%	-0.4%
€ 200,000	1.1%	2.5%	1.7%	-0.4%

# Innovation, productivity and climate

- R&D tax credit to increase to 30%, improving value of credit for SMEs and maintaining its existing benefit to MNEs in light of the introduction of global minimum tax. Year one repayment increased to €50,000.
- There are some welcome improvements on SME taxation with the extension of entrepreneurs' relief to angel investors. Set out as reduced rate of 16%, up to 2X return on single investment or €3 million lifetime limit. As always details in the Finance Bill will be key to these measures.
- KEEP scheme extended to 2025 and limit for the total market value of issued qualifying share options doubled from €3 million to €6 million.
- EII scheme will see a doubling of the amount an investor can claim relief on for four-year investments to €500,000. Details for scheme awaited from the finance bill.
- Extend BIK relief of €10,000 on OMV of company vehicles and longer extension of the tapering mechanism on company electric cars until at least 2025 – 2027. Combined total of €45,000 in relief on EV market value in 2024. VRT relief for battery electric vehicles also extended to end 2025.
- Accelerated capital allowances for energy efficient equipment has been extended to end 2025.
- Carbon tax to increase as planned by €7.50, up to a total of €56 per tonne from October.

**Ibec comment:** 'The increase of the R&D credit to 30% and expansion of SME benefit from the credit is a welcome outcome that Ibec has long called for. Extension of entrepreneur's relief to angel investors is a welcome move to increase pool of investment for Irish start-ups and SMEs and promote growth of indigenous business. There have been significant moves in this budget to support SMEs and encourage productivity and scaling.'



# Education and National Training Fund

- €1.5bn surplus in NTF will not be unlocked in this budget but government has committed to reviewing avenues to allow for its use in the future.
- €99m in funding for higher education which includes €60m to increase core funding in higher education system and €35m for pay shortfalls and €30m of non-core funding in improved student grants.
- Once-off €1,000 student fee reduction for students on SUSI scheme and €1,000 increase to the Postgraduate Fee Contribution Grant. Once-off 33% cut in apprentices contribution fee.
- €67m in additional funding for 3,000 extra craft apprenticeships to increase availability of much needed skills in construction and climate transition.

**Ibec comment:** ‘Successive under-resourcing of higher and further education and training is a risk for Ireland’s highly skilled labour force, which has been key to delivering the economic success of the state and maintaining competitiveness. While additional funding in this area is needed, Ibec welcomes the announcement that the NTF will be reviewed to determine changes necessary to put the surplus to work. Ireland cannot afford to be complacent when it comes to innovation, productivity and skills’



# Business labour cost supports

- €250m in funding for schemes to support businesses facing government-imposed cost increases including pension autoenrollment, additional leaves, and movements towards the living wage. To be paid in 2024.
- The support package will provide much-needed relief for firms facing substantial government-imposed increases in labour costs (up to 25% by 2026).
- While the detail of these supports has not been announced Ibec will engage with Government on its design and to emphasise the need for quick rollout and ease of access to the supports.
- This must also be a first step toward a multiannual approach to supporting business

**Ibec comment:** ‘The introduction of €250m in measures to support SMEs impacted by legislation-driven cost increases is welcome and timely in the context of existing cost pressures, inflation and increased energy costs. At a quarter of a billion euro, the scale of the planned support is significant and Ibec will be engaging with government on the details of its design. As planned increases to labour costs over the coming years will be significant , multiannual support and a wider conversation about how best to manage implementation of these increases will be needed.’

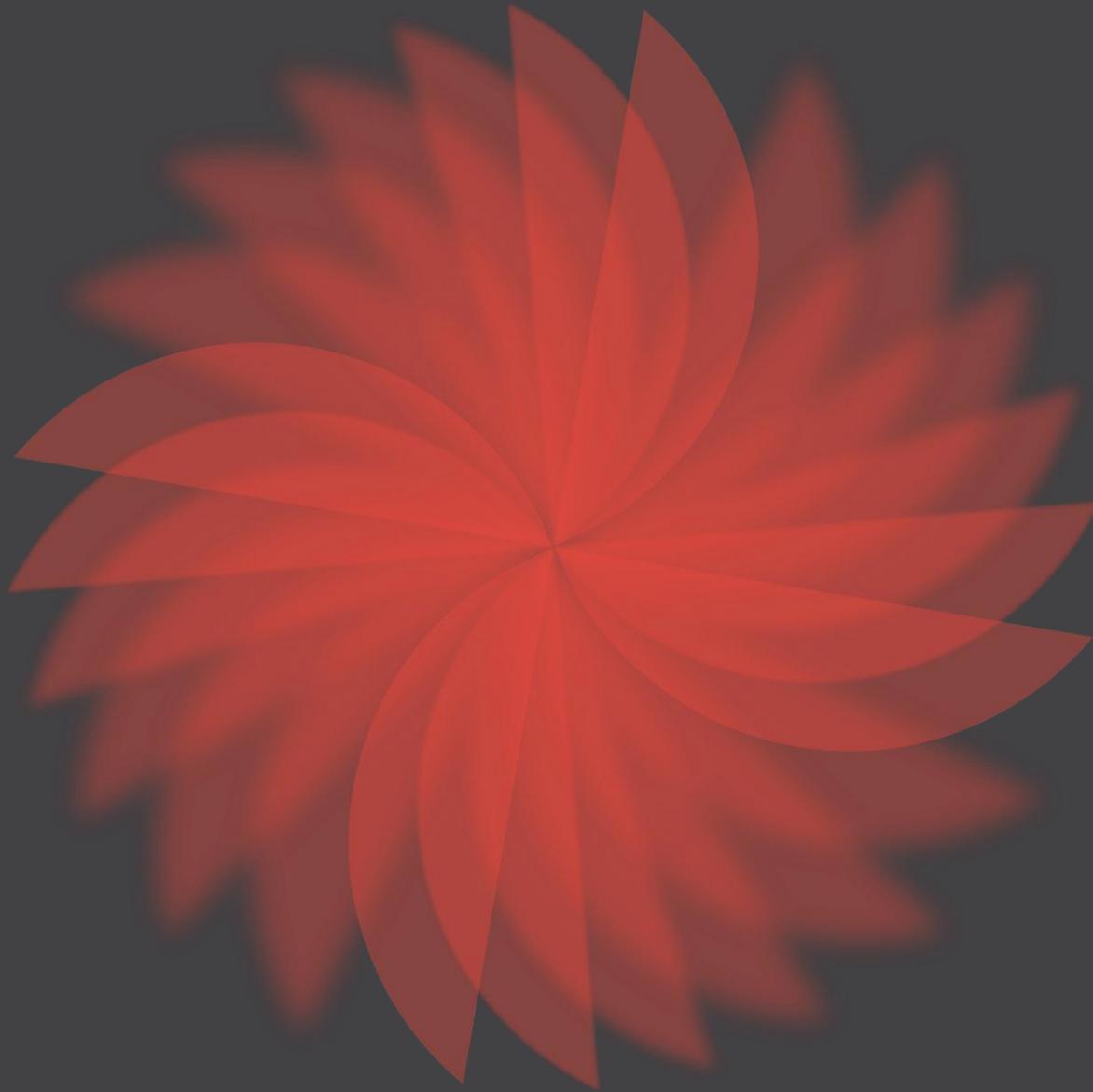


# Social Investment

- Tax relief on small scale landlord income of €3,000 in 2024, increasing to €5,000 in 2026 at 20% rate. This will be tied to offering tenants security of tenure.
- €10m in additional resourcing to increase state capacity for local authorities, An Bord Pleanála and MARA, the maritime regulator.
- €354m in increased capital spending for housing to a total of €2.6bn which will include targeted delivery of 9,300 social homes, 6,400 affordable homes and retrofitting of existing social housing. €3.5m in new funding for Modern Methods of Construction demonstrator park and construction innovation research.
- €138m in once-off €400 payments recipients of disability allowance, blind pension, carers' grant etc. in Q4 2023.
- Help people with disabilities in the workplace: Specific Ibec asks around Free Travel for people medically certified unfit to drive and reduced minimum hours threshold for the Wage subsidy scheme from 21hrs to 15hrs – costing c€10m.
- Childcare costs to be cut by 25% via the National Childcare Scheme and additional funding from September 2024. Additional funding to ensure total childcare fee freezes continue despite rising costs for sector.

**Ibec Comment:** 'While additional supports for households are welcome in light of significant inflationary pressures, the longer-term challenges of housing and childcare costs will require policy response to increase supply and capacity in these sectors, beyond dealing with immediate costs. The expansion of staffing and resourcing of state bodies like An Bord Pleanála is essential to ensure we have the capacity to meet ambitious housing and climate targets.'





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