Budget 2016:
Proposals arising from the Retail Consultation Forum to support employment in the Retail sector

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Retail Consultation Forum

The Retail Consultation Forum was established by the Government in 2014 as part of the Action Plan for Jobs process, to provide a platform for a structured engagement between the Retail sector and relevant Government Departments/bodies. Its purpose is to allow key issues of relevance to the sector to be discussed, with a view to identifying practical actions which can be taken by government (national or local), or by industry itself, to support the sector. The Forum comprises representatives from the retail sector and from relevant public sector bodies. It is convened by the Department of Jobs, Enterprise and Innovation. Membership of the Forum is at Appendix 1.

This submission outlines suggestions made by the retail members of the Consultation Forum to support the recovery of the Retail sector and is submitted to the Department of Finance and the Department of Public Expenditure and Reform for consideration in the context of the preparation of Budget 2016[1]. Some the suggestions contained in this paper may also be contained in pre-Budget submissions to the Department of Finance from representative bodies in their own right. However, the co-ordinated nature of this submission highlights the importance of the particular issues contained in this paper to the Retail sector.

Context for this submission

The retail industry plays a vital role in creating and sustaining living communities around Ireland. Combined with Wholesale, it is the largest private sector employer in the country with more than 270,000 employed in retail in towns and villages across every county of Ireland. Retail accounts for more than 10% of GDP. 90% of the retail industry is Irish-owned and operated.

The Retail sector was hit significantly by the recession in terms of job losses and the viability of businesses. The Wholesale and Retail sector combined accounted for over 46,000 job losses over the period 2008-2012. In spite of a general upturn in the economy, recovery in the Wholesale and Retail sector has been weak. Employment in the sector has grown by less than half of 1% since 2012, compared to a 5.7% increase in employment across the economy as a whole. While the volume of retail sales has increased with the uptake in the economy, the value of sales lags behind by comparison, highlighting the level of discounting which has to be applied by retailers to attract customers in the post-recession era and the low margins being realised.

Given its reach into every community in the country, the Retail sector can make an important contribution to creating more jobs at regional level if the right business conditions are provided, particularly in relation to keeping down costs for employers and increasing the disposable income of consumers.

[1] The paper does not necessarily reflect the views of the public bodies represented on the Forum.

Summary of key proposals

The key proposals for Budget 2016 presented in this submission are to:

1. Ease the tax burden on Irish consumers to stimulate spending in the economy.
2. Reduce consumer taxes and excise.
3. Restore the lower rate of Employers' PRSI of 4.25% for those earning less than €356 per week to address the continued low growth in employment in the Retail sector.
4. Keep costs for retailers down to facilitate job creation.
5. Address Bank charges and other administrative measures.
6. Introduce fairer treatment for the self-employed in terms of PAYE/PRSI.
7. Retain the 9% VAT rate on certain goods and services.
8. Increase the ceiling for high-value goods under the Retail Export Scheme to stimulate additional spending by overseas visitors.
9. Introduce an eCommerce Tax Incentive.
10. Extend the Home Renovation Incentive (HRI) scheme.
11. Increase the level of funding for training people <u>in</u> employment.
12. Establish of a competitive Town Centre Fund to rejuvenate town centres.
13. Provide Grants/Tax Relief for investment in Energy Efficiency in retail stores.
14. Introduce a White Goods scrappage scheme.
15. Continue to invest in tackling the Black Economy.
16. Reduce Capital Gains Tax.
17. Repeal Section 72 of 1994 Finance Act in relation to tobacco products.
18. Remove the Personal Allowances for importation of tobacco products.
19. Introduce a Voucher scheme for winter fuel allowance.
20. Address specific sectoral issues for Pharmacies.

These proposals are outlined in further detail below.

Outline of proposed measures

1. Ease the tax burden on Irish consumers

Cutting incomes taxes is the most effective way to boost consumer spending power. The Government has already announced plans to cut the rate of USC by at least 1% in the Budget, from the current 7% rate on all incomes up to €70,000. This is a very welcome initiative and will make an initial contribution to increasing the spending power of consumers.

The retail members of the Consultation Forum would suggest that the Government needs to go further and increase the entry point to the marginal tax rate by €1,500 for a single person, with a corresponding adjustment for a married couple, while reducing the marginal rate of income tax. The cost to the Exchequer is estimated at €600 million. However, such a course of action will put more money into the pockets of Irish consumers and ultimately benefit the Exchequer through greater economic activity and revenue from the sale of goods and services.

2. Reduce consumer taxes and excise duties

It would be counter-productive if any cuts in income tax were funded through increases in consumer taxes such as excise duties, VAT, etc. If these taxes are increased, consumers will not feel they have extra disposable income and the retail sector will not experience any appreciable increase in sales or jobs growth.

The impact of a potential increase in Black Economy activity must also be considered in the context of setting excise rates on alcohol, tobacco and fuel products. Any move to increase duties on these products will serve to increase black market activity and impose further losses on legitimate businesses and on the State (see also point 15 below).

The retail members of the Consultation Forum call on Government to avoid increasing consumer taxes in Budget 2016. They advocate reducing consumer taxes, including the VAT rate of 23% which is one of the highest rates in the world, and excise duties on alcohol.

3. Employers' PRSI

Given the low growth in employment in the Retail sector compared to other areas of the economy, the retail members of the Consultation Forum call on the Government to reintroduce, for a period of three years, the 4.25% rate of Employers' PRSI on earnings up to €356 per week. Such a move would provide the sector with a stimulus at a time when there is increasing wage pressure but no appreciable increase in the value of retail sales.

A temporary reduction of the 8.5% Employers' PRSI rate to 4.25% for those earning less than €356 per week was announced in the Government's Jobs Initiative of May 2011, and ran to December 2013. The ending of this measure impacted heavily on the Retail sector in particular, given the nature of many jobs and the shorter hours work patterns that exist in the sector. There is anecdotal evidence of retailers having had to reduce working hours or let staff go as a result of the 4.25% PRSI rate coming to an end, while other retailers postponed hiring new staff. The current level of

Employers' PRSI for those on low pay is making the costs associated with employing additional staff prohibitive and is also jeopardising the ongoing viability of the employment of existing staff in many retail outlets, particularly smaller ones.

Based on a 2013 Tax Strategy Group paper, the estimated cost of the 4.25% rate would be €195 million in a full year[2] (based on the yield to the Social Insurance Fund of the return to the 8.5% rate). However, assuming that retailers will recruit at least a proportion of additional staff from the Live Register, the gross cost of the initiative will be reduced through savings on social welfare payments. Furthermore, reinstating the initiative would provide retailers with a significant stimulus and help realise the latent jobs potential that exists within the sector. It is estimated that up to 40,000 new jobs could be generated in the sector – across all regions - by 2020 through such an initiative.

4. Costs for retailers

Budgetary changes which have been introduced over the last number of years have had a significant impact on the cost of doing business for employers. Examples include:

- Full abolition of the Redundancy Rebate from 1st January 2013
- Changes to Illness Benefit from January 2014
- The ending of temporary reduction in Employers' PRSI to 4.25%
- The full abolition of Employer PRSI relief on employer pension contributions for employees in Budget 2012
- The treatment of owner managers/self-employed compared to employees with respect to USC and PRSI.

A study conducted by DKM Consultants for Retail Excellence Ireland estimated that the total current cost burden for employers arising from these Budget changes is €1.1 billion in a full year[3]. The cost burden on employers has made job creation in the retail sector much more difficult.

To enable employers to increase employment as the economy recovers, the retail members of the Consultation Forum call for Budget 2016 to address the cost concerns of the retail sector, including in areas such as energy, Government services, Local Authority charges and other input costs. Goods inflation in Ireland is running at a record low level (-3.8% March 2015). This means that it is proving incredibly difficult to recover value in the marketplace. The control of input costs is therefore imperative to the future health of the retail sector and its potential to create jobs.

Examples of measures which could be taken to reduce costs for retailers include:

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[2] Tax Strategy Group Paper "TSG 13/09 Pay Related Social Insurance Changes", p.2; available at http://www.finance.gov.ie/sites/default/files/TSG%201309.pdf

[3] *Impact of Selected Budgetary Measures on Employers,* DKM Economic Consultants, available at: http://www.retailexcellence.ie/wp-content/uploads/2015/07/23062015-REI-Final-Report-from-DKM1.pdf

- Section 2 of the Local Government Rates Act (1970) could be implemented to permit Local Authorities to grant rates waivers or reductions for new entrants. This will assist in achieving a balanced retail and hospitality mix in towns and cities.

- Funding for Local Authorities could be increased in addition to the revenues generated from the residential property tax, thus allowing for the reduction in the rates burden for businesses.

- Local Authorities should be assisted in the provision of rent and rates controlled zones in urban environments. The zones will provide an opportunity for SME-owned and operated stores to open, and for towns to deliver a unique retail mix to consumers while also supporting micro start-up businesses in Ireland.

- A more streamlined planning application should be introduced for relatively minor applications such as signage, shop fronts and mechanical plant installations at roof levels.

5. Bank charges and other administrative measures

Increased bank charges are placing a burden on retailers who operate highly cash-based businesses. In addition to the increase in bank charges, most banks have introduced administrative measures (e.g. only accepting cash lodgements on certain days) that are counter-supportive of business and add to security risks where owners/managers are required to retain large amounts of cash on premises.

The retail members of the Consultation Forum call on the Minister for Finance to address these issues in his engagements with the Pillar Banks, with a view to a more customer-oriented approach being taken to the needs of businesses.

6. Fairer treatment for the self-employed

In order to solve our unemployment problem, the State must rely on more entrepreneurs to set up new businesses. It is critical that there is equity in treatment between employees and Proprietary Directors/self-employed people in the tax system and that risk-takers are afforded an equal level of protection compared to employees in the event of business failure or illness.

To restore the balance between employees and the self-employed, the retail members of the Consultation Forum recommend that:

- the 3% surcharge on USC which applies only to the self-employed should be terminated;

- Proprietary Directors should receive the PAYE tax credit where they pay tax on a PAYE basis;

- a voluntary PRSI contribution should be introduced to allow entrepreneurs and self-employed people to qualify for all social welfare benefits similar to their employees. However, any proposal which provides social welfare benefit for owner managers cannot be mandatory or viewed as an opportunity to impose additional taxes on small business.

7. Retention of 9% VAT rate

The reduced VAT rate of 9% on certain goods and labour-intensive services was introduced by the Government in the Jobs Initiative of May 2011, initially to the end of December 2013. The application of the 9% VAT rate has been extended in subsequent Budgets.

Although primarily targeted at the Accommodation & Food Services sector, the impact of the 9% VAT rate in improving consumer sentiment has also had a positive effect on the retail sector and has helped to support jobs in the sector. The positive impact of the measure has been acknowledged in a number of papers, including from the Department of Finance[4] and by the Irish Hotels Federation[5].

The benefits of the VAT reduction in terms of job retention and creation have exceeded expectations. The cost to the Exchequer has also been lower than initially expected due to a return to the Exchequer on increased sales, as well as reduced social welfare costs through increased employment. The measure has proven to be a highly cost-effective way of boosting competitiveness and employment.

The retail members of the Consultation Forum therefore call for the continued retention of the 9% VAT rate in Budget 2016.

8. Retail Export Scheme

Retail tourism is becoming increasingly popular, particularly with the advent of more affordable air fares in recent years. More significantly for Ireland, visitors from many of our overseas tourism markets will include shopping amongst the activities they engage in while in Ireland (particularly from longhaul markets and when exchange rates are favourable). A number of Irish outlets are establishing themselves as "Destination Shops" with the price of certain high-value goods lower than in other major European cities.

Revenue's existing Retail Export Scheme allows persons who are resident outside the EU and who make purchases of goods in the EU to claim a refund of the VAT charged on these goods where the goods are exported from the EU by the traveller. The scheme requires proof of purchase and proof of export. A tourist/traveller who acquires a good, the value of which exceeds €2,000 (including VAT), must present that item along with an export voucher to Customs for inspection on departure from the State.

The retail members of the Consultation Forum propose that the limit on single good to be presented for inspection be increased to €4,000. Increasing the stamping limit for visitors from €2,000 to €4,000 will help to increase visitor spending and deliver a convenient and better experience for the overseas customer. The opportunity to support retail tourism is significant in Ireland given the

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[4] *Measuring the Impact of the Jobs Initiative: Was the VAT Reduction Passed On and Were Jobs Created?,* Brendan O'Connor, Dept. of Finance available at: http://www.finance.gov.ie/sites/default/files/Measuring-the-Impact-of-the-Jobs-Initiative-Was-the-VAT-Reduction-Passed-On-and-Were-Jobs-Created1_1.pdf

[5] *Restoring Competitiveness to Ireland's Tourism Industry*, Alan Aherne, Feb 2015, available at: http://www.ihf.ie/sites/default/files/upload/economic_report_on_impact_of_reduced_tourism_vat_-_alan_ahearne_1.pdf.

recent currency movements in favour of Sterling and US Dollar viz a viz the Euro. A higher stamping limit would be particularly helpful in growing Asian and North American tourism numbers and increase the contribution of retail to Ireland's overall overseas tourism revenue.

9. eCommerce Tax Incentive

Irish consumers spend €5.9 billion per annum on on-line purchase. It is estimated that 60% of this spend, or €3.5 billion, is spent on overseas sales, representing a significant opportunity loss for Irish retailers. It is expected that the amount spent by Irish consumers purchasing on-line will increase to €12.7 billion by 2020[6].

In 2014, the Government launched the Trading On-Line Voucher scheme to help microenterprises start on a pathway of trading over the internet. This scheme is making an important contribution to increasing the number of enterprises trading on-line. A recent report[7] on the impact of the Trading On-Line Voucher scheme found that companies surveyed reported an average 21% increase in sales, and 71% of those surveyed expected to take on new staff to deal with the increased business. The average number of jobs foreseen is 1.4 per business.

However, the Trading On-Line Voucher scheme addresses only a small cohort of the companies that need to be encouraged to improve their market reach through the internet. There is, moreover, a need to target supports to the next level of business who have the potential to grow exports and cross-border trading activity. On-line trading remains a challenge for Irish retailers and the cost of establishing a presence in this market can be prohibitive, even for well-established medium sized retailers.

The retail members of the Consultation Forum urge the Government to introduce a tax-based scheme with the objective of offsetting the cost of establishing an on-line presence with a particular focus on selling to overseas consumers. Such a scheme could, for example, potentially be modelled on the current R&D tax credit scheme and would allow retailers to offset the cost of web developments against their VAT costs. The cost to the Exchequer is anticipated to be €5-10 million. However, the outcome of the scheme would be that an increased level of on-line sales will be won by companies based in Ireland and additional revenues will be generated for the Exchequer through VAT receipts, Corporation Tax and PAYE receipts.

10. Home Renovation Incentive (HRI) scheme

The Home Renovation Incentive scheme was introduced in Budget 2014 primarily as a measure to support the recovery of the Construction sector. It has also had a positive impact on the Retail sector, as homeowners purchase new fittings and furniture in parallel with the structural improvements to their homes.

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[6] Figures sourced from the *Second UPC Report on Ireland's Digital Future*, available at: http://www.upc.ie/pdf/UPC_2014_report.pdf

[7] *Growing Small Business Through Online Trade*, Dept. of Communications, Energy and Natural Resources, July 2015

The retail members of the Consultation Forum strongly encourage an extension of the Home Renovation Incentive Scheme beyond its planned end date of 31st December 2015. The retail members suggest extending the scheme by 24 months to 31st December 2017 in order for the scheme to achieve greater penetration in rural areas. Recent statistics from the Revenue Commissioners show that the scheme has been highly successful, with over €486 million spent on works to 15th July 2015. However, almost 70% of that spend has been undertaken in just four counties - Dublin, Meath, Wicklow and Kildare. Extending the scheme to December 2017 would allow time for it to infiltrate the other 22 counties in a more pronounced and impactful way.

The retail members of the Consultation Forum also suggest lowering the floor of the qualifying spend to €3,000 to encourage small home dwellers to avail of the scheme, and also increasing the ceiling to €36,000 as an incentive for homeowners to pursue additional home improvement projects. Evidence to date suggests that the HRI scheme is acting as a strong encouragement for otherwise latent home improvement works, thereby making the scheme effectively cost-neutral for the Exchequer.

It is also proposed that the tax credit be made claimable in the same year as work is completed, with 100% of the claim credited the following tax year (currently it is spread over the following two fiscal years). This would provide an extra incentive and ensure money is more efficiently circulated back into the economy. There would be no overall additional cost to the Exchequer of introducing this particular administrative change.

11. Increase funding for training people in employment

There is general agreement amongst retail members of the Consultation Forum that there is a need to address the skills challenge in the retail sector. The sector is becoming more sophisticated and complex and, as with any other sector, technology is impacting on how retail businesses operate. The sector faces considerable competition with other sectors for attracting skilled employees and there is a particular need for management skills in retail.

With the welcome increase in the number of people at work across the economy, there is a need to re-focus some State funding for training back to upskilling those in employment. In recent years, Skillnets has provided training programmes which have provided upskilling to those working in the Retail sector and other sectors.

Given the success of the Skillnets Training Network model, the retail members of the Consultation Forum call on the Government to increase the funding allocated to Skillnets to support the training of those in employment. A modest increase of €5 million would help to meet the increasing demand in this area.

12. Establishment of a Town Centre Fund

The Retail Consultation Forum has discussed at some length the need to rejuvenate town centres, including by improving the retail mix where appropriate. In March 2015, the Joint Oireachtas Committee on Jobs, Enterprise and Innovation published a report, *"Policy Options to Support*

Business Growth and Job Creation and Retention in Town and Village Centres"[8], which includes 15 recommendations to support the revival of the retail sector in towns and villages.

The retail members of the Consultation Forum strongly support the concept of appointing Town Centre Managers who would have responsibility for encouraging the development of the commercial centre of towns/cities, improving the shopping environment and promoting a balanced mix of retail outlets. The retail members of the Forum call on the Government to establish a competitive tendering process for towns and cities around the country to access funding to support a strategic approach to town and city regeneration and development. This funding could, inter alia, support the appointment of a Town Centre Manager.

The rigorous application of the Sequential Test would also help to support the revitalisation of town centres. The Retail Planning Guidelines state that the preferred location for retail development is within established town centres. Should there be no town centre sites available, an edge-of-centre location could be considered. It is only in the absence of the availability of town centre and edge of centre sites that an out-of-centre site could be considered. The analysis of the suitability of a site under these criteria is called the Sequential Test.

13. Grants/Tax Relief for investment in Energy Efficiency in retail stores

The recession and reduced access to credit have combined in recent years to see very little ongoing investment and refurbishment in retail stores in general. At the same time, advances in technology have resulted in greater potential for improving energy efficiency, reducing water usage/wastage, and reducing operating costs and greenhouse gas emissions. Many retailers now want to invest in systems to improve their stores, but there continues to be constraints on accessing funding.

Retail members of the Consultation Forum therefore call for a tax relief or grant scheme to help support up-front investment in energy efficiency improvements in retail stores as part of Budget 2016.

14. White Goods scrappage scheme

The retail members of the Consultation Forum advocate the introduction of a White Goods scrappage scheme for water efficient dishwashers and washing machines. In the context of the introduction of water taxes, a scrappage scheme to replace water-inefficient white goods would reduce the cost of water tax to consumers, assist in the revival of this sub-sector and promote a policy which will assist in the achievement of EU WEEE targets. The estimated cost would be no more than €15 million depending on the success of the marketing campaign. Further details of how such a scheme might operate are at Appendix 2 to this submission.

[8] Available at: http://www.oireachtas.ie/parliament/media/committees/Final----Policy-Options-to-Support-Business-Growth-and-Job-Creation-and-Retention-in-Town-and-Village-Centres.pdf

15. Tackling the Black Economy

Notwithstanding the high profile seizures by the Revenue Commissioners of illicit products in the last twelve months, greater investment must be made by Government to reduce black market activity, including tobacco smuggling and illicit fuel laundering. Increased surveillance and longer jail terms should be considered as part of this drive.

Losses to the Exchequer in uncollected taxes of at least €500 million per annum are matched by losses of up to €466 million arise from fuel laundering and smuggling, and up to €250 million from the illegal tobacco trade, with smuggling and counterfeiting of tobacco products a major source of revenue for criminal gangs. Furthermore, losses from illegal downloads of music, computer games and computer software of €269 million are very significant, given the financial difficulties and job losses at legitimate companies in this sector.

The retail members of the Consultation Forum believe that any move to increase duties on these products will only serve to increase this black market activity and impose further losses on legitimate businesses and the State.

The current tax treatment (carbon tax) of solid fuel also continues to present a strong incentive to smugglers, resulting in illegal trading activity seriously undermining the legitimate trading of many hardware businesses in the Republic of Ireland.

The solid fuel market is estimated in volume terms to be 410,000 tonnes for coal products, 203,000 tonnes for peat briquettes, and 700,000 tonnes for sod peat. When carbon tax was introduced in the Finance Act 2010, its application to solid fuel was deferred until 'a robust mechanism' could be put in place to protect the market in the Republic from illegal imports. However, while the carbon tax has been fully implemented since 1st May 2014, there is little or no evidence of an appropriate protection mechanism, as promised. The retail members of the Consultation Forum support the registration of all solid fuel traders, and suggest that Revenue carries out a public awareness campaign to clarify the regulations with regard to personal imports. Revenue also needs to be seen to be auditing fuel suppliers in order to increase compliance.

16. Reduction in Capital Gains Tax

CGT in Ireland is charged at 33%, except for some reliefs to do with property which remain. This is one of the highest rates in developed economies. For example, in the UK tax is paid at either 18% or 28% depending on size of income and capital gains. The retail members of the Consultation Forum call for a reduction in CGT to 20% across the board in order to support investment in the economy, which is a critical driver of growth.

Change CGT Entrepreneur's Relief

The announcement of this relief in Budget 2014 was welcome; however, in practice the scheme will not work in its current format as the relief is given after the sale of a second successful business. In reality this means that it will take a decade before the entrepreneur will see any return and the likelihood of having two successful start-ups in a row is questionable in any event. This scheme should be amended to match the UK scheme where you only pay 10% CGT if you sell or close all or part of a business.

17. Repeal of Section 72 of 1994 Finance Act

Section 72 of the Finance Act 1994 prohibits the retail sale of cigarettes at a price that is higher than the Retail Sale Price (RSP) provided to Revenue by tobacco companies. The effect of this is twofold:

1. it gives tobacco companies the right to control the selling price of a product that they supply at wholesale but do not supply to all retailers;

2. any retailer buying from a Cash and Carry automatically incurs a diminution of margin when compared with retailers with direct wholesale accounts.

The provision allows tobacco companies to maintain what may be considered by them to be a marketing advantage by holding an RSP at a constant level even when the wholesale price is increased. If any other supplier in the retail trade increases the wholesale cost of their products, retailers are free to increase the retail price by an appropriate amount and subject to normal market considerations such as competitiveness.

Every Tobacco control expert in the world has consistently stressed the importance, above all other measures, that raising the retail price of tobacco has upon reducing smoking rates and youth initiation. It is contradictory that the State, through the 1994 Finance Act, is preventing retailers from increasing the retail price to maintain their margins in the legitimate market that is declining.

This decline is not only through reduced smoking prevalence in terms of fewer cigarettes smoked by smokers on an individual basis and in terms of increased levels of smokers quitting, but also through fewer young persons taking up the habit.

Retail members of the Consultation Forum recommend to the Department of Finance that the restriction on retailers from setting their own retail price for cigarettes be removed from the Statute Books.

18. Remove the Personal Allowances for importation of tobacco products

The Irish Government recently passed additional legislation to bring in Standardised Packaging. This will impose additional legal obligations on retailers selling tobacco products. Selling a “non-conforming” tobacco product to a member of the public will lead to significant penalties. There will be larger Graphic Warnings and it will be an offence to provide a tobacco product that has any element that is considered to be an advertisement or marketing device. All of these significant restrictions are being introduced to reduce the initiation of smoking to minors and to remove any element of advertising on all tobacco products sold in the country, in the interests of public health.

However, public health policies are being frustrated by the absence of a universal warning system on tobacco products imported by those travelling from abroad. The retail members of the Forum recommend that Revenue removes, or significantly reduces, the Personal Allowance for tobacco imports.

19. Voucher scheme for winter fuel allowance

The retail members of the Consultation Forum propose the introduction of a fuel voucher system under which those currently receiving a winter fuel allowance would be entitled to use a dedicated fuel voucher/smart card to purchase only fuel products from registered and tax compliant retailers and merchant fuel outlets.

Currently the winter fuel allowance is paid by way of a cash top-up on the recipients' current social welfare payment, which can be spent on any item, not exclusively solid fuel, and from any source of supply without any traceability or recovery for the State.

The Department of Social Protection has indicated that a total of 410,000 people currently claim €20 in fuel allowance per week (€520 in total during the allowable period), including those in receipt of social welfare and HSE payments. The allowance costs the State €213 million per annum. A fuel voucher system would allow the Government to recoup some of this €213 million expenditure through legitimate outlets' tax returns, ensure that the money is spent with legitimate suppliers and not those operating in the shadow economy. It would also ensure that the payment is used as intended, to help in reducing fuel poverty.

20. Sector Specific Issues – Pharmacies

Waste Charges for disposal of medicines

Waste charges are an issue for all small businesses. For pharmacies, the costs are higher than for other retail-type businesses due to the disposal of medicines which require special collection and disposal services that are more expensive than other waste services. To assist in alleviating these costs, a nationwide DUMP (Disposal of Unused Medicines Safely) scheme should be introduced by the HSE and Local Authorities that would encourage the public to return their unused medicines to pharmacies (with the significant health and public safety benefits attached) and, at the same time, alleviate the significant cost for pharmacies providing this service.

Regulatory Costs for Pharmacies

In addition to the regulatory costs associated with other retail businesses, Pharmacies are subject to significant additional costs including registration and licensing. One area that needs to be immediately addressed, which was identified in the Forfás report entitled 'A Review and Audit of Licences Across Key Sectors of the Irish Economy', is the cost of registering as a pharmacist and pharmacy in Ireland. The cost of registration with the Pharmaceutical Society of Ireland (PSI) is excessive and is out of line with international comparisons. The registration fee each pharmacy must pay annually is €2,135 (€3,325 on first registration) to register. In Northern Ireland, the first time registration fee for a pharmacy premises is €160 (€218 per annum for each year after registration), 20 times less expensive than the cost of registration in the South.

It is no longer feasible for Irish pharmacists and pharmacy businesses to pay among the highest registration fees in Europe, if not the world. It is quite unreasonable for one arm of the State to impose a series of significant cuts in unit payments to the pharmacy profession (as has happened under the FEMPI Act) whilst, at the same time, another arm of the State continues to levy the same high fees as before.

Prescription Levy

The current prescription levy of €2.50 imposed on medical card patients for purchasing medicines in pharmacies has increased five-fold in the last four years. There is evidence suggesting that medical card patients, particularly those on fixed incomes, are reducing their prescribed medication due to lack of affordability. This has serious health consequences for those patients and will lead to increased healthcare costs down the line. The IPU would like to see a phasing-out of the levy and, at the very least, that it is not applied to especially vulnerable patients, such as those in residential care settings and palliative care patients, to name but a few.

Retail Consultation Forum
August 2015

Appendix 1 – Membership of the Retail Consultation Forum

Name	Title	Organisation
Mr. Ged Nash T.D.	Minister for Business & Employment	Department of Jobs, Enterprise & Innovation
Retail Sector Representatives		
Thomas Burke	Director	Retail Ireland
David Fitzsimons	CEO	Retail Excellence Ireland
Tara Buckley	Director General	RGData
Ian Talbot	Chief Executive	Chambers Ireland
Linda Barry	Assistant Director	Small Firms Association
Mark Fielding	Chief Executive	Irish Small & Medium Enterprises
Vincent Jennings	Chief Executive	CSNA
Annemarie Harte	Chief Executive	Hardware Association of Ireland
Jim Curran	Director of Communication & Strategy	Irish Pharmacy Union
Rebecca Birchall	Director	Fishers of Newtownmountkennedy
Keith Rogers	Head of Retail	Ecco Ireland
Conor Whelan	Managing Director	Easons
Eoin Fitzpatrick	Managing Director	Fitzpatricks Wholesale
Helen O'Donnell	Owner	Dolmen Catering
Colin Fee	Managing Director	MACE, Blackrock, Co. Louth
Ray Hernan	Chief Executive	Arnotts
Aidan Candon	CEO	Euronics Ireland
Edel Clancy	Director of Communications & Corporate Affairs	Musgrave Group
Public Bodies		
Clare Dunne	Assistant Secretary	D/Jobs, Enterprise & Innovation
William Parnell	Principal Officer	D/Jobs, Enterprise & Innovation
Helen Blake	Principal Officer	D/Taoiseach
Denise Tully	Medium Term Economic Strategy	D/Finance
Gary McGuinn	Local Government Policy	D/Environment, Community & Local Government
Phil O'Flaherty	Further Education & Training Section	D/Education & Skills

Name	Title	Organisation
Ray O'Leary	Assistant Secretary	D/Transport, Tourism & Sport
Paul Carroll	Principal Officer	D/Social Protection
Dr. Stephen Brennan		D/Communications, Energy & Natural Resources
Dr. Fenton Howell	National Tobacco Control Advisor	D/Health
John Jameson	Head of Retail School	DIT
Daniel McLoughlin	Chair CCMA, South Dublin County Manager	County & City Management Association
Secretariat		
Catherine Curran	Secretary to Forum	D/Jobs, Enterprise & Innovation
Katrina Flynn	Secretariat	D/JEI

Appendix 2 – Proposal for a White Goods Scrappage Scheme

- ☐ Government is facing significant challenges in dealing with voter angst over the introduction of domestic water charges
- ☐ Government is also facing significant challenges to meet our national energy efficiency targets
- ☐ The Dublin region is operating with very little 'headroom' in terms of spare water capacity
- ☐ Meeting our WEEE Collection Targets is an ongoing challenge
- ☐ An uptake in consumer demand will also support confidence, grow employment in the retail sector and generate significant additional VAT revenues for the State

Proposal: A self-funding rebate scheme/grant to encourage as many consumers as possible to embrace a better, more energy and water efficient white good, thereby reducing their utility bills and reducing pressure on the water system, but also reducing the threat to the Government of potential fines in the future for not meeting our targets. The scheme will also soften the impact of water charges on householders. Finally, this proposal would also support the attainment of WEEE collection targets for Ireland.

Estimated Cost: Upfront cost would be no more than EUR15million depending on the success of the marketing campaign that this initiative would unleash. This would be paid for by the unlocking of consumer demand for other related goods. For example, it is reported that the average customer who purchases a washer also buys two other items with an average value of €250. (For example it is common for customers to buy a washer and dryer at the same time.) The VAT generated on these additional purchases would be €57.50 in taxes to the Exchequer. Working with GFK Retail and Technology Ireland using washing machines as sample, available data that tells us the following:

Washing machines Just over 131k washing machines were sold in the year from July 2013 to June 2014. The gold standard is A+++ which accounted for 24pc of the market last year. (B, C and below) accounted for just under 20pc of that market last year. Energy industry experts have informed us that moving from consumers from A to A+++ washing machine results in approximately 0.18kWh per wash (based on 6kg loads with a mix of temperature cycles). Typically, figures of 220 washes per year are used so this results in a saving of approx. 40kWh per annum.

It follows that by managing to get the approx. 53% of consumers who buy A rated instead of A+++ to buy A+++ (53% of 131,000: 69,430), approx. savings of 2,773,600kWh are obtainable (6,934,000kWh primary energy equivalent).

With a 23pc grant/rebate provided at point of sale, we can incentivise consumers to migrate up to a better rating thereby reducing their energy and water utility bills in the future.