

### **Submission to the Business Regulation Forum**

Chambers Ireland, representing over 13,000 businesses through 60 member chambers, on the island of Ireland, has an interest in ensuring the country remains competitive and that the conditions for continued economic development across the regions are fostered through innovative public policy.

The debate on regulation is often over characterised by crude over simplification. While Chambers Ireland accepts that some degree of regulation is not only acceptable but desirable, all regulation must be proportionate and manifestly justified. Furthermore, there is a need to make business regulation more SME-friendly.

During Ireland's recent presidency of the EU, efforts were made to reduce administrative burdens on businesses - SMEs in particular - and, reform of EU red tape is now firmly on the agenda - it was a primary focus of both the Dutch, Luxembourg and UK presidencies.

Ireland's recent wealth is a result of our being a competitive, flexible economy. The danger of over regulation is that it will reduce this advantage. It is in this context that Chambers Ireland puts forwards its proposal for reform of business regulation.

#### **Business Friendly Forms**

Businesses are in business to make a profit, their primary role is not to fill in forms. This fact should be recognised in all interactions between Official Ireland and the business community and should act as the starting point for the debate on reducing the red tape burden on businesses.

All forms should be client focused and be as simplified as possible. A review of all official forms for completion by business should be undertaken to ensure that they are jargon free and that plain English is used wherever possible.

State agencies that require business to fill in forms should operate training on how to complete the documents correctly. Chambers Ireland via the Chamber Business School is willing to act as a conduit and facilitator for this training. It is also important, particularly for smaller businesses, that they are made aware of why this information is required by the State agency and what use the data will be put to.

#### **A Risk-based Approach to Regulatory Enforcement**

Chambers Ireland believes that the Government and its agencies should pursue a risk based approach to Business regulation. In this type of approach, which has been supported by the Small Business Forum, regulation is applied proportionate to the risk, thereby minimising the compliance burden on businesses operating in low risk areas. This would mean that low-risk businesses would no longer need to over-invest simply to comply with regulations that are not relevant to their activities<sup>1</sup>.

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<sup>1</sup> Small Business Forum, "Small Business in Big Business", 2006

## **Develop and Sustain Indigenous and International Business in Ireland**

Chambers Ireland recommends a series of technical adjustments in the current tax system which we believe would greatly facilitate indigenous industry to realise the aspirations set out in the recent Enterprise Strategy report:

- In order to assist start-ups and foster the development of wealth-creating enterprises, Chambers Ireland recommends raising the ceiling of Business Expansion Schemes (BES) pertaining to small business from the current €1 million to €5 million. In addition, the amount per annum that a qualifying individual can claim from a BES should be raised from the current €31,750 to €50,000. (The cost of BES in 2002, was €20.7 million<sup>2</sup>. According to our estimates, expanding the BES scheme would cost an additional €20 million.)
- Increase VAT Registration thresholds to €80,000 for goods and €50,000 for services. This would cost approximately €108m and would require consultation with the EU. Being in the VAT net is a significant deterrent to individuals considering establishing micro-businesses. The thresholds noted above would take 15,567 businesses out of the VAT net and would further support the creation of an enterprise oriented society.
- Broaden scope for personal tax relief under sections 473a and 476 of the Tax Consolidated Act 1997 in respect of training and education and amend PAYE regulations to avoid any charge under benefit-in-kind rules for sponsorship of training courses and exam fees.
- Significantly raise the ceiling for the requirement for a company to have a statutory audit from the current limits of €1.5 million turnover & €1.9 million balance sheet total to at least €3.8 million turnover and €1.9 million balance sheet total.
- Allow companies that incur expenditure on the purchase of intellectual property (i.e. goodwill, patents, trademarks, registered designs, copyrights, commercial and industrial know-how) for use in their trading activity to claim these as a trading expense for tax purposes (this would represent a timing issue and should not have any impact on overall tax revenues).
- Increase the threshold for VAT on a cash receipts basis to €3m, to relieve pressure on working capital (this would have no impact on tax revenue).
- Enhance the Patent Royalty Exemption— Chambers Ireland supports efforts to create a seamless framework for managing intellectual property (IP) rights that will protect third-level and industrial partners while facilitating, rather than interfering with, the development and exploitation of IP in Ireland. Although recently introduced incentives designed to stimulate R&D have been positive developments. Anti tax-avoidance measures introduced in the 1990's have made this scheme too onerous and have made it difficult for bona fide companies to avail of the scheme. The low corporation tax rate limits the benefit available to companies for investing in R&D. This issue may be addressed through a simplified process for paying tax free dividends from Patent Royalty Income. This would enable individual company shareholders to benefit from the scheme. An additional possible benefit would be to encourage direct investment in Companies willing to invest in R&D in Ireland.
- R&D Tax Credit — This scheme, while a welcome addition, should be volume based, as in its current form it penalises those firms which began investing in R&D prior to 2003. The 5% limit on collaborative research with third level institutions should be raised in order to encourage greater SME investment in R&D through this mechanism. For example, €200 million per annum invested in this form of research collaboration would cost €25 million per annum to the exchequer—if the limit was raised from the current 5% to align it with the current corporation tax rate of 12.5%.

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<sup>2</sup> Taxation statistics published by Department of Finance, November 2004

### **Fixed Dates for the Introduction of Regulation**

The range and amount of new regulations emanating from government can be truly overwhelming for small businesses. Accordingly, Chambers Ireland suggests that all regulations can only come into effect on two fixed dates per year at which time small business can be prepared and sensitised to these changes. For example, Chambers Ireland believes that these dates should be on February 1st and August 1st each year. We note the Small Business Forum's acceptance of this recommendation<sup>3</sup>.

Chambers Ireland via our 60 affiliated chambers would be willing to act as a conduit to inform small business of the new regulations in advance of the implementation dates.

### **Legislate for a Consolidated Employment and Health and Safety Act**

Chambers Ireland believe that there is scope for consolidation of acts as per the Taxes Consolidation Act 1997 (TCA) which brought together Income, Capital Gains Tax, and Corporation Tax legislation into one piece of legislation.

The simplicity of having one act covering all aspects of tax law means that as new pieces of legislation are made each year, the relevant sections of TCA are updated accordingly. Rather than keeping tracking of several different laws, tax practitioners need concern themselves with only one piece of legislation.

Chambers Ireland believes that all business regulations should be examined to assess possible legislative areas where it would be possible to consolidate the relevant acts. For example, a consolidation approach could be applied to HR legislation.

There are currently twenty-five acts and eight bodies regulating the area of employment. Chambers Ireland proposes that all employment legislation, including health and safety legislation, be formulated into one single act. According to research commissioned by the Small Business Forum, Health and Safety and Employment legislation are among the biggest regulatory burdens for business.

A consolidated Employment Act would greatly reduce the difficulty businesses have in tracking and complying with changes in the legislations, particularly, when coupled with the introduction of two fixed dates by which amendments must be implemented.

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<sup>3</sup> Small Business Forum, "Small Business in Biog Business", 2006