



PRE BUDGET 2025 SUBMISSION



IrishLeague
of **CreditUnions**

September 2024

Introduction

ABOUT THE ILCU

The Irish League of Credit Unions (ILCU) is the largest representative body for Credit Unions in Ireland. Founded in 1960 with the aim of providing representation, leadership, co-operation, support and development for Credit Unions in both the Republic of Ireland and Northern Ireland, the ILCU today has an affiliated membership of circa 250 Credit Unions. Membership of the ILCU is open to every Credit Union on the island of Ireland.

The Credit Union movement is built on an ethos of mutuality, volunteerism, self-help and not-for-profit philosophy.

www.creditunion.ie

CREDIT UNIONS IN IRELAND

There are approximately 190 credit unions in the Republic of Ireland providing 400,000 loans in 2023. We are the market leader in personal loans, and are growing our mortgage, business, agri lending and current accounts presence.

We offer affordable finance across a range of services. We have 400 locations, 2,000 volunteers and 3,500 staff providing a best in class physical and digital presence. Credit Unions are digital when you need it, human when you want it.

INTERNATIONAL DEVELOPMENT FOUNDATION

The Irish League of Credit Unions has an International Development Foundation which plays an important and key role in educating people and assisting in the development of Credit Union movements internationally who, in turn provide much needed access to safe, ethical and affordable financial services for individuals, families and communities. Together we are working towards the goal of achieving financial inclusion for all. The Foundation is registered with the Charities Regulatory Authority in Ireland.

The Foundation was incorporated in April, 1989, becoming the international development arm of the Irish League of Credit Unions, and subsequently received charitable status. From the early 1990s the Foundation began directly supporting Credit Union development in low-income developing countries. Supported by annual donations from Irish credit unions, and institutional donors including Irish Aid, the Foundation is sharing the Irish credit union experience to empower others. The Foundation provides access to the knowledge, expertise and support required to fight poverty and achieve financial inclusion in rural and urban communities, with a particular focus on those of Ethiopia,

The Gambia and Sierra Leone.

The Foundation are actively working with Central banks in these countries, get support from UN agencies (IFAD) and are expanding into Tanzania and Rwanda in 2025.

www.ilcufoundation.ie



Foreword

Budget 2025 comes a pivotal time for Ireland. While unemployment is at near record low levels and economic growth and tax revenue is buoyant we are proposing a broadly revenue neutral budget package with targeted supports.

Among our key asks is for the two levies currently under consultation by the Department of Finance namely the Credit Institutions Resolution Fund (CIRF) and the Stabilisation Fund to be both set at 0% for 2025. The CIRF is already above its target level of €65 million so further contributions are unnecessary whereas the Stabilisation Fund has never been used in its 10 year existence. It should be disbanded.

Credit Unions want to grow and develop and provide more competition and choice. The Central Bank has imposed crisis era restrictions on mortgage and business lending. These restrictions are prohibiting competition and are not improving consumer choice. Credit Unions have grown in these areas slowly and cautiously with prudent policies. We are calling for these limits and restrictions to be removed.

The Irish League of Credit Unions (ILCU) published the 2024 results of our annual Back to School survey which tracks the costs and impacts of children returning to school as well as broader cost of living factors. Conducted by i-Reach in June 2024¹, it makes for some sobering reading, with the 2024 research finding that 62% of parents say that covering the cost of back to school is a financial burden, 28% of respondents are taking on debt to cover back to school costs, with the average debt amount at €368, which is an increase of €62 on the same figure last year.

The issue of debt is significant, and it should be noted that 32% of parents in debt have debts of over €500 to cover these costs. We are calling for the capitation grant for primary schools to be increased to €250 per primary school pupil and for the free book scheme and hot meals scheme to extended to all pupils.

Fraud and economic crime continues to grow in Ireland. We are proposing two measures that will help fight economic crime namely the establishment of a fraud

database and there is a need for changes to the Central Credit Register including verifying PPS numbers to ensure fraud can be flagged and economic crime reduced.

We are calling for a range of taxation measures to help consumers and support businesses such as reducing stamp duty on debit cards, increasing entrepreneurial relief lifetime limits and reducing Deposit Interest Retention Tax to name a few.

Our measures are costed and take account of the Summer Economic Statement and the Tax Strategy Papers released in July.



DAVID MALONE
CEO, ILCU

¹For You. Not Profit. - The Irish League of Credit Unions

Budgetary Measures

THREE THEMES

- a. Helping Credit Unions grow
- b. Supporting consumers
- c. Help businesses grow and improve access to finance

	MEASURE	YIELD (+) OR COST (-)
1.	Set CIRF and Stabilisation Fund at 0% for 2025	No cost to exchequer
2.	Remove barriers to credit unions growing their mortgage and business lending loan books	No cost to exchequer
3.	Extend the bank levy in its current format	+ €200m
4.	Introduce a PPSN check on the Central Credit Register to reduce fraud	Administrative change
5.	Establish a National fraud database	- €20 million
6.	Implement Recommendation 11.2 of the Retail Banking Review lower fee (eg. €1) for small loan enquiries below €2,000 on the Central Credit Register	- €1.5 million
7.	Invest in primary education by raising the capitation grant to €250 per primary school pupil	- €28 million
8.	Extend hot meals scheme to every school	- €20 million
9.	Extend the free school-book scheme to senior cycle in secondary schools	- €25 million
10.	Introduce electronic conveyance to speed up and modernise and reduce friction in the switching mortgage process (suggested cost of €10 million)	- €10 million
11.	Increase the small gift exemption from €3,000 to €12,000	- €10 million
12.	Abolish stamp duty on debit cards	- €8 million
13.	Reduce standard rate of Deposit Interest Retention Tax from 33% to 29%	- €7 million
14.	Increase the staffing of key government Departments to prepare for the forthcoming EU presidency in H2 2026	- €1.5 million
15.	Increase Entrepreneurial relief lifetime limit to €2 million	- €25 million

Budgetary Measures



	MEASURE	YIELD (+) OR COST (-)
16.	Reduce the cost of doing business – increase the small benefit exemption to €2,000 per annum	- €6 million
17.	Remove the 1% stamp duty on life assurance policies that are issued by not-for-profit cooperative insurance	- €20 million
18.	Increase the annual capital gains tax exemption from €1,270 to €2,540	- €11 million
19.	CGT retirement relief thresholds introduced in Budget 2024 in Section 50 of Finance Act 2023 should be reversed as it will act as an obstacle transfer of shares in family-owned businesses	Administrative change
20.	Establish an early stage Social enterprise fund as advocated by Social Enterprise Ireland to help early stage social enterprises with capacity building	- €3.14 million
TOTAL YIELD		+ €3 million

All costs and yields are approximate and takes account of Revenue's Ready reckoner, answers to Parliamentary Questions and in-house calculations.

Summary of Pre-Budget Submission

1. CREDIT INSTITUTION RESOLUTION FUND LEVY AND THE STABILISATION FUND TO 0% FOR 2025 – (NO COST TO THE EXCHEQUER).

We welcome the Department of Finance's consultation on credit union levies published on 12th of July². The Credit Institutions Resolution Levy fund is one of a number of contributions requested from credit unions annually. We strongly advocate that the levy contribution be reduced to 0% for 2025 as the fund is already above its target level. The Minister can recoup the €10 million outstanding to the Department from the fund and this would be a further normalisation of the post crisis financial services industry.

There is no cost to the state as this is a credit union only contribution. It would also give certainty to credit unions that the some of the levies applied by the State would be removed as they have fulfilled their purpose.

Similarly, the stabilisation fund is one of a number of contributions requested from credit unions annually. We strongly advocate that the levy contribution be set at 0% for 2025 and the fund to be disbanded and the moneys refunded to credit unions. There is no cost to the state as this is a credit union only contribution.

2. REMOVE BARRIERS TO CREDIT UNIONS GROWING THEIR MORTGAGE AND BUSINESS LENDING LOAN BOOKS (NO COST TO EXCHEQUER)

Credit unions are growing strongly and want to provide more services to our members. We want to grow in a prudent manner and increase our mortgage and business lending to provide more competition and more choice. Mortgage lending continues to grow apace and has doubled over the last two years with the credit union sectoral mortgage loan book now in excess of €600m. Credit unions are providing much needed competition and customer choice in a hyper concentrated mortgage market.

However, credit unions are restricted by arbitrary crisis era regulations, that limit the amount they can lend in respect of mortgages. These limits are actively prohibiting competition and are not in the best interests of financial stability or enhanced consumer protection. It is imperative that targeted proportionate changes are made to the existing regulatory limits by the Central Bank.

Changing the lending limits will offer an immediate and tangible benefit to aspiring homeowners and businesses across Ireland.

As such, it is our understanding that the Central Bank of Ireland will issue a report on the review of the lending framework by the end of the year, which we very much welcome.

3. EXTEND THE BANK LEVY IN ITS CURRENT FORMAT (YIELDS €200M)

We agree with the Minister and the Department of Finance view that it is entirely appropriate that banks continue to make a contribution back to the State³. Banks have cost the state enormous sums of money during the crisis whereas credit unions have restructured and consolidated without costing the state at all.

4. INTRODUCE A PPSN CHECK ON THE CENTRAL CREDIT REGISTER (ADMINISTRATIVE CHARGE)

There is a need for changes to the Central Credit Register including verifying PPS numbers to ensure fraud can be flagged and economic crime reduced.

² gov - Consultation on Resolution Fund and Stabilisation Fund for Credit Unions (www.gov.ie)

³ Budget 2025 to retain bank levy, says Jack Chambers (irishexaminer.com)

5. ESTABLISHMENT OF A NATIONAL FRAUD DATABASE – (COST €20 MILLION)

There is a lack of joined up thinking on fraud in the Irish context. Since the introduction of strong customer authentication as part of the Payment Services Directive 2015/2366 (PSD2), the nature and frequency of fraud has changed. Social engineering, push payment fraud and scams are increasing in their sophistication. Article 83 of the proposed revised payment service regulation⁴, allows for the sharing of potential fraud information. We understand that discussions on a national fraud database have been stalled for some time but we believe this should be expedited and the investment required will be recouped by the prevention of fraud.

6. IMPLEMENT RECOMMENDATION 11.2 OF THE RETAIL BANKING REVIEW LOWER FEE (EG. €1) FOR SMALL LOAN ENQUIRIES BELOW €2,000 ON THE CENTRAL CREDIT REGISTER (COST €1.5 MILLION)

The Retail Banking Review from November 2022 included a number of recommendations. Nearly two years on from its publication and agreement by government it is time for implementation to reduce the cost of servicing small loans.

7. INVEST IN PRIMARY EDUCATION BY RAISING THE CAPITATION GRANT TO €250 PER PRIMARY SCHOOL PUPIL – (COST €28 MILLION)

Earlier in July, the Irish League of Credit Unions (ILCU) published the 2024 results of our annual Back to School survey which tracks the costs and impacts of children returning to school as well as broader cost of living factors. Conducted by i-Reach in June 2024⁵, it makes for some sobering reading, with the 2024 research finding that 62% of parents say that covering the cost of back to school is a financial burden, 28% of respondents are taking on debt to cover back to school costs, with the average debt amount at €368, which is an increase of €62 on the same figure last year.

The issue of debt is significant, and it should be noted that 32% of parents in debt have debts of over €500 to cover these costs. We are calling for the capitation grant for primary schools to be increased to €250 per primary school pupil and for the payment to be paid in one payment rather than the current twice-yearly payment⁶. This would be an administrative saving for the Department of Education. We believe this will help mitigate some of the costs of going back to school.



⁴ EUR-Lex - 52023PC0367 - EN - EUR-Lex (europa.eu)

⁵ For You. Not Profit. - The Irish League of Credit Unions

⁶ Capitation Grants - Tuesday, 9 Apr 2024 - Parliamentary Questions (33rd Dáil) - Houses of the Oireachtas

8. EXTEND THE HOT MEALS SCHEME TO ALL PUPILS (COST €20 MILLION)

This scheme should be extended to every pupil which should ease the burden on families.

9. EXTEND THE FREE SCHOOL-BOOK SCHEME TO SENIOR CYCLE IN SECONDARY SCHOOLS (COST APPROXIMATELY €25 MILLION)

We welcome the extension of the free book scheme to junior cycle in secondary schools in Budget 2024. We believe it is imperative to roll this out to all pupils in secondary schools. This is a progressive measure that we have costed at €25 million.

10. INTRODUCE ELECTRONIC CONVEYANCE TO SPEED UP AND MODERNISE AND REDUCE FRICTION IN THE SWITCHING MORTGAGE PROCESS (SUGGESTED COST OF €10 MILLION)

Reducing friction in the home buying and mortgage switching space is to be encouraged and the conveyancing process needs modernisation.

11. INCREASE THE SMALL GIFT EXEMPTION FROM €3,000 TO €12,000 – (COST €10 MILLION)

The small gift exemption allows a person to receive a gift up to the value of €3,000 from any person in a calendar year without having to pay Capital Acquisitions Tax. Increasing this level is long overdue and would reduce the administrative burden for the Revenue Commissioners.

12. REMOVE STAMP DUTY ON DEBIT/ATM CARDS (COST €8 MILLION⁷)

The introduction of Stamp duty on Debit/ATM cards was an emergency measure but amended in Budget 2016 to be a tax on ATM withdrawals. This goes against Government Policy to maintain access to cash as it is a tax on ATM usage as outlined in the Retail Banking Review, is administratively costly we call for the removal of this stamp duty charge. Government stamp duty of 12 cent applies to ATM withdrawals to a maximum of €5 per card.



⁷Revenue Ready Reckoner – Pre Budget 2025

13. REDUCE STANDARD RATE OF DEPOSIT INTEREST RETENTION TAX FROM 33% TO 29% (COST €7 MILLION)

DIRT yield should increase substantially due to the rise in interest rates. We are calling for a reduction in the DIRT rate to 29%.

14. INCREASE THE STAFFING OF KEY GOVERNMENT DEPARTMENTS TO PREPARE FOR THE FORTHCOMING EU PRESIDENCY IN H2 2026 (COST €1.5 MILLION)

It is imperative that Government departments start the process of planning for Ireland's EU Presidency in 2026. Increasing staff numbers in key Departments is key to ensuring a successful Presidency.

15. INCREASE ENTREPRENEURIAL RELIEF LIFETIME LIMIT TO €2MILLION (COST €25 MILLION)

Ireland's limit is low by international standards and acts as an obstacle to economic growth.

16. REDUCE THE COST OF DOING BUSINESS - INCREASE THE SMALL BENEFIT EXEMPTION TO €2,000 (COST €6MILLION)

We strongly support businesses in Ireland and we echo the call from IBEC and the SFA for an increase in the Small Benefit Exemption to be made up to a value of €2,000 per annum to and allow it to be given across a maximum of six rather than two payments in a year. This would make the administration easier, allow flexibility and enhance the attractiveness of the scheme.

17. REMOVE THE 1% STAMP DUTY ON LIFE ASSURANCE POLICIES THAT ARE ISSUED BY NOT FOR PROFIT COOPERATIVE INSURANCE (COST 20 MILLION)

Since September 2009, a 1% levy applies to life assurance policies. We believe an exemption for companies that provide services to not for profit organisations should be introduced.

18. INCREASE THE ANNUAL CAPITAL GAINS TAX EXEMPTION FROM €1,270 TO €2,540 (COST APPROXIMATELY €11 MILLION)

The annual Capital Gains tax exemption has been set at €1,270 and has not increased in recent years. The proposed new level aligns with the exemption level for gains on moveable gains. This would be a simplification measure and would ease the administrative burden for taxpayers.

19. CGT RETIREMENT RELIEF THRESHOLDS INTRODUCED IN BUDGET 2024 IN SECTION 50 OF FINANCE ACT 2023 SHOULD BE REVERSED (COST ADMINISTRATIVE CHANGE)

This is a step that hasn't been introduced yet but it will act as an obstacle transfer of shares in family-owned businesses. Changing this is a sensible move and would support further transfers of family owned businesses.

20. ESTABLISH AN EARLY STAGE SOCIAL ENTERPRISE FUND AS ADVOCATED BY SOCIAL ENTERPRISE IRELAND⁸ TO HELP EARLY STAGE SOCIAL ENTERPRISES WITH CAPACITY BUILDING (COST €3.14 MILLION)

Any initiatives to support early stage enterprises grow and develop is to be welcomed.



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