

**PRE-BUDGET  
SUBMISSION 2026**

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# Executive Summary

## 1. Business costs:

- a. Particularly labour, energy, insurance, legal costs, property costs and regulation, are rising faster than employers and the market can absorb them.
- b. Germany shows that economic decline follows quickly after energy price rises.
- c. Insurance costs can be driven down with additional administrative measures.
- d. We cannot solve the cost-of-living issue for employees by raising the NMW.
- e. Signs of Dutch disease are present for SMEs which require rebalancing the economy.

## 2. Indigenous enterprise policy:

- a. Government must formally engage with the SME sector via LEEF.
- b. This remains focussed on FDI, a sector we must not rely upon into the future.
- c. Technology should not be the sole focus of policy.
- d. Balanced development requires tax-incentives for entrepreneurs, and a coherent policy to scale indigenous enterprise *while keeping it* in domestic ownership.
- e. The VAT system can stimulate exports at no cost to the Exchequer.
- f. Indigenous enterprise development cannot all be about technology.

## 3. SME and workforce upskilling:

- a. Diversion of the bulk of NTF funding into third level is a mistake, and is not supported by data.
- b. OECD figures show our school leavers and 3rd level graduates significantly out-perform those in peer countries.
- c. However, performance of our population declines steadily with age.
- d. The bulk of NTF spend must be diverted to where it was intended by law: in-work for-work and life-long learning.

## 4. Sustainable public finances:

- a. Our current spending profile is unsustainable, and is propped up by unreliable CT collection.
- b. We must stop untargeted something-for-everyone spending and focus on right-now deficits in infrastructure, energy and security.
- c. The social welfare pension deficit of €450bn cannot be closed by employers without massive employment loss.
- d. The public-private pay gap seen in Ireland is impossible to justify in an economy at full employment.

## 5. Housing:

- a. This is the prime driver of wage demand to the point that it has almost become a business cost. Many medium/big employers are the new landlords.
- b. The rapid decline in our available stock of accommodation post GFC is due to tax, regulation policy, access to finance and apprenticeship program deficiencies. These must be reversed.
- c. The public sector cannot fill the housing gap in time. If we are not to commit a generation to emigration because of housing cost, the private sector must be incentivised to return to the market. Not to mention the impact that the housing deficit is having on the birth rate, and the future funding of workforce needs and pension liability.
- d. Infrastructure blockers to housing must be addressed.

# Business Costs

Particularly labour, energy, insurance, legal costs, property costs and regulation, are rising faster than employers, consumers, and the market can absorb them.

Germany shows that economic decline follows quickly after energy price rises. Energy prices are a key driver of business costs, and rapidly retard growth as they rise.

## The NMW is not the solution to the cost-of-living crisis.

We cannot solve the cost-of-living issue for employees by constantly raising the national minimum wage. We must focus on the components of living cost that are government driven.

ISME recognises that there are structural and statistical issues with the calculation of the minimum wage here due to Ireland's unique business demography.

According to the CSO's 2021 business demography,<sup>1</sup> 40% of workers engaged in an active enterprise (excluding the public service) were employed in a large firm.

This is particularly frustrating when considering the incomes range in the CSO earnings data. Public sector wages exceed those of average workers by 22%; they exceed workers in large firms by 7%; they exceed workers in medium firms by 33%, and they exceed workers in small firms by 52%. See below.<sup>2</sup>

	Q1 '18	Q1 '19	Q1 '20	Q1 '21	Q1 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q3 '24	Q4 '24
All Sectors	744.76	771.60	800.31	860.19	885.33	902.56	923.48	911.01	907.72	956.56	979.71
Private Sector	685.99	717.20	745.97	803.15	841.40	834.39	869.98	852.59	843.40	888.24	911.64
Public Sector	952.89	960.26	989.96	1,038.24	1,024.76	1,129.98	1,103.31	1,105.71	1,125.92	1,176.52	1,190.86
<50 employees	573.53	599.77	623.59	658.96	695.46	708.21	720.33	730.52	734.76	765.06	785.60
50-250 employees	689.17	724.89	756.33	815.53	826.41	833.83	855.70	849.85	826.13	864.74	892.97
>250 employees	888.77	909.53	941.14	999.50	1,008.43	1,044.15	1,067.26	1,041.04	1,042.15	1,096.13	1,113.39
Public Sector Premium to:	Q1 '18	Q1 '19	Q1 '20	Q1 '21	Q1 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q3 '24	Q4 '24
Average Wage	208.13	188.66	189.65	178.05	139.43	227.42	179.83	194.70	218.20	219.96	211.15
<50 Employee Firms	379.36	360.49	366.37	379.28	329.3	421.77	382.98	375.19	391.16	411.46	405.26
50-250 Employee Firms	263.72	235.37	233.63	222.71	198.35	296.15	247.61	255.86	299.79	311.78	297.89
>250 Employee Firms	64.12	50.73	48.82	38.74	16.33	85.83	36.05	64.67	83.77	80.39	77.47
Public Sector Premium to:	Q1 '18	Q1 '19	Q1 '20	Q1 '21	Q1 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q3 '24	Q4 '24
Average Wage	28%	24%	24%	21%	16%	25%	19%	21%	24%	23%	22%
<50 Employee Firms	66%	60%	59%	58%	47%	60%	53%	51%	53%	54%	52%
50-250 Employee Firms	38%	32%	31%	27%	24%	36%	29%	30%	36%	36%	33%
>250 Employee Firms	7%	6%	5%	4%	2%	8%	3%	6%	8%	7%	7%

Another concern with the CSO earnings data is that, at this point in the economic cycle, and with Ireland (effectively) at full employment, we would expect private sector pay to exceed that in the public sector. The CSO data above show this is not the case.

<sup>1</sup> <https://www.cso.ie/en/releasesandpublications/ep/p-bd/businessdemography2021/keyfindings/>

<sup>2</sup> <https://www.cso.ie/en/releasesandpublications/ep/p-elcq/earningsandlabourcostsq32024finalq42024preliminaryestimates/>

By contrast, the ONS UK data<sup>3</sup> show that, by 2023, private sector mean earnings exceeded those in the public sector. See below.

		Sex	Working Pattern	Hours And Earnings	Sector	2020	2021	2022	2023
United Kingdom	Mean	All	All	Weekly pay - Gross	Private sector	574.80	597.90	625.00	673.20
United Kingdom	Mean	All	All	Weekly pay - Gross	Public sector	585.50	612.30	641.80	671.90

We make no conclusions as to why the public sector attracts such a premium in an economy effectively at full employment, only that it does. And, combining approximately 400,000 public servants with over 900,000 persons working in the large (>250 employees) company sector is a significant proportion of the workforce. It therefore affects the level of both mean and median earnings.

### **The cost of insurance is driven by systemic factors**

Even after the reduction in personal injuries awards brought about by the Judicial Council, personal injuries awards are so high in Ireland that persons injured abroad are contesting their injuries in Irish courts.<sup>4</sup> The awards levels set by the Person Injuries Guidance Committee of the Judicial Council far exceed the downward adjustment recommended by the Personal Injuries Commission (PIC).<sup>5</sup>

There being no economic, legal or moral justification for increasing personal injuries awards higher in Ireland, if Government is considering further adjustment, ISME recommends a downward adjustment of 30%, which is consistent with that of the PIC, and which ISME set out in its 2020 Fair Book of Quantum.<sup>6</sup>

Data from the Irish Courts Service<sup>7</sup> and the British King's Bench<sup>8</sup> show that the Irish courts entertain the same number of defamation claims, and 14 times the number of personal injuries actions as the courts of England and Wales, despite the fact they have level a population 12 times that of Ireland's. This suggests a material volume of improper, abusive or predatory litigation, abuse of process, misleading the court, and conducting frivolous and/or vexatious cases is tolerated in our legal system. Business in particular suffers for this, through elevated public liability and employer liability premia which are not paid in other EU jurisdictions.

<sup>3</sup> <https://www.ons.gov.uk/filters/44d5de1f-a8ee-4461-8521-39a4041f7bd0/dimensions>

<sup>4</sup> <https://www.irishtimes.com/crime-law/courts/2024/12/05/legal-team-for-boy-injured-in-swiss-car-crash-switched-claim-to-irish-court-for-higher-compensation/>

<sup>5</sup> <https://enterprise.gov.ie/en/publications/second-and-final-report-personal-injuries-commission.html>

<sup>6</sup> <https://www.isme.ie/wp-content/uploads/2020/01/ISME-Fair-Book-of-Quantum.pdf>

<sup>7</sup> <https://www.courts.ie/annual-report>

<sup>8</sup> [Royal Courts of Justice Annual Tables](#)



Despite protestations to the contrary, the revenue multiples at which Irish insurance brokers are being purchased suggest highly profitable insurance activities in Ireland. Yet public liability and employer liability premiums are rising.

The data available to the market in the Solvency and Financial Condition Reports (SFCRs)<sup>9</sup> under Solvency II is balance-sheet focussed, and is insufficiently granular to see if dividends are being disguised as expenses in the Irish market. Government must legislate for the reintroduction of the Blue Book (last published in 2015<sup>10</sup>).

### **SMEs are feeling the effects of Dutch Disease**

ISME does not concur with the IMF view<sup>11</sup> of the Irish economy that “Ireland has not shown clear symptoms of the “Dutch disease” in its post-crisis period.” SMEs in particular experience the “crowding out” effects of the FDI sector in wage pressures, accommodation pressures, and pressures for access to water, sewerage and energy infrastructure. Part of the technical issue identified with calculation of the median industrial wage above is due to the number of FDI employees in Ireland, and the material payroll premium they attract over all workers bar those in the public service.

The Draghi Report<sup>12</sup> is a belated recognition that the EU has regulated its way into a low-innovation, low-productivity market. As a peripheral island member state, Ireland must see the Draghi recommendations as a **floor requirement** for future legislation. This also means that Ireland should not participate in regulatory gold-plating, such as the proposal for additional warning labels on alcohol products.

### **Issues continue to arise for tenants under current legislation:**

- Lease expiry and renewal. Lack of clarity as to the start date of the new lease. If a tenant overholds and the landlord does not serve a notice to quit, landlords argue that the tenant becomes a yearly tenant, and new lease cannot be backdated to the expiry of the original lease. In a falling rental market this means that tenants who are on historical up only rent review leases and rents fixed in the peak market cannot get the lower open market rent backdated. The tenants and may end up paying above market rent for years.
- Leases created post the 2010 Act banning upward only rent reviews. In some leases, there are mechanisms in the wording of rent review provisions to prevent the tenant from applying for a third-party appointment to determine the open market rent of the property. It may be argued that the tenant signed up for the wording and it is their

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<sup>9</sup> [https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/solvency-and-financial-condition-report-repository/2023-solvency-ii-public-disclosure.pdf?sfvrsn=17e4671a\\_2](https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/solvency-and-financial-condition-report-repository/2023-solvency-ii-public-disclosure.pdf?sfvrsn=17e4671a_2)

<sup>10</sup> [https://www.centralbank.ie/docs/default-source/statistics/statistical-publications/insurance-statistics/insurance-statistics-2015.pdf?sfvrsn=138dd61d\\_4](https://www.centralbank.ie/docs/default-source/statistics/statistical-publications/insurance-statistics/insurance-statistics-2015.pdf?sfvrsn=138dd61d_4)

<sup>11</sup> <https://www.elibrary.imf.org/view/journals/002/2023/412/article-A002-en.xml>

<sup>12</sup> [The Future of European Competitiveness - Part B](#)

choice / mistake. The mechanism is inequitable. No test cases have gone through the Courts yet and are unlikely to.

- Other mechanisms to prevent rent reviews being determined at open market rent are CPI indexing, caps and collars and turnover rents however these provisions are usually entered into by agreement between the parties and some tenants prefer such arrangements. Independent legal advice should be a requirement.
- The lease register is ineffective. Some tenants do not complete the form fully or correctly. Some large tenants will risk the fine rather than making the rent paid public. The Eircode should be required. There does not seem to be any checking or policing of the system.
- The current Court process to obtain a new lease is too costly and takes too long.

### **QUICK WINS:**

1. Amend calculation of the National Minimum Wage and Living Wage to remove statistical wage anomalies in the Irish business demography.
2. Require the CRU to write a report within six months specifying the components of Ireland's consumer and energy costs, and analysing why they are the highest pre-tax prices in the EU.<sup>13</sup>
3. Insurance:
  - a. Reject the Judicial Council call for an increase in personal injuries awards. Amend section 18. (5). (a) of the Judicial Council Act 2019<sup>14</sup> to set a review period of not less than 15 years.
  - b. Amend the Personal Injuries Resolution Board Act 2022<sup>15</sup> such that a plaintiff who wishes to appeal an assessment to court shall be required to give an undertaking on costs.
  - c. Protections against "transient retail defamation" must be reinstated part of the Defamation (Amendment) Bill,<sup>16</sup> since an "expanded qualified privilege test" will fail.
  - d. Introduce legislation to provide for the publication of the Central Bank Blue Book for insurance undertakings.
4. Legal Costs: immediately implement the Minority Report<sup>17</sup> regarding legal costs, as recommended by Mr Justice Peter Kelly.
5. Property Costs:
  - a. Amend the calculation of commercial rates to a site value basis.

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<sup>13</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Electricity\\_price\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Electricity_price_statistics)

<sup>14</sup> <https://www.irishstatutebook.ie/eli/2019/act/33/enacted/en/print.html>

<sup>15</sup> <https://www.irishstatutebook.ie/eli/2022/act/42/enacted/en/print>

<sup>16</sup> <https://www.oireachtas.ie/en/bills/bill/2024/67/>

<sup>17</sup> [Review of the Administration of Civil Justice 2020](#)

- b. Remove Upward Only Rent Review (UORR) clauses on pre-2010 leases as set out in the Land & Conveyancing Law Reform Act 2009.<sup>18</sup>
- 6. The NCPC now produces its Competitiveness Challenge report each year to help formulate/amend enterprise policy, and it contains a chapter on Costs of Doing Business. Given the critical importance of business costs to our indigenous sectors, given the belated necessity for “An Assessment of the Cumulative Impact of Proposed measures to improve Working Conditions in Ireland, March 2024,” it is recommended that in lieu of the annual Cost of Doing Business report that was discontinued in 2019, that we avoid looking only at Top 3 issues/costs as is often requested by Government, that we look annually in detail at all business costs that are out of sync with our trading partners whether 3 or a much bigger number.

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<sup>18</sup> <https://www.irishstatutebook.ie/eli/2009/act/27/section/132/enacted/en/html#sec132>



# Indigenous Enterprise Policy

ISME has an ongoing concern that Ireland's indigenous enterprise policy remains focussed on FDI, a sector we must reduce the scale of our dependence upon into the future. This requires tax-incentives for entrepreneurs, and a coherent policy to scale indigenous enterprise while keeping it in domestic ownership.

## **Government must engage formally with the SME sector**

While Government is currently holding a consultation on collective bargaining, it is notable that it does not extend representation to SMEs in its primary engagement assembly, the Labour Employer Economic Forum (LEEF). It is extraordinary that ISME is recognised by the EU Commission as a social partner in the semester process, as is SMEUnited, alongside Business Europe, at EU engagements with ETUC.

This absence of engagement with the largest employer sector<sup>19</sup> leads to strategic blindness, and economic “surprises” which were in fact entirely predictable to small employers<sup>20</sup> long before implementation.

Collective bargaining can only be facilitated in Ireland where employers are adequately represented. Many EU countries enjoy wide industry engagement because it is mandatory for companies to join an employer representative body. Austria and Luxembourg have high levels of representation because they retain a tripartite model of representation which is broad. ISME suggests that a basic fee of €100 forms part of the annual filing fees for companies from year two onwards. Most businesses that fail will fail in their first two years. Businesses that endure will remain within the net for this charge. ISME suggests that businesses would have a free choice of the designated industrial body they join; however, in line with other countries, there should be a SME only choice for SMEs where no corporate members are present and where they exclusively advocate on SME related matters. Such a funding model would allow a degree of stability and membership engagement that would benefit the social partnership system as whole.

## **Scalable enterprise is not just about technology**

Indigenous enterprise development cannot be exclusively focussed on technology. None of those Irish companies that have achieved a global footprint such as CRH, Kerry Group, Flutter Entertainment, Smurfit WestRock, Ryanair, DCC, or our burgeoning aviation finance sector have emerged from technology. All of these businesses have been built on traditional business models and entrepreneurship. Ireland must grow more domestic business champions.

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<sup>19</sup> <https://www.irishtimes.com/business/economy/2024/02/06/challenges-facing-small-businesses-not-being-recognised-argues-isme/>

<sup>20</sup> <https://isme.ie/isme-writes-to-taoiseach-on-national-minimum-wage-concern/>

The IDA has proven a phenomenal success in attracting foreign direct investment. Similarly, Enterprise Ireland has evolved into a highly effective venture capital agency, particularly suited to scaling export and high technology businesses. Together, the IDA and EI service less than 5,000 enterprises in Ireland, less than 1.5% of Ireland's total business demography.<sup>21</sup>

### **The VAT system can be used to encourage export**

It is State and Enterprise Ireland policy to increase the number of exporting businesses in Ireland. Ireland needs SMEs to start exporting more and earlier in their lifecycle. This generally comes with cash flow constraints. Revenue rules ("Section 56"<sup>22</sup> allow certain businesses which derive 75% of their turnover consists of:

- The supply of goods to a VAT registered business in another EU country;
- The export of goods to countries outside of the EU;

-to operate on a 0% rate for as long as they are authorised.

The 75% threshold is unattainable for many businesses. However, a reduction to 50% would allow many companies grow their exports with the aim of receiving a working capital injection on reaching the 50% goal. This is revenue neutral to the Government as it is VAT charged in business-to-business transactions which it collects but then has to refund. The working capital boost to businesses would come from them not having to wait in a constant VAT refund position.

### **Innovation cannot be confined to the FDI sector**

Our primary concern is that, in the current economic environment where GNI\* is merely 57% our GDP,<sup>23</sup> what economic structure do we need to activate and scale the remaining 98.5% of our business demography? (Accepting that not all of these enterprises have the ambition to either scale or export).

Ireland's ranking in the Global Innovation Index 2024<sup>24</sup> shows decline in five key areas: scientific publications, R&D investments, VC nominal deals and values, and international patent filings.

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<sup>21</sup> <https://www.cso.ie/en/releasesandpublications/ep/p-biisr/businessinireland2022summaryresults/mainresults/>

<sup>22</sup> <https://www.revenue.ie/en/tax-professionals/tadm/value-added-tax/part10-special-schemes/zero-rating-goods-and-services-s56/special-schemes-s56-zero-rating-goods-and-services.pdf>

<sup>23</sup> <https://www.cso.ie/en/releasesandpublications/ep/p-ana/annualnationalaccounts2023/gniandde-globalisedresults/>

<sup>24</sup> <https://www.wipo.int/gii-ranking/en/ireland>

#### Science and innovation investment

Scientific publications	R&D investments	Venture capital		International patent filings
		Deal numbers	Deal values	
▼ -3% 2022 - 2023	▼ -5.1% 2021 - 2022	▼ -1.1% 2022 - 2023	▼ -38.5% 2022 - 2023	▼ -0.4% 2022 - 2023
▲ 3.4% 2013 - 2023	▲ 3.7% 2012 - 2022	▲ 5.2% 2013 - 2023	▲ 7.5% 2013 - 2023	▲ 6.1% 2013 - 2023

At the same time, Revenue “tax expenditure” data<sup>25</sup> reveals low or negligible activity in entrepreneurial areas such as the Employment Investment Scheme (EII), Key Employee Engagement Programme (KEEP), Start-Up Relief for Entrepreneurs (SURE), and CGT Entrepreneur Relief. This is consistent with representations from member businesses that Revenue attention in these schemes is focussed on anti-avoidance measures and compliance, not on ensuring they are fit for purpose.

The academic brain-drain<sup>26</sup> initiated by the Trump administration presents an opportunity for Ireland to introduce a targeted visa programme (perhaps administered by Science Foundation Ireland), where technology-based SMEs could avail of the expertise of US academics on a full-time or part-time basis via a scheme similar to the Special Assignee Relief Programme (SARP).<sup>27</sup>

The United Patent Court (UPC) referendum was cancelled<sup>28</sup> in 2024. This provides for low-cost, multi-jurisdictional registration of patents, which would be of huge benefit to indigenous IP development. The UPC is up and running without Ireland’s input. We need to legislate for our entry to the UPC<sup>29</sup> as soon as possible.

The R&D tax credit is overwhelmingly concentrated among the large enterprise sector, which is mostly composed of FDI companies. Data analysed by the Commission on Taxation and Welfare<sup>30</sup> showed that large businesses made up a consistent 11% of claimants (despite comprising 0.2% of the business demography.<sup>31</sup> They also account for the substantial majority of tax expenditure, averaging 69% of total in the four years reviewed.

### **The absence of security clearance precludes Irish enterprises from many hi-tech opportunities**

Ireland has been committed for some time<sup>32</sup> to a number of EU defence-related initiatives and frameworks, including the European Defence Agency (EDA), the Coordinated Annual Review on Defence (CARD), the Permanent Structured Cooperation

<sup>25</sup> <https://www.revenue.ie/en/corporate/information-about-revenue/statistics/tax-expenditures/index.aspx>

<sup>26</sup> <https://www.politico.eu/article/united-states-higher-education-brain-drain-academic-freedom-research-innovation-donald-trump/>

<sup>27</sup> <https://www.revenue.ie/en/personal-tax-credits-reliefs-and-exemptions/income-and-employment/special-assignee-relief-programme/what-are-the-conditions-to-qualify.aspx>

<sup>28</sup> <https://enterprise.gov.ie/en/news-and-events/department-news/2024/april/20240416.html>

<sup>29</sup> <https://www.pinsentmasons.com/out-law/news/upc-ireland-is-outside-the-courts-jurisdiction>

<sup>30</sup> <https://assets.gov.ie/static/documents/foundations-for-the-future-report-of-the-commission-on-taxation-and-welfare.pdf>

<sup>31</sup> <https://www.cso.ie/en/releasesandpublications/ep/p-bd/businessdemography2021/keyfindings/>

<sup>32</sup> <https://www.oireachtas.ie/en/debates/question/2023-06-20/77/>

(PESCO), the EU Satellite Centre (EU SatCen), the European Defence Fund (EDF) and the European Peace Facility (EPF).

Since then, the security situation in Europe has declined markedly, as has the US commitment to European defence. Despite this, Ireland still has no state security clearance system that would allow indigenous high-technology business access to trade missions, procurement opportunities and commercial collaborations they are currently excluded from because of absence of security clearance. Continued absence of a state security clearance mechanism risks excluding Irish business from the €150bn Security Action for Europe (SAFE)<sup>33</sup> procurement initiative. This is a recurrent budgetary issue<sup>3435</sup> for ISME.

Despite Ireland having over 120 high-technology SMEs working in the defence sector, and despite Enterprise Ireland being active<sup>36</sup> in the sector, we lack a Defence Enterprise Strategy, which should include a local industrial participation policy.

### **SMEs are effectively excluded from green and innovation finance**

ESG-linked funding tools are often inaccessible to small businesses due to scale, complexity, or reporting burdens. Yet SMEs will play a critical role in achieving Ireland's decarbonisation, energy efficiency, and circular economy targets. Targeted supports are essential to make sustainable finance work for SMEs.

### **QUICK WINS:**

1. In order for Government to close its strategic blind spot where SMEs are concerned, small business must have a credible representation on the Labour Employer Economic Forum (LEEF).
2. Introduce a mandatory CRO deduction of €100 for companies from year three onwards for trade representation.
3. Government must recognise the department of Enterprise as an economic ministry, and balance its responsibilities for tax and investment policy with those of the Department of Finance and DPENDPDR.
4. Institute a policy (or agency) exclusively dedicated to scaling “the next layer down” in our business demography, i.e. those businesses with ambition to become EI clients. The current EI/LEO structures do not achieve this.

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<sup>33</sup> [https://defence-industry-space.ec.europa.eu/document/download/6d6f889c-e58d-4caa-8f3b-8b93154fe206\\_en?filename=SAFE%20Regulation.pdf](https://defence-industry-space.ec.europa.eu/document/download/6d6f889c-e58d-4caa-8f3b-8b93154fe206_en?filename=SAFE%20Regulation.pdf)

<sup>34</sup> <https://www.irishtimes.com/crime-law/2023/03/03/agency-to-handle-security-clearances-and-classification-of-sensitive-information-set-to-be-established/>

<sup>35</sup> <https://isme.ie/isme-makes-submission-for-budget-2024/>

<sup>36</sup> <https://www.enterprise-ireland.com/documents/enterprise-ireland-esa-2023-report-en-134478.pdf>

5. Enterprise policy must drive business tax policy, not the other way round. This requires that the Department of Finance must deliver on tax changes necessary to encourage desirable economic and business outcomes.
6. Reduce the Section 56 qualification threshold to 50% of company revenue.
7. Immediately establish a taskforce to assist the Department of Finance and the Revenue to repair entrepreneurial taxes to a fit-for-purpose status for tax year 2026. Radically simplify, and ideally automate, EII, KEEP, SURE, and CGT Entrepreneur Relief.
8. Introduce a SARP-like scheme for US academics to assist indigenous high-technology SMEs.
9. Immediately hold a referendum on Ireland's entry to the UPC.
10. Assist SMEs with development of the R&D function within their business through targeted education initiative such as the Blue Cert (see next section).
11. Immediately establish a system for issuing security clearances to non-government officials.
12. Develop a Defence Enterprise Strategy to assist current and future SMEs to avail of Horizon and SAFE opportunities.
13. Launch a Green Retrofit Voucher for SMEs. Provide grant or subsidised loan support of up to €50,000 for SMEs to carry out energy efficiency upgrades, vehicle electrification, or circular economy adaptations. Include technical support and fast-track approval.
14. Government sources quote Ireland as being ranked 4th in the IMD 2024 international competitiveness rankings, but Government must also note that many of the underlying measures creating that ranking are based on a GDP denominator (2024: GDP: €510bn; GNI\*: €291bn), which inflates our ranking, and gives Irish policy makers a false sense of security and success. Government and DETE might also wish to consider reviewing the Global Innovation Index (GII) 2024 annually, and considering why GI ranks 18th vs IMD 4th place.

# SME and Workforce Upskilling

Diversion of the bulk of NTF funding into tertiary education is a mistake, and is not supported by data. OECD figures show our school leavers and 3rd level graduates significantly out-perform those in peer countries. Successive OECD Country Reports<sup>37</sup> have commented on the adult and life-long learning deficits in Ireland. Ireland's population performance declines steadily with age.

## **NTF funding must prioritise in-work and life-long learning**

The bulk of NTF spend must be diverted to where it was intended by law: in-work for-work and life-long learning.

Ireland saw decreases in Skillnet funding in 2024 due to application of state spending rules. This is not acceptable when the NTF is funded via a compulsory levy imposed on PRSI<sup>38</sup> under the National Training Fund Act, 2000.

While many service industry sectors would like to fund apprenticeships, they cannot do so due to the costs imposed on their business.

## **Business owner and manager upskilling**

ISME has long acknowledged the significant knowledge and skills deficits among SME business owners and managers. These deficits mirror observations by the OECD in its Ireland survey<sup>39</sup> of basic deficits in adult numeracy, literacy, and problem solving.

Of greater importance to Ireland's enterprise policy, however, are observable deficiencies among our SME cohort in expertise in the following:

- Business and commercial law
- The tax system
- Employment law and compliance with safety, health and welfare at work legislation
- Digitisation, AI, technology absorption and software packages
- Adaptation to the green and circular economy
- Marketing skills, market research and procurement / tendering
- Financial management and treasury skills
- Research and Development capability
- Leadership and staff development
- The export of goods and services

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<sup>37</sup> [https://www.oecd.org/en/publications/oecd-economic-surveys-ireland-2025\\_9a368560-en.html](https://www.oecd.org/en/publications/oecd-economic-surveys-ireland-2025_9a368560-en.html)

<sup>38</sup> <https://www.irishstatutebook.ie/eli/2000/act/41/enacted/en/html>

<sup>39</sup> [https://www.oecd.org/en/publications/survey-of-adults-skills-2023-country-notes\\_ab4f6b8c-en/ireland\\_5c86961b-en.html#:~:text=In%20adaptive%20problem%20solving%2C%2028,make%20progress%20towards%20the%20solution](https://www.oecd.org/en/publications/survey-of-adults-skills-2023-country-notes_ab4f6b8c-en/ireland_5c86961b-en.html#:~:text=In%20adaptive%20problem%20solving%2C%2028,make%20progress%20towards%20the%20solution)



- Intergenerational business transfer, business listing and business exit

Ireland needs to upskill its indigenous SME base if we are to fulfil ambitions for higher levels of productivity, higher levels of export performance, greater scale and employment. ISME has long stated that only a bespoke and targeted<sup>40</sup> basic qualification in business management will address these deficits.

Uptake of this qualification should be encouraged via the tax system in the same way as the Green Cert for farmers.

#### **QUICK WINS:**

1. Remove NTF spending from the state spending rules. If this is not possible, the training levy (via PRSI) must be lowered to bring the training fund into line with annual training expenditures.
2. Government must revert to pre-2016 apprenticeship supports for business owners.
3. Government should develop an educational and PR campaign to promote the apprenticeship program to both parents and Junior/Leaving Cert students in order to elevate its status, attractiveness and importance in society.
4. Develop and deliver a basic business qualification such as the ISME Blue Cert (or similar).

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<sup>40</sup> <https://isme.ie/blue-cert-proposed-for-irish-sme-sector-2/>

# Sustainable Public Finances

Our current spending profile is unsustainable, and is propped up by unreliable corporation tax receipts. While recent adjustments in CT under the OECD BEPS process could increase CT yield<sup>41</sup> in the short to medium term, IFAC recognises most of this addition revenue as “excess.” It is also more attributable to deficits in the US tax code rather than features of the Irish tax code, and its longer-term trajectory is subject to legislative changes to be made in another jurisdiction. ISME considers it unwise to divert so much of this excess yield into core recurring expenditure.

## **Untargeted social expenditures cost too much, for too little gain**

We must stop untargeted something-for-everyone spending and focus on right-now deficits in infrastructure, energy and security.

The issue is not simply the nominal amount of government expenditure; it is about service delivered to society. Citizens do not feel the state has delivered value for money in the provision of services when, for example, health expenditure has risen from €14bn in 2014 to €23bn in 2024 without a noticeable improvement in health outcomes, waiting lists, or A&E performance.

The social welfare pension deficit of €471bn cannot be closed by employers without massive employment loss.

Ireland has a relatively high percentage of its population living in low work intensity households.<sup>42</sup> This is particularly concerning in an economy that has been operating close to full employment for three years (see chart below). This suggests systemic issues giving rise to longer term unemployment or under-employment.

## **Social protection must not encourage lower work intensity**

Employers particularly in the services sector, complain to ISME that workers in the lower income deciles have a preference to minimise their hours worked while maintaining their social protection contributions through their employer only. Workers earning below €352pw pay no PRSI, workers earning between €352pw and €424pw enjoy tapered PRSI credits, and workers earning over €424pw pay 4% PRSI on all their earnings. The complete absence of social protection contribution from the sub-€352pw cohort is very unusual in EU terms.<sup>43</sup> The disincentives inherent in this system have been pointed out since 2021 in our Jobs Kill Zone Report.<sup>44</sup>

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<sup>41</sup> <https://www.fiscalcouncil.ie/wp-content/uploads/2025/04/More-Revenue-and-More-Concentration-Ireland-Corporation-Tax-Paper-Brian-Cronin-2025.pdf>

<sup>42</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:F2\\_People\\_living\\_in\\_households\\_with\\_very\\_low\\_work\\_intensity.png](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:F2_People_living_in_households_with_very_low_work_intensity.png)

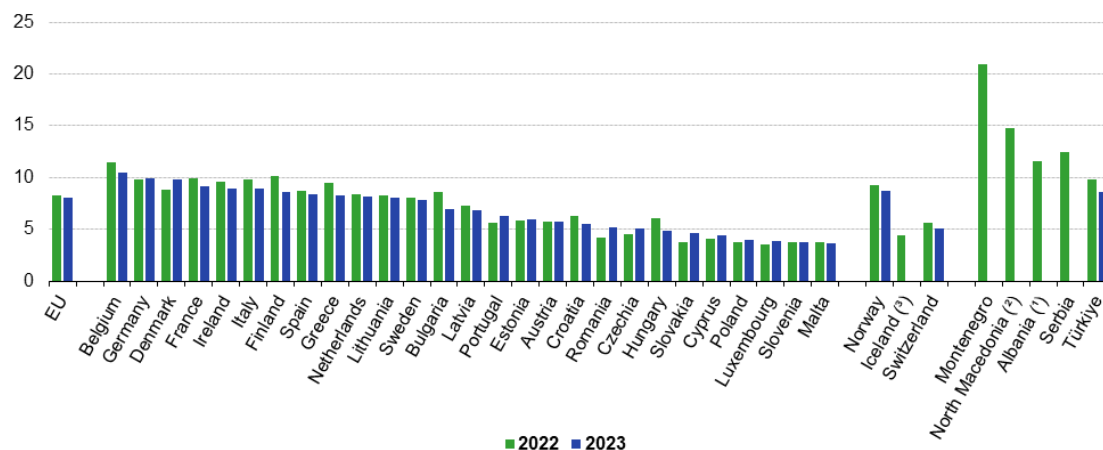
<sup>43</sup> <https://www2.deloitte.com/content/dam/Deloitte/cz/Documents/survey/EU-Social-Security-Survey.pdf>

<sup>44</sup> <https://isme.ie/wp-content/uploads/2021/04/Jobs-Kill-Zone-April-20th-2021.pdf>

The PRSI system, and other disincentives such as medical card qualification and access to social and affordable housing, are luxuries we can no longer afford as our pensions deficit continues to grow. Everyone, including workers earning below €352pw, should pay into the social protection system.

### People living in households with very low work intensity, 2022 and 2023

(% of population aged 0 to 64 years)



Note: ranked on the percentage of people living in household with very low work intensity in 2023.

(\*) 2021

(\*) 2020

(\*) 2019

Source: Eurostat (online data codes: ilc\_lnh13n)

eurostat

The public-private pay gap seen in Ireland is impossible to justify in an economy at full employment. This drives both business costs (section one) and exchequer costs.

### QUICK WINS:

1. In order to fairly quantify what is the requisite level of public sector remuneration, Ireland needs a standing Public Pay Commission, similar to the Office for the Pay Review Bodies<sup>45</sup> in the UK. Public sector pay should also be benchmarked against that in peer EU countries.
2. A greater proportion of our excess CT yield should be diverted into the “Rainy Day Fund” or into non-current expenditure.
3. Apply a PRSI rate of 2% to all earnings up to €352pw, and a 6% PRSI rate on marginal earnings above €848pw.
4. The Annual National Risk Assessment report should be amended to include a gap closure action plan, with designated responsibilities and completion dates.

<sup>45</sup> <https://www.gov.uk/government/organisations/office-for-the-pay-review-bodies>

# Housing

This is the prime driver of wage demand to the point that it has almost become a business cost. Many medium and large companies have become the new local landlords. While some people may consider this state of affairs laudable, it gives rise to two serious concerns:

- ISME believes that very little employer-provided accommodation is treated in accordance with the Revenue Guidance<sup>46</sup> for subsidised accommodation.
- The diversion of a business's working capital into the provision of employee accommodation is not consistent with productive enterprise.

The rapid decline in our available stock of accommodation post great financial crash is due to tax and regulation policy. These must be reversed.

## **Housing and migration policy must be in sync**

We also need to understand the impact on housing stock that the influx of large numbers of foreign students attending our universities creates. Students should not be competing with families and adults for access to housing, and require a dedicated stock of accommodation.

Planning laws have become the greatest impediment to the delivery of housing, commercial property and infrastructure. While the Planning and Development Act 2024 is intended to speed this process up on a go-forward basis, it will only impact new applications. Government must consider strategies to expedite necessary applications that are already in the system.

## **Government must attract the private sector back to the provision of rental accommodation**

Ireland's decision to focus the provision of rental accommodation on institutional landlords, while introducing rent controls such as Rent Pressure Zones, has self-evidently failed. In the words of economist Assar Lindbeck<sup>47</sup> *"rent control appears to be the most efficient technique presently known to destroy a city—except for bombing."*

The public sector cannot fill the housing gap in time. If we are not to commit a generation to emigration because of housing cost, the private sector must be incentivised to return to the market. Not to mention the impact that the housing deficit is having on the birth rate, and the future funding of workforce needs and pension liability.

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<sup>46</sup> <https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-05/05-01-01c.pdf>

<sup>47</sup> <https://www.econlib.org/library/Enc/RentControl.html>

## **Speed the exit of “accidental landlords” from the housing market**

There is an identifiable cohort of landlords who:

- Acquired 1-3 residential properties, often during the 2000s.
- Operate in Rent Pressure Zones (RPZs), where rental income growth is capped at 2% per annum.
- Face significant CGT liabilities of 33% on any disposal of these properties.
- Would sell if not for the punitive tax treatment.

Due to the restrictive rental yield and regulatory constraints, many landlords are choosing to exit the rental market entirely, either leaving properties vacant or moving them to short-term letting platforms like Airbnb, reducing long-term rental supply.

ISME proposes a targeted temporary CGT relief scheme for small-scale or "accidental landlords" to encourage the sale of second-hand homes into the owner-occupier market. This would have eligibility criteria on both the buyer and seller side to avoid abuse. This initiative is designed to immediately increase housing stock, assist landlords exiting the rental market, and reduce reliance on short-term letting platforms like Airbnb.

Such a scheme would

- Free up housing supply for first-time buyers.
- Offer a controlled, dignified exit route for accidental landlords.
- Disincentivise the transfer of long-term rentals to short-term letting platforms.
- Boost transaction flow in the housing market while still capturing moderate tax revenues

## **Infrastructure is a housing blocker**

The availability of drinking water and foul water infrastructure is already an impediment to the construction of new housing stock.<sup>48</sup> Despite having the second highest level of annual precipitation<sup>49</sup> in the EU, 20 water supplies in Ireland are already in official drought<sup>50</sup> status, in mid-May 2025.

Aside from the cost and time penalties this shortage of water infrastructure imposes on Irish society, it also reputationally damaging to Ireland when our stage agencies continue to seek inward international investment.

Long-term plans to pipe water from the Shannon to the eastern seaboard make little sense when that area is home to abundant sources of groundwater in aquifers.<sup>51</sup>

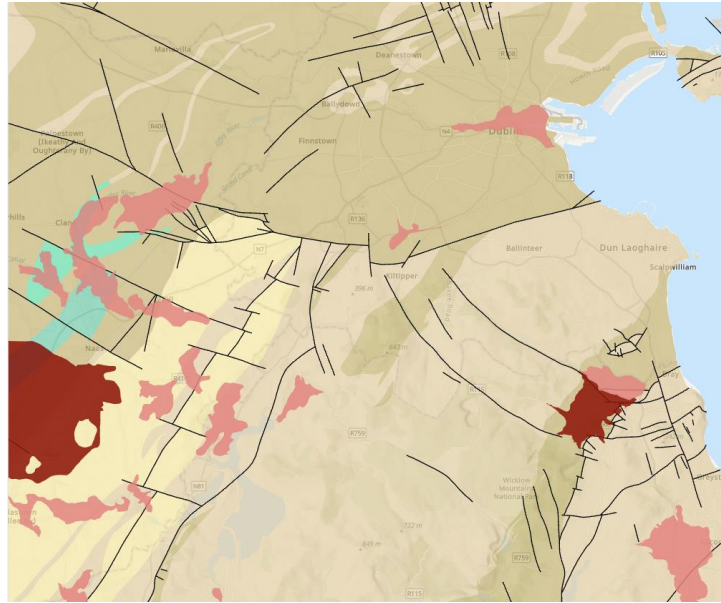
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<sup>48</sup> <https://www.independent.ie/irish-news/two-thirds-of-water-supplies-cannot-support-new-housing-targets/a147479100.html>

<sup>49</sup> <https://data.worldbank.org/indicator/AG.LND.PRCP.MM?locations=EU>

<sup>50</sup> <https://www.thejournal.ie/water-supplies-in-14-counties-have-dropped-to-drought-levels-6706903-May2025/>

<sup>51</sup> <https://www.arcgis.com/apps/mapviewer/index.html?panel=gallery&layers=59b34c0987c24290b6b6f333549b3825>



*Aquifer Sources Greater Dublin Area*

#### **QUICK WINS:**

1. Re-introduce a Section 23-type tax incentive to energise the provision of private rental accommodation, especially outside the urban conurbations.
2. Re-introduce a Section 50-type tax incentive to scale the provision of student accommodation, which is also more suitable for the provision of short-term letting in the holiday season.
3. Tackle dereliction in towns by increasing grants available to businesses for restoring vacant and derelict properties to domestic use. For large projects, local authorities should be able to provide funding in excess of grant maxima, and take a repayable charge over the renovated building.
4. Cut CGT temporarily to 15% on eligible “accidental landlord” disposals within a defined relief period. Give an option for full CGT exemption for gains below a defined threshold, say €50,000. Provide rollover relief if the proceeds are reinvested into the seller's principal private residence within 12 months.
5. Immediately assist local authorities in Leinster with abstraction of aquifer water.





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