

Budget 2020 and No Deal Brexit



Rialtas na hÉireann
Government of Ireland

The Government is making more than €1 billion available in Budget 2020 to be spent in the event of a no deal Brexit.

€650 million to support the agriculture, enterprise and tourism sectors and to assist the workers and regions which are most affected. Of this €650 million, **€220 million** will be immediately deployed in the event of a no deal Brexit with €110m for agriculture supports and €110m for enterprise supports.

€40 million will be available to support the tourism sector, targeting the worst affected regions, as well as new marketing initiatives, on top of additional immediate funding of €7m in 2019.

€365 million is also being provided for extra Social Protection expenditure on the Live Register and related schemes, while **€45 million** is provided for increased supports for workers in adversely affected parts of the country – for example the border region – should that prove necessary.

In addition, **€355 million** will be spent on on-going Brexit preparedness, compliance and activation supports. Of this, **€185 million** will be used to ensure compliance conditions are met and trade disruption is minimised at ports and airports, as well as funding for extra staff and other costs. A further **€170 million** will be spent on measures across a number of sectors to ensure that the State and economy are well positioned ahead of Brexit.

Furthermore, there will be an increase of nearly **€800 million** in infrastructure investment in 2020 bringing total infrastructure spending to €8.1billion, as part of Project Ireland 2040. This investment in major projects like schools, roads and hospitals will help to create economic activity and jobs across the country.

Introduction

The Irish Government has been actively preparing for Brexit since before the Referendum in 2016. Throughout our actions have sought to protect our citizens and support the economy, enterprise and jobs in all scenarios.

In December 2018, the Government published a Contingency Action Plan for a no deal Brexit ([dfa.ie/media/dfa/eu/brexit/brexitcontingency/No-Deal-Brexit-Contingency-Action-Plan-December-18.pdf](https://www.dfa.ie/media/dfa/eu/brexit/brexitcontingency/No-Deal-Brexit-Contingency-Action-Plan-December-18.pdf)). This set out the actions which were being taken across a wide range of areas to prepare for a no deal Brexit in advance of the March and April 2019 deadlines.

In July 2019, the Government published an Updated Contingency Action Plan ([dfa.ie/media/dfa/eu/brexit/keydocuments/Contingency-Action-Plan-Update-July-2019.pdf](https://www.dfa.ie/media/dfa/eu/brexit/keydocuments/Contingency-Action-Plan-Update-July-2019.pdf)) which outlined the additional work across all sectors to further strengthen and refine preparations in the lead up to a potential no deal Brexit on 31 October.

This work includes:

- passing the 'Brexit Omnibus Act' and preparing associated secondary legislation;
- investing in physical and ICT capacity at our ports and airports, and recruiting over 750 additional staff;
- hosting over 2,800 high level engagements and stakeholder consultations on Brexit;
- contacting over 102,000 businesses that traded with the UK in 2018 and 2019;
- registering businesses for EORI numbers now which represent 90% of the value of import trade, and 97% of the value of export trade with the UK in 2018;
- providing a wide range of business supports for enterprise and the agri-food sector;
- providing training and financial supports (including payments of up to €6,000 per new employee) to increase customs intermediary capacity;
- ongoing work to facilitate the continued use of the Landbridge by Irish traders;
- working to ensure people in Northern Ireland can access benefits such as ERASMUS and EHIC cards;
- delivering a broad range of TV/radio/print/social media awareness and information campaigns for business and citizens. These campaigns will continue in the run up to 31 October.

In parallel:

- the Irish and British governments have committed to maintain the Common Travel Area in all circumstances;

- the European Commission has outlined contingency measures for a no deal scenario in areas such as air connectivity and international road haulage;
- the Irish Government has engaged in detailed discussions with the European Commission on measures in relation to the North-South Border in a no deal Brexit, with the shared objectives of protecting the Good Friday Agreement, as well as the integrity of the Single Market and Ireland's place within it.

Further information on Government supports for business and traders put in place to date is set out in the Appendix.

Notwithstanding all of these preparations, the Government has been clear that a no deal Brexit will be highly disruptive and will have profound political and economic implications for the entire island of Ireland.

The July Updated Contingency Action Plan outlined these in some detail, and concluded that *"these implications involve severe macroeconomic, trade and sectoral challenges both in the immediate term and in the longer term. Addressing those challenges requires difficult and significant choices of a practical, strategic and political nature"*.

It also noted that *"the prospect of operating outside the EU with no deal would be extremely serious for the businesses, people and economy of Northern Ireland."*

A no deal outcome will never be Ireland's or the EU's choice. However, with less than twenty three days to 31 October and only eight days to the European Council, prudence dictates that preparations continue as the risk of a no deal outcome on 31 October, or thereafter, remains significant.

Given the scale of the implications of a no deal Brexit, the Government decided that the only prudent course was to prepare Budget 2020 based on a no deal Brexit scenario.

This ensures that we are as prepared as possible for, and are ready to respond to, the severe challenge of a no deal Brexit, securing the best possible outcome for Ireland's citizens and our economic future.

Economic Impact of a no deal Brexit

Economic growth is projected to be 2.5% lower in a no deal scenario. While overall employment is expected to grow, albeit modestly, significant job losses are likely in the most exposed sectors, and the impact of tariffs, customs and associated checks would lead to disruption and additional costs for the all-island economy.

It has been well documented that these impacts will be felt most strongly by certain sectors and regions, most notably in many exporting sectors, including agri-food, indigenous manufacturing and tourism.

Budget 2020

Government has made more than **€1 billion** available in Budget 2020 to be spent on no deal Brexit preparedness.

This includes **€650m** to support sectors identified at greatest risk from Brexit including Agriculture, Enterprise and Tourism, as well as to assist the most affected workers and regions.

Rather than release all funding at the same time, the Government has decided to release this **€650m** in a series of waves. This is to ensure an effective response to the wide range of possible Brexit impacts, which may take time to materialise fully.

€220m will be activated in an initial wave for immediate deployment if a no deal Brexit is confirmed. This is split evenly between an enterprise stream and an agriculture stream to assist firms and enterprises, including farms, across the economy.

Taken together with increased supports for workers through the Department of Employment Affairs and Social Protection (**€45m**), these funding streams will lead to significant additional spend at local level in the areas most affected by Brexit. The scale of the contingency funding will also allow further specific initiatives, targeting the most affected parts of the country – for example the border region - should that prove necessary.

Second and subsequent waves will be released as the economic impact on particular sectors and regions becomes clear in the initial weeks and months.

€355m is also being provided in 2020 to support existing preparedness measures. This includes around **€185m** in current and capital funding to ensure that necessary compliance conditions are met and that trade disruptions are minimised, including extensive investment in ports and airports infrastructure for a no deal Brexit, as well as funding for extra staff and other costs.

It also includes around **€170m** to be spent on measures across a number of sectors to ensure that the State and economy are well positioned ahead of Brexit. These include Brexit Responses and Global Ireland, assistance to enterprise, tourism supports, farm sector and competitiveness supports.

Assistance will also be available at the **EU level** for Member States most affected by Brexit. The Government is working in Brussels to seek additional financial support in the event of a no deal Brexit, including exceptional aid for Ireland's agri-food sector and on other possible supports, such as through the European Globalisation Fund and the Solidarity Fund.

The Government is also increasing capital investment in infrastructure by nearly **€800m** in 2020, as part of the roll-out of Project Ireland 2040, supporting economic activity and jobs right across the country.

The Government is also willing to allow a larger deficit to emerge, and/or to trigger the Rainy Day Fund if necessary, if the economic fallout is worse than expected.

Specific Budget 2020 measures

Agriculture

€110m will be provided through the Department of Agriculture, Food and the Marine in the initial first wave of funding in the event of a no deal Brexit. This will be supplemented by further exceptional aid, which the Government expects will be provided by the EU under the exceptional aid provisions of the Common Agricultural Policy.

The provision of immediate supports for our beef sector will be an initial priority, as will support for our fishing fleet. We also want to support food companies to re-orient towards new products and markets, and to support other sectors to improve their competitiveness.

- **€85m for beef farmers:** First phase of a Market Support and Adjustment Aid: supports for farmers finishing cattle for slaughter
- **€14m for fisheries:** First phase of a tie-up scheme for the most affected vessels
- **€6m for other livestock farmers and mushrooms sector:** additional investment aid to improve competitiveness and increase environmental efficiency for these primary sectors
- **€5m for food and drinks processing industry:** First phase of a Food Transformation capital investment scheme for large and SME food companies for product and market innovation; and additional supports for innovation in the prepared consumer foods and drinks sectors (in addition to funding from the Department of Business, Enterprise and Innovation)

Enterprise

€110m has been identified for the first wave of funding for targeted new interventions to help vulnerable but viable firms adjust to the new reality of a no deal Brexit trading environment. The suite of initiatives will support firms of all sizes at all levels of difficulty (exporters and importers) with a particular focus on sectors most exposed, including food, manufacturing and internationally traded services. Support will be by way of grants, loans and equity investment.

Specific new initiatives include:

- **€45m Transition Fund:** grant, loan or equity for all firms with 10 or more employees in manufacturing and international traded services to help firms transition their business
- **€42m Rescue and Restructuring Fund:** loan and equity for firms in all sectors with acute liquidity or insolvency problems to rescue the firm and support a restructuring plan
- **€8m Transformation Fund for Food and Non-Food:** grant scheme supporting larger firms to transform their business with €5m for food (in addition to funding from Department of Agriculture, Food and the Marine) and €3m for non-food

- **€5m extra for Micro Finance Ireland:** for firms with less than 10 employees (including self-employed), so MFI can increase competitive loans from €25,000 to €50,000
- **€5m Local Enterprise Offices Emergency Brexit Fund:** repayable grants up to €50,000 to complement MFI support so total support available up to €100,000
- **€2m extra for InterTrade Ireland** - to support cross border firms North & South
- **€3m extra for Regulatory Bodies** – for additional demands in market surveillance, accreditation and conformity assessment in NSAI, INAB, CCPC and HSA

These are in addition to the wide range of supports already in place, including the €600m in Brexit-related loan schemes supported by the Exchequer.

Budget 2020 includes a number of **enhancements to existing tax-based measures** in support of enterprise, SMEs and the agri-food sector.

- **Key Employee Engagement Programme (KEEP)** – a share-based remuneration incentive to facilitate the use of share-based remuneration by unquoted SME companies to attract and retain key employees:
 - > Companies that operate through a group structure will be allowed to qualify for KEEP.
 - > Conditions for qualifying employees are to be broadened out to allow for part-time/flexible working and movement within group structures.
 - > Qualifying shares to include existing as well as new shares.
- **Employment and Investment (EII)** - provides individual investors with tax relief for risk capital investments in qualifying SMEs:
 - > Level of relief: Full income tax relief (40%) to be provided in the year in which the investment is made. This compares with current arrangements where 30% relief is provided upon the initial investment and a further 10% is given after Year 3 subject to certain conditions.
 - > Investment limit: The annual investment limit for investors will be increased from €150k to €250K per annum and to €500k per annum in the case of those who invest for a minimum period of 10 years.
- **Research and Development Tax Credit** – allowing companies carrying out research and development to claim tax relief:
 - > The R&D credit is being amended for micro and small companies to increase the 25% R&D credit to 30% and to enhance the existing limits on the payable credit.
 - > A new provision is being introduced to allow micro and small companies conducting pre-

trading R&D to claim the credit before trading commences, limited to offset against VAT and payroll tax liabilities only.

- > In respect of all claimants, the current limit on outsourcing to third level institutes of education will be increased from 5% to 15%. This will support R&D activities in both companies and third-level institutions.

Supports for workers affected by Brexit

€45m has been provided in Budget 2020 for additional activation measures to provide increased support to ensure an effective and efficient 'first responder'/triage and client management approach and supports available for businesses and workers in difficulty. The key objective of the cross-departmental effort is to ensure that employers and employees in vulnerable companies can avail of supports to help work through business recovery options to sustain their business.

In order to sustain incomes and keep employees in firms as they try to work through how their business can remain viable, the Department of Employment Affairs and Social Protection will fully resource a **Short-Time Work Support Scheme** to provide an opportunity for employers to retain skilled labour in a reduced capacity and avoid permanent lay-offs and associated redundancy costs. The National Training Fund is being further supplemented in Budget 2020. This coupled with new flexibilities in training services, will ensure tailored training and upskilling for workers can also be deployed.

Tourism

The tourism sector has already begun to feel the effects of Brexit, with a reduction in revenue from British visitors since the UK referendum, primarily as a result of the weakening of Sterling. €40m will be available to support Tourism in the event of a no deal Brexit. This funding will be focused on:

- The **regions** that will suffer most from a no deal Brexit, such as the Border counties and the South-East;
- **Targeting the British market**, through **Tourism Ireland**. Our tourism agencies will ramp up cinema, radio and online advertising. In addition, our agencies will work with and support the tourism industry here to ensure they can effectively promote their products to consumers in Britain;
- **Dedicated promotions in other key markets** such as North America, Europe and key Emerging Markets aimed at touring and regional holidays;
- **Encouraging direct access into our regional airports and ports** from overseas markets;

- **Fáilte Ireland supporting tourism enterprises** domestically through the Brexit Response Programme. **Fáilte Ireland will undertake marketing initiatives** to increase short breaks by **domestic visitors**, including the promotion of festivals and events such as Taste the Island and Púca, the new Halloween festival.

The Government will also provide immediate **additional funding of €7m in 2019** to support accelerated tourism marketing initiatives aimed at mitigating the impacts of Brexit. This will allow Fáilte Ireland to undertake additional domestic marketing of Winter breaks and Tourism Ireland to increase their communications programme in all markets targeting an increase in passenger numbers on existing regional services.

For more up-to-date information on all aspects of Brexit, please visit the main Government Brexit information site www.gov.ie/brexit

APPENDIX

Key Brexit Indicators

KEY TRADER ENGAGEMENT INDICATORS

Stakeholder Engagement	204 stakeholder events across 26 counties since September 2018
Revenue Trader Engagement	102,000 letters issued & 44,000 follow-up phone calls 24,000 additional letters issued to agri-businesses
EORI Registrations	19,492 in 2019 (up 555% from 2,976 in 2018)
Clear Customs Training	60 courses in 10 locations across Ireland will result in 660 graduates

OTHER INDICATORS

UK/NI Licence Exchange Figures	34,000 applications to date in 2019 compared to 6,636 in 2018
F-Gas Recertification Applications	1,361 individual applications, 895 new certs issued 97 company applications, 97 new certs issued
Beef Exceptional Aid Measure	34,517 eligible applications received by Department of Agriculture, Food and the Marine. Potential payments worth €78m are scheduled to commence in December 2019 16 BEAM Advisory Clinics delivered nationwide

UPTAKE OF BUSINESS SUPPORT SCHEMES

SCHEME	UPTAKE
Brexit Loan Scheme	833 applications received with 754 approved by SBCI 199 loans progressed to sanction at bank level worth €44.1m
Future Growth Loan Scheme	1,445 applications received with 1,364 approved by SBCI 296 loans progressed to sanction at bank level worth €50m
Bord Bia's Brexit Barometer 2019	130 companies completed this, representing 73% of total UK exports
Bord Bia's Customs Readiness Programme	132 companies completed to date, representing approx. 52% of total UK exports
Bord Bia's Supply Chain Mentoring and Workshops	88 companies completed to date
Bord Bia's Currency Risk Training Programme	24 companies completed to date
Bord Bia's Brexit Consumer Pulse Survey	Issued to 2,000 UK and Irish consumers every 8 weeks since January 2019
Bord Bia's Commercial Marketing Strategy Workshops	Over 100 companies to date, over 60 one to one engagement sessions
Bord Iascaigh Mhara surveys to assess Brexit preparedness	90 seafood processors completed the survey, representing 57% of sector
Enterprise Ireland Brexit Scorecard	6,585 Brexit Scorecards have been completed 1,596 LEO clients have completed the scorecard
Enterprise Ireland Be Prepared Grant	216 Be Prepared Grants have been approved
Enterprise Ireland Market Discovery Fund	194 companies have been approved under this initiative
Enterprise Ireland Prepare to Export Scorecard	4,746 Prepare to Export Scorecards have been completed

UPTAKE OF BUSINESS SUPPORT SCHEMES

SCHEME	UPTAKE
Enterprise Ireland Customs Insights Online Course	1,706 Customs Insights Course participants
Enterprise Ireland Agile Innovation Fund	60 Agile Innovation projects have been approved
Enterprise Ireland Brexit Advisory Clinics	16 Brexit Advisory Clinics have been run with 1,200 attending
Enterprise Ireland Brexit "Act On Programme"	288 "Act on" Plans have been completed
Enterprise Ireland Strategic Consultancy Grant	1,088 Strategic Consultancy Grants have been approved
Enterprise Ireland Clear Customs Grant	168 applications made to access financial support through the scheme
Local Enterprise Office Technical Assistance Grant for Micro Export	729 clients were approved assistance under the Grant
Local Enterprise Office LEAN for Micro	423 LEO clients have participated in the programme
Local Enterprise Office Mentoring	1,017 mentoring participants solely focused on Brexit
Local Enterprise Office Brexit Seminars/Events	5,637 participants at the Brexit information events
Customs Training Participants	917 participants attended Customs Training
Fáilte Ireland Helping Business Get Brexit Ready	2,266 businesses participated in Business Supports programme focused on building skill capability in Market Retention, Market Diversification and Business Performance (Jan 2018 - Sep 2019)
Fáilte Ireland Service Excellence Programme	941 businesses with a total of 7,120 individuals attending workshops (Jan 2018 - Sep 2019)
Fáilte Ireland 1:1 Business Mentoring Supports	193 businesses benefited from specialist assistance from subject experts (Jan 2018 - Sep 2019)
Fáilte Ireland Developing Food Tourism Businesses	1,611 businesses with a particular focus in 2019 around the Taste the Island Initiative (Jan 2018 - Sep 2019)
InterTradelreland Brexit Advisory Service	4,551 SMEs have directly engaged with the Brexit Advisory Service in 2019 This is in addition to the 4,175 engagements in 2018
InterTradelreland Brexit Planning Vouchers	1,893 applications 1,630 approved and 47 being assessed
Pilot Online Retail Scheme administered by Enterprise Ireland (concluded)	11 retailers awarded funding in March 2019 under Call 1 29 retailers awarded funding under Call 2 after July 2019



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