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Ibec calls for new SSIA

Eamon Quinn

The idea of promoting savings to cool the economy during times of rapid economic expansion has been revisited by **Danny McCoy**, the head of business group Ibec.

The Special Saving Incentive Account (SSIA) scheme was introduced in 2001 but was criticised at the same as being too expensive and ill-timed — with an estimated €16bn in accumulated savings subsequently released into an already overheating economy.

But last year, Philip Lane, governor of the Central Bank, said that some sort of revised scheme could work to help smooth the boom-bust cycles that have afflicted the Irish economy.

That gave rise to speculation that Finance Minister Paschal Donohoe would announce a new special savings scheme in the budget last October.

Speaking at Ibec's Business Leaders Conference, Mr McCoy raised the idea of a "new SSIA-type scheme" to encourage saving when the economy was expanding and for the savings to be released at a time of economic downturn.

"Further incentives could also be built into these schemes to encourage a future staggered withdrawal of these savings or even to provide a bridge to pension

provision," Mr McCoy said.

"Without flexibility in monetary policy and the limited impact of fiscal policy measures in this new Irish economic model, we must be much more innovative in our policy solutions," he said.

Ibec also called for part of the huge receipts the exchequer is collecting from corporate taxes to be set aside for "ambitious" spending on capital projects.

Corporate tax revenues, which surged by €2.2bn last year to a record €10.4bn, account for 19% of all Government tax revenues.

The surge in corporate tax revenues "is akin to a family winning the lottery", Mr McCoy said, adding, "we have an important decision to make as to which type of lottery winner we wish to be.

"The one who ends up squandering the vast bulk of the windfall, or the one who invests the proceeds wisely".

He said that struggling indigenous companies, in particular, are in need of nurturing.

"Ireland's business model is undergoing profound change," he said.

"There are now three distinct business cycles involving traditional domestic sectors, indigenous and multinational exporters, and a new generation of intangible intensive, globally traded firms."