Technology Ireland
Ibec

Making Ireland a global technology powerhouse

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Minister for Finance, Paschal Donohoe TD,
Department of Finance,
Government Buildings,
Upper Merrion Street,
Dublin 2,
DO2 R583

02 October 2020

Technology Ireland Budget Submission

Dear Minister,

Technology Ireland is an association within Ibec, which provides a powerful united voice for the digital and software technology sector. Technology Ireland is the largest and most influential business organisation representing Ireland's tech sector. With origins dating back to 1968, the association was formed in 2017 by the merger of ICT Ireland and the Irish Software Association.

Our membership is made up of the leading Irish-owned and FDI players in the Irish technology sector. Our network is structured around a series of core working groups, member forums and networking events, all of which are the primary enablers of our strategy.

The Ibec budget submission for budget 2021 represents the views of Technology Ireland and has the full support of our membership. Some points we would like to highlight on behalf of the Technology Sector are:

1. Recognise and support the Technology sector as a driving force for Ireland's recovery

COVID-19 has underlined Ireland's technology sector as a cornerstone of Ireland's economic and social infrastructure. Supporting the technology sector is key to successfully rebooting Ireland. It is not enough for the government to passively support the technology sector. It must also actively role model behavior that encourages best practice, particularly regarding digital transformation and procurement of cloud services.

- ***Invest in skills development***
  Support the priority areas identified in the 3rd ICT Skills Action Plan to increase the number of places available in higher education and to provide alternative pathways into the technology sector.
- ***Allocate €20m from the National Training Fund to launch a dedicated digital education innovation funding call***
  To enhance digital education capacity in the tertiary education sector. While COVID-19 prompted a rapid move to remote learning and working, the future of work and study will be increasingly digital long after the current disruptions.
- ***Develop a new approach to funding innovation capacity in higher education as a successor to PRTLI***
  This should amount to €300 million over a five-year funding round to support new investment in research and innovation infrastructure, technology, and human capital development.
- ***Act on the Cruinniú GovTech report findings for enhanced public services and growth***
  Lead and invest in online Government services and the digitalisation of public service delivery for organisations and citizens. Address any administrative barriers to procurement in digital services, including Cloud.

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2. Protect and develop Ireland's FDI growth model to attract and retain multinational technology companies

As well as access to talent and skills, Ireland's corporate tax regime has played a key part in attracting FDI. However, Ireland's FDI growth model is now in a position of great challenge. Dual threats to both our taxation model and our trade openness mean that we will have to work harder as a country to ensure we remain attractive for outside investment.

- ***Provide certainty to the regime and prepare for a world after international tax reform***
  In the new National Economic Development Plan the State must recommit to pursuing FDI opportunities for growth, the 12.5% corporate tax rate and the importance of the R&D tax credit. It must also prepare for the future of the model, by ringfencing any future overruns in CT revenues for spending on innovation, education, or capital projects alone.
- ***Make sure digital tax proposals continue to be progressed through the multilateral OECD framework***
  Despite recent political obstacles to progress at the OECD, a deal is very much still possible and any firm decision or clarity on this is unlikely until after the US election. Ireland must continue to support the multilateral framework and do what it can to avoid a growth of unilateral tax measures from individual countries

3. Back entrepreneurship and support innovation and R&D

Increasing the strength of Ireland's indigenous technology sector is important for the overall health of the ecosystem. We need a suite of measures, which would help improve the incentive to engage in R&D, invest in advanced technologies, and make it easier to hire and retain indigenous talent and attract international skills

- ***Send a signal of intent to serial entrepreneurs by radically improving the CGT entrepreneurs' relief***
  This can be achieved in a balanced way by increasing the lifetime limit on capital gains to €15 million and expanding the relief to passive investors in areas with high growth potential.
- ***Introduce tax measures to support business investment***
  For investments in the years between 2020, 2021, and 2022 - introduce full expensing for fixed investment for sectors worst impacted by COVID-19, and allow any investment losses under EIIS against CGT and increase the annual limit on investment to €2 million.
- ***Increase R&D grant rates to 50%***
  Ensure State agencies make full use of the new state-aid guidelines to fund up to 50% of Research and Development projects which support future business growth.
- ***Introduce a pro-forma R&D tax credit***
  In order to help smaller firms overcome administrative costs and engage with the credit. The existing limit should be in line with UK's R&D tax relief for SMEs with more generous tax treatment, reduced additional recordkeeping requirements, cash repayments upfront, and 'advanced assurance' for the first three times you claim it.
- ***Increase the Innovation Voucher value to €10,000***
  To encourage higher levels of research, development, and innovation activity within business, particularly to support initial SME engagement with the national innovation ecosystem.
- ***Renew the Knowledge Development Box legislation***
  The KDB has provided an important incentive for companies to undertake substantial R&D activities in Ireland. It should be put on a permanent legislative basis.
- ***Introduce accelerated capital allowances for a number of areas of advanced manufacturing***
  (including computerised/computer aided machinery and robotic machines). Ireland has the second lowest density of industrial robots in the EU15, despite them being strongly linked with increased productivity.

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4. Limit exposure to Brexit with regard to data transfers

A no deal Brexit that cuts off the free movement of data between the EU and the UK remains a huge threat to Ireland, which holds 30% of European data. The fallout from the recent Schrems II ruling, which raises the bar for SCCs (Standard Contractual Clauses), which are used by organisations transferring data to third countries, exacerbates this threat, which will impact all companies sharing data, not just the technology sector.

- ***Urgently seek agreement on data transfer and data adequacy with UK***
  Even if only a skeleton Brexit deal is agreed, it is vital that it includes agreement on data transfer and data adequacy.
- **Fund training and information campaign on SCCs**
  In the event of no deal, a portion of the €4 billion Brexit contingency funding should be set aside to inform and assist Irish technology and non-technology sector companies implementing SCCs for the first time. This is already needed anyway for companies transferring data to the US as a result of Schrems II ruling.
- ***Ensure DPC is adequately funded***
  A no deal Brexit, requiring the extensive use of SCCs, combined with the fallout from Schrems II will result in an inevitable extra workload for the DPC. It is vital that the DPC has the resources to carry out its work in a timely manner. This is a reputational issue for Ireland, given that we currently hold 30% of Europe’s data.

We welcome the opportunity to submit these points to Government and would be happy to expand on these positions in further discussions.

Yours sincerely,

Úna Fitzpatrick

Una Fitzpatrick
Director
Technology Ireland