

# Budget 2023 priorities

- 01 Tackling the increasing costs of doing business**
- 02 Sustain investment and retain talent through the tax system**
- 03 Preparing small firms for the future**
- 04 Support the transition to a green economy**

# Budget 2023

## Overview

**Embedding competitiveness is critical to building resilience in small businesses across the economy. Given the challenging global economic environment, Ireland must continue to invest in the competitiveness of our smallest employers by focusing on the rising cost of doing business, innovation, and skills development. The tax environment for small indigenous businesses should also be improved to encourage entrepreneurship and help with staff retention and attraction.**

Many small business owners are now looking at what their trading outlook will be like in the weeks and months ahead. Issues of concern are the continued rise in the cost of doing business, commercial rents, energy and transport costs, wage increases and access to talent.

Recently government has introduced and announced several policies that have caused some concern to businesses facing rising costs, such as pension auto enrolment, living wage, the right to request remote working policy and statutory sick pay. Whilst many of these additions to the so-called *Social Wage* have merit on their own terms, these policies will make the business landscape more difficult in the coming months.

Small business owners have consistently risen to the challenges presented by the ever-changing economic environment. Growth in employee headcount and revenue statistics show that this perseverance is paying off. Nevertheless, it is important to remember that small firms are still in a vulnerable place, with unprecedented rising costs impacting their ability to grow and contribute to economic growth.

## Budget 2023 must:

### 01 Tackling the increasing costs of doing business

- **Maintain the National Minimum Wage (NMW) rate in 2023:** A great many of small business employers pay rates in excess of the NMW, an ever-increasing base will lead to wage inflation and job losses.
- **Postpone the phased introduction of the Living Wage (2024 to 2027):** Due to its effect on labour costs, and the continued war in Ukraine and uncertainty of Brexit, particularly around the Northern Ireland Protocol.
- **Access to finance:** Improve access to bank and non-bank finance for small businesses, boosting competition and reducing the high interest rates paid by Irish businesses compared with those in other EU countries.
- **Apply the SME Test across Government Departments:** To reduce the regulatory burden on small business.
- **Government must seek to coordinate legislation and new regulations administration burden in a phased manner:** Recent labour market initiatives and EU legislation, have added to cost pressures and administrative burden of small businesses.





## 02 Sustain investment and retain talent through the tax system

- **Reduce the general CGT rate to 20%:** To make investing in a business in Ireland more attractive.
- **Send a signal of intent to serial entrepreneurs by radically improving the CGT Entrepreneurs' Relief:** Increase the lifetime limit for CGT Entrepreneur Relief to €3 million immediately and to €15m over time.
- **Simplify tax administration procedures:** For the R&D Tax credit and widen the scope of what can contribute to the tax credit. Ensure the rebuilding of the Experience Economy by making the 9% rate of VAT permanent.
- **Follow through on commitments in the programme for government:** By indexing the entry point to the higher rate of tax by approximately €3,200 in 2023 and to bring the entry point to the top rate of tax to €40,000. In the medium-term, the government should set out a strategy to broaden the income tax base and gradually increase the entry point to the top rate of tax in real terms.
- **Produce an SME tax roadmap:** Consideration should be given for SME taxation outlining a series of changes over a three-year time period to include changes in CGT, EIS, Employee Share Scheme and Incentives and other tax measures.
- **Commencement of Phase 3 of the Revenue Tax Warehousing Scheme from January 2023 must be kept under review:** As we get a clearer read of economic conditions, consideration should be given to extending the timeline for small firms who continue to be affected by public health restrictions.
- **Retain and attract talent through the tax system:** By introducing a workable share scheme for small businesses taking into account the reasons the company awards shares to employee (e.g., employee retention, employee development within the business etc) and implement the OECD recommendation to extend tax support through a form of SARP to new hires for SMEs and start-ups.

## 03 Preparing small firms for the future

- **Leverage the National Training Fund to implement a Lifelong Learning Strategy for Ireland:** Develop a national strategy for lifelong learning to boost digital, green and management skills in Ireland and prepare people for the future of work. Leverage the National Training Fund to increase lifelong learning participation by investing in employer programmes for upskilling and reskilling.
- **Offer 100% capital allowances for small firms:** To invest in IT equipment and other home office expenditure to facilitate remote working.
- **Support the recommendations in the Leading the Way Report and the SME Taskforce reports:** To provide greater access to training and development for business owners and their employees.
- **Allocate funding to develop a dedicated SME State Agency:** With responsibility for the administration and development of supports, programmes, and resources for small business.
- **Resource and implement key national digital strategies:** Engage stakeholders in the Enterprise Digital Advisory Forum and deliver the new National Digital Strategy and related strategies, with a particular focus on supporting digital (including AI) adoption across enterprise.
- **Reform commercial rates:** Reform of our commercial rates system is needed to ensure the prosperity of our town and village centres.
- **Apply the SME Test across Government Departments to reduce the regulatory burden on small business:** Introduce the SME test to ensure small firms are not unduly burdened by regulatory obstacles.

## 04 Support the transition to a green economy

- **Undertake a comprehensive review of Ireland's energy security and take action to address risk areas:** Undertake a comprehensive national energy security review to identify risks and opportunities in our energy system as we transition to net zero.
- **Provide an additional €450m to drive low carbon investment in industry by scaling up and expanding industry supports:** To deliver large-scale emissions reduction in this sector, SEAI Project Assistant Grants, the Support Scheme for Renewable Heat, and the Excellence in Energy Efficiency Design (EXEED) programme need to be expanded and made more accessible. Meanwhile, high attrition rates need to be addressed through enhanced guidance and training for applicants.
- **Ensure Accelerated Capital Allowances are in place for low carbon alternatives:** The accelerated capital allowances for energy-efficient equipment and gas transport should be regularly reviewed and maintained to ensure uptake of low carbon technologies.
- **Introduce a new microgeneration scheme and capital grants for onsite renewable technologies:** The full roll-out of a new Microgeneration Support Scheme is necessary to allow households and businesses to decarbonise their electricity supply, better manage energy costs, and play an active role in the energy transition.
- **Rethink the step down of the BEV vehicle BIK exemption:** To meet our climate targets of one million electrical vehicles on the road by 2030.
- **Support industry efforts to adopt circular economy practices and business models:** Introduce a dedicated seed funding programme to help small businesses adopt circular economy practices, design new circular products and services, and connect with other organisations to exploit asset sharing and reuse opportunities. Embed circular economy principles in existing training programmes and fund new circular economy training programmes for key sectors.

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The Small Firms Association is the trusted partner of small businesses (less than 50 employees) in Ireland, with members in all sectors and parts of the country. Its mission is to deliver business-focused advice and insights to member companies, influence government policy to the benefit of small businesses and connect its members in a thriving community.

This submission is based on our knowledge and experience of the small business community, which comprises over 267,000 businesses, employing half of the private sector workforce.

Visit [www.sfa.ie](http://www.sfa.ie) to read the full SFA pre-Budget 2023 submission.

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