CIF MANIFESTO 2016

BUILDING ON THE ECONOMIC RECOVERY AND ENSURING A SUSTAINABLE CONSTRUCTION SECTOR

"We need to support schools and guidance counsellors to encourage students to consider a professional career in our industry"

Michael Stone, CIF President

"The construction industry can double in size in the coming years, if the right decisions are made by Government and all stakeholders"

Tom Parlon, CIF Director General, speaking at the CIF Annual Conference 2015

EXECUTIVE SUMMARY

The construction industry is a **key pillar of economic growth**. With a supportive policy framework from the next Government, the construction industry can provide solutions to a wide array of economic and social needs. These include: **job creation, attracting and sustaining FDI, career upskilling, infrastructural needs, housing requirements and the provision of better healthcare and education services**.

The Irish construction sector is in recovery mode. While sentiment has improved over the past 18 months, the recovery is fragile, and unless positive action is taken by Government recent growth could stall. With Ireland now the fastest growing economy in the euro zone, the ability of the economy to sustain the current level of development and continue to grow will be directly and inherently linked to the Government's effective response to these issues.

With a prolonged **housing crisis**, a lack of rapid **investment in key infrastructure** in cities and across the **regions**, a **flooding crisis** in many areas across the country, and a **skills shortage** looming for the construction industry, a clear recognition of these issues, as well as a roadmap to support the industry's recovery, has never been more important.

In 2014, construction represented about **7% of GNP activity**. The Government strategy document for the construction sector, (Construction 2020), and many economic commentators, recommend that a sustainable and appropriately scaled industry should constitute some 12% of GNP. By the end of quarter three 2015, there were **127,400 people working in the sector**. Construction 2020 (in 2014) stated that **a further 60,000 professionals and tradespeople** would be required to achieve the 12% sustainable GNP target – generating an industry value of approximately €24bn.

There is a widespread acceptance from policy, economic and market commentators that supply is at the core of the housing issues facing the country. The **continuing lack of adequate housing development requires imaginative and practical solutions**. This report contains a range of recommendations to address this fundamental issue. The demand is there but the system is militating against the industry's ability to respond.

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Infrastructural investment such as that announced in the recent **Capital Programme** is essential to our ability to **attract and retain top-level FDI companies** to our shores. While the quality of infrastructure in Ireland has been improving, we still lag behind the OECD average, dropping four places to 24th in 2015. We have a unique challenge in Ireland. We have the fastest growing economy in Europe, but we have the second lowest level of investment in infrastructure. Rapid **investment** in water treatment, rail, ports and broadband **will ensure our competitiveness** on a global scale.

A **skill shortage** is affecting the ability of the sector to respond to current and future demands. Attracting school leavers and graduates to the industry will be one of the key challenges we face over the coming decade.

The prize is great. **There are over €15.6 billion worth of construction projects in the pipeline for 2016**, but more can be achieved with a supportive policy framework. With Ireland now the fastest growing economy in the euro zone, the ability of the economy to sustain the current level of development and continue to grow will be directly and inherently linked to the Government's effective response to these issues. **The scale of the opportunity for this country is huge, and the ambition of the next Government must match that**.

Tackling the Housing Crisis to Restore Residential Construction Activity to Sustainable Level

A sustainable supply of new housing stock is clearly a fundamental requirement for a myriad of socio-economic reasons. Ireland's population is increasing – the population of Dublin will increase by 100,000 by 2020 (compared to 2006) – and these citizens will place the struggling housing market under even more strain.
For over 12 months the news agenda has been dominated by the lack of supply. The ESRI has recommended that 25,000 new units is the minimum annual requirement over the next decade. But only 12,500 units were completed in 2015. The ESRI suggests that sustainable house-building target won't be met for at least another three years. However this will not be achievable now if actions are not taken. Looking to 2016, based on current planning permissions and commencement notices, we estimate that building output will be less than that of 2015 – likely in the vicinity of 11,000 units. This is dramatically short of the 17,000 units promised to be delivered during 2016 by Government in Budget announcements last year. This figure excludes the proposed NAMA units, as design, planning and delivery will likely push the completion dates of homes into 2017. This is extremely concerning and requires immediate intervention.

ACTIONS

Current house building activity levels must be doubled to meet sustainable demand. Shortage of new housing supply is a key factor contributing to house price inflation and rental inflation.
The following initiatives can support a recovery in an adequate house building programme to the required levels.

Help To Buy scheme

Starter first time home purchasers face challenges in securing an adequate level of mortgage finance to purchase their first home. The availability of equity loan schemes for housing could provide much assistance to these home purchasers and avoid their possible inclusion on social housing waiting lists. The experience of the Help to Buy schemes operated in the UK has illustrated how successful a scheme of this nature can be in facilitating first time purchasers get a foothold on the property ladder. Qualification criteria can be established to direct the Scheme to those in specific need of assistance.

Tax incentivised savings scheme for purchasers of new first homes

A tax incentivised savings scheme for purchasers of new homes should be promoted by the Government to encourage savings for the deposit required to support the purchase. This could operate on a similar basis to the former Special Savings Incentivised Accounts with the proviso that the accumulated deposit must not be used for purposes other than purchase of a new first home.

Local Property Tax to replace S48 Development Levy

The Minister for the Environment's initiative providing for a partial rebate of development levies paid for certain new housing units in the Dublin and Cork areas will do little to stimulate increased residential construction activity. To address the difficulty realistically, the entire premise of S48 development levies must be reviewed.

House building is widely accepted to be unviable in some locations – the sale price does not equate to the cost of construction.

Exacerbating Factors In This Regard Include:

- An inability to access appropriate finance at a reasonable cost
- The high cost of residential construction and related regulatory costs
- Compliance with new building regulations
- Part V social housing compliance
- The high levels of Development contributions
- A lack of zoned and serviced land available to the market

As local property tax has been introduced since the current development levy mechanism was provided for in the Planning and Development Act 2000, there is a strong argument that the market value of new residential development upon which the local property tax is based results in a double taxation of newly built homes. Property tax should replace the current development levy contributions for residential development payable under S48 of the Planning and Development Act 2000 as amended. This would reduce the overall up front construction costs of new residential buildings and contribute to initiating a real recovery in residential construction activity. Accordingly, Section 48 development levies pertaining to new residential properties that are subject to local property tax should be abolished.

Irish Strategic Investment Fund to support funding of infrastructure

The availability of finance continues to be a difficulty for the commencement of new construction activity, particularly where large infrastructure investment is required which requires a longer funding period. The Irish Strategic Investment Fund (ISIF) should be a source of potential funding for developers, possibly in conjunction with Local Authorities who require longer term funding to support opening up of new development sites. This funding should be available to address funding requirements for specific roads required to accommodate developments, extensions to water and waste water services, and other transport and amenity requirements required to support specific new developments.

Central Bank Review of its macro-prudential mortgage lending rules

Experience in implementation of the current Central Bank rules for mortgage lending is having a major impact in first time purchasers ability to raise an adequate level of mortgage finance. It is critical that a review process on experiences to date in the implementation of the rules is undertaken so that future purchasers are not unduly penalised in their ability to raise appropriate levels of mortgage finance. The current thresholds and deposit requirements for purchase price of new homes, particularly in the Greater Dublin Area, should be reviewed.

Amendments to planning legislation and reforms at An Bord Pleanala

The planning process must be modified and streamlined to introduce greater certainty and clarity that will enable much needed infrastructure and sustainable housing projects be delivered. This includes timeframes for planning decisions, arrangements for pre-planning meetings, compliance processes and arrangements for the taking charge of developments. Reforms are also required at An Bord Pleanala to address timeframes for appeal decisions and ongoing consultation with key stakeholders including the planning applicants.

Remove the Building and Control (Amendment) Regulation - BC(A)R -exemption for one-off housing

The exemption of the BC(A)R certification process for "one off" houses was a retrograde step by Government. It created a two tier building system, increased shadow economy activity and gave no credit to competent and compliant contractors for the work that they do. As well as this, statistics show these type of projects are where serious accidents are likely to happen and on which oversight is lacking or non existent. The requirements of BC(A)R were designed to professionalise the construction sector and we know that from a safety perspective, the now exempt sector is the most in need of oversight.

Place CIRI on a statutory footing

The industry has proactively worked with the Department of the Environment Community and Local Government in introducing the register of builders known as CIRI (Construction Industry Register Ireland). While this register is still operating on a voluntary basis, legislation to put CIRI on a statutory footing is urgently required. Construction 2020 identified the requirement for a statutory register of builders and included this objective as a key deliverable action in its published Strategy. To restore consumer confidence in a professional and compliant construction sector, the CIRI register must be put on a statutory basis in 2016.

Longterm investment and strategic thinking

The provision of first class infrastructure to underpin the country's continued economic recovery is absolutely key. Substantial, structured and clear investment is crucial to ensure economic and social development and future prosperity. A report from Paul Sweeney, Chair of Tasc's Economists Network and former chief economist at the Irish Congress of Trade Unions, recommended that State spending on public infrastructure should be increased by €15 billion over the next six years, on top of the recently announced €27bn package planned for the same period. The Capital Programme will be a welcome injection of much needed long term investment in the country's infrastructure and the construction sector. However, the timelines involved for many of the road, rail and transport infrastructure projects are such that they will not bring benefits to bear for many years.

ACTIONS

We call on the Government to explore mechanisms for private financing and greater use of Public Private Partnership (PPP) models for infrastructure procurement while continuing to meet value for money criteria.

Quaterly reports

There is a need to provide a report to the Cabinet Committee on Economic Infrastructure on a quarterly basis on key infrastructural projects, provided by departments, including their status, and put in place a mechanism for publishing the information.

Public Works Contract

Although the initial recommendations from the Government Contracts Committee for Construction (GCCC) review of Public Contracts are currently being rolled out, a medium term strategy arising from the on-going review will necessitate further proposals to Government and speedy implementation of any agreed changes.

Financing growth

The capacity of the construction sector has been badly damaged during the collapse. There is a need for stronger Irish construction companies and in particular for financially viable companies capable of taking a project from initiation to completion.

Blockages in access to credit need to be identified and addressed while maintaining strong regulatory practices. The rebuilding of the domestic banking sector needs to continue and as part of that process realistic credit lines must be re-established. Construction contractors can face a number of constraints that can impact on a contractor's ability to finance projects. These can include withdrawal of overdraft facilities, lack of credit availability from builder's suppliers, and the impact of the commencement of the Construction Contracts Act.

We request that the High Level Working Group chaired by the Department of Finance, bringing together the banks, NAMA and other key stakeholders, be expanded to explore the issue of sustainable bank financing for the construction sector.

Standards, regulation and enforcement

The NSAI must deliver product regulation and standards in specifications across the industry in connection with the Construction Products Regulations in a coordinated manner.

Unfair costs recovery in arbitration

The current public sector requirement that costs in arbitration must be borne by each party must be reviewed urgently. It is well established that costs should follow the award. Under the current provision even if it is demonstrated that a contractor was in the right in his entitlement, he must bear his costs in bringing his case to arbitration. This is an illogical requirement that would not be tolerated in many other jurisdictions.

We call on the next Government to remove this provision, and replace it with the principles established over a long period of time that costs follow the award.

Below cost tendering

The issue of below cost tendering, particularly on public sector contracts, is having a major impact on contractors. While below cost tendering can occur in either part of our two-tier economy, it has a particularly insidious effect in the regions, where contractors, already hampered by a lack of contracts, are more vulnerable to the effects of this practise. The public sector contracting authorities need to be given the necessary powers to address this issue.

Cease the practice of 'bundling' of contracts

The growing practice by some public sector contracting authorities of "bundling" a number of construction contracts into one large bundle for tendering purposes (e.g. schools bundles, courthouse bundles, etc.) automatically eliminates capable SME contractors from the tender process, who fail at the pre-tender stage due to low turnover.

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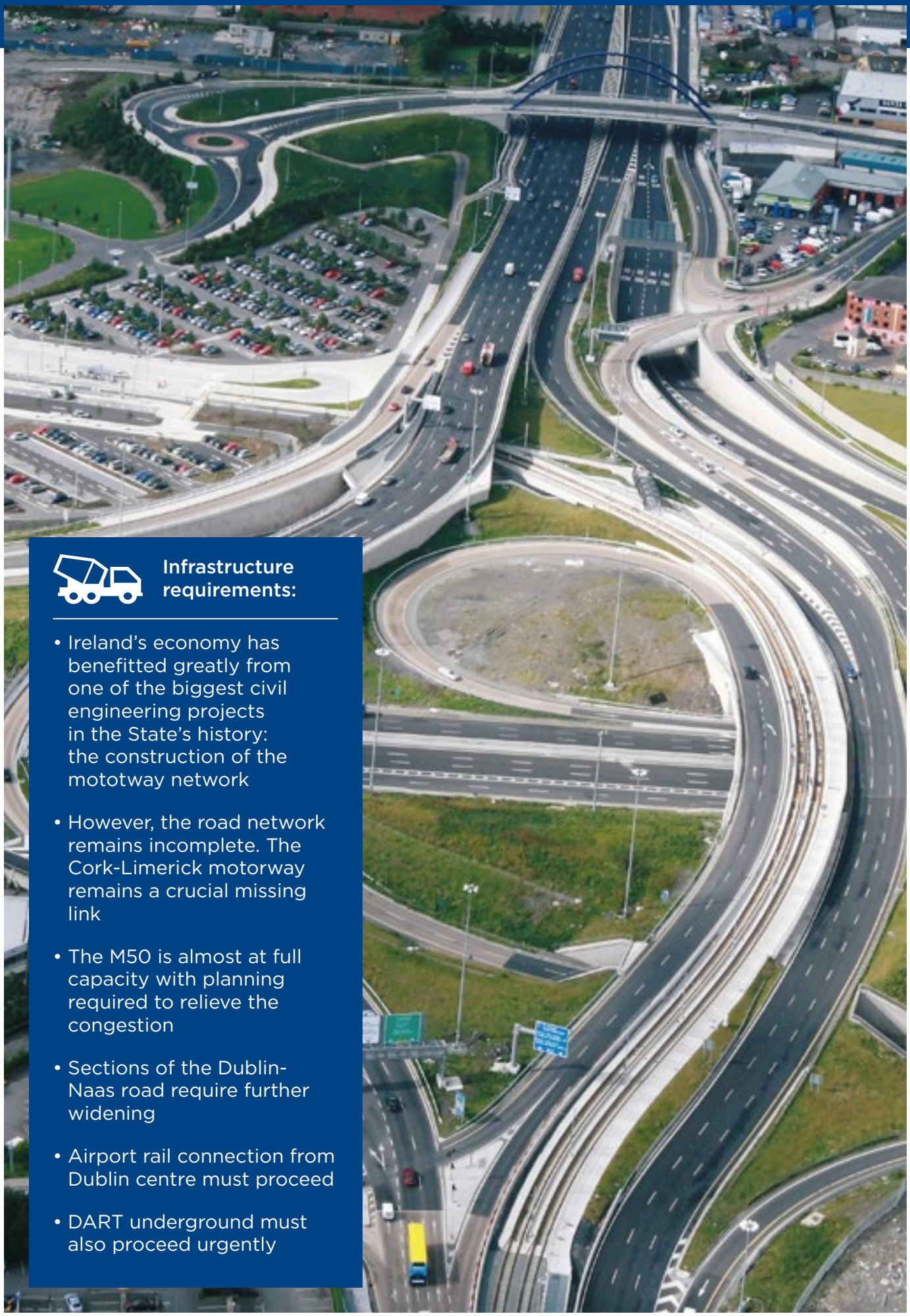

Infrastructure requirements:

- Ireland's economy has benefitted greatly from one of the biggest civil engineering projects in the State's history: the construction of the mototway network
- However, the road network remains incomplete. The Cork-Limerick motorway remains a crucial missing link
- The M50 is almost at full capacity with planning required to relieve the congestion
- Sections of the Dublin-Naas road require further widening
- Airport rail connection from Dublin centre must proceed
- DART underground must also proceed urgently

SPECIALIST CONTRACTING

Create a framework to protect and grow the sub-contracting sector

Specialist contractors are at the heart of the Irish construction industry. Many within the sector developed overseas markets during the recession and have brought home the skills learned abroad. Specialist contractors supply key, high-tech solutions to clients and the sector is vital to the on-going requirements of Foreign Direct Investment to Ireland.

It is estimated that approximately 10,000 people are currently employed on construction projects underway with IDA client companies, providing a considerable economic boost to the sector and the wider economy. The capability and track record of Ireland's construction sector is well regarded by IDA clients.

As the largest direct employers of staff in construction, specialist contractors and sub-contracting companies carry the greatest risk. For these employers, the majority of which are SMEs, the past decade has resulted in employment that has become more fragmented, less stable, temporary, seasonal and insecure. Larger specialist contractors are geared towards major projects, with significant distinct specialised technical staff employed on sites.

SME specialist contractors are primarily owner managed with a majority of managers 'on the tools'. Their critical concerns are getting work and getting paid.

ACTIONS

In order to encourage expansion and provide more sustainable career and business opportunities in the sector, the following policy objectives should be pursued:

Construction Contracts Act

Bad debts and poor payment practices in the industry are having a significant negative impact on the entire construction supply chain. Legislation such as the Construction Contracts Act have to be implemented as soon as possible to help tackle this problem.

Support the supply chain

Understand the supply chain process:

- Map, measure and audit public expenditure in construction
- Promote transparent, secure methods of payment
- Incentivise prompt payment

Make construction a career of choice

- Provide employment support
- Incentivise direct employment
- Incentivise long term staff retention policies
- Encourage indigenous employment through the use of social clauses

Addressing the current and looming skills shortage

At the end of Q3 2015, the total number of people working in construction in Ireland stood at 127,400. This is a 13.3% increase year on year. It is also well short of the recommendations set out in Construction 2020 in 2014, where it was recommended that an additional 60,000 construction workers would be required to achieve a sustainable construction industry. Based on recent CSO figures, the industry will need at least 45,000 new construction workers if it is to achieve its sustainable level of 12% of GNP. Our members report difficulties in sourcing employees with certain skills, including quantity surveyors, engineers, experienced project managers, glazing specialists, concrete experts, etc. This has a direct impact on the ability of the sector to respond to the needs of FDI and domestic clients. There is now an urgency to provide training in order to achieve this level of employment. During 2015 there were 20,000 workers with construction skills on the live register. There is an important role for pathways to work and other initiatives to get these people back to work. We welcome the Governments JOBPATH initiative and the industry looks forward to working with SEETEC and Turas Nua to identify talent that can contribute to recovery.

ACTIONS

We call on the next Government to adopt a more proactive stance on the need to support the recovery of the construction industry.

Innovation and broad thinking

At a time when there is an imminent danger of not having enough indigenous skills to deliver projects, Government needs to be innovative and responsive on how to fast track programmes to deliver those skills. The introduction of innovative schemes such as the State sponsorship route for apprentices and the active assistance of State bodies to assist in the rolling out nationally of the CIF Shared Apprenticeship Scheme needs to be given real consideration. There is a requirement to work with small employers who are willing to take on apprentices but are daunted by the complexity of the process. This needs active intervention to promote involvement and the provision of assistance to meet this rising demand.

Extend the JOBSPLUS Scheme to the "Wet Trade" apprenticeships

Registrations to the wet trades (plastering, bricklaying, tiling, painting and decorating) have all suffered greatly in the recession due to the nature of the small businesses and the lack of confidence in the industry. These skills will be vital to deliver the required residential developments set out by Government. CIF have proposed that the JOBSPLUS initiative be extended to include apprenticeships in these trades in order to encourage employers to register apprentices in these specific trades.

Reinstate grant aid for training of construction employees

For the construction sector to ensure compliance with quality and safety requirements, employers must invest heavily in training and upskilling. Since 2008, support for training those in employment was removed. In order to ensure the demands of the economy are met, employers need assistance with the cost of this training as was the case prior to the recession. This could be provided by means of grant aid or a percentage reimbursement. Such assistance could be made via the National Training Fund into which all employers pay a substantial contribution. CIF supports the call from the National *(cont'd overleaf...)*

Competitiveness Council in its most recent report (Ireland's Competitiveness Challenge 2015) to "rebalance the National Training Fund to allocate a greater proportion of funding to 'in-employment' training".

Construction employers carry a heavy burden meeting 'in- employment' training legislative requirements. Unlike competing companies from our nearest neighbour in Northern Ireland, they have been unable to benefit from financial assistance in the form of grants, despite continuously contributing to the training fund.

Remove current student levy on apprentices –Phases 4 and 6

In Budget 2014, the funding of apprentices student fees, payable to Institutes of Technology (Phases 4 & 6), amounting to €1832 per apprentice, was removed.

This means that an apprentice must fund this segment of their training. This is an impediment to registering of apprentices whose skills will be in demand to deliver on Construction 2020. We ask that this funding be reinstated in Budget 2016 in line with the Government's stated aim of increasing the number of apprentices.

Redundancy costs

The construction sector is an entirely different sector compared to other employment sectors where the employment base for employees is normally of a fixed location. The employment base of a construction worker is where the actual construction project is at any one time. The current requirement that employers are 100% responsible for redundancy payments to employees means that construction employers are reluctant to directly hire new employees. This in turn will have an adverse effect on quality, training and standards. Disincentives for recruitment of new employees which were introduced during the recession should now be reversed. Construction sector employers' entitlement to redundancy rebate should be restored for all new employees engaged after a specified date.

Social insurance benefits for self-employed

Self-employed people pay Class S PRSI. Class S PRSI only covers self-employed for certain social welfare payments. It does not cover them for Jobseeker's Benefit.

In order to support self-employed and offer them some protection against loss of income, CIF recommends that the benefits payable for persons who pay Class S PRSI should be extended to include Jobseeker's Benefit and Illness Benefit on the same basis as it applies to their own direct employees.

Combating a two-tier economy

For CIF members in the regions outside of Dublin, a key issue is the lack of new project announcements. The recovery in the Irish construction industry has seen an increase in construction activity in the eastern region, but very little in the rest of the country, especially in the more peripheral rural locations. This has resulted in a **two-tier recovery**, where regional contractors and their workforce have to travel large distances to secure work, or contractors going out of business altogether.

While the **IDA is aiming to increase this regional investment further by 30%-40% over the next four years**, there remains a strong perception of a 'forgotten counties' syndrome.

Many Regions of Ireland have developed significant industrial clusters in the pharmaceutical, med tech, bio technology, life sciences, and agri-food sectors. These clusters of industry should be developed further by sufficient investment in public infrastructural works to help these clusters expand and provide the connectivity between regional clusters of industry.

House prices in the Regions have a long way to go before they render house building viable again. Some counties have seen **striking drops in residential activity**.

For example Jan – Nov 2014 vs Jan – Nov 2015 saw a 20% drop in activity in Carlow, 39% in Clare, 25% in Galway and a 58% drop in Westmeath. In fact, of the 26 counties, 19 have seen substantial decreases in house building activity since 2014. **Cost of construction, sale price and commercial viability are an significant concerns in the Regions**.

In recent months the growing pressure on Ireland's infrastructure has come into sharp focus due to the increased economic activity and various adverse weather events. This **backlog of infrastructural works** required is coming into sharp focus as the lack of appropriate infrastructure becomes more evident to people right across the country.

It is **absolutely essential that investment in Public Infrastructure keeps pace with increasing levels of FDI investment and our growing population and economy**. There is an urgent need to construct flood defences in various parts of the country, improve and construct roads where there is currently heavy congestion and provide essential infrastructure for zoned residential lands to deal with the housing supply crisis.

ACTIONS

Balanced investment Outside Key Cities

Lack of Government investment in infrastructure in many counties has made it very difficult to attract FDI to the regions. A very simple example of the deficit in infrastructure can be seen in counties Donegal, Monaghan and Cavan where there is no access to the national rail network, nor do they have an adequate road network. This has resulted in low employment opportunities and migration from the regions to the larger urban centres. There should be a balanced regional spread of investment across all Regions, which will help alleviate the burden on housing, office space and infrastructure in Dublin.

Publish Capital Programme Commencement dates

The Public Capital Programme included many projects for Regional Ireland. It is vital that commencement dates are given on these projects. Many of these are road projects which will advance regional connectivity and ensure that clusters of industry located in the Regions have greater connectivity to ports, airports and indeed to other regional industrial clusters.

Supporting SME sector

The announcement in November 2015 by the National Development Finance Agency (NDFA) that it will use Public Private Partnerships (PPP) to build social housing, education, justice and healthcare projects will also eliminate capable SME regional contractors from the tender process. We request a balanced approach to the distribution of projects across the country.

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Foreign Direct Investment (FDI)

Regional clusters of industry should be developed further with sufficient investment in public infrastructural works to help expansion and provide improved connectivity between regional industries. This will ensure a more balanced regional investment and make Ireland more competitive as a location for inward investment. Over concentration of FDI in one or two Regions reduces competitiveness and puts pressure on existing infrastructure

Reduce the cost of housebuilding in the Regions

The recent proposal by the Minister for the Environment, Community and Local Government to offset development contributions was a welcome recognition of the fact that development contributions often add €10,000 to the cost and, therefore, the price of a house across the country. However, the proposal to apply this offset to only Dublin and Cork regions is a major cause for concern.

The housebuilding industry is devastated in these counties, and measures to reduce costs are urgently required to offer choice to people wishing to buy, and indeed to sustain towns and villages across the country.

SAFETY

Enforcement and inspection key to compliance with safety and health best practice

We are proud that over 90,000 people completed Safe Pass training in 2015 alone and similar number in 2014. This represents and investment of €27 million by employers, each year in this one safety programme alone.

CIF members are committed to ensuring the highest safety standards are maintained on sites. We are proud that over 90,000 people completed Safe Pass training in 2015 alone and similar number in 2014. This represents and investment of €27 million by employers, each year in this one safety programme alone.

This being said, statistics for fatalities in the construction sector are worryingly high. On analysis of the figures and incidents, it is clear that the majority of these fatalities are on small projects and works peripheral to the construction sector.

In response, the Health and Safety Authority's enforcement focus needs to be targeted at these particular projects and works.

ACTIONS

The following should be actioned by Government:

HSA resources

The budget of the HSA should reflect the increased activity in the construction sector. The budget cuts made over the past few years should be reviewed to ensure that adequate resources are available to fund increased enforcement activity.

HSA inspection focus on smaller sites

An increased regime of inspection of smaller projects could be assisted by the full implementation and enforcement of the requirements of the 2013 Construction Regulations. These require domestic works to put in place safety plans to manage the risk arising from the works and the submission of AF1 & AF2 notifications to the Authority.

Safety, Health and Welfare (Construction) Regulations 2013

The revised Regulations imposed upgraded safety oversight requirements on residential projects. There were designed to try to address the safety concerns arising from this sector. CIF believe that the requirements of these revised regulations and the requirements of the planning application process should act in tandem. The application process should require the applicant to confirm and name the appointed Safety Supervisors at the planning application stage. This ensures that the safety aspect of these projects is addressed at an early stage.

Positive tax changes to stimulate growth

An increase in construction spend of €2bn will yield an additional 20,000 new jobs. Private sector construction activity is dependent on infrastructure services and a functioning banking sector.

ACTIONS

Reduce VAT on construction

Budget 2016 was a disappointment in terms of a lack of initiatives to stimulate the construction sector. A reduction in VAT was called for and that requirement remains.

Annex III of the EU VAT Directive outlines the range of services that can qualify for a reduced VAT rate. Article 10 and 10a specifies provision, construction, renovation and alteration of housing and renovation and repairing of private dwellings as services which qualify for the reduced VAT rate. CIF analysis concluded that a reduction in the rate of construction VAT for construction, renovation and alteration of housing from 13.5% to 9% can be self-financing when an increase in the level of residential construction activity of 14% is achieved over the 2014 levels.

Other indirect benefits will also accrue to the Exchequer as a consequence of increased residential construction activity including conveyancing of residential units, houses / apartments, fit outs and other related benefits. The all-in construction cost inclusive of VAT and other costs of any newly built home is still high compared to current market value levels. This anomaly can be addressed by introducing the temporary VAT rate of 9% for a limited timeframe specifically for residential construction services as currently operates in the tourism and leisure sector. This is on the basis that the existing VAT treatment of other construction services remains subject to VAT at the 'Parking Rate' – currently 13.5%.

This measure will stimulate additional residential building, which in turn will address the deficit in current housing supply. It will also assist in determining the economic viability of residential development. A measure of this nature will also reduce the overall cost of constructing social housing.

Capital Gains Tax rate

The current 33% capital gains tax rate acts as a disincentive to the disposal of assets, to transactions and to investment decisions. In the past, it has been demonstrated that a lower rate of capital gains tax increases transactions and increases taxation revenue. A restoration of the 20% capital gains tax rate will stimulate transactional activity and Exchequer revenues.

Changes to seven-year Capital Gains Tax exemption

An unintended consequence of the seven-year capital gains tax exemption is that it encourages the holding of property – there is no requirement to develop the land purchased during the relevant period. This is not compatible with the desire to develop the sites and restore construction activity.

To address this anomaly and to encourage disposal of these lands for early development, provision could be made for a tiered relief of the capital gains tax liability that would arise for each year early that a relevant asset which benefited from these reliefs is disposed of. Under these circumstances, a capital gains tax bill would be reduced by one seventh for each of the unexpired years of the seven-year holding period.

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