**Budget 2020**

**Plan for Brexit will be welcomed by business, but overall, a missed opportunity to invest more in long term challenges for economy**

Following today’s Budget 2020 statement by Minister Paschal Donohoe, Chambers Ireland welcomes the overall approach of the Government to opt for prudence and to prepare for the very real possibility of a No-Deal Brexit. Speaking this afternoon, Chambers Ireland President Siobhan Kinsella said,

“Under normal circumstances, with the economy performing as well as it has been, we would be expecting a very different Budget. But in the words of the Minister, this is an uncertain and unprecedented time. We called for a Budget which would focus on steadying the ship of state and provide greater clarity regarding the measures that are to be made available in a no-deal Brexit scenario. Minister Donohoe delivered this clear statement today.

1. **Brexit:**

We agree that it is a wise approach to provide financial flexibility into the Budget which will allow the government to respond and adapt to the consequences of a No-Deal Brexit, particularly if its impact is worse than foreseen. One recommendation we would make to Government is to call for any new support to be easy to access and easy to understand. The likely chaos of a crash-out Brexit will mean that SMEs will need access to immediate support and swift interventions.

1. **Carbon Tax:**

The approach by the Government to increase the Carbon Tax and ring-fence the revenue is welcome in principle, but it is our view that these measures do not go far enough.  We had called on Government to ring-fence all revenue from carbon tax, which is likely to exceed €500m in 2020, not just the revenue from the increases. So, we would like additional clarity on what the Government’s intention is on this.

Further, while the types of green investment that Government has announced are welcome, including the initiatives to support the Midlands, it’s difficult to see the approach as anything more than a missed opportunity. We could have used this Budget to do much more to support investment in grid infrastructure, a nationwide roll-out of EV charging points and the retrofitting of homes.

1. **Green Investment:**

Linking the carbon tax to tangible actions that help decarbonise the economy will be essential if these taxes are to gain public acceptance. If carbon taxes are to change behaviour then low-carbon alternatives will need to be available, in both urban and regional areas. While public transport will play a large role in urban areas, the regional areas will need the widespread take up of E-Vehicles, and this will need considerable investment in our electricity grid.

In addition, our members need to see an advance multi-year schedule of committed increases, rather than a vague undated commitment, so that businesses can plan and invest accordingly. This schedule needs to come in tandem with an ongoing impact assessment to see how tax increases and green investment is actually contributing to a reduction in the use of carbon fuels and switch to more environmentally friendly behaviour.

1. **Housing**

The supply of affordable and appropriate housing remains a critical issue for the business community, affecting productivity, recruitment and inflating wage growth demands. With so many economic threats on the horizon, policy uncertainty would discourage investment, therefore the maintenance of existing housing policies, such as Rent Pressure Zones and Help to Buy, is useful.

But while this certainty is welcome, an independent review of all our housing policies is essential so that any wasteful policies can be culled, and those resources made available for the most effective measures that will support supply and affordability.

We are disappointed with the low level of funding available to the Land Development Agency which suggests that there will be another year of missed opportunities for that agency. There needs to be a more ambitious vision for housing policies and this vision must integrate the requirements of the climate action plan and the national development plan. For example, while we welcome the continuation of the Living City Initiative, for it to be effective it needs to be amended so that it benefits a broader range of urban areas, and the Government has an opportunity to amend this in the Finance Bill.

1. **Supporting SMEs**

Last but not least, the reforms to the KEEP scheme and the increase to Earned Income Tax Credit, which are long over-due, will be well-received by the self-employed and entrepreneurs.

“While the Minister has been adamant that there will not be another budget if a no-deal Brexit emerges, perhaps it may become necessary to have an interim budget should the threat of Brexit recede. Ultimately, it’s the big things, like affordable housing and childcare, that businesses will need to see much more progress on in the months and years ahead.”

**Key Points/Summary**

1. Prudent Budget overall
2. Plenty of funding and flexibility for Government to address consequence of a no-deal Brexit should it arise
3. Increase to Carbon Tax and ring-fencing of some of the revenue
4. Investment in green infrastructure limited, but several initiatives proposed for midlands
5. No new actions to improve supply of housing
6. No new proposals on planning or oversight
7. Some reforms and supports for self-employers and entrepreneurs
8. Additional funding for National Childcare Scheme to improve affordability
9. Extra funding for higher level education

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| **What we asked for** | **Delivered?** | **What we got** |
| Brexit Supports | Checkmark | €1.2 Billion fund (excluding EU supports)  €200 million in departmental Brexit Staffing costs/technology/port and airport infrastructure regardless of the outcome  No deal:  €650 million in Agriculture, Enterprise and Tourism Supports (to be borrowed)  Of that €650 million:  €220 million immediately deployed  (2 x 110m for industry supports  + 40 for tourism  + 390 contingency fund)  €110 targeted supports for vulnerable but viable businesses in the sectors most exposed to Brexit (food industry, manufacturing, international trade)  Breakdown:  €45m Transition Fund (grants equity secured loans to companies in Brexit related liquidity problems via Enterprise Ireland)  €42m Rescue and Restructuring Fund (manufacturing and internationally traded sector firms, >10 employees)  €8m Transformation Fund for food and non-food  €5 million Micro Finance Ireland  €5 million LEOs  €2 million Intertrade Ireland  €110 million Agriculture fund  Breakdown:  €85m Beef  €14m Fisheries  €6m other farmers  €5m food and drink industry  €40m Tourism package  Advertising abroad  New markets support  Aviation support  Fáilte Ireland Brexit Support programme  €410 million Social Welfare  €365 million to prevent jobs being lost  €45 million for retraining  €200m Departmental funds  €650m Industry Supports  €410m Social Welfare  ~€1.2(ish) Billion  If Brexit even worse than expected:  Rainy day fund had €500m withheld for that contingency  + EU funding |

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| Immediate transfer to Rainy Day Fund | Close | €1.5 Billion to be transferred from the Irish Strategic Investment Fund  €500 million withheld for Brexit Contingency |
| NDP Investment commitments | Question mark | No detail  Target Capital Spending is €8.1 Billion |
| Commitments on planning and land use |  | No mention |
| Living City- Retain and expand | Checkmark  Delivered in part | Not expanded to additional urban areas  Not reformed  Welcome extension to 2022 |
| Provide certainty regarding existing housing support policies so that a review of their effectiveness can be carried out | Checkmark | Housing Funding generally as follows;  €2.5 Billion spending on ‘Housing programme’  €1.1 Billion ‘building 11,000 new social homes’  +€80m for HAP  €186m Serviced Site Fund/LIHAF  Urban regeneration and development fund received the expected €130 million  LDA €17.5 million budget |
| Independent review of all housing policies |  | No commitment given |
| Help to Buy (maintain current policies to retain confidence) |  | Maintained at the current levels until 2021 |
| Construction VAT reduction |  | Did not get |
| 0% VAT for SEAI approved retrofitting |  | Did not get |
| Reduction in construction duties and levies |  | Did not get |
| Increase investment in electricity grid |  | Did not get |
| Ring fence carbon tax | Checkmark  Delivered in part | Carbon tax is currently €20 per tonne  Increased by €6/tonne (heating oil increases deferred until May 2020) Expected to raise €90m in 2020  Ringfenced, but only the increased amount, and of that €30 million diverted into midland schemes for retrofitting some homes (€20 million), retraining schemes for redundant semi-state sector workers, and micro projects on the ground peatland rehabilitation (€5 million), just transition €6 million  Not ambitious enough, no real infrastructure |
| Pre-publish schedule of Carbon Tax increases | Question mark | No clear schedule of increases ‘almost’ all party commitment to reaching €80/tonne by 2030 (by way of steadily increasing it) but the precise schedule of increase were not made available at this stage |
| Microgeneration Support scheme |  | No mention |
| Invest in renewable energy technologies research | Checkmark | Only at pilot stage |
| Increase in funding for EVs etc. (green alternatives) | Checkmark | Not ambitious enough  €3 million scheme for on-street and apartment charging points |
| Increase in funding retrofitting | Checkmark | The budget increased to €58 million but still considerable work to be done if the policy is to have a significant effect |
| Supports for business to adapt to circular economy (recycling deposit scheme, single use plastics, etc) |  | No mention, “a new waste strategy is to be developed in 2020”, but the Single Use Plastics Directive starts banning products in 2021 |
| Increase threshold to higher rate of income tax |  | No |
| Reform KEEP | Checkmark | Applies to group company structures, will allow for part-time and flexible/family-friendly working arrangements |
| Earned Income Tax Credit | Checkmark | Increases by €150 |
| CGT |  | No change |
| Entrepreneurs Relief |  | No change  Review to continue into next year |
| National Aviation Strategy | Checkmark | Not explicit, but Brexit strategy contains a plan for connection regional ports/airports to new destinations through its Tourism element |
| Funding to support SMEs to trade | Question mark | Budget for DBEI increased but outside of the direct Brexit supports, not mentioned. |
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| More money to National Childcare Scheme (they got approx. 89 million for 2019) | Checkmark | €54 million increase to DYCA  Túsla €20m  €54m increase to ECCE and NCS |
| Supports for agile and remote working | Checkmark | €110m for national broadband rollout  300 ‘Broadband Connection Points’ will have rolled out, with at least 7 in each county, establishing digital work hubs across the country. |
| Reform to Reasonable Accommodation Fund- One grant |  | No mention of reforms |
| More investment in apprenticeships and traineeships, and vouchers for SMEs to obtain training for staff | Question mark | Reform of Higher Education, but the changes seemed piecemeal  Still awaiting departmental detail to emerge |

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| Transport | Checkmark  Delivered in part | €384 million increase in investment in rural transport reform  €9 million increase for sustainable mobility networks (greenways etc.  (of which €3 million for urban cycling)  €3million increase for extra eVs charging points (on street, and apartments  But concerned that the scale might not be sufficient to the challenges of regional development and Climate Action |
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