



Budget 2021 Ireland Active Submission

Ireland
Active

Leisure, Health
and Fitness
Association



About Ireland Active

Ireland Active represents over 360 leisure centres, gyms, swimming pools and commercial sports facilities in Ireland. The sector employs approximately 12,000 people in roles such as lifeguards, swim teachers, fitness instructors, sports coaches and operational staff.

Irish Leisure, Health & Fitness in numbers

Personal exercise and swimming are the two sports with the most adult participation in Ireland. Over 590,000 adults go to the gym each week with a further 300,000 adults and 200,000 children swimming in pools across every community in Ireland. Sports facilities also cater for a wide range of other indoor and outdoors sports and activities contributing to the 1.7m adults who are active each week in Ireland.

Prior to the pandemic



590,000

adults participate in personal exercise in gyms each week



300,000

adults participate in swimming in pools each week



200,000

children participate in swimming each week



1.7m

adults participate in sport each week

Impact of COVID-19 on sector



Facilities have been operating safely in line with government protocols and the Ireland Active and Swim Ireland frameworks for operation since June 29th.



The sector has proven that it can operate safely over the past 3 months since re-opening. This is due to social distancing, hygiene and cleaning practices and staff training measures being in place.



Local county/Level 3 restrictions leading to closures, and the reduction in capacity due to restrictions on activities and indoor/outdoor limits have had an enormous impact on the ability to generate income as well as consumer confidence being impacted.

Without government support, much of the country's sports facility infrastructure and employment will be lost.

Research conducted with Ireland Active members has found that



Footfall is down 60%

compared to the same period last year.



79% reduction

on swimming lessons income.



64% reduction

on pay as you go income.



76% reduction

on group exercise income.



Average income loss of 65%

for the period March - August 2020 (most facilities had zero income during closure period of 3-4 months).



10% of swimming pools

have not re-opened due to the pandemic with a growing number of public and private leisure centres also closing in recent weeks.



Expected Closures

31% of facilities have reported that they will only be able to operate for a period of 3-6 months before having to close.

Research conducted amongst users of member facilities



Less active

64% of users reported that they were less active during closure of facilities.



Attendance down

21% of users have said that they have not returned to their local facility, with 23% saying they have returned with less visits than previously.



New Value

62% of users say that they will value their local gym/leisure centre more due to the pandemic.



Capacity limits

45% of users reported that they have returned less to facilities because of restrictions on availability / time slots due to capacity limits being in place.



New goals

52% say that they are prepared to allocate more time to their health and wellbeing.



Renewed appreciation

83% of exercisers report that they have a renewed appreciation for their health and fitness.

The top reason that users missed when facilities were closed was
‘being physically active’



Tax measures needed to support the sector



- We believe that tax measures are urgently needed to **stimulate spending** in the sector and to contribute to increasing physical activity and improving mental health.
- Facilities will also be pivotal in responding to **recovery** from COVID-19 amongst the population by keeping people active in exercise, swimming and other sports.
- This is particularly needed as we move into the autumn and winter period whereby most physical activity moves indoors.

Proposed Scheme 1

Employee Exercise Scheme





This proposed scheme is modelled on the hugely successful *Cycle to Work* and *Travel TaxSaver* schemes. The aim of the Employee Exercise Scheme is to achieve long term health benefits and work life balance through increased participation in regular exercise.

Under the scheme, an employer can make a once a year purchase of gym/leisure centre/swimming pool membership on behalf of the employee up to a maximum of €500. This would not be a taxable benefit-in-kind and the scheme would also include purchase of structured exercise classes, swimming lessons and activities accredited by Ireland Active.

The employer arranges a 'salary sacrifice' over an agreed time of no more than 12 months to cover the cost of the membership/exercise purchased. The employee can avail of a benefit of up to 52% (40% income tax, 8% USC, 4% PRSI) on the purchase up to the maximum annual spend of €500.

For example, a €500 gym membership would save a worker on the higher rate of tax up to €260/year and the employer €55.25 per employee due to a reduction in PRSI liability. The existing salary sacrifice schemes are already operational, allowing the Revenue Commissioners to add the Employee Exercise Scheme to the list of eligible schemes. The Employee Exercise Scheme also has the additional benefit of providing much needed cash flow certainty to the estimated 700 public and private commercial sports facilities, potentially eligible under the scheme.

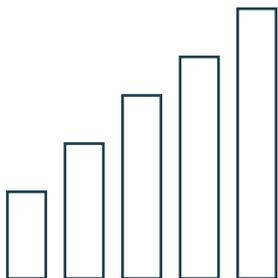
Cost of the Scheme

Taking an average worker salary of €35,000, the benefit would be 28.5% (20% IT + 4.5% USC+ 4% PRSI) up to a maximum spend of €500, therefore an average benefit of €142.50. If 100,000 workers availed of the scheme at the top spend of €500, it is estimated that the scheme would cost the state €14.25m, and €5.5m in foregone employers PRSI, a total €19.75m. It is likely that the scheme would cost much less in its first year, whereby 20,000 participated in the cycle to work scheme costing €4m/annum according to the Department of Finance. The cost of physical inactivity is €1.4bn each year, and so a small investment by the state will reap huge rewards.

Proposed Scheme 2

Exercise and Save Scheme





Expand the ‘Stay and Spend Scheme’ to include for exercise activities in commercial sports facilities.

Proposal that the government expands the existing scheme which is due to come into place on 1st October to include exercise activities in sports facilities. The scheme would include spend of up to €625, with a tax credit of up to €125. Where a taxpayer has insufficient income tax liability to fully benefit from the measure, they may still avail of the relief against their USC contributions.

Qualifying activities would include gym/leisure centre/swimming pool membership, structured exercise activities for children and adults over a minimum of 6 weeks (e.g. swimming lessons, fitness classes, personal training sessions).

Cost of the Scheme

The stay and spend scheme is estimated to cost the state €200m, whilst an ‘exercise and save scheme’ would cost much less at approximately €12.5m, if 100,000 people availed of the scheme at the full tax credit.

Further measures needed in the budget are

1. Reduce the sports facilities VAT rate to 5% for 2021

A reduction in the VAT rate will see an increase in participation as was seen when the VAT rate reduced to 9% in 2011 and participation rates in personal exercise have more than doubled since.

2. Covid-19 swimming pools subsidy grants for 2021

Further to the swimming pool grant allocated in the July Stimulus, we are seeking an additional allocation of €5m for 2021 to take account of the ongoing challenges and associated costs for pools to remain open during the pandemic.

3. Sports capital scheme, to include energy works grants

The sports capital scheme should run again for 2021 with an allocation made for capital works to local authority swimming pools, in addition to energy grants for upgrading works to facilities.

4. Commercial rent relief scheme

Rent relief scheme to alleviate financial hardship faced by tenants and landlords as a result of coronavirus (COVID-19). The Canadian emergency rent assistance scheme provides a ready model for burden sharing by the state, landlords and commercial tenants. A speedy arbitration process for settling rent disputes should be put in place in line with the call from the SME Recovery Group. The Examinership process should be reformed to allow for urgent downward rent reviews due to the pandemic.

5. Tiering of the EWSS to reflect varying reductions in turnover

The EWSS should have a tiered system which benefits sectors which are harder hit more than others, including the leisure sector. The top subsidy could be in line with the TWSS €350 and reduce down to €203/employee. For lower paid or part-time staff the lower limit of €151.50 should also be tiered so that younger and low hours workers are not excluded. The EWSS scheme should be extended to the end of 2021.

6. Insurance Reform for the sector

The leisure, health and fitness sector has been hit with rising premiums and claims over the past number of years to a level where it is unsustainable. Urgent insurance reform is needed in line with the call by the Alliance for Insurance Reform.

7. Extend Emergency Reliefs to the end of 2021

All banking, tax warehousing and rates relief measures should be extended to the end of 2021. The moratorium on repayments to banks should be extended to the end of 2021 as the impact of the pandemic will still be felt well into next year. The warehousing of tax without penalties should also be extended as well as the commercial rates waiver for the most affected sectors including leisure and fitness facilities.

8. New restart grants for commercial sport facilities

Facilities which are forced to close and reopen again under the new government plan for living with COVID-19 should be compensated with new restart grants which cover the cost of business disruption. Swimming pools are particularly difficult to close and re-open given the cost of maintenance during closure.

Summary

The tax and fiscal measures outlined in this document will deliver on the programme for government, National Sports Policy and respond to the negative impact of COVID-19 on the commercial sports sector and the health of the nation by -

- ✓ Supporting physical activity amongst the two sports with the highest participation rates amongst adults - personal exercise (16%) and swimming (9%).
- ✓ Over 50% of all adults that participate in sport, participate in personal exercise and swimming, which takes place in gyms, leisure centres and swimming pools - if government wishes to increase participation in sport then supporting these two sports is essential.
- ✓ Support school and extra-curricular swimming and exercise programmes for children.
- ✓ Deliver on the actions contained in the National Sports Policy by focusing on swimming as a priority sport and exploring tax measures around personal exercise
- ✓ Supporting SMEs which are hardest hit by the COVID-19 pandemic- commercial sports facilities have suffered reductions of 60-70% income due to the pandemic with many leisure facilities having been forced to close or not re-open.
- ✓ Focusing on improving physical and mental wellbeing amongst the population as per the programme for government.
- ✓ The 'Exercise and Save' scheme could act as a short term stimulus for the industry until the 'Employee Exercise' scheme comes into place in 2021. The Employee Exercise Scheme can be piloted for 3 years and capped at an agreed amount each year.
- ✓ Support youth employment given 60% of those employed in the sector are under the age of 35.
- ✓ According to the Irish Sports Monitor 2019 those that participate in sport and other forms of activity – both physically and socially – exhibit higher levels of positive mental health. Those who are physically active consistently provide more positive self-ratings of life satisfaction and the extent to which they felt anxious on the previous day. Investing in physical activity and sport facilities will build social capital.
- ✓ Support 12,000 jobs in hotel leisure, public leisure, and private leisure and fitness sector in every community in Ireland.
- ✓ Build resilience in the sector in 2021 ensuring businesses in the sector remain viable into the future.

More People, More Active, More Often

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