



Northern Ireland
Chamber of Commerce
and Industry

DEVOLUTION OF MORE FISCAL POWERS CONSULTATION

Response from NI Chamber

November 2022

Consultation on devolution of more fiscal powers

About NI Chamber

With 1,000 members, representing over 105,000 employees, Northern Ireland Chamber of Commerce and Industry (NI Chamber), has supported the development of the economy for almost 240 years and is 100% funded by the private sector. We work across all of Northern Ireland, helping SMEs to grow and export and larger firms to thrive.

Our membership spans businesses across key sectors including manufacturing, construction, professional services and a broad range of wider services. NI Chamber consults with these members on a regular basis, around all issues/concerns that they face in doing business locally, nationally and internationally.

Our Response

Northern Ireland Chamber of Commerce and Industry (NI Chamber) welcomes the consultation from the Department of Finance following the Fiscal Commission's final report - "More Fiscal Devolution for Northern Ireland?".

This report will play an important strategic role at a critical time, providing evidence and talking points on how taxes are raised and how public services are funded in NI. Our response details NI Chamber's reflections on the report and is a restatement of our position in respect of the further fiscal devolution for Northern Ireland.

As a general principle and indeed aspiration NI Chamber understands and acknowledges the argument as to why additional fiscal devolution might be considered important in terms of

building a better future for NI, its citizens and businesses that operate here. However, there is still a need for broad political and civic engagement on the likely trajectory of tax changes and an assessment of the different groups who may be winners and losers as a result of each of the changes. The business perspective is critical as businesses across NI generate a large proportion of the activity and in turn support a large proportion of the taxes being paid.

From the outset, we would wish to highlight our concern that a principal arguments against not devolving corporation tax some 7 years ago, still apply today to any of the current taxes under consideration in this report. Notably effective functioning government, sustainable Executive finances and agreed block grant adjustment. The rather alarming practical outworking and fiscal consequences of caretaker ministers operating without accountability mechanisms through an Executive committee and scrutiny through the Assembly structures, presents a clear and obvious concern about further fiscal devolution in absence of reform.

Should Northern Ireland move into a place where a functioning Executive with appropriate checks and balances could take on additional tax powers, it should, like Scotland and Wales, take them on gradually so as to ensure administrative systems and the block grant adjustments essential to fiscal stability and sustainability are properly in place and functioning,

We welcome the recommendation that the NI executive work with ONS, HMRC and NISRA to improve data on tax receipts in Northern Ireland as to provide more reliable estimates of the tax prior to devolution and more accurate costs post devolution. Business in Northern Ireland are seeking stability and opportunities to grow their business. The devolution of tax powers should be approached in a timely and considered way as to not create further turmoil to business confidence and to erode the competitiveness of the region.

NI Chamber welcomes the recommendation of corporation tax devolution after its omission within the commissions' interim report. We recognise that the devolution of Corporation Tax is not the "silver bullet" to develop Northern Ireland's regional and international competitiveness and should be part of a range of tax measures that improves overall business conditions. The devolution of corporation tax is certainly one of the mechanisms that devolved government

can take to spur additional FDI investment, economic growth, rebalance towards a larger private sector (generating other additional tax revenues) and close the productivity and employment gaps referred to in the early stages of the report. We would encourage Commissioners to include greater focus on the international competitiveness of businesses in NI and the combined impact of UK wide tax rises, as well as redistribution and influencing consumer behaviour.

A significant issue for large businesses in NI is the Apprenticeship Levy and we welcome the recommendation to devolve the Levy. NI Chamber understands why the devolution of the Apprenticeship Levy would benefit from dovetailing with other taxes, however it is recommended that this is a priority area for devolution and deployment to put NI firms on an even competitive footing with their GB counterparts.

There needs to be more information on how the Green agenda and tax devolution will work. There will need to be a discussion and subsequent agreement on the Green agenda and commercial and competitiveness implications of changes in taxes such as APD and fuel duties, a consideration of how NI delivers net zero 2050, the energy strategy and its part in the climate change obligations.

Careful consideration should be taken around the timing of devolution of taxes. Businesses have weathered the COVID-19 and EU Exit storms so far – and both will continue to deliver challenges. Inflation is now the highest level for three decades and energy prices continue to increase. The cost of doing business in NI has increased markedly and will continue to increase, eroding the competitiveness of the region. In the most recent Quarterly Economic Survey (QES), 1 in 5 businesses are just covering costs of the business and we are now facing a cliff edge in Q1 and Q2 of 2023 of increased redundancies and insolvencies.

NI Chamber welcomed the opportunity to engage with this review and remains open to further discussion at any time.

ENDS

For further information please contact:

Phil Murray
Policy and Public Affairs Manager
Northern Ireland Chamber of Commerce and Industry
phil.murray@northernirelandchamber.com
(m) 07715020930



Northern Ireland
Chamber of Commerce
and Industry

40 Linenhall St, Belfast BT2 8BA

Tel:+44 (0)28 9024 4113

mail@northernirelandchamber.com
northernirelandchamber.com

Communications
Partner



Patrons



Accreditations

