



# Technology Ireland Budget Submission

## Budget 2023

**Introduction from Technology Ireland Director, Una Fitzpatrick:**

With Budget 2023, Government must recognise that the technology sector has been central to Ireland's recovery and resilience over the last few years. This Budget must enable the sector to maximise its competitiveness which will in turn continue to innovate and benefit wider Irish society. Budget 2023 must address issues of inflation and infrastructure gaps with the potential to impact growth, particularly with a possible slowdown in global technology hiring. This budget must fortify our ability to thrive in the future, by investing in skills, focusing on research and innovation and enhancing our regulatory capacities.

Ireland remains the heart of the technology industry in Europe, but we cannot be complacent and must continue to focus on increasing our attractiveness and outpace our competitors. To do so, Ireland should stay ahead of developments in reaching a new tax status quo with global partners and ensure our offering remains competitive. As regulatory decisions which will define the future of digital in Europe are designed, impacting businesses and citizens throughout the region, Ireland should ensure it is central in shaping the rules. Consistent implementation and coherent oversight of the sector is a competitiveness factor as it provides certainty to FDI companies. Ireland needs to ensure regulation of the technology industry at home does not fall out of step with Europe and that we are playing our part in ensuring a true Digital Single Market and building our governance capacities towards becoming a world-leading regulatory hub.

Budget 2023 must rise to infrastructure challenges, inflation pressures and address our global competitiveness, while paving the way to future growth, creating diverse talent pipelines, prioritising an ecosystem that embraces innovation and invests in skills and supporting entrepreneurship.

We must not see the gap with our competitors widen in key areas such as public investment in research and innovation, cybersecurity and governance of digital and data innovation if we are to compete in an age of intangible and highly mobile capital.

The acceleration of remote, hybrid and new ways of working following the advent of the COVID-19 pandemic and the current competition for talent in the technology sector are presenting challenges for organisations of all sizes. Government must enable companies to retain their competitiveness amid cost

and talent pressures with policies that address the attractiveness of Ireland as a place to do business and support employee wellbeing.

For the technology sector to continue to transform Ireland's fortunes even as headwinds pick up on the global horizon, Budget 2023 should address what has yet to be done and lay the foundation for Ireland to continue to be a global technology champion well into the future.



**Una Fitzpatrick**

Director  
Technology Ireland



## **Technology Ireland Recommendations for Budget 2023:**

The technology sector in Ireland has powered the Irish economy through an era of global challenges, with a skilled and growing talent pool, an adaptive and resilience workforce and strong growth. Technology Ireland is calling on the Government to use Budget 2023 to evidence Ireland as a thriving hub for digitally intensive industry with the following recommendations:

### **1. Support the technology sector in the competition for talent both globally and within Ireland**

Throughout 2022 the sector has faced challenging rates of attrition and companies have faced competition in attracting and retaining talent, at home and abroad. Now a possible global tech hiring slowdown is looming. Inflation and infrastructure pressures are making it increasingly difficult to attract talent from abroad and retain staff in Ireland. To address the competition for talent, Budget 2023 should:

- **Improve Ireland's system for mobile talent in the context of growing global competition.** A scheme for highly mobile skilled workers should be introduced on an indefinite basis to ensure Ireland does not lose out in the coming years as competition for mobile, remote and skilled workers grows. 25 such schemes in other European countries including Denmark and the

Netherlands provide more attractive benefits than Ireland's. A recent EU Tax Observatory report ranked Ireland's current SARP regime as amongst the least attractive of those regimes.

- **Support retention by addressing housing challenges.** A rebalancing of the tax burden on housing from transactions to a life-cycle model should take place in a tax neutral fashion over multiple budgets by moving from asking purchasers of new homes to pay for community infrastructure (upgrades in roads, water and amenities) through development charges toward levying those charges on communities through the Local Property Tax. Consider taxation of vacant dwellings through an additional vacancy charge as a proportion of the LPT bill of the property. Any charge should consider genuine reasons (such as long-term illness/ caring needs) and be targeted at a long-term vacancy of 12 months or more. The 'Help to Buy' scheme is due to expire in December 2022, given the ongoing use of the scheme and demand certainty it provides, the scheme should be extended until at least December 2023.
- **Update our investment offering in a post-BEPS age,** encouraging Irish firms to grow and scale internationally, taking steps to drive innovation-led growth and making sure that Ireland is an attractive proposition for talent which is increasingly mobile in this hybrid work environment. Ireland is increasingly competing in an intangible economy. This means not only being competitive when it comes to headline corporate tax rates but also competing more intensely for embedding internationally mobile skills, knowledge and capital in the economy.
- **Work with HMRC to facilitate changes for cross-border workers in the Border region:** The growth of remote work has caused issues, particularly in the border counties, regarding cross-border workers. In the short-term there must be increased flexibility in the existing transborder worker relief so that some element of hybrid work can resume in advance of more fundamental bilateral solution to issue.

## 2. Resource our talent pipeline by investing in skills and education, encouraging diversity and enabling greater gender-balance, so Ireland remains an attractive technology hub in the future

- **Implement a sustainable long-term funding model for higher education:** There must be a sustainable model across core, capital and recurrent funding to preserve the success and quality of Ireland's education offering.
- **Ensure adequate resourcing of visa and work permit applications:** Delays or impediments to bringing in key skilled staff from abroad must be eliminated. It is essential that there is no delay in processing permits and visas especially for trusted partner companies.
- **Invest in skills development:** Ensure digital opportunities and skills are accessible to all and focus resources from the National Training Fund to support digital education. Address our long-term talent and competitiveness requirements by increasing pathways into the technology sector. Enhance digital education capacities in the tertiary sector.
- **Provide additional funding to Skillnets:** Skillnets are a crucial part of Ireland's training infrastructure, linking employees and employers.
- **Increase public investment in research and innovation.** We should establish a new approach to multiannual infrastructure investment in higher education institutions to position Ireland as a key destination and partner for cutting edge research.
- Encourage a pipeline of relevant knowledge, skills, and talent to **enhance our national cybersecurity and resilience** and support the positioning of Ireland as a lead player in the cybersecurity industry
- **Invest in an education system fit for the digital age.** Adequately resource the Digital Strategy for Schools to 2027 to pave the way for a diverse, equitable and inclusive education system. The €200m which has been committed for the lifetime of this strategy must be made available on a multi-annual basis to primary and post-primary schools to enable the purchase and maintenance of digital technology infrastructure in schools. Further, digital teaching and learning cannot be achieved without appropriate access to broadband. We call for continued investment of €13m annually in the Schools Broadband Programme to guarantee appropriate connectivity for all schools.

### 3. Respond to changes in global tax regimes by deepening Ireland’s attractiveness as a place to do business

- **Develop Ireland’s FDI growth model to attract and retain multinational technology companies**

As well as access to talent and skills, Ireland’s corporate tax regime has played a key part in attracting FDI. However, the underpinnings of our FDI model are likely to change in the coming years meaning that we will have to work harder as a country to ensure we remain attractive for outside investment.

- **Maximise our tax competitiveness within any new dispensation:** It is crucial, that while it may be too early to address these issues definitively there must be an urgent reassessment of Ireland tax attractiveness under any new OECD regime. This should include consideration of moving to a participation exemption for dividends/territorial tax regime, merging the 25% non-trading rate with the headline rate, allowing firms to file as a single entity (‘fiscal unity’), dealing with issues around interest deductibility, maximising potential investment and innovation supports and a broader review of the corporate tax regime to ensure simplicity, certainty, and neutrality following a period of significant change. A package of tax competitiveness measures could usefully be achieved as part of the new domestic stakeholder engagement process committed to under the Corporate Tax Roadmap or it could be put on a permanent footing in the long run under an independent office akin to the Office of Tax Simplification in the UK.

- **Make sure digital service tax proposals continue to be progressed through a multilateral framework.** Ireland must continue to support a multilateral framework and take a firm stance against any unilateral proposals from other EU countries. Unilateral DST proposals in Europe create uncertainty and confusion for businesses operating in a multinational environment. It is important that Ireland continues to use its voice in Europe to call for a coherent and uniform approach to DST across Europe.

#### 4. **Develop a supportive ecosystem for entrepreneurship and innovation**

- **Produce an SME tax roadmap:** Good practice in recent years has seen the Department provide roadmaps and feedback statements of great value on the direction of Corporate Taxation both broadly and specifically. Consideration of same should be given for SME taxation outlining a series of changes over a three-year time horizon to include changes in CGT, EIS and other tax measures.
- **Extend regimes for high skilled workers to SMEs:** We support the OECD recommendation to extend tax support through a form of SARP to new hires for SMEs and start-ups. Many companies have also raised the issue of base salaries being the only qualifying remuneration for the scheme. Often in roles such as sales, in smaller companies, and in start-ups a large proportion of pay can consist of bonuses, benefit-in-kind or share options. The qualifying conditions should be altered to include performance-related pay in a minimum basic salary for SMEs.

#### 5. **Empower Ireland to lead on digital policy at EU level by developing strong, coherent regulatory capacities at home**

Ireland is at the heart of the EU's digital regulatory framework. We can shape the future of international regulatory discussions and boost our status as a global digital hub by deepening our capacities as a regulatory hub.

- **Deepen our capacities as a regulatory hub.** Ireland should ensure its capacities in the governance of digital and data innovation are adequately resourced to match its role and provide for a robust and predictable regulatory environment.
- **Deliver key digital regulators are adequately resourced including the Data Protection Commission and the new Media Commission** and expected EU regulatory enforcement requirements for digital markets and services, online safety and data sharing. Ensure regulators have access to necessary technical expertise through flexible hiring and compensation arrangements and support for specialist research and professional development.

- **Engage stakeholders in the Enterprise Digital Advisory Forum and take a whole of Government approach to deliver the new National Digital Strategy and related strategies, with a particular focus on supporting digital (including AI) adoption across enterprise.**
  - Leverage the €85m provided for in the agreed NRRP to drive further digital transformation across enterprise through the introduction of a new grants scheme for businesses and the establishment of European Digital Innovation Hubs (EDIHs) to support further digital transformation of enterprise in Ireland.
  - Enhance our capabilities as regards innovation, digital, AI and immersive technologies such as virtual and augmented reality to attract and retain FDI and creative benefits for SMEs. By focusing on these drivers and ensuring all are equipped with the skills to realise them, Ireland can ensure workers and organisations adopt and adapt to new technologies and build broad-based growth and future-proofed competitiveness.
- **Ensure further resources for strengthening coherence and capacities, across relevant statutory bodies and our cybersecurity ecosystem, necessary in the implementation of the National Cyber Security Strategy:**
  - Government should help safeguard SMEs online, encourage further e-commerce and consider a dedicated cybersecurity and resilience voucher scheme.
  - Intensify outreach and work with our international partners to understand and shape the response to an ever-changing cyber risk and governance environment.
- **Realise the benefits of cloud adoption in the public sector:** Lead and invest in secure, accessible online Government services and address any administrative barriers to procurement in digital services, including Cloud.
- **Maximise benefits of EU Recovery and Resilience Fund (RRF) for Ireland** by enhancing visibility of the pipeline of procurement projects with an online portal.
- **Ensure Ireland plays an active role in the D9+:** Provide adequate resourcing and high-level leadership to support and drive the work of the D9+ of digitally advanced countries.