

Mr Paschal Donohoe TD  
Minister for Finance  
Department of Finance  
Merrion Street  
Dublin 2

Mr Michael McGrath TD  
Minister for Public Expenditure and Reform  
Department of Public Expenditure and Reform  
Merrion Street  
Dublin 2

## **Budget 2023 Submission by RGDATA**

15 July 2022

Dear Ministers Donohoe and McGrath,

RGDATA is pleased to have the opportunity to make this Budget Submission to you both in advance of the finalisation of Budget 2023.

### **Economic Context for the Retail Grocery Sector**

The operating environment for Ireland's independent retail grocery sector is incredibly challenging at present. The inflationary environment has put huge pressure on retailers and their customers to an extent unseen for many years. As the retail grocery market retracts with consumers tightening their belts and restricting expenditure, individual store owners are facing unprecedented increases in input costs. Across the sector, our members estimate that consumer spending has decreased by up to 10% year on year, with decreases higher in some categories of goods and in some format stores. At the same time, retailers have seen some input costs double over the last 12 months – especially in energy.

The increase in energy costs is having a particularly adverse impact on the independent retail grocery sector, as energy represents such a significant element of the operating costs for a shop, with 24/7 refrigeration, lighting, heating/air conditioning in all shops. The energy crisis precipitated by the Russian invasion of Ukraine has created an economic challenge for the independent retail grocery sector akin to the difficulties that the COVID-19 pandemic has imposed on the sector. These additional cost challenges are coming at a time when revenues are either stagnant or retracting considerably.

In addition, retailers are facing rapidly increasing labour costs, in part due to government initiatives on rates of pay, sick leave and pensions. And there are also significant increases in the cost of food supplied to retailers, due to general commodity and supply issues. They are also facing into additional compliance costs associated with the introduction of new environmental schemes (Latte Levy, DRS & packaging and plastics recovery). This is in many senses the perfect storm.

Collectively these cost increases will challenge the viability of many independent food businesses.

During the COVID 19 pandemic, the assistance of the State through support and relief schemes was vital in assisting SMEs to retain staff, maintain their operations and continue to serve their local communities.

Given the scale of the challenges being felt at present, some similar measures will be required from the State as a matter of urgency – some of the measures that would assist the sector are set out below.

### **General Budgetary Measures**

In terms of the general approach to Budget 2023, it is important that budgetary measures do not increase the taxation burden on businesses and consumers. After a particularly difficult few years, many businesses are struggling to recover to normal trading and investment levels. The advent of the recent inflationary challenges, especially on core input costs, has really shaken the retail grocery sector and requires an understanding and effective Government response.

There are also opportunities for the Government in Budget 2023 to pursue some imaginative and creative initiatives that have the potential to support targeted regeneration in our town and villages centres and help to deliver vibrant communities across Ireland.

### **Sustainability initiatives**

Budget 2023 should deliver a number of measures to help the independent retail grocery sector meet new sustainability requirements from Government;

- Include food retailers in the Green Transition grant schemes for SME Businesses
- Include food retailers (who are high users of energy due to need for 24/7 fridges and freezers) in the Government's energy grant scheme.
- Ensure that the new Deposit and Return Scheme is cost neutral for non-producer retailers.
- Review the financial impact of the proposed Latte Levy on community based shops.
- Provide financial supports for on site energy generation in retail business premises through renewable technologies and streamlining the planning consent.

### **Business cost containment**

#### **Insurance costs**

- Despite a targeted programme of reforms, the insurance industry has not delivered on lower insurance costs for independent convenience/grocery shops. Government measures are required to deliver cheaper insurance now.

- Departments and agencies involved in the implementation of insurance reforms require appropriate funding to allow them to implement outstanding reforms, including the consolidation and implementation of the Judicial Guidelines, the enactment of legislation on Occupiers Liability and the Personal Injuries Resolution Board.
- Some measures directed at the insurance sector need to be implemented to both encourage new entrants to the market here, while compelling incumbents to pass on savings without any further delay. Some form of super levy on incumbents' profits should be contemplated if insurance premia are not reduced by a reasonable percentage given the positive impact of insurance reforms to date.

### **Labour costs**

- The Government should commission an independent study on the cost of new employment measures on the independent retail grocery sector and steps that can be taken to offset these costs. This will require deferment of the commencement of such measures until the cost implications for business are fully understood and a suitable mitigation programme to defray these costs has been implemented. It is vitally important that the State realises that increasing costs for businesses at a time when their turnover is reducing and other costs are increasing will have just one outcome – the closure of otherwise viable businesses with consequent loss of jobs and damaging consequences for the communities that the shops serve.

### **Regulatory costs**

- Introduce an immediate moratorium on any additional State imposed or sanctioned costs on independent retailers. In the current inflationary environment where retailers are being severely challenged by rapidly increasing input costs, the State has a direct responsibility to ensure that it does not add to the cost burden facing businesses. This moratorium should remain in place until at least the end of 2023.

### **Energy costs**

- The Exchequer is a direct beneficiary of increasing energy costs as a consequence of the higher tax yield that pro rata taxation on energy yields. To offset the burden of increased energy costs on independent retail businesses the State should implement a rebate scheme for businesses that can demonstrate that their energy costs have doubled over the last 12 months. The rebate scheme should remit to the retailers, the amount recovered by the State through the increased taxation of energy in respect of that business over the last 12 months. To ease administrative burdens, this could be done by way of an offset against other tax payments due by the business to the State.

- **Urban Renewal and Town Centre Living**

- Provide relief from Commercial Rates and Development Levies for retail businesses until the end of 2023. Given the scale of the crisis faced by retailers in 2022 and likely into 2023, there needs to be an effective relief from rates delivered through to the end of 2023.
- Introduce a Vacant Property Tax and ringfence the funds to invest in the national roll-out of the Collaborative Town Centre Health Check Programme and the establishment of Ireland's Towns Partnership akin to the successful collaborative town centre regeneration model developed in Scotland.
- Provide attractive Capital Allowances for retailers who invest in their businesses, including installing energy reducing technology.
- Introduce tax incentives to facilitate retailers to develop and offer over the shop accommodation including conversions for residential purposes.

- **Excise and other tax increases**

Given the exceptionally challenging economic climate for businesses and consumers, we would urge the Government not to increase existing taxation on individuals or companies. In an environment where business owners and their customers are facing significant pressure from a cycle of increasing costs, it is vitally important that the State does not add to these cost levels at this difficult time.

I hope that you will take account of this submission when formulating your Budget 2023 expenditure and taxation measures.

Yours sincerely,



Tara Buckley  
Director General  
RGDATA