



Assistance for Small and Medium Enterprise (SME) Sector

BUDGET 2013



An Roinn Airgeadais
Department of Finance



Budget 2013



**Assistance for SME Sector in
Ireland**



The Importance of SMEs to the Irish Economy

- In the November Medium Term Fiscal Statement*, the Department of Finance published a paper on the importance of small businesses to the Irish economy. Small and Medium sized businesses make up over 99% of businesses in Ireland and account for almost 70% of people employed in the State.
- Despite Ireland's reputation as one of the world's most globalised economies, 64% of private sector workers are employed by indigenous non-exporting firms, with 56% working for indigenous, non-exporting SMEs.
- These numbers highlight the importance of domestic demand for sustaining and generating employment in the SME sector and the need to encourage SMEs to target new export markets.
- The SME sector in Ireland is very diverse and encompasses many different sectors and activities.
- A potential strong-performing SME sector to aspire to is the German *Mittelstand* – the German SME sector which is said to form the backbone of the German economy and is widely credited with ensuring its resilience.

*<http://www.finance.gov.ie/documents/publications/other/2012/midtermfiscnov2012.pdf>



Budget 2013: SME Consultation Process (included the following)





Budget 2013: 10 Point Tax Reform Plan to Help Small Businesses

The tax proposals in Budget 2013 are intended to assist small businesses in a number of ways by:

- Helping their cash flow position
- Helping them access funding more easily
- Reducing the costs associated with the administrative burden of tax compliance
- Boosting demand for their products in new markets abroad
- Incentivising them to create jobs

Given the fragile state of the public finances, the individual measures are generally small in and of themselves with, by and large, small associated costs.

However, we believe that the combination of the measures can have a significant beneficial impact.

The measures are aimed at complimenting the work already undertaken by the Department of Jobs, Enterprise and Innovation in relation to their Action Plan for Jobs.



Measure 1:

Reforming the 3 Year Corporation Tax relief for Start-Up Companies

To allow unused credits to be carried forward beyond the first 3 years of trading

Measure 2:

Amending the Close Company Surcharge

The de minimis level at which the charge applies is increasing to €2,000

Purpose

To help create jobs and improve cash flow

To reduce the administrative burden and assist cash flow



Measure 3:

Increasing the amount of expenditure eligible for the R&D Tax Credit

The amount of expenditure eligible for the credit (without reference to the 2003 base year) is increasing to €200,000

Measure 4:

Increasing the VAT Cash Receipts Basis Accounting threshold

This threshold will increase from €1m to €1.25m

Purpose

To encourage innovation and help cash flow

To help cash flow



Measure 5:

Extending the Foreign Earnings Deduction

This applies to work related travel to Algeria, Democratic Republic of Congo, Egypt, Ghana, Kenya, Nigeria, Senegal and Tanzania

Measure 6:

Extending the Employment and Investment Incentive

This scheme will continue to run until 2020

Purpose

To help boost demand for Irish goods and services abroad

To help companies access funding



Measure 7:

Extending stock relief for farmers

This applies to the general rate and the Young Trained Farmers rate

This also includes an amendment to the definition of registered partnerships

Measure 8:

Introducing a Capital Gains Tax relief for farmers

This will apply to farm restructuring transactions

Purpose

To give targeted assistance to the farming sector



Measure 9:

Reviewing the ‘carried interest’ provisions in the tax code

This is to ensure that this operates as intended

Measure 10:

Announcing a public consultation: “Taxation of Micro Enterprises: Reduction in Compliance Costs”

This will be a joint consultation between Revenue and the Department of Finance

Purpose

To help small businesses access funding

To identify ways to ease the administrative burden of tax compliance



These tax measures are only one component of the proposals to help the SME sector – the other relates to the work being done to assist SMEs access credit

One of the key priorities in the Programme for Government is to ensure that an adequate pool of credit is available to fund SMEs in the real economy during the banks' restructuring and downsizing programme

Budget 2013 has introduced a number of additional policy measures building on the substantial existing supports



Budget 2013: SMEs Credit Measures

Credit Review Office

The Credit Review Office (CRO) helps SME or Farm borrowers who have had an application for credit to the pillar banks of up to €500K declined or reduced, and who feel that they have a viable business proposition.

Budget 2013 announcement:

- The CRO has published a new guidance document to assist SMEs accessing finance from banks and dealing with the banks as a financially distressed customer.
- The CRO team of reviewers is being extended so that SMEs appealing the banks' decisions to decline credit receive a considered and timely response to their application.



Budget 2013: SMEs Credit Measures

Funding Supports

Amongst the extensive range of supports to SMEs are:

- MicroFinance Fund - €40million available over 5 years;
- Loan Guarantee Scheme - €150million per annum over 3 years;
- Enterprise Ireland – upwards of €200million in 2013
- European Investment Bank , European Investment Fund (€80million through AIB) and Silicon Valley Bank partnership with the NPRF (\$100million over 5 years)
- The two pillar banks should meet their 2012 lending targets of €3.5billion each and have been set revised targets of €4billion each for 2013.
- National Pensions Reserve Fund is developing a range of support funds, initially to range in size from €100million to €400million, to provide equity, credit and recovery investment to the SME sector except in property/real estate.



For more information please go to:

<http://www.budget.gov.ie>

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