

What is the purpose of taxation policy?

To collect sufficient taxes to ensure full participation in society for all, through a fair tax system in which those who have more pay more, while those who have less pay less.

The present situation



Taxation policy overview

- Ireland needs to broaden its tax base and increase its overall tax take. If a country is setting social and economic goals, it is important that taxation policy supports these goals. Ireland needs to have a real debate, not just about the levels of services and infrastructure it wishes to have in the coming decades, but also how these are to be financed.
- Decisions to raise or reduce overall taxation revenue should be linked to demands on resources now and into the future, including funding local government, repairing and modernising our water infrastructure, paying for the health and pension needs of an ageing population, addressing the various crises Ireland faces, particularly in housing, and funding necessary environmental initiatives.
- Suggestions that higher levels of taxation will damage Ireland's competitiveness relative to other countries is not supported by international studies of competitiveness¹.

Fairness in Taxation

- The latest year for which data is available suggests that tax reliefs (or tax expenditures) amounted to

approximately 10 per cent of total tax revenue. This is several billion euros being foregone by Government every year, yet these reliefs are not subject to annual assessment as part of the budgetary process. At present, only 13 per cent of tax reliefs have a sunset clause, and 23 per cent have never been reviewed.

- These tax expenditures are most often availed of by the better-off in society. This is particularly the case with those related to private pensions, where more than 70 per cent of the billions of euros foregone subsidising private pensions is appropriated by those in the top 20 per cent of incomes.

Corporations

- Many of the largest Transnational Corporations based in Ireland pay headline rates of corporate tax that are far lower than the country's nominal headline rate of 12.5 per cent.
- There has been a growing international focus on the way transnational corporations (TNCs) manage their tax affairs. It may be necessary for Ireland to re-conceptualise very soon the role of our corporation tax regime.

¹ See *Global Competitiveness Report*, 2018

Things a new Government can do

Taxation policy overview

- The next Government should increase the total tax-take so that sufficient revenue is collected to fund public services at European-average levels.
- *Social Justice Ireland* believes that Ireland must collect approximately €3 billion per annum in additional revenue, in order to fund the necessary public services and social infrastructure required to underpin the living standards of Irish citizens.
- We are currently 9th in the EU-15 in Government revenue per capita. Such a move would leave us in 9th position.
- It is also important to adopt policies which further shift the burden of taxation from income to activities which reduce welfare, including using environmental taxes, land-hoarding taxes and taxes on other activities which use natural resources and reduce welfare. In doing this, government should minimise any negative impact on people with low incomes.

Income Tax

- Income Tax Credits should be made refundable as part of the process of addressing the working poor and making the income tax system fairer.
- Until the minimum wage reaches a decent level, it should be an aim of taxation policy to keep minimum wage workers out of the tax net.

Land Taxes

- Government should restore the 80 per cent windfall tax on the profits generated from land rezoning, and implement a Site Value Tax in place of the current Local Property Tax. This will make the tax system fairer and encourage better use of land at a time where Ireland is experiencing an accommodation crisis.

Environmental Taxes

- Ireland is a self-confessed climate laggard. Taxation has a role to play in helping Ireland meet our environmental targets. It should be the goal of policy to incentivise good environmental behaviour

and disincentivise the kinds of actions that work against us meeting our environmental targets.

- Ireland's Carbon Tax is currently €26 per tonne of CO₂ emitted. The next Government must commit to continued increases until it reaches €80 per tonne by 2030.
- Taxation policy should also seek to curb the use of private cars, airline flights and single-use plastics.

Corporations

- The next Government should ensure that corporations based in Ireland pay a minimum effective corporate tax rate of 6 per cent.

Ireland should engage constructively with the OECD BEPS process and the European Commission and move to negotiate an EU-wide agreement on minimum corporate taxation rates. *Social Justice Ireland* suggests a minimum headline rate of 17.5 per cent, with a minimum effective rate of 10 per cent.

A Fairer Tax System

- The standard rate of tax should be applied to all tax expenditures, particularly those related to private pensions. All tax expenditures should have a sunset-clause and be subjected to periodic review as part of the budgetary process.
- When considering whether to implement a proposed tax expenditure, government should be obliged to state publicly: the objective it aims to achieve; the other options considered, and why the tax expenditure is deemed to be the best approach; the likely economic impact of the tax expenditure; and the estimated cost.
- There should be a Minimum Effective Income Tax Rate of 30 per cent for individuals on €400,000+.
- Government must ensure that individualisation in the income tax system is done in a fair and equitable manner.
- The next Government should poverty-proof all budget tax packages to ensure that tax changes do not further widen the gap between those with low incomes and the better off.