Irish Tax Institute

July 2021

Pre-Budget 2022 Submission

About the Irish Tax Institute

The Irish Tax Institute is the leading representative and educational body for Ireland's Chartered Tax Advisers (CTA) and is the country's only professional body exclusively dedicated to tax.

The Chartered Tax Adviser (CTA) qualification is the gold standard in tax and the international mark of excellence in tax advice. We benchmark our education programme against the very best in the world. The continued development of our syllabus, delivery model and assessment methods ensure that our CTAs have the skills and knowledge they need to meet the ever-changing needs of their workplaces.

Our membership of over 5,000 is part of the international CTA network which has more than 30,000 members. It includes the Chartered Institute of Taxation UK, the Tax Institute of Australia, and the Taxation Institute of Hong Kong. The Institute is also a member of the CFE Tax Advisers Europe (CFE), the European umbrella body for tax professionals.

Our members provide tax services and business expertise to thousands of Irish-owned and multinational businesses as well as to individuals in Ireland and internationally. Many also hold senior roles in professional service firms, global companies, Government, Revenue, state bodies and in the European Commission.

The Institute is, first and foremost, an educational body but since its foundation in 1967, it has played an active role in the development of tax administration and tax policy in Ireland. We are deeply committed to playing our part in building an efficient and innovative tax system that serves a successful economy and a fair society. We are also committed to the future of the tax profession, our members, and our role in serving the best interests of Ireland's taxpayers in a new international world order.

Irish Tax Institute - Leading through tax education

Introduction

As we begin to emerge from the shadow of the pandemic, the complexities of our economic prospects are becoming clearer. Growth forecasts for 2021 range from 7.2% from the European Commission[1] to 11% from the ESRI.[2] In its Summer Economic Statement[3], the Government acknowledged the increasingly positive economic indicators and raised its GDP forecast to 8.75%, which it attributed to the robust growth in exports from a small number of multinationals. Although it expressed optimism about the prospects for a rebound in domestic demand, it cautioned that this was contingent on the economic impact of the delta variant.

Despite the growing consensus that the recovery will gain momentum in the second half of the year, recent forecasts are less sanguine about employment growth. The most pessimistic forecast comes from the OECD which predicts that it will be 2024 before Ireland returns to pre-Covid levels of employment[4] with young and lower skilled workers expected to be the worst affected.

The Government has said that its overarching concern in the coming years will be to retrain and activate workers who have lost jobs in sectors most damaged by the pandemic. It admits that the "re-absorption of the unemployed and discouraged workers back into the workforce" may not be straightforward.[5]

This is the complicated economic landscape formed by the pandemic.

Our multinational sector has continued to grow as demand for ICT and pharma soared globally, yielding record corporation tax receipts to the Exchequer and protecting the earnings of their workers - indeed, some have had pay increases. Those working in other sectors, such as finance and public administration have enjoyed similar protections.

Meanwhile, our indigenous SMEs and sole traders have borne the brunt of one of the world's most severe regimes of public health restrictions. Rolling lockdowns over the last 15 months have wreaked havoc in the hospitality, leisure, and retail sectors, and on the livelihoods of those who work in them.

But for the Government's early and decisive interventions, these businesses would not have survived. To date, over €15 billion[6] has been spent on the three main support schemes: the Pandemic Unemployment Payment, the Wage Subsidy Schemes and the Covid Restrictions Support Scheme.

Other innovative measures, such as tax debt warehousing, reduced interest rates on overdue taxes and accelerated loss relief have played a crucial role in keeping cashflow in businesses. Many have adapted as the pandemic endured, finding new ways of serving their customers. Others, especially bars, restaurants, and entertainment venues have remained shuttered. All of them have been kept afloat by Government supports and for the worst affected, these supports will remain critical as they reopen and rebuild.

The Institute welcomes the Government's commitment in its Summer Economic Statement to continue its support of businesses worst impacted by the pandemic as they get back on their feet. We also welcome the decision to set aside a contingency fund of €2.8 billion for income and business supports in Budget 2022 given the unpredictable and dynamic nature of the virus.

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[1] European Commission, Summer 2021 Economic forecast for Ireland, July 2021.
[2] Economic & Social Research Institute, Quarterly Economic Commentary Summer 2021, June 2021.
[3] Summer Economic Statement, July 2021.
[4] OECD Employment Outlook July 2021.
[5] Summer Economic Statement, July 2021, page 9.
[6] To date, over €8 billion on the Pandemic Unemployment Payment, over €6.5 billion on the Employment Wage Subsidy Scheme and its precursor, the Temporary Wage Subsidy Scheme and approximately €650 million on the Covid Restrictions Support Scheme, Opening Statement of the Minister for Finance, Paschal Donohoe T.D. to Committee on Budgetary Oversight, 15 July 2021.

And this is the nub of the difficulty the Government faces as it drafts Budget 2022. It must continue to support businesses with good prospects that have been hobbled by restrictions; steadily withdraw supports from better performing sectors; while planning for the reality that businesses will fail in sectors transformed by the pandemic and workers will have to be retrained.

Meanwhile, the imperative of stabilising our public debt has not gone away. The Government is now predicting a deficit of €20.3 billion for this year, €2.2 billion more than had been indicated in the Stability Programme Update published in April.

On the plus side, continuing resilience in tax receipts has led to an upward revision of €1.6 billion for tax revenues this year after allowing for additional tax warehousing. The projection for tax returns this year is €61.9 billion, an increase of 8.4% on last year. The remarkable performance of Exchequer returns throughout the pandemic has been a beacon of hope in the fiscal landscape.

The Government's aim is to return the public finances to a sustainable level that saves Ireland from the fate of fiscal outlier. To achieve this, it is adopting a medium-term budgetary strategy to stabilise and even reduce slightly, the debt-to-income ratio over the coming years by setting expenditure ceilings for future budgets that will bring the headline deficit in line with comparable European countries by 2025.

This strategy allows for deficits significantly larger than those outlined in the spring and reflect the Government's commitments on housing and other critical infrastructure. The Government says the strategy also takes into account longer term challenges such as the cost of providing for our ageing population, better healthcare, a just transition to carbon neutrality, and the detrimental impact of international tax changes to our corporation tax receipts.

These challenges are not new but the increasingly insistent message from Government is that we must start preparing to tackle them now. In this context, the recently established Commission on Taxation and Welfare is frequently invoked. Its task is to consider how best the taxation and welfare systems can support economic activity and promote increased employment and prosperity, while ensuring the availability of sufficient resources to meet the costs of the public services and supports in the medium and longer term.

The Irish Tax Institute welcomes the establishment of the Commission and looks forward to engaging with it on the future direction of tax policy and administration. Our focus in this submission is on the immediate and short-term tax measures we believe the Government should consider for Budget 2022.

Since the onset of the Covid-19 pandemic, the Institute and its members have worked closely with the Department of Finance and with Revenue to ensure the effective operation on the ground of the measures introduced by Government. Working closely with businesses at the cutting edge of the public health restrictions, our members have valuable insights into what is needed to get them back on their feet to pre-pandemic trading levels. In the following pages, we set out recommendations, based on their feedback, for the modification and extension of existing supports as well as some further measures which we believe should be considered for Budget 2022.

A recent paper,[7] published by the ESRI on options for Budget 2022, suggested that increases in taxes on income, consumption and property may be needed to fund future public spending. But the paper also recommended such increases should be avoided until the economy has recovered.

The Government has expended an extraordinary amount of Exchequer funds in keeping businesses alive during the pandemic. It should now secure that investment by giving them a chance to return to growth and create secure jobs for their workers.

[7] Economic & Social Research Institute, Budget Perspectives 2022 - Paper 1, Options for Raising Tax Revenue in Ireland, Theano Kakoulidou and Barra Roantree, May 2021.

Supporting Jobs

The Wage Subsidy Schemes have been critical for businesses all over the country throughout the pandemic. As public health restrictions closed or severely limited the capacity of businesses to trade, the subsidies enabled them to maintain the link with their staff. The announcement in the Government's Economic Recovery Plan[8] of the extension of the Employment Wage Subsidy Scheme (EWSS) until the end of the year provided much needed certainty for these businesses and their employees.

There are some other specific measures the Institute believes the Government should consider to protect jobs as businesses reopen.

Temporary extension of 0.5% Employer PRSI rate following withdrawal of EWSS

As the public health restrictions ease and businesses resume trading, they will, in time, fall outside of the criteria[9] to qualify for wage supports, though they may still be suffering from the fall out of the pandemic restrictions on trade.

One way of helping these businesses is to retain the 0.5% reduced rate of Employer's PRSI, which was a critical feature of the EWSS. Continuing this reduced rate for employees of affected businesses for six months after employers cease to meet the qualifying criteria, or from 31 December 2021 would help them to transition from relying on the State to meet their wage bills, back to full viability.

Treatment of employer payments of employees' TWSS tax liabilities

The Temporary Wage Subsidy Scheme (TWSS), which preceded the EWSS, was designed at speed as an emergency measure in the very early stages of the pandemic. The subsidy was paid net of income tax and USC to eligible employees, resulting in underpayments of tax for some individuals in respect of 2020.

In January 2021, Revenue provided a Preliminary End of Year Statement for 2020 for each employee to help them calculate the amount of income tax and USC due. Affected individuals could choose to pay any underpayment through myAccount. To minimise any hardship, Revenue announced it would collect the full or any remaining liability, interest free, by reducing individuals' tax credits over four years, starting in 2022.

Revenue also confirmed it would facilitate employers who wanted to pay the 2020 income tax and USC liabilities of impacted employees, without the application of Benefit-in-Kind (BIK) provisions. However, it ruled out the possibility of employers claiming a deduction for these payments as a qualifying trading expense because, according to Revenue, the relevant legislation specifically denies a deduction in respect of any taxes on income. But the Institute believes this provision refers to the income tax of the taxpayer, which in this case would be the employer and not the income tax of the employee. Therefore, in our view, a denial is not justified in these circumstances.

Despite the year of appalling trading conditions endured by many of these employers, they are willing to pay the 2020 TWSS income tax and USC liabilities of their employees. In recognition of

[8] Economic Recovery Plan 2021.

[9] Reduction in turnover or customer orders of 30%.

their goodwill in this regard, we would recommend that a deduction for employer payments of their employees' TWSS tax liabilities be regarded as an expense wholly and exclusively incurred for the purposes of the trade.[10]

Credit for warehoused PAYE withheld from the remuneration of an individual within the remit of section 997A TCA 1997

Certain directors and employees working in family businesses face the prospect of having their income eroded because of the interaction between the Debt Warehousing Scheme[11] and the application of the anti-avoidance provision, section 997A Taxes Consolidation Act (TCA) 1997.[12] Their difficulty is that they cannot claim a credit for PAYE deducted from their pay during 2020, which has been warehoused by their employer, when they calculate their income tax liability and file their income tax return for 2020. This is because section 997A only allows a credit for PAYE that has been fully paid to Revenue.

This means that this cohort of employees and directors will be taxed on their gross pay when they submit their tax returns this autumn even though they have only received income net of the PAYE deducted at source, which has been warehoused by their employer. Some of these individuals will be able to warehouse their income tax liability for 2020 and preliminary tax for 2021, however, this option is only available if they meet specific conditions.[13] The income tax debt warehousing scheme does not automatically apply to individuals within the scope of section 997A.

Those directors or employees who do not meet the specific conditions will be assessable to tax on money that they have not received as a direct result of their employer's need to warehouse tax debt to enable the business to survive the pandemic.

Even if a company wants to assist an employee or director in these difficult circumstances and has some financial capacity now to reduce the PAYE due, they are not permitted to specify how payments made in settlement of PAYE are allocated, as the legislation explicitly sets out the order in which PAYE remitted to Revenue will be allocated.

We do not believe section 997A was intended to operate in such a punitive manner for the unique situation we now face and arising from circumstances entirely outside the control of those affected by the legislation. In fact, some of these individuals may not even be aware that their employer warehoused the PAYE deducted from their pay.

We believe an urgent review of the provisions of section 997A TCA 1997 is required to address this anomaly, which could not have been foreseen when the section was originally enacted.

Keeping Cashflow in Businesses

The Debt Warehousing Scheme introduced in May 2020 has been crucial in keeping cashflow in businesses forced to close or trade in very curtailed circumstances during the pandemic. As the pandemic worsened, the scheme was extended to cover income tax as well as VAT and PAYE debt and more recently, overpayments of the Employment Wage Subsidy Scheme.

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[10] Under section 81(2)(a) Taxes Consolidation Act 1997.
[11] Financial Provisions (Covid-19) (No. 2) Act 2020.
[12] Section 997A - Credit in respect of tax deducted from emoluments of certain directors.
[13] To qualify for income tax debt warehousing, an individual's total income for 2020 or 2021 must be at least 25% lower compared to their total income for 2019.

The announcement on 1 June that tax debt can continue to be warehoused until the end of 2021 with an interest free year during 2022 is a great relief to businesses whose owners can now concentrate their energies and resources on reopening after a very challenging trading period.

However, our members are concerned about the difficulties facing small business owners saddled with corporation tax liabilities from 2019 and Q1 2020 after a year of rolling lockdowns. They believe the rules of the Debt Warehousing Scheme should be changed to provide a solution for this group of taxpayers who were profitable before the pandemic and should be given a chance to return to growth as the economy reopens.

Include corporation tax balances due in 2020 in the Debt Warehousing Scheme

Balancing payments of corporation tax due in respect of accounting periods ending in 2019 and the first three months of 2020 crystallised during 2020. For many companies, this corporation tax liability was addressed through the availability of accelerated loss relief provisions introduced as part of the July Jobs Stimulus 2020.[14]

However, for struggling businesses that managed to break even and did not incur an overall tax loss in 2020, the option to make a claim to carry-back trading losses against the taxable profits of the preceding year (i.e., 2019), was not available. Many of these businesses have been badly impacted by the public health restrictions and do not have the necessary cashflow to discharge this corporation tax liability. Any available funds were used to keep the business going in 2020 and as corporation tax does not qualify for the Debt Warehousing Scheme, interest is accruing at an annualised rate of 8% on these unpaid balances.

Given the severe impact the Government Covid-19 restrictions continued to have on businesses in the first half of this year, we believe corporation tax that was due for payment in 2020 and, indeed the first quarter of 2021, should be included in the Debt Warehousing Scheme so that affected businesses can avail of the reduced 3% interest rate that applies under this scheme to other tax heads such as income tax, VAT and payroll taxes.

Reduced statutory interest rate of 3% on overdue taxes

Since the start of the Covid-19 pandemic, the Department of Finance and Revenue have both recognised the difficulties faced by taxpayers in meeting their tax payment obligations. The prompt introduction of the Debt Warehousing Scheme was a bold and imaginative response.

However, as Revenue enforcement gradually resumes, it is timely to consider the fairness of the higher interest rates imposed on the late payment and non-payment of tax liabilities. In general, interest is charged on the late payment of tax in Ireland at annualised interest rates of 8% and 10%,[15] far in excess of the Irish mean interest rate, which was 3.1% in September 2019.

We strongly urge that the rates of statutory interest on underpaid tax be reviewed and more closely aligned with the cost of borrowing. In the UK, the interest rate for late payment of tax is 2.6%,[16] tracked at 2.5% above the current Bank of England base rate. The current European Central Bank (ECB) rates are minus 0.50% for deposits and 0.25% for marginal lending. In the last ten years the highest

[14] July Jobs Stimulus 2020 provided for accelerated loss relief which could be claimed by previously profitable companies that incurred trading losses in accounting periods affected by the Covid-19 pandemic.

[15] An 8% rate of interest applies to non-fiduciary taxes (e.g. income tax, corporation tax, capital gains tax etc). A 10% rate of interest applies to fiduciary taxes (e.g. VAT and PAYE).

[16] From 7 April 2020.

ECB deposit rate was 0.75% (in 2011) and the highest lending rate was 2.25% (again, in 2011). Clearly, statutory interest rates of between 8% and 10% per annum cannot be justified by reference to the time value of money.

We firmly believe that the reduced 3% rate that will be imposed in Period 3[17] of the Debt Warehousing Scheme represents a fair and reasonable rate of interest which should apply to all underpayments of tax. This rate recompenses the Exchequer and acts as a disincentive to late payment and it could be tracked to prevailing ECB market rates, to ensure it reflects the actual cost to the Exchequer.

It is noteworthy that in a recent case in Germany, the Supreme Tax Court suspended the effect of Germany's annual statutory rate of interest of 6% on late payment of taxes, which had been in force for some 50 years, on constitutional grounds, on the basis that it was, in effect, disproportionate, given the long-established prevailing low rate of interest.[18]

Restore interest payable on tax refunded to a taxpayer following a successful appeal

Section 960GA TCA 1997, which was introduced by Finance Act 2020, provides that where a taxpayer appeals an assessment issued by Revenue and discharges the disputed tax liability but subsequently wins the appeal, no interest shall be paid on the tax refunded. This treatment discriminates against a taxpayer who has taken the precaution of paying the tax liability pending appeal but is no longer entitled to interest when successful at appeal, notwithstanding the time value of the funds provided to the State which are ultimately not due.

In contrast, if tax is found to have been underpaid, the taxpayer is charged interest at annualised rates of 8% or 10% per annum from the date the tax liability falls due. Institute members who are very experienced in dealing with tax appeals have estimated that the average waiting time from filing a Notice of Appeal to the appeal hearing can be up to three years. This means an appellant may have to pay an additional 24%/30% of their tax liability in interest which is accruing during the waiting period.

The rationale for denying interest in appeal cases is unclear. As it is, interest at a reduced annualised rate of 4% arises on a repayment of tax only in circumstances where the overpayment is as a result of a "mistaken assumption made by the Revenue Commissioners in the application of any provision of the Acts".[19]

Indeed, before the introduction of section 960GA, it was quite common for no interest to be paid on repayments of tax arising on foot of statutory appeals, on the basis that the dispute centred on the facts of a case rather than the law.

We believe that section 960GA is unfair and has tipped the balance in the appeals process to the detriment of the taxpayer. If a taxpayer disputes an assessment, they must pay the tax liability in full or face a potential interest liability at a rate of 8% or 10% per annum while their appeal is pending. Meanwhile, there is no obligation on Revenue to pay interest in the event of a successful appeal by the taxpayer.

[17] Period 3 ("the reduced interest phase") of the Debt Warehousing Scheme will run from 1 January 2023 until the relevant tax is repaid to Revenue. During Period 3, interest will be charged at 3% per annum on warehoused relevant tax from Period 1.

[18] Supreme Tax Court, resolution IX B 21/18 of 25 April 2018, published on 14 May 2018.

[19] Section 865A Taxes Consolidation Act 1997.

Accelerated loss relief for Covid-19 impacted businesses

In July 2020, the Government introduced accelerated loss relief provisions for companies and the self-employed affected by the Covid-19 pandemic and related public health restrictions. These enabled an accelerated repayment of corporation tax for companies that incurred or expected to incur a trading loss during the period from 1 March 2020 to 31 December 2020 and, a new once-off income tax relief measure for self-employed individuals who were profitable in 2019 but, as a result of the Covid-19 pandemic, incurred losses in 2020.

These temporary accelerated reliefs have been a lifeline for many businesses and self-employed individuals throughout the pandemic. But returning to pre-pandemic levels of trading will be an uphill battle for many and they are likely to incur significant losses in 2021. The public health restrictions in Ireland in the first half of 2021 were among the most stringent in the European Union. Indeed, throughout the pandemic Ireland has had the third most stringent public health measures in a group of 42 countries whose restrictions were compared.[20] Given the impact of these restrictions on cashflow, it is understandable that many of these businesses and self-employed individuals will continue to need measures to alleviate taxes as they get back on their feet.

We recommend that the temporary accelerated loss reliefs for corporation tax and income tax relief for self-employed individuals carrying on a trade or profession be extended for a further year. The legislation is already in place and the reliefs are currently being operated by Revenue. Extending the accelerated loss relief measures would improve cashflows for companies and business owners as they try to navigate their business back to profitability.

Supporting Innovation and the New Way of Working Post-Pandemic

While the pandemic has taken its toll on our domestic business sector, many individual businesses have responded to their straitened trading circumstances with considerable ingenuity and innovation. Pivoting and diversifying to meet the needs of their customers, they have found new ways of reaching them while at the same time fulfilling the public health requirements to work remotely and safely.

Some changes born out of the pandemic are worth preserving and our tax system should be used to incentivise these and future innovative adjustments. The Commission on Taxation and Welfare might be the appropriate forum to consider in detail how best to design such incentives. In the meantime, we have recommended the use of some existing incentives to help companies improve their products and services as well as the working environment for their employees.

Accelerated capital allowances to facilitate remote working and encourage investment

The pandemic has provided the world with an extraordinary testing ground for remote working and learning. From the time of the first outbreak, countries across the globe imposed restrictions on the

[20] UCD Covid Compared dashboard (UCD CoCo) - Displaying Restrictions across the Globe, Stephan Köppe, UCD School of Social Policy, Social Work and Social Justice and Robert Cazaciuc, UCD College of Social Sciences and Law.

movement of people and with remarkable speed, businesses set about the task of operating remotely. While the experience undoubtedly varied at individual and business level, the pandemic proved that it could be done.

Predictions about the long-term impact of this experiment on the future of work vary widely and individual businesses seem to be feeling their way as they scope out a new normal.

But a consensus appears to be emerging around a flexible or hybrid approach where employers will accommodate remote working for their employees either fully or on a blended basis.

In April, the Tánaiste and Minister for Enterprise, Trade and Employment, Leo Varadkar T.D., launched a public consultation[21] to inform new legislation for the right to request remote work, which is a key action under the National Remote Working Strategy,[22] initiated in January. The proposed legislation aims to set out how such requests should be facilitated as far as possible and responses to this consultation are currently being reviewed.

Whatever the lasting impact on the future of work, it is fair to say that the traditional workplace has been irrevocably altered because of the mass movement to remote working during the pandemic but it must be equally acknowledged that not all employees have access to a workspace at home which meets their needs from a technological or from a health and safety perspective.

Encouraging employers to invest in the appropriate office furniture and technical equipment for remote workers would undoubtedly increase productivity and ensure they comply with the health and safety standards required in any working environment. We recommend allowing 100% accelerated capital allowances for capital expenditure incurred on equipment to facilitate employees working from home.

We also recommend allowing 100% accelerated capital allowances for businesses that may need to make physical changes to their workplaces to meet the requirements for the containment of Covid-19 and any future potential pandemic as employees gear up to return to workplaces from September.

In addition, we recommend allowing 100% accelerated capital allowances on capital expenditure incurred in 2021 and 2022 to encourage SMEs to invest in plant and equipment to improve productivity and stimulate spending in the economy. Encouraging firms to invest in Industry 4.0 capabilities would be in line with the Government's strategy to support the digital transformation of the manufacturing sector and its supply chain.[23]

Building Resilience, Productivity, and Innovation in our Indigenous SMEs

The pandemic has demonstrated the powerful role of multinational companies in our economy. Their resilience in terms of exports and business continuity throughout the public health crisis has been of enormous benefit to our headline economic performance and in no small way contributed to the robustness of our Exchequer receipts over the months of lockdown.

While we should certainly be concerned about the sustainability of our "two tier economy", we should not take for granted the substance and productive depth that the multinational sector lends to our economy.

[21] The Department of Enterprise, Trade and Employment: public consultation on the introduction of a statutory right to request remote work, April 2021.

[22] The Department of Enterprise, Trade and Employment: Making Remote Work: National Remote Work Strategy, January 2021.

[23] Strategic Action 9 of Ireland's Industry 4. Strategy 2020–2025.

The Institute understands and accepts the cautious approach adopted by the Minister for Finance in reserving Ireland's position on the OECD global tax reform agreement. However, change is afoot: the loss of an estimated €2 billion in corporation tax receipts over the short to medium term has already been accepted but the impact of any global minimum tax rate on our economy is not yet clear.[24]

What is abundantly clear is the need finally to move from reports to a relentless focus on building productivity, innovation, management capacity and export activity in our SME sector. An ambitious programme has been set out in the Programme for Government and more recently in the National Economic Recovery Plan. We must all focus on delivery.

Just as tax has played an effective and legitimate role (ardently defended by Government in the current OECD negotiations) in attracting foreign direct investment – it can also be deployed to considerable effect to help build a high performing SME sector.

We have included detailed recommendations in our Pre-Finance Bill 2021 Submission[25] for changes and enhancements to existing tax relief schemes, including:

- The Employment Investment Incentive Scheme (EIIS),
- The Start-Up Relief for Entrepreneurs (SURE),
- The Key Employee Engagement Programme (KEEP), and
- The R&D Tax Credit.

We have also submitted our critique of the EIIS to the public consultation undertaken by the Department of Finance earlier in the year.[26]

With some changes to their rules and operation, all these schemes could be of significant benefit to SMEs and Start-Ups. But ultimately, we need to consider our capital gains tax (CGT) rate. The Institute very much hopes that the Commission on Taxation and Welfare, whose remit includes supporting economic activity, will give this important business tax its full and expert attention over the coming year.

Conclusion

The capacity of the coronavirus to mutate continues to cause uncertainty even as vaccination progresses here at home and internationally. But the indications are that the economic impact will be to delay rather than change the projections for a recovery.[27]

The Institute agrees with the Taoiseach that the pandemic has been a watershed experience for our economy and our society.[28] It laid bare the weaknesses in our economy and health system while provoking, particularly from our small businesses, an enterprising agility and capacity to innovate in the most hostile conditions. These qualities need to be nurtured and developed so that we can correct our weaknesses and build a sustainable and resilient economy as we tackle the challenge of decarbonisation.

[24] Summer Economic Statement, July 2021, page 29.
[25] Irish Tax Institute Pre-Finance Bill 2021 Submission, 1 July 2021.
[26] Irish Tax Institute – Employment Investment Incentive - Response to the Public Consultation, February 2021.
[27] Interview with Central Bank of Ireland Governor, Gabriel Makhlouf, The Irish Times, 9 July 2021.
[28] Speech by An Taoiseach Micheál Martin T.D. on the National Economic Dialogue, 28 June 2021.