

Let's not Waste an  
**Opportunity**

**Priorities for the Programme for the new Government and Oireachtas –  
Excellent, Immediately Implementable Proposals from the  
Family Business Network**



How the new Government can keep and grow the 720,000 Jobs in Family-run businesses in every Constituency throughout Ireland –

1. Make the Family-run business sector a full specific Working Partner in the National Recovery Strategy.
2. Fix just 4 issues that stop family-run businesses from creating more Jobs, nationwide.
3. Appoint a Minister for Family Business to bind a 5-year Job-growing Partnership with the State.

How the 190,000 Irish family-run businesses can help the new Government –

1. Family-run businesses hire local, buy local, support local and vote local.
2. Families don't cut and run when the going gets tough.
3. Families will rebuild Ireland.

Family Business Network Ireland

April 2020

## Foreword

### **Enabling family-run employers will secure and grow more jobs faster, now.**

The new Government of Ireland will take office in the middle of the toughest challenge the country and its people have faced since independence. Second only to saving lives at this time, saving Jobs is fundamental to preserving and strengthening the very fabric of our Nation.



Family businesses are the unrecognised enablers of Ireland's ability to deliver prosperity for all its citizens. Investing locally through bad times and good, employing more than three times as many workers as foreign-owned firms and delivering billions in taxes, the family firms of Ireland span every sector and every Constituency. From food and agribusiness through hospitality to manufacturing and services and whether provincial, rural or urban, more people in Ireland earn their living from family-run enterprises than from the international or state sectors.

Traditionally quiet, they are wide awake, vocal and ready to play their highly positive part in bringing Ireland and our people out of darkness into the brighter prospect of resumed growth, prosperity, stability and wellbeing for all.

Family businesses will be a key delivery partner for the new Government's recovery strategy and only 4 steps are needed to make it work –

1. Surviving COVID-19 together
2. Building the Recovery together
3. Enabling Family Businesses to Power Growth through the Generations
4. Keeping Family Businesses Open for Business and Jobs

This short set of just 4 excellent, readily-implementable proposals for the new Government and Oireachtas will truly leverage the power of Family-run businesses to rebuild Ireland. The following pages detail exactly how.

### **John McGrane**

Executive Director

The Family Business Network

3 April 2020

## **Priorities for the Programme for the new Government and Oireachtas – Excellent, Immediately Implementable Proposals from the Family Business Network**

### **1. Surviving COVID-19 Together**

The outbreak of the Covid-19 (Coronavirus) has had an immediate and swift impact on all aspects of Irish society. The Irish people and Irish businesses have responded with decisive action from social distancing to the closure of premises throughout the country. Family businesses throughout Ireland have prioritised the health and wellbeing of the public and their staff above all other considerations in their response. However, the drastic action taken to protect the public's health will have long lasting implications for the Irish economy, with some reports estimating that the economy may contract by anywhere between 7% and 15% of GDP, with job losses ranging from 300,000 to potentially over 400,000.

The Family Business Network acknowledges the ongoing work of the Irish government in responding to this unprecedented crisis. We have highlighted to our members the supports that have been put in place and we will continue to update them as circumstances evolve. Irish family businesses are not only at the heart of our communities, they are at the frontline of this crisis from hospitality, tourism and leisure to the agri-food sector and retail. Given that family businesses provide half of Ireland's jobs (employing a massive 720,000 workers across every Constituency in the country) and they contribute over 50% of Ireland's GDP, protecting and harnessing the drive of these businesses will be absolutely essential to delivery of any economic recovery.

It is within this context that the Family Business Network makes the following package of recommendations for the Programme for Government:

## RECOVERY NEEDS GRANTS AND CASH, NOT LOANS AND DEBT - firms that survive the crisis risk being killed by deferred debts

- i. **Introduce an ‘Adaptability Grant’ for Businesses immediately:** Irish family-run businesses are innovative and robust by their nature and, where they can quickly adapt to changing circumstances, they will. The Family Business Network acknowledges the introduction of the Government’s ‘Business Continuity Voucher’ but it is limited in its scope to “contingency planning advice” rather than a grant necessary to implement change to an existing business model.

The new Government should immediately introduce an ‘Adaptability Grant’ for businesses that are adapting the nature of their business model for the duration of the crisis or to sustain them in its aftermath. As an example, a grant can help cafes and restaurants move to a delivery service or move some businesses to an online delivery platform, or it could be used to upskill/retrain existing employees.

**Offering remedial support by grants rather than loans is key to rapid recovery, taking debt centrally or at EU level rather than saddling it onto the backs of the very businesses who can power up Jobs quickly.**

- ii. **Taper the wind-down of the ‘Temporary COVID-19 Wage Subsidy Scheme’:**

The introduction of the Wage Subsidy Scheme has allowed thousands of employers to keep tens of thousands of employees on their books who otherwise would have been laid off or made redundant.

Family businesses are committed to their employees and, when they can retain their workforce they will make every effort to do so. It is therefore essential that when the immediate health crisis ends, the Government does not summarily withdraw the Temporary Wage Subsidy Scheme but instead gradually tapers-down this enabling scheme until the economy stabilises.

iii. **Establish a National Recovery Forum:**

The COVID-19 outbreak will have long lasting implications for our economy and society for years to come. All stakeholders will need to come together to play a proactive role in formulating a national plan for recovery, together. To give the national leadership that this will require, the Family Business Network recommends that the Programme for Government commits to establishing **a National Recovery Forum** now, to be fully in position and ready to be fully effective ahead of conclusion of the current pandemic. This Forum, comprising key societal stakeholders including the Family-run business sector, should evaluate all aspects of the Irish economy from our social contract and taxation to insurance costs and capital expenditures, and should work together with the new government to consider, decide and implement (with the respective roles of the private and public sectors clearly working productively together) a compelling unified strategy for rapid comprehensive recovery and success in every respect.

iv. **Reinstate the Reduced Lower Rate of Employer PRSI:**

Given the unprecedented challenge facing family businesses and SMEs throughout the country, sustaining jobs must be the new Government's priority once this crisis has ended. As part of the post-Financial Crisis 2011 Jobs Initiative, the then Government temporarily reduced the lower rate of employer PRSI to 4.25% to incentivise recruitment of new employees. The Family Business Network urges that the new Programme for Government commits to reducing the lower rate of employer PRSI as an immediate proven strong job creation incentive.

v. **Maintain Capital Expenditure:**

During the last recession, the first expenditure to be cut was capital expenditure. However, these cuts left Ireland with a long-lasting infrastructural deficit - in the long run this will jeopardise the Irish economic recovery. The new Programme for Government should ensure that the mistakes of the past are not repeated and at least **maintain current capital expenditure**.

vi. **Reduce the VAT Rate for the Hospitality and Tourism Sector:**

The tourism and hospitality sectors has been decimated by the Covid-19 outbreak. This was a sector that was enjoying record growth a few short weeks ago and , more than other sectors, delivered benefits for every part of our island. The foundations of this sector are solid and therefore once normality resumes it has the potential to rebound quickly if the correct measures are taken to support these job-intensive sectors. The Programme for Government must include a stimulus for this sector including but not limited to a reduction to the applicable VAT rate.

## 2. Building the Recovery together

As every elected representative knows, far fewer of them can look out their back window and see and FDI employer whereas all of them can look out and see a family-run business, some of them there for generations.

Ireland's Foreign Direct Investment (FDI) strategy has been one of the great success stories for the Irish economy over the last six decades. However, Irish family businesses employ substantially more workers than their FDI counterparts, in substantially more Constituencies throughout the country, and they are far more responsive to changes in the macro-economic conditions of the country – incentives for employment have more net economic effect in family-owned businesses than incentives in taxation do among foreign investor firms. There are over 190,000 family businesses in Ireland, which equates to 75% of the total number of Irish indigenous businesses. These businesses employ over 720,000 people, they contribute over 50% to Ireland's GDP and they provide billions of euro per annum to their Local Authorities and to the central exchequer in rates and in tax revenues every week of every year.

In addition, Irish family businesses deliver, time and time again, on a moral commitment to contribute to their surrounding local communities (much to the gain and stability of local politics). According to the most recent Family Business Network Membership Survey (immediately prior to the Covid-19 outbreak), over 80% of Irish family businesses planned to grow aggressively/steadily within the next 24 months. Measures typically suggested by our Members to incentivise growth for family businesses include:

*“Increase the Lifetime  
Capital Gains Tax Relief”*

*“Improve the Tax Regime for employers”*

*“Increase Retirement Relief”*

*“Introduce a National Strategy for Family  
Businesses”*

*“Reduce Taxes on  
Employment”*

*“Reform Inheritance Tax”*

- i. **Tax Reform:** Irish family businesses are the backbone of the Irish economy. They are also fundamentally and enormously committed to Ireland as a whole as well as to their surrounding communities. **Family businesses can drive, and will actually determine the extent of, the economic recovery in the aftermath of Covid-19** but, to achieve this, they need a tax system that is both competitive and pro-innovation. Ireland's taxation system is in desperate need of reform and is uncompetitive when compared to our closest neighbour and largest two-way trading partner, the UK. While family-owned businesses grow locally, there is also ample evidence that they make choices and they can choose to grow their next expansion in Britain - a huge nearby market - as easily as in Ireland. The current UK Capital Gains Tax Rate is 20% as compared with the Irish rate of 33% which is the 3rd highest in the OECD and which places Ireland at a distinct competitive disadvantage. This is already leaking job-creating investment away from Ireland at just the very time we need to be creating those jobs at home. Looking down our noses at our neighbouring island's challenges while we leak investment to them makes no sense, economically or politically. In reality, as closest neighbours, we should be aligned as much as possible.

Ireland's marginal rate of personal income tax is charged on incomes just above €35,000 whereas the UK's 40% rate comes into effect on incomes above £50,000, with their marginal rate of 45% kicking in on incomes just above £150,000. To modernise Ireland's taxation system to the level of investment competitiveness needed, the Programme for Government should immediately commit to:

- **Establishing a Commission for Taxation:**

In the aftermath of Covid-19 and in an economy that will be trying to get back on its feet, Ireland's tax system is no longer fit for purpose. The new Programme for Government should commit to immediately establishing a Commission for Taxation, the remit of which should include:

- Examining how best the tax system can support indigenous and family businesses, in order to promote increased employment and investment.
- Evaluating the current process and the structure of the 'Tax Appeals Commission' for aggrieved taxpayers to appeal decisions and to recommend the most appropriate process and structure for timely and fair decisions. Having over 6,000 Appeals Cases awaiting adjudication by the Revenue Commissioners is serving nobody and is choking both public and private resources.

ii. **Appoint a Minister for Family Business:**

Given its importance in the economy and the reliance the labour market has on family businesses, the members of the Family Business Network believe that family businesses' priorities need significantly greater recognition, engagement and partnering in the next Government. Therefore, the Family Business Network urges that the Programme for Government commits to appointing a Minister for Family Business.

This will help consolidate the support of a wide cross-section of the Irish electorate behind the new governing regime, protecting against any lurch to the left now or at the time of the next and any future election, by binding together sufficient of the electorate comprising of local job-sustaining employers and all of their employees.

**WE SHOULD IMPLEMENT DECISIONS IN RECOVERY AS FAST AS WE MADE THEM IN EMERGENCY !**

### 3. Enabling Family Businesses to Power Growth through the Generations

For family businesses, smart succession planning is key to sustaining the business in the future and to keeping it flourishing. Taxation policy can determine when and how succession takes place. The current policy based around 'Retirement Relief' needs reform as outlined below.

- i. **Reform of Retirement Relief:** Retirement Relief is designed to allow the succession of a family business to the next generation free from Capital Gains Tax (CGT) liabilities. However, issues arise in relation to some of the criteria applicable to the relief such as age requirements, the cap on transfers of business assets and the structure of the company. To this end, the Family Business Network makes the following recommendations for reforming retirement relief:

- **Remove the Age Restriction on Retirement Relief:** Given changing family demographics, the age restriction of 66 to avail of full Retirement Relief on CGT can force family businesses into making premature succession decisions in order to avail of the relief.
- **Remove the Cap on the Value of Business Assets:** The cap of €3 million on transfers of business assets made by those over the age of 65 is arbitrary and we recommend its removal as it can drive generational transfer decisions to be made to avail of the relief and without consideration of the impact on the experience and suitability of the next generation taking over the business.

- **Fix the Anomaly within the Retirement Relief system that disproportionately impacts family businesses:** There is a legislative anomaly within the Retirement Relief system that disproportionately impacts family businesses operated through a company rather than as an unincorporated entity. Under current legislation, the inclusion of investment assets for businesses operated through a company is having a negative impact on the percentage share value that can qualify for Retirement Relief as the value of shares in the company are considered as “qualifying assets” under the relief.
- **Remove Investment Assets from the calculation of the Retirement Relief Scheme:** This will bring Retirement Relief in line with the Business Relief process of establishing “relevant business property” and will ensure that Retirement Relief operates as intended. It will also encourage business owners to make transfers to the next generation in the knowledge that they will be fairly treated and can achieve a tax efficient outcome on the succession of the business.

#### 4. Keeping Family Businesses Open for Business and Jobs

### Insurance Reform is needed NOW !!

The current business insurance market has become prohibitively expensive and in the coming months multiple Irish employers will go bust, losing thousands of jobs permanently, because they can not afford to pay their insurance premiums.

Rapidly rising insurance premiums are now putting thousands of jobs across the country in family-run businesses at risk. Pre-Covid19, family businesses were already being crippled by a dysfunctional insurance market and post-Covid19, if they continue to be denied competitive insurance, their recovery will be hampered and jobs will be lost permanently in every Constituency in Ireland, at scale. The Family Business Network works closely with the Alliance for Insurance Reform and we endorse and echo their calls for the following to be included in the new Programme for Government:

1. Reduce unfair general damages to reflect international norms and the principles already established by the higher courts – including that ‘minor injuries attract modest damages.’
2. Review and re-balance the “common duty of care” to require occupiers to take a duty of care that is reasonable, practical and proportionate.
3. Support a fully resourced Garda Insurance Fraud Unit.
4. Insist on insurers committing to a schedule of forecast cost reductions within planned reforms.
5. Establish a Cabinet Committee to coordinate action and ensure the necessary reforms are put in place urgently.

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### **Who are the Family Business Network?**

The Family Business Network International is the world’s leading family business organisation. It provides a shared-learning space for enterprising families to flourish across generations through the exchange of excellent, innovative and impactful practices. Founded in 1989, it is a global network of thousands of business-owning families across 65 countries.

The Irish Chapter of the Family Business Network was founded in 2013 by leading Irish business families. It operates as an all-island organization and currently has members from across the island covering a broad variety of sectors, all crucial to supporting and driving the domestic economy.

The purpose of Ireland’s Family Business Network is to promote the success and sustainability of Family Businesses in the Irish economy. It is a not for profit and non-solicitation organisation that provides a confidential forum for families to discuss and address challenges specific to family businesses. The organization also provides advice on corporate governance and business structures along with assistance on succession planning.

Family-run businesses exist in every Constituency in Ireland, accounting for most of Ireland’s food sector, hotels and hospitality, retailers and manufacturing. They hire locally, they buy locally, they support local communities and their 720,000 employees vote in every local Constituency in Ireland.

The Family Business Network exists to assist them and to represent them. This powerful Network is ready to work with the State through the new Government. We will bring the acumen, flexibility and resilience of Family-owned enterprise to support the mandate of government. Together, we will rebuild Ireland.