newsletter issue 1 • 2023

WESTBORO PARTNERS
40 Years in Business
www.westboro.ie
Westboro House, Montenotte, Cork, Ireland.
T +353 21 4500568 W www.westboro.ie

in this issue...

IRISH ECONOMIC UPDATE *By Jim Power*

2022 was a challenging year for the global economy. The Russian invasion of Ukraine on February 24th did significant damage to global energy, food, and industrial metals supply chains. These disruptions came on top of the pre-existing pandemic-related disruptions, resulting in supply uncertainties and a surge in inflation to the highest levels seen in four decades in many countries.

Central bankers tightened monetary policy aggressively in the face of the surge in inflation and the tightening has continued into 2023. Economic growth slowed, but recession was avoided in 2022.

At the end of 2022, official and private forecasts for the global economy in 2023 were quite pessimistic. The pessimism stemmed from the ongoing war in Ukraine; the persistence of inflation; pressure on household disposable incomes due to the escalation in the cost of living; pressure on business costs, primarily from energy, but also from the tight labour markets in many countries; and rising interest rates.

In the first quarter of 2023, sentiment has become somewhat more positive.

Many economic indicators are proving modestly positive - labour markets are still strong; headline inflation is easing, primarily due to lower energy costs; and consumer and business confidence surveys (such as the Purchasing Managers Indices) are more positive. The decline in energy costs and the lifting of Covid-related restrictions in China are the primary reasons for the improvement in sentiment.

However, it would be dangerous to become complacent about the economic and business outlook – the pressures are still very real and there are still many risks.

One of those risks has been highlighted in recent weeks with the implosion of three medium-size banks in the United States; significant pressures on others; and of course in Europe, the Swiss bank, Credit Suisse First Boston (CSFB) has had to be acquired by its larger but bitter competitor UBS. It is of course possible to argue, as has been done, that these banks all have unique issues that are not reflective of overall global banking.

Continued

However, the reality is that after a year of aggressive monetary policy tightening a number of significant balance sheet problems have been created for many banks. It seems probable that further banks will get into difficulty over the coming months. Central banks will continue to respond aggressively to seek to contain these banking problems, but all eyes will remain on global banking woes over the coming months. A move away from the intoxicating effects of artificially low interest rates and a decade of Quantitative Easing was always going to give rise to problems and challenges. It is not 2008, but it still feels uncomfortable.

Inflation is still at very elevated levels; interest rates virtually everywhere are going to rise further; central banks are withdrawing liquidity through Quantitative Tightening (QT), which is the reversal of Quantitative Easing (QE); the Russian invasion of Ukraine has just passed its first anniversary, with no end in sight; and the manner in which China is dealing with Russia is a matter of deep global economic and political concern.

Despite the global economic difficulties, elevated inflationary pressures and an aggressive upturn in the interest rate cycle, the Irish economy had a solid year in 2022. Initial estimates from the CSO suggest that GDP expanded by 12.2 per cent and GNI* (a more realistic measure of economic activity) expanded by a solid 5.9 per cent.

The Irish economy was supported by a strong multi-national performance; exceptionally strong export growth; buoyant tax revenues that facilitated a very expansionary budget in September; and a strong labour market.

- Merchandise exports were 25.6 per cent higher than in 2021. Exports of food and live animals expanded by 22 per cent (7.1 per cent of total exports); and Chemicals and related products increased by 30.4 per cent (64.2 per cent of total exports).

- The unemployment rate ended the year at 4.4 per cent of the labour force, which is virtually full employment. At the end of the year, employment stood at 2.574 million, which is a record high.

- An Exchequer surplus of €5 billion was recorded, compared to a deficit of €7.4 billion in 2021. The turn-around of €12.4 billion is due to buoyant tax revenues and the decline in Covid-related public expenditure. Overall tax revenues totalled €83.1 billion which is 21.5 per cent or €14.7 billion higher than 2021. This is the highest level of tax revenues ever collected.

- Inflation was the dominant theme in Ireland and elsewhere during 2022. It peaked at 9.2 per cent in October and eased back to 7.8 per cent in January this year.

Looking ahead to 2023, the risks to Irish economic activity are real. The external environment is still very uncertain; interest Rates are set to increase further with a possibility that ECB rates will rise by at least 0.5 per cent from the 3.5 per cent level prevailing in March 2023, although the global banking woes may force the ECB and other central bankers to pause; cost-of-living pressures are still intense, but government is providing solid support; the costs of doing business are high, but government is also providing support to the SME sector; the housing market is in crisis and poses a significant threat to the economic competitiveness of the economy; global geo-political developments are creating massive uncertainty and potential instability; and the global technology sector is cutting costs and shedding labour, and this is likely to have some impact on corporation tax revenues and employment here.

On the positive side, the economic momentum is still strong; employment is at a record high, the FDI performance is holding up well; the Irish banking system is stable, with solid balance sheets, but their cost of funding will now increase due to global developments; the public finances are strong; and there is a record level of household deposits at €148.6 bln in December 2023 and household balance sheets are strong.

The Irish economy looks to be in a reasonably strong position facing the global difficulties but some easing of activity seems inevitable over the remainder of 2023.

tax briefs

VACANT HOMES TAX

Vacant Homes Tax (VHT) was introduced in Finance Act 2022 and applies to residential properties that are occupied as a dwelling for less than 30 days in a chargeable period. Each chargeable period commences on 1 November and ends on 31 October of the following year. The first chargeable period commenced on 1 November 2022 and ends on 31 October 2023.

VHT is charged at a rate of 3 times the basic rate of Local Property Tax (LPT) applying to residential property for the year in which the chargeable period ends. VHT should not apply to:

Residential properties which are outside the charge to LPT during that chargeable period.
A property that was the subject of a relevant tenancy for a period of no less than 30 days in the chargeable period
A property that was the subject of a sale in the chargeable period

The due date for filing VHT returns is 7 November after the end of the chargeable period. The tax is operated on a self-assessed basis, which means that the chargeable person is required to determine whether or not they have a liability to VHT and satisfy their pay and file obligations as necessary.
Contact us if you need any assistance with VHT.

PAY AND FILE SUMMARY

The following is a summary of upcoming pay and file dates:

INCOME TAX	
Filing date of 2022 return of income (self-assessed individuals)	**31 October 2023**
Pay preliminary income tax for 2023 (self-assessed individuals)	**31 October 2023**
On-Line pay and file date for 2022 return of income	**TBC**
CAPITAL GAINS TAX	
Payment of Capital Gains Tax for the disposal of assets. *Made from 01 January 2023 to 30 November 2023*	**15 December 2023**
CORPORATION TAX	
Filing date for Corporation Tax returns for accounting periods ending in July 2022	**21 April 2023**
Balancing payment of Corporation Tax for accounting periods ending in July 2022	**21 April 2023**

COST-OF-LIVING PACKAGE

Government announced the following tax measures in the recent Cost-of-Living Package.

Temporary Business Energy Support Scheme (TBESS)

TBESS will be extended to 31 May 2023.
The "energy cost threshold" will be reduced from 50% to 30%. To that end eligible businesses should qualify for the scheme where they experience an increase of at least 30% in the average unit price of its electricity and/or gas bill for a claim period when compared with the corresponding period in the previous 12 months.

The reduced energy costs threshold should apply retrospectively from 1 September 2022.

From 1 March the monthly cap will increase from €10,000 to €15,000 per trade or profession. The maximum monthly amount that can be claimed where a qualifying business operates across multiple locations will increase from €30,000 to €45,000

Some of the above changes are subject to state aid approval from the European commission.

VAT
The 9% rate of VAT that currently applies to supplies of electricity and gas will be extended to 31 October 2023. The 9% rate of VAT that is currently applying to the hospitality and tourism sectors will be extended to 31 August 2023.

TAX TIP

If you think you may be due a refund in your 2022 income tax return... why wait until October?

File early and obtain your refund in time for the summer holidays!

PENSION CHANGES 2023

Recent changes in the Finance Act, made by way of the Finance Bill 2022, have made PRSAs more attractive to employers, employees, and companies. Traditionally, when considering pension funding, tax deductibility for companies and tax relief for employees meant that occupational pension type arrangements generally trumped.

This was because the employer pension contribution to a PRSA was treated as a BIK and as if it were an employee pension contribution subject to the individual age-related limits for tax relief.

Where an employee or individual contributes to their pension, tax relief is given at your marginal (highest) tax rate (subject to these age-related limits).

For everyone, there is a maximum annual amount of earnings for which tax relief is given. This is €115,000 and it is adjusted from time to time by the Minister for Finance. There is no relief in respect of PRSI and the Universal Social Charge.

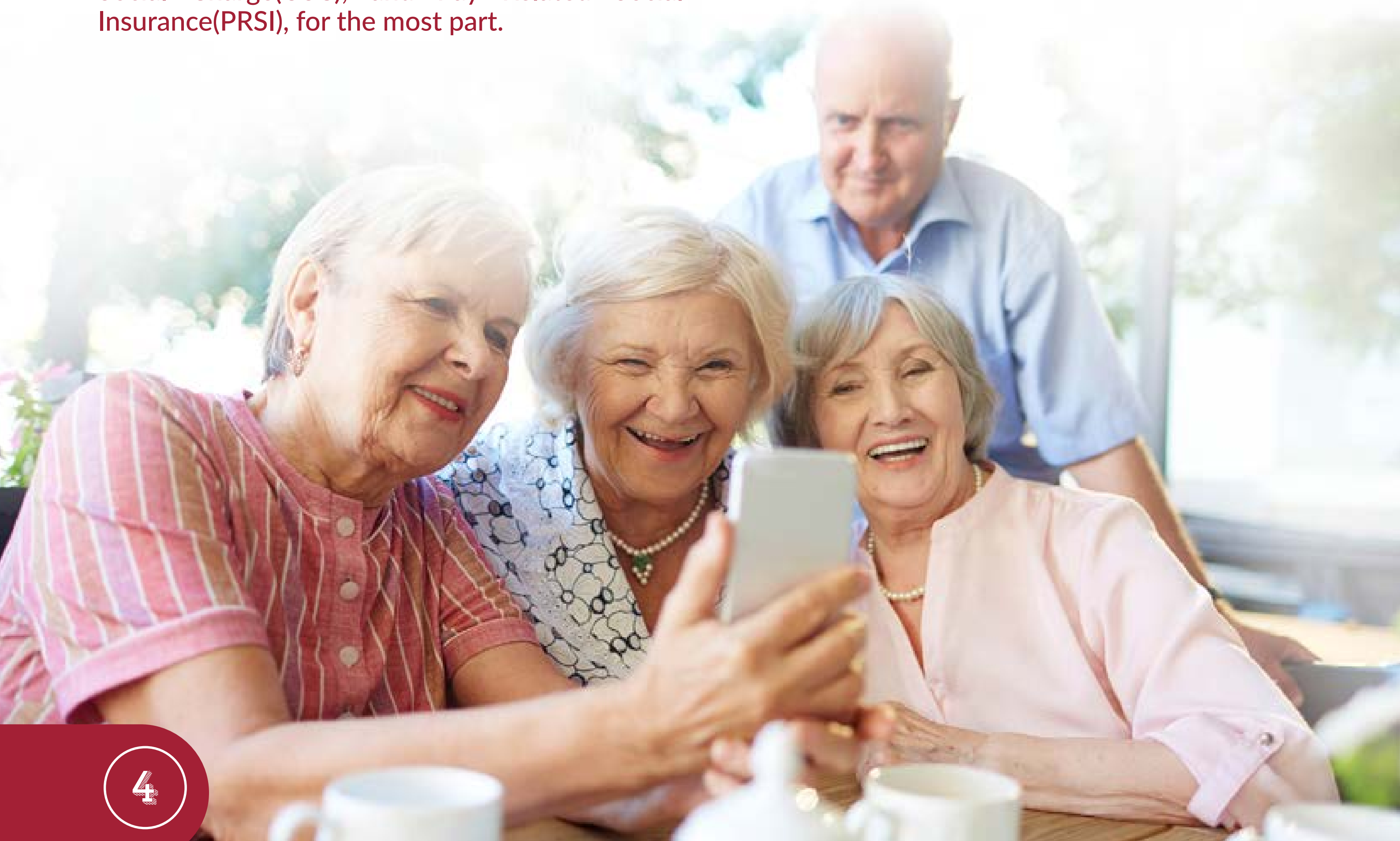
In contrast, employer contributions to an occupational scheme were, and are still, not subject to these age-related limits (only the individuals' contributions are). The employee can receive contributions into their pension from their employer free of income, Universal Social Charge(USC), and Pay Related Social Insurance(PRSI), for the most part.

On the employer front, Revenue has specific maximum funding contribution limits for occupational pensions which calculate how much is tax deductible in the year the pension is paid and how much must be spread forward for future deduction.

The Finance Act 2022 removed the section in the legislation which treated employer contributions to PRSA as employee contributions. The PRSA legislation does not have the maximum funding limits that the occupational scheme legislation does. Result - an employer could fund unlimited amounts into an employee's pension!

With the current implementation of IORPII regulations, mass transfers to Master Trust arrangements, and increasing complexities of occupational schemes, many businesses are stepping back to compare an employer PRSA arrangement with an occupational scheme.

If changing from occupational scheme structure to PRSA structure, clients need to be aware of the impact on any linked benefits such as death in service or pension term assurance. There is the option of funding into both types of structures to maximise tax free lump sum calculations. However you do need to be wary of building up retained benefits of the PRSA causing the occupational scheme to be overfunded.



DISRUPTIVE TECHNOLOGIES INNOVATION FUND

The sixth round has now opened for the Disruptive Technologies Innovation Fund which aims to encourage collaborations by the industry and research sector in the development and commercialisation of ground-breaking technologies.

Call 6 is an open call and, in a change from the previous open calls, the type of eligible research is broadened to include both "industrial research" and/or "experimental development".

The Fund targets industrial research projects of scale and impact. The minimum funding request must be €1.5m for projects of up to three years' duration. SME partners must provide matched funding while large companies must provide 60% project funding.

All eligible applications received by the deadline of 3pm on 31 May 2023, will undergo rigorous assessment by panels of independent international experts.

For full details on this fund and the application process, visit www.enterprise-ireland.ie

MAKE YOUR PITCH SUCCESSFUL

Gaining investment isn't always easy, it can be a long and competitive process, but one that is worth the wait. InterTrade Ireland shares advice on making your pitch memorable.

- Customer (who) & Value Proposition (why)
- Be very clear on who your ideal target customers are (near-term) and why they will buy from you. Investors are more likely to see an opportunity if they receive a clear message on who the customer is and why they will buy from you.
- The team (why you)
  Is there something memorably relevant and impressive about the team pursuing this opportunity? If so, focus on this and use it as a one of your USPs.
- Market sizing & potential scale Vs sale
  A 'bottom-up' market sizing presentation is best to build up the argument for prospective number of customers, including average revenue per customer per year.

Once you have established this, consider how many customers you would need to require €1m, €10m or €100m in revenue.

- Have a winning strategy
  Many markets are a 'winner takes all', so to succeed you'll need a winning strategy. Illustrate how you would define 'winning the market' and then rationalise a deliberate strategy to be that winner.
- Provide proof of effectiveness
  Reality should always match your value proposition. Whilst it's great to talk about how effective your product/offering is–it's even better to show this. Show a short demo video or if possible testimonials and case studies of how your Minimum Viable Product (MVP) has changed customer behaviour and brought measurable impact.
- Be realistic when projecting your journey
  It can also be useful to address risks. Have you thought through mitigations, can you plan for them and how

The Cost of Creating an App

A basic app can mean different things but we define it as a mobile application deployed to one or more platforms with static information, limited business logic and public access for all users.

Apps can help a business to engage more with their clients, increasing the lifetime value of each customer. It is also a great way to stand out from your competitors. From showcasing content, to offering booking facilities, apps can offer a lot to a company.

Many apps will have some or all of the following features:

- 2- 5 Main Screens
- About Us Section showing your details
- Links to your website
- Gallery with photos & videos
- Map showing your location

Average costs with an app design company can be between €2000 and €5000 euros for development and deployment. Publishing an app to iStore has a fee of $100 per year while Play Store charges a once off fee of about $25.

DIGITALISATION FOR SMES

In today's dynamic business environment there is no doubt that the demand for SMEs to adopt digital technologies is ever-increasing.

Pressure from competitors, suppliers, and indeed customers exist, all demanding changes in how SMEs deliver their goods and services. So where does such a journey begin for companies in Ireland.

DIGITAL INFORMATION

Before new technologies are adopted they require digital information. Therefore, the first step is to move away from traditional paper-based record keeping to a digital form – this is known as the digitisation of the business. This may be through the use of spreadsheets, databases, or word documents, to wider tools like information systems such as Enterprise Resource Planners (ERPs) or Customer Relationship Management software (CRM). The aim here is to create a digital repository of information which the SME can utilise to better improve the running of the business.

Once created, this digital information can be utilised with appropriate technologies to improve the operations and/or business processes of the company. This stage is known as the digitalisation of the business. One caveat to remember at this stage - no SME should adopt new technology unless there is a strategic need/benefit to be achieved from it. One of the biggest traps with digital technologies is companies adopting them because they see others using them – the technology has to be right for the individual company circumstances and bring value to the company.

WHAT TECHNOLOGIES COULD BE CONSIDERED?

Technologies may include the use of data analytics to gather insight from data, or artificial intelligence tools such on websites to field customer queries. All these technologies have one thing in common; they need digital data....and lots of it.

SMEs thinking about digitising their business also need to think about where to store all this new digital data. Consideration of cloud storage is required – the level of storage needed, who the provider will be, and the type of cloud required (public or private).

WHAT ARE THE BENEFITS?

Outlined below are some benefits an SME can experience if they were to adopt digital technologies;

- Better decision making - as data is gathered centrally and on a more real-time basis it can be analysed quicker, thus decisions are based on more accurate information leading to more effective decision making.
- Process improvements – business processes may be changed and improved upon as technology aids in more efficient ways of doing things e.g. automating a previously manual process.
- Ability to predict future states – Predictions of future events/conditions may be made through analysing past information, this can help build company forecasts, determine supply/demand levels, etc.
- Improved employee satisfaction – through the use of technology, employees are relinquished from routine tasks that can now be automated e.g. invoice creation, coding of transactions, and employees can engage in more value-added tasks within the company.
- Fraud or error detection – with information held digitally and various software utilised to analyse this data, fraudulent or erroneous transactions or information can be detected more quickly.

While this list is not exhaustive it does highlight the potential advantages of going digital. In saying that however, companies must also be mindful of issues of data security, privacy, and indeed the cost of embarking on this journey. You can seek help and support along the way from InterTradeIreland – you are not alone on this journey.

InterTradeIreland's **Innovation Boost programme** can help your business build collaborative cross-border partnerships, supporting your business to move forward utilising new technologies.

A key benefit of **Innovation Boost** is the optional Postgraduate Diploma in Innovation Management which has been created in collaboration with Queen's University Management School. This unique programme has been designed to provide access to learning for businesses wishing to adopt digital technologies and other innovation tools

legal briefs

GROUND-BREAKING LEGISLATION FOR THE CO-OPERATIVE SECTOR

The Co-operative Societies Bill 2022 provides for a specific legislative framework for Co-operative societies for the first time, with societies registering under the legislation being required to adhere to the Co-operative ethos.

Among other things, the general scheme of the 2022 Bill provides for a reduction in the minimum number of people required to form a co-op from seven to three. It also proposes to introduce modern corporate governance and financial reporting standards for the sector and remove some of the restrictions around raising funds and investment.

The General Scheme also includes provisions to:

- expand the categories of founding members to include bodies corporate;
- provide for audit exemptions for smaller Co-operatives;
- provide for virtual and hybrid participation at general meetings.

It is proposed to remove the role of the Registrar in approving applications to raise funds over €30,000. This should make Co-Operatives more appealing to potential investors.

Employment Contracts need to be Transparent and Predictable

The European Union (Transparent and Predictable Working Conditions) Regulations 2022 were signed into law, and came into force, on 16 December 2022. The most significant changes introduced by the Regulations are outlined here.

- **Probationary Periods:** In the case of private sector employees, probationary periods of employees shall not exceed six months unless there are exceptional circumstances.
- **Exclusivity:** Employees may no longer be prohibited from working for another employer outside of their work schedule.
- **Variation to Written Employment Terms:** There is now a requirement to provide a Statement of Terms within five days. Any changes made to these terms must be provided to the employee in writing outlining the nature of, and the date of the change of terms.

SICK LEAVE ENTITLEMENTS FOR 2023

From 1 January 2023, employees are entitles to 3 days paid sick leave under the Sick Leave Act 2022.

It is proposed to increase the entitlement to:
5 days for 2024
7 days for 2025 and
10 days for 2026

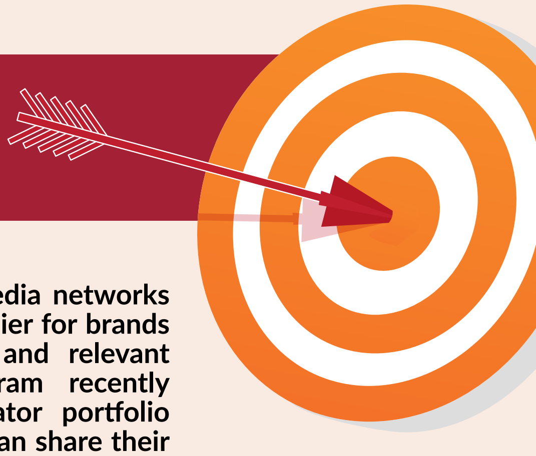
Employees are entitled to a rate of 70% of their usual daily earnings up to a maximum of €110 a day for certified leave only. Employees must have completed 13 weeks' continuous service with the employer before availing of statutory sick leave.

The employee must provide their employer with a medical certificate from a registered medical practitioner and the certificate must state that the employee named is unfit to work due to their illness or injury.

The statutory sick pay scheme applies to employees on probation, employees undergoing training and employees employed under a contract of apprenticeship. However, probation, training or the apprenticeship may be suspended for the duration of the statutory sick leave where the employer considers that the employee's absence from employment while on statutory sick leave would not be consistent with the continuance of the probation, training or apprenticeship.

Employees may not be penalised or threatened with penalisation for exercising or proposing to exercise their entitlement to statutory sick leave.

4 KEY CONTENT MARKETING TRENDS FOR 2023



Content never goes out of style when it comes to attracting and converting customers. When it's done right, content marketing is an effective and cost-efficient (or even free) way to target the audience you want with the information they need.

In 2023, content marketing is evolving in ways that build on the content and Search Engine Optimisation (SEO) trends in 2022. It's not just about looking at the formats you should use to engage your audience (long and short-form) or the emergence of TikTok as an effective marketing platform, but an acceleration of marketers using AI to increase productivity.

So let's look at 4 key content marketing trends for 2023 to see what you would be watching out for or experimenting with to see if it boosts performance.

1. Short-form immersive video

For years, video has been hailed as the key content type for brands to gain traction across channels - especially on social media. All social platforms prioritise video content including platforms that may be traditionally text-based like LinkedIn.

Many brands will test their content as general posts without paying to advertise it and then promote their best-performing content.

Helpful parameters for video content are:

- Keep it punchy. Successful videos tend to be between 15 and 30 seconds long
- Include a surprise twist at the end of your video like a reveal or transformation
- Add interesting captions like 'wait for what's next' to keep people watching
- Experiment with creating your own sounds or remixing tracks to increase the possibility of going viral

2. An explosion in the creator economy

Brands want to fill their content gaps and they want to tie into the latest trends. But they do not always have the knowledge or capacity to act quickly enough or do it in a way that best drives engagement and conversions.

Reviews from content creators are trusted, and often engagement is higher on influencer profiles than for brand profiles. So, really consider how you can utilize creators as part of your brand's marketing.

Luckily social media networks are making it easier for brands to find quality and relevant creators. Instagram recently launched a creator portfolio where creators can share their unique stories and position themselves for partnerships on their profiles.

3. Artificial Intelligence and marketing collaboration

Artificial intelligence (AI) and copywriting have been linked for many years. But in 2023 AI will play a bigger role than ever in content creation as the demand from consumers for personalization intensifies.

There are a lot of new AI solutions coming onto the market. For example, UberSuggest uses AI to assist with blog posts, Copy.ai helps create social media posts and blogs, while Chat GPT is trained to interact conversationally and can be integrated with Zapier to schedule blogs or social media content and create drawings or videos. These new technologies require marketers to learn how to talk to them and create prompts for the best content.

In 2023, there are going to be some breakthroughs due to more investment in software and machine learning. There are going to be improvements in natural language processing and other factors and down the line, we'll see AI that produces great content that we only have to quality assure or edit and just spend a couple of minutes on.

4. Long-form content and live video

Many marketers rely on and prefer short-term content to attract and engage. But ignoring longer-form content would be a mistake. Not only is long-form content like blogs, eBooks, or webinars great for SEO, but it's also effective in driving website users to other content on your site – encouraging them to engage with your brand longer.

But what about long-form videos? With 40 percent of young people now using TikTok and Instagram as a way to search for places to go out for lunch rather than using a Google Maps search, creating videos that showcase places can help to engage and drive people to your website or brand.

There's also audio content like podcasts. This format has seen a rise in popularity in recent years and could be a great option for those who might be camera shy or lacking in video-editing skills.