SFA 2027 Pre-Budget Submission

Supporting Ireland’s Small Business Owners

Small Firms Association

The Small Firms Association

The Small Firms Association (SFA) is the trusted voice of small business in Ireland, dedicated to making our nation the most vibrant small business community in the world. Representing the 98.6% of Irish enterprises that employ over 1.2 million people, we are the backbone of local economies from rural villages to urban centres. Our mission is built on a fundamental truth: if the business owner cannot thrive, the business cannot grow. Beyond delivering practical HR, legal, and cost-saving solutions, the SFA provides a safe harbour and dynamic network where entrepreneurs connect, learn, and scale. By putting the small business owner first, we advocate for fairer policies, protect profitability, and ensure you never navigate business leadership alone.

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Executive Summary

Ireland's small firms represent the beating heart of local communities, accounting for over 98% of all enterprises. However, according to recent research and external events, the sector is trapped in a "perfect storm" of spiralling costs and compounding regulatory burdens that actively threaten business viability.

The rise in employment costs is a particular area of concern, and this document outlines the rise in the National Minimum Wage over the past decade. The Small Firms Association (SFA) strongly believes that any further increase in the National Minimum Wage is not sustainable for many small businesses.

The SFA's Pre-Budget Submission for 2027 operates as a direct, actionable extension of the SFA's strategic blueprint, Putting the Small Business Owner First'. While the strategy document outlines a visionary framework to champion the growth, competitiveness, and digital transformation of Ireland's indigenous sector, this submission translates those macro goals into concrete, immediate legislative demands. Coupled with that, the SFA's recently completed annual 'Small Business Survey' underlines the need for the Government to act quickly and decisively to assist the small business community.

By advocating for tangible tax reliefs, a temporary PRSI rebate, and a significant reduction in the Enhanced Reporting Requirements (ERR) administrative burden, the submission directly addresses the "perfect storm" of rising costs that threaten the sector's viability. It bridges the gap between high-level advocacy and operational survival, ensuring that the strategic pillar of fostering a resilient workforce is achieved through practical measures like expanded small benefit exemptions and AI training grants.

Ultimately, the submission proves that putting small business owners first means actively dismantling the financial and regulatory barriers that stifle their day-to-day operations. To secure the long-term survival and competitiveness of small firms, the SFA outlines three critical pillars for Budget 2027:

Pillar 1 - Alleviating the Tax and Regulatory Burden: The SFA calls for a reduction in the general Capital Gains Tax (CGT) rate from 33% to 20% (with a tapering relief structure based on ownership duration), a flat 10% Angel Investor Relief rate, and a reduction in commercial property Stamp Duty to 4%. Crucially, the submission demands urgent practical reforms to the Enhanced Reporting Requirements (ERR)—shifting from real-time tracking to monthly reporting cycles to drastically curb administrative compliance costs.

Pillar 2 - Tackling the Rising Cost of Business: Rising input pressures require direct government mitigation. The SFA's primary recommendation is a targeted, temporary PRSI rebate administered via the PAYE Modernization (PMod) system for lower-earning staff, shielding low-margin sectors from imminent job losses. Additionally, short-term exchequer subventions are proposed to lower policy-related fixed costs on electricity bills, alongside extending the diesel rebate scheme to company fleets.

Pillar 3 - Improving Talent Acquisition and Retention: Operating in a full-employment economy puts small firms at a distinct hiring disadvantage against large multi-nationals. To balance the playing field, the SFA proposes expanding the Small Benefit Exemption to €2,000 annually, modernizing unworkable SME share schemes, and raising the Approved Profit Share Scheme (APSS) tax-free cap to €50,000. Furthermore, the State must unlock existing National Training Fund surpluses to finance leadership, AI readiness, and digital upskilling programs.

SFA SMALL BUSINESS SURVEY

SFA Survey

In May 2026, the SFA conducted its annual Small Business Survey in partnership with Amárach. The outcome of the survey serves as the basis for many of the policy proposals within this submission, particularly as it relates to business costs. A broad overview of the survey results is as follows:

1. Macro Challenges & Cost Pressures

- **The Universal Cost Surge:** In 2025, **64%** of businesses cited rising business costs as a general challenge. By 2026, this figure surged to **80%**.
- **Consolidation of the Primary Threat:** In 2025, only **26%** of firms labelled rising business costs as their *single biggest challenge* (with financial security at 17%). In 2026, a staggering **51%** of respondents now name rising costs as the number one threat.
- **Net Cost Trends:** In 2025, less than half of firms (**49%**) reported that their total business costs had increased year-over-year, while **44%** reported they had stayed the same. In 2026, **77%** of firms state their costs have net-increased, with only 14% remaining stable.
- **Shift in External Catalysts:** In 2026, driven by events in the Middle East crisis and consequent fuel/energy price shocks, **50%** of businesses plan to review spending plans.

2. Operating Cost Dynamics

The specific operational line items driving cost inflation have heavily re-indexed toward raw utility and payroll inputs over the 12-month period.

Operating Cost Metric	2025 Reality	2026 Reality
Energy/Utility Focus	Cited as a general operating cost challenge by only **22%** of firms.	**Surged to 37% as an operating challenge, and 44% of expanding cost bases.**
Labour Cost Challenge	Listed as a general operating challenge by **33%** of businesses.	**Climbed to 40% as an operating challenge.**
Regulation Compliance	**Ranked high at 32% of general operating challenges.**	**Moderated slightly to 26% of operating challenges.**

Pillar 1 - ALLEVIATING THE TAX & REGULATORY BURDEN

Pillar 1 - Alleviating the Tax and Regulatory Burden

Capital Gains Tax (CGT) and Investment

General Rate: Reduce the general CGT rate from 33% to 20%. Consideration could be given to the introduction of CGT tapering relief based on ownership period of shares/businesses and being a working director/partner.

- 0-5 years ownership: 28% CGT
- 5-7 years ownership: 25% CGT
- 7+ years ownership: 20% CGT

Angel Investor Relief

Simplify the system to a flat 10% CGT rate on the entire gain for all trading and professional services businesses. Dividends received by business owners from their own business should be isolated in terms of tax treatment and a specific lower income tax rate be applied to incentivise the extraction of funds during the business cycle.

Employee Incentives Small Benefit Exemption

The Enhanced Reporting Requirements returns (reporting of non-taxable benefits) have given rise to significant increase in administration and tax uncertainty arising from the provision of small benefits to employees. The provision of these small "benefits" is key to retaining employees, as businesses cannot financially continue to increase salaries. The severe administration and possible tax implications is giving rise to loss of business for SMEs, as businesses attempt to simplify their tax systems (this is impacting businesses e.g. cafés/restaurants, bakeries, florists, confectionary companies etc).

SFA proposals are as follows:

- Amend the current Enhanced Reporting Requirements (ERR) for businesses that employ up to 50 people staff and/or below €1m in turnover) to lower the administrative burden.
- Increase the exemption to €2,000 per annum and remove the limit on the number of benefits provided annually.
- Incidental Benefits: Simplify the Enhanced Reporting Requirement administration and introduce proportionate sanctions for errors (penalty currently €4,000 – suggestion to reduce to €1,000 per return).
- Remove real time reporting of benefits on or before provided, and instead, one return to be filed at each month end. The ERR must be aligned with existing payroll reporting cycles (e.g. monthly reporting rather than real-time submissions), to improve practicality and reduce compliance burden for businesses

Streamlining Administration

- Simplify the claiming procedure for R&D Tax Credits and reduce the documentation required for small firms. This includes broadening the rules for subcontracting and agency staff.

- Simplify corporate tax return for small businesses to reduce cost of administration.
- Reduce Stamp Duty on the acquisition of commercial trading property from 7.5% to 4%.
- Review Fixed penalties of €4,000 for non-filing / incorrect return and interest 10% per annum PAYE and VAT and 8% per annum.
- The SFA is calling for an expansion and increase in the Cyber Security Review Grant which will assist small businesses to take steps to review and update their online security measures to mitigate against the risk of cyber-attacks.
- We call on the Government to commit to no further increases in commercial rates, as doing business locally should cost less.

Pillar 2 - TACKLING THE RISING COST OF BUSINESS

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The Case for a PRSI Rebate

The SFA's recommends the introduction of a targeted PRSI rebate to mitigate the impact of rising labour-related costs.

- **The Proposal:** Introduce a temporary PRSI rebate based on the number of lower-earning workers on a company's payroll.
- **Timeline:** The rebate should be calculated relative to the weekly labour cost increases
- scheduled for 2027, 2028, and 2029 to protect the most exposed firms.
- **Efficiency via PMod:** To avoid administrative bloat, this should be operated through Revenue's **PAYE Modernization (PMod)** system, like the successful implementation of the EWSS.
- **Economic Stability:** By reducing the PRSI burden on entry-level and lower-earning roles, the Government will prevent business closures and job losses in sectors with thin margins.
- **Estimated cost:** According to a recent written answer to a Parliamentary Question from the Department of Social Protection stated that providing a €12.75 flat-rate PRSI rebate to companies with fewer than 50 employees for staff earning up to €592 per week is estimated to cost **€352.8 million** in a full year.

Additional Measures to Reduce Employee Costs

- **National Minimum Wage**: The Budget must not include another increase in the National Minimum Wage. The rate needs to be frozen for a period to allow small businesses to better cope with ongoing increases in labour-related costs in recent years.
- **Introduce an Employer PRSI Competitiveness Measure**: Introduce a temporary Employer PRSI Competitiveness Measure in Budget 2027 by applying a reduction to the existing lower rate of Employer PRSI, through the current PAYE/PRSI system to small businesses.
- **Raise the top-rate employer PRSI threshold** annually to stay ahead of the Government's proposals to move towards a Living Wage rate.
- **Postpone planned increases in PRSI**: The PRSI roadmap has outlined increases in PRSI of 0.7% from 2024 to 2028 which will cost business about €1 billion annually by the time they are fully implemented. PRSI increases planned for October 2026 and 2027 (of 0.3%) should be postponed until inflation has returned to normal levels.

Worth noting: Increase in the National Minimum Wage v Inflation increase

In the past decade, the Irish National Minimum Wage (NMW) has seen a steady and significant upward trajectory, moving from **€9.15** in 2016 to the current rate of **€14.15** in 2026, a **€5** increase in ten years. While the National Minimum Wage increased by **54.6%** in the same period, the **Consumer Price Index (CPI)**—the standard measure of inflation—increased by roughly **25%** cumulatively from 2016 to 2026.

Tackle Energy Costs

With recent increases in fuel and energy prices, the SFA has the following recommendations to assist small businesses that are struggling with high costs.

Reduce policy related fixed costs on electricity bills through direct Exchequer subvention: Ireland has some of the highest energy costs in Europe but has a unique opportunity to make its energy system an enabler of sustainable economic growth, instead of a barrier to competitiveness. However, the benefits of the energy transition will take time to manifest, and Ireland will remain a high-cost location for some time unless action is taken. In the short term, the optimum way of bridging the competitiveness gap is by reducing the fixed cost component on Irish energy bills through a strategic annual subvention of the temporary emergency generation costs within TuOS and the PSO levy.

Prepare ready-to-go emergency energy supports for impacted businesses: The EU has proposed a relaxation of state aid rules and the introduction of a new Temporary Crisis Framework. Ireland should take advantage of these changes and design with industry input, new supports that can be activated in the event of a sharp rise in energy prices, drawing on lessons from previous interventions.

Extend the diesel rebate scheme to company-owned fleets, plant and machinery, and keep broader supports under review: Review eligibility of DRS criteria to include own-account and company-owned fleets and construction machinery impacted by the high fuel cost.

Introduce €2 billion energy crisis contingency reserve: The Government must introduce a ringfenced €2 billion contingency fund to provide flexible, targeted interventions if and when appropriate in response to future energy crises that are likely to arise.

Pillar 3 - IMPROVING TALENT ACQUISITION & RETENTION

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In a full-employment economy, small firms face intense competition from large businesses for staff. Arising from this reality the SFA has called for a range of measures which are minor adjustments to the tax system which would help small firms retain staff and attract talent.

Share Schemes

Share schemes are important for employers to retain employees as an alternative to increasing salaries (which are not sustainable). **The SFA is calling for the introduction of a workable share scheme**. In general terms, if shares are granted to an employee for no cash consideration, an income Tax liability arises on same, which the employee may not be able to pay. We ask that this upfront payroll tax on shares, can be paid by the employee over three years without BIK tax on the employer tax loan.

The SFA calls for an increase the APSS (Approved Profit Share Scheme) annual tax-free limit from **€12,700 to €50,000 per annum** per employee. This Scheme provides for the acquisition of shares in an employer company tax free subject to several conditions including a 3-year qualifying condition. We would ask that a more tailor-made Scheme be introduced for SMEs, due to the administrative cost in establishing it.

Motor Vehicles BIK

Reconsider the calculation of BIK tax on provision of electric motor vehicles, due to phased rules over next 2 years giving rise to increased BIK cost. Additionally, it is worth noting the BIK rules dictate applying the brand-new price of a car in calculating BIK, even if the company purchase a 2nd hand car. Therefore, the SFA recommends that the purchase value of the car (as determined by the purchase price, or the industry guideline price) be used.

Employee Tax Cost

We would suggest an overall review of the Income tax, USC and Social Security rates and bands. With the cost of living, employees are looking for further salary increase which businesses cannot continue to fund. Tax rates can be prohibitive for employees returning to work or employees coming from abroad.

Wellbeing and Upskilling

- Fitness Tax Incentive: Make structured physical activity, such as gym memberships, eligible for 20% tax relief to support a resilient and productive workforce.
- National Training Fund: Unlock the €1.5 billion surplus to boost management capabilities through programs like *MentorsWork*.
- Workforce Wellbeing & Retention Tax Measure: Budget 2027 should remove or reduce Benefit-in-Kind on employer-funded health insurance and other defined workforce wellbeing supports in SMEs, recognising that these are not discretionary perks but practical tools that help retain staff and sustain a healthy workforce. This should be accompanied by simplified treatment of minor employee wellbeing supports such as gym memberships and health insurance.

Digital Transformation

Small business need assistance with digital transformation in order to stay competitive in an ever-changing technological landscape. Last year, the SFA's AI survey found that while 9 out of ten small businesses are using AI, many small business owners have a shallow understanding of it and are not using AI to its full potential.

Arising from this reality, the SFA recommends the following actions:

- Allocate additional funding for the MentorsWork programme to facilitate more masterclasses in digital and AI training.
- Consider funding teams of mentors/ industry experts (potentially through Mentors Work programme) to go into a business for 2 days to analysis where an individual business can make digital changes to enhance competitiveness and productivity.
- **Allocate €190 million** to AI and digital preparedness for business, including a new **€10,000 AI training grant** for SMEs/Mid-Caps.
- **Invest €410 million** to upgrade national resilience, cyber, and defence capabilities

Skillnet Funding

The State must fund Skillnet Ireland with €50 million over three years to meet verified industry demand. The Skillnet networks model of industry-led training is greatly valued by employers and recognised internationally as a best practice, highly responsive, upskilling model. Working across sectors and regions, Skillnet Business networks are positioned to meet existing and future demand for workforce development, support the resilience of industry and prepare for digital and green transition.

The ultimate vision of the Small Firms Association is to place Ireland's small business owners at the heart of Government policy and Ireland's economic success story — ensuring they can survive, grow, and thrive.

This submission is based on our knowledge and experience of the small business community, which comprises over 395,000 businesses, employing nearly half of the private sector workforce.

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