Restaurants Association of Ireland’s Opening Statement to the Oireachtas Committee on Budgetary Oversight on the Report of the Commission on Taxation and Welfare 21st November 2022.

Adrian Cummins, Chief Executive Officer of the Restaurant’s Association of Ireland.

I thank the Committee for your invitation to attend your meeting this evening to discuss Chapters 6, 7, 8 and 14 of the Commission on Taxation and Welfare Report.

The Commission has produced a comprehensive report that deserves the attention of all who take an interest in public policy. The Restaurant’s Association of Ireland broadly welcomes the board’s recommendation, but we have serious concerns with regard to its proposal around temporary VAT schemes.

It is our view that Ireland should place at its economic centre a low tax, indigenous enterprise driven economy with continuous full employment as its target.

Let me start by focusing on Chapter 6 of the Commission report which discusses the need for tax space. I would specifically zone in on the suggestion by the commission’s recommendation of the gradual increase of the tax rate from current 9% to 13.5%.

The sector I represent which is the restaurant and hospitality industry in Ireland suffered immensely during the banking crisis through the covid pandemic and now faces further economic disruption due to the energy crisis. When the government reduced the Vat rate to 9% in 2013 it made an enormous difference in terms of viability for low margin, consumer driven, labour-intensive sectors like restaurants and hospitality. It saved businesses, it saved jobs, and it made Ireland competitive.

It is our opinion that the commission on taxation and welfare is wrong when it advocates for scrapping the temporary VAT rate. We believe as an Association the 9% VAT rate is the correct VAT rates for restaurants which are vulnerable, low margin, high energy user and SMEs. Increasing the VAT for hospitality to 13.5% will make Ireland the Second highest VAT rate for restaurants and hospitality within the EU, with only Denmark having a higher VAT rate of tax for these industries.

With regards to the Universal Social Charge which I might remind the committee was brought in as a temporary measure, I firmly believe that we must review our tax system in terms of making work pay. What I mean by this is in our sector we have a vast number of valuable employees who due to the taxation system are being penalised for working over 20 hours in certain circumstances. From the feedback received from the industry we know the incentive to work longer is prohibited due to the taxation system.

In Chapter 7 of the report the commission sets out its recommendations for significant reworking of capital acquisitions tax and capital gains tax. The 33% of Capital Gains Tax is high comparing to international rates, a reduction in the rate would improve environment for start-ups and new businesses which would increase the activity levels within the economy, create employment and ultimately a tax dividend for the country. A reduction in Capital Gains Tax should be looked at as recommendation.

In Chapter 8 which refers to pension contributions I have to point out to the committee that the pension autoenrollment will add extra cost to the employer and while we believe we must plan for the future in terms of pension contributions for citizens more work must be done to alleviate the cost for the employers.

Moving on to Chapter 14 which focuses on Land and Property the Restaurant's Association would support commissions recommendation with regards to the introduction of Site Value Tax which would replace the current commercial rates scheme over time. Currently the Commercial rates in our view are outdated and need severe overhaul in terms of how rates are calculated, tax is distributed and having a level and even playing field when it comes to determining which business pays what level of tax.

We thank the committee for their time and the opportunity to discuss this important review and we look forward to answering related questions.