

**Irish Tourist
Industry
Confederation**

Submission

To the

**Business Regulation
Forum**

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Executive Summary

The Irish Tourist Industry Confederation welcomes the greater priority being accorded to the regulatory burden on business. However, despite this attention the burden has continued to increase. There is a need to increase the urgency with which improvements will be made. **The Business Regulation Forum** should recognise the need to reduce the regulatory burden, should regard this as an urgent task, and should identify short and medium term reduction targets. **ITIC recommends:**

- A “One in, One out” approach to regulation.
- The establishment of an electronic database detailing in plain language the regulations applying to business.
- The review and justification of these regulations over four years by the regulatory bodies.
- An independent assessment of the above finding.
- Two fixed dates each year on which new regulations would come into effect.
- Increase turnover limits for VAT and audits.
- Retention of the existing Revenue approach to credit card tips.
- Simplified Income Tax Arrangements.
- Incentives for on-line Revenue returns.
- VAT on business hospitality should be treated as a business input.
- Car tax for unused periods should be refunded in the car rental sector.
- Retention of existing coach driver regulations.
- A simplified approach to coach road worthiness testing and to community licences.
- Reduction in state originating information requests.
- Improved inspection co-ordination and consistency.
- Recognition of non-UK EU fire safety certificates.

- Simplification of HACCP rules.
- Simplification of alcohol licence renewal requirements.
- Easing of health and safety reporting requirements.
- Significant reform of Local Authorities powers to impose charges and new regulations.

1. Introduction

The Irish Tourist Industry Confederation (“ITIC”) welcomes the increased awareness of the regulatory burden suffered by the business sector. Research shows that regulation is a substantial and growing burden on business. The burden is proportionately greater on small and medium enterprises than on large enterprises which tend to have substantial administrative systems and personnel. The tourism industry is overwhelmingly populated by small and medium enterprises as evidenced by restaurants, guest-houses, hotels, bars, visitor attractions, coach operators, heritage centres and other places of entertainment.

The burden and negative competitiveness impact of regulation is being increasingly recognised and appreciated internationally. The EU and OECD have addressed the issue. National governments, for example the UK and the Netherlands, are actively attempting to reduce the scale, efficiency and cost of business regulations. The Irish policy framework has also appreciated that regulation is an important enterprise and competitiveness issue, for example, the 2004 White Paper, “Regulating Better” - commissioned by the Dept. of the Taoiseach, the regulation recommendations of the Small Business Forum (2006), the Report on Regulating the Small Business Sector (2006), and the establishment of the Business Regulation Forum, (2005).

Despite the increased focus on regulation, ITIC is concerned that there has been little progress on reducing the regulation burden. ITIC hopes that the two issues of burden reduction and urgency will be reflected in the recommendations of the Forum. ITIC recommends that the Forum should accept

1. The urgent need to reduce the regulatory burden
2. The reduction programme should have quantified, short, and medium term targets.

The Forum has requested specific regulation recommendations, which ITIC makes in this submission. ITIC also believes it necessary to identify broader principles and make wider impact recommendations in addition to specific recommendations.

Section 2 of this submission briefly outlines the current regulation situation. Section 3 makes what could be described as broader recommendations, and Section 4 deals with more specific recommendations.

2. The Current Regulatory Position

The current regulatory position for small firms has been outlined in the report of the Small Business Forum, and in the Indecon report “Regulating the Small Business Sector.” ITIC accepts that regulation is needed to protect employees, consumers and businesses. Regulation is not inexpensive. It imposes compliance costs on enterprises, reduces competitiveness, and in several respects has a negative effect on enterprise growth and formation.

The benefits of regulation should be related to the costs. ITIC, therefore, welcomes the introduction of a Regulatory Impact Assessment system.

ITIC agrees with the Small Business Forum that good regulation should be both effective and efficient. It should avoid unnecessary restrictions and burdens. It should be transparent and proportional. ITIC believes the Irish business regulation system is neither transparent (there is little codification of regulations, they are difficult to interpret, it requires a major effort to be aware of their practical implications) nor efficient (overlapping data/survey demands, inconsistent inspector opinions, antiquated document requirements such as original copies of tax clearance certificates and coach regulation systems).

It is particularly notable that the local authority system imposes increasing cost and regulatory burdens on tourism without itself being subject to the regulatory regime which other monopoly suppliers are expected to operate within.

The Report of the Small Business Forum notes that “compared with other countries regulatory requirements in Ireland are relatively light.” It cites a World Bank report which ranked Ireland as 11th of 155 countries for ease of doing business. Ireland ranked well on starting a business and taxation, and poor on employment regulation. It costs (in terms of fulfilling procedures) 5.4% of per capita income to start a business in Ireland. This is much higher than the UK (0.7%) and USA (0.5%). In Denmark the cost is zero.

71% of enterprises in the Indecon survey said that the administrative burden has increased. Administrative regulation was the third highest reported barrier to growth after finance and other. Earlier research for the Dept. of the Taoiseach stated that 72% of Irish firms had difficulty keeping track of all the relevant regulations.

Regulations which were considered to be a “very significant” or “significant” regulation burden by between 44% and 47% of enterprises were;

- Health and Safety
- VAT Administration
- Employment
- Income Tax Administration
- Environment

The relatively good ranking on the World Bank and EU surveys is not grounds for complacency. Several EU countries have weak enterprise environments and weak job creation performances and are not appropriate benchmarks. The burden is increasing and may weaken future enterprise performance. Because of its weak indigenous traded sector capability and performance, and because of the very open nature of the Irish economy and of Irish tourism, there is an ongoing need to be at the top end of competitiveness and enterprise friendly environments. Ireland should be aiming to be in the top 5 enterprise friendly environments of the relevant competitor economies.

3. Wide Ranging Priority Recommendations

ITIC accepts that regulations are generally introduced for good reasons. Regulatory Impact Assessments may not sufficiently reduce the amount or flow of regulations as the benefits may flow to specific sectors, and the costs (even if less than the benefits) will still be borne by the enterprise sector. There is also often a broad range of cost benefit estimation which is justifiable in impact assessments. ITIC recommends that a bold initiative should be introduced. It is particularly attracted to the UK principle of “One in, One Out” (**Regulation, Less is more**, Better Regulation Task Force UK).

This proposal broadly operates on the principle that if “ministers want new laws.....they will have to repeal existing laws”, thereby enforcing a prioritisation approach. The process of repeal or reduction of the existing stock of regulations could include – removal of regulations, consolidation of several regulations and rationalisations.

ITIC recommends a “One in, One out” approach to regulation of the business sector.

The Small Business Forum recommended that existing regulations should be systematically reviewed over a seven year period with the aim of reducing the compliance burden. ITIC believes seven years is too long a time frame, and recommends that this process should be completed within four years. Each Department Agency and Regulations Body should;

- Identify the regulations impacting on businesses
- Identify in clear language the implications and requirements for business to be compliant
- Make this data readily available on a new business regulation information website.
- Review the scope for removal or consolidation of existing regulations.
- These outputs should then be reviewed by an overseeing regulation group such as the Business Regulation Forum

ITIC Recommends the establishment of a readily accessible electronic data base detailing all regulations.

ITIC endorses and supports the view of the Chambers of Commerce of Ireland that new regulations should come into effect on only two dates each year.

4. Specific Recommendations for the Tourism Industry

Some of the following recommendations apply to the overall business and the SME sector and may also have been made by other submissions. They are of particular concern to the tourism industry.

4.1. Taxation Compliance and Regulation

Turnover limit for Audit Requirements

ITIC recommends the turnover level at which audits are required be raised from €1.5M to the EU limit of €7.3M.

VAT Threshold

The VAT threshold should be raised to €70K on services. This is higher than recommended by the Small Business Forum and is recommended to allow for the likelihood of ongoing failure to index to inflation in the future. An alternative would be to raise it to €35K with a commitment to indexation.

Treatment of Credit Card Paid Tips

Revenue should not proceed with its plans to treat credit card paid tips as part of payroll with consequent PRSI and taxation implications. It should be treated as cash tips are treated as present.

Simplified tax administration of part-time staff such as guides.

The tourism industry makes extensive use of part-time and temporary staff. The income tax system for dealing with these should be simplified.

Cash basis for VAT accounting

Much of the tourism sector receives payment for services and forwards VAT due on this in the same period, some segments such as business tourism and tour operators receive payment with a significant time lag. Where turnover exceeds €635,000 remit of VAT is based on invoices raised even if payment arrives later. This affects cash flow of enterprises. Ideally VAT would be remitted only when received. At minimum, the limit should be raised to €1M

Online Tax Returns

ITIC agrees with the Small Business Forum that enterprises should be incentivised to use the online system. This could be by way of a months extension.

VAT on Business Hospitality

VAT on Business Hospitality expenditures should be allowed as a business input thereby assisting the development of business tourism.

Refund of Unused Road Tax in Car Rentals

Under current regulations car rental companies are not allowed a refund for unused car road tax if the car is taken out of use before expiry of the road tax. ITIC recommends unused road tax should be refunded.

4.2 Drivers Regulations and Coach Testing

New regulations on driver's hours and rest days are coming into operation - specifically the abolition of the 12 day derogation for coach tourism. This is an unnecessary piece of legislation that will not lead to enhanced road safety. **ITIC recommends the regulations should not be changed.**

Large Public Service Vehicles must undergo an annual DOE test. This applies to vehicles owned by the state sector and the private sector alike. The vehicle must be brought to an appointed Testing Centre and when the test is carried out, a blue certificate is issued by the testing centre.

The blue certificate must then be sent to the motor taxation office with a fee of €13.00 in order to have an orange certificate issued.

This is unnecessary duplication that results in additional administration and direct cost to the operator. **ITIC recommends a more streamlined approach.**

In addition to the DOE test, vehicles owned by the private sector must undergo a PSV Test, which is carried out by the Garda Siochana. This test applies to new vehicles and must be carried out before the vehicle is allowed into service. Different rules apply to the PSV test depending on what county the operator is based in. For example in some areas the operator must tax the vehicle privately before the PSV Inspector will examine it. The operator must then return to the motor taxation office and have road tax changed.

The PSV test is an unnecessary duplication of the DOE test and causes serious problems as an operator may have to wait up to 2 months to have the test carried out. The vehicle cannot be taxed for PSV use until a PSV certificate is issued.

It is also anti-competitive insofar as it does not apply to vehicles owned by the state transport sector. **ITIC recommends a rationalisation of the full certification of coaches.**

Each coach operator must hold a Community Licence in order to operate road transport services. Each vehicle must be added to the Community Licence and in order to have the vehicle added to the licence, a road disc, a PSV certificate and a DOE test Certificate must be sent to the Department of Transport, together with the original licence.

In reality this means that large operators who are changing vehicles regularly are hardly ever in possession of their Community Licence as it is continuously in transit between the operator and the Department of Transport.

There is unnecessary duplication involved in dealing separately with the Garda Siochana and the Department of Transport in relation to each vehicle. **ITIC recommends a more streamlined approach.**

4.3 Information Requirements from CSO and others

The information/survey demands of the CSO and other agencies should be reduced. Services inquiries, labour costs survey, ICT survey, tourism sector surveys. In effect tourism enterprise are expected to do the work of the CSO for free. Consideration should be given to allowing a tax credit for the cost of providing data. All forms and documents used in regulation should be simplified and make clearer.

4.4 Inspection Co-Ordination and Consistency

There is inconsistency between inspectors for the same activity/regulation and between regulations for different activities/ purposes. The tourism sector has examples where hotels which are built to the required building regulations then find that different health regulations override the building regulations. Interpretation of regulations varies between areas. There are cases where an enterprise has satisfied all previous inspector requirements but has a new inspector who requires additional changes. There should not be such a difference in required standards in such a short period. Fire, health and safety building and Failte Ireland regulations and standards all differ.

There should be consistency between regulations, and consideration should be given to having one overall, inspectorate instead of separate labour, health and safety, fire, and building and tourism inspectors.

4.5 Certification for Fire Safety

Fire Safety certification for fabrics, seating and bedding which are acceptable throughout the EU are not acceptable in Ireland, as the fire authorities insist on UK certificates. EU fire certificates should be acceptable.

4.6 Tax Clearance Certificates

State bodies will only accept originals of tax clearance certificates but Revenue is reluctant to issue more than one copy. Enterprises should be given a tax clearance number which can be rapidly verified by revenue instead of using the physical document.

4.7 HACCP rules and regulations

These are over complicated and in some instances not practical. There is too much paperwork and the required responsibility for suppliers is impractical. HACCP responsibility should be only for ones own operations. Suppliers should just confirm they are HACCP compliant. The regularity authority should police the compliance by suppliers.

4.8 On licence Alcohol Licensing

The process for renewal of licences should be simplified and moved from a court/legal basis to a more administrative basis. There is little point in returning the same documentation every year when there have been no changes.

4.9 Health & Safety

There should be an easing of the rigid reporting requirement for accidents that involve a few days off work. These tend to be minor events. There could be a secondary criterion such as hospitalisation put in place to obviate strict application.

4.10 Local Authority Regulatory System and Changes

The regulatory system for Local Authority/tourism industry interaction is in urgent need of reform. Local authority are monopolistic suppliers of services. There is no regulation of their activities and charges apart from their own internal controls. It would not be acceptable for private sector regional or county monopolies to operate without regulation.

In recent years local authority charges (commercial rates, service charges, development levies) have greatly increased. **ITIC recommends a regulatory system for local authorities similar to those operating for other monopolies whereby charge increases would have to be justified relative to cost and efficiency criteria.**

Pending the implementation of such a system ITIC proposes that no new charges should be imposed by local authorities and that existing charges should be held to increases of half the rate of inflation.

The tourism industry is concerned that local authorities can increase the regulatory burden without sufficient oversight. For example, there is the possibility that planning permission requirements may be brought in regarding signage for bed and breakfast establishments. In addition, there is the possibility of local authorities acquiring the power to licence bed and breakfast operations. Clare County Council is developing tourism facilities at the cliffs of Moher and the expectation is that coaches will be compelled to park at this facility at a monopoly determined charge set by the local authority. ITIC is opposed to these potential regulatory burdens.