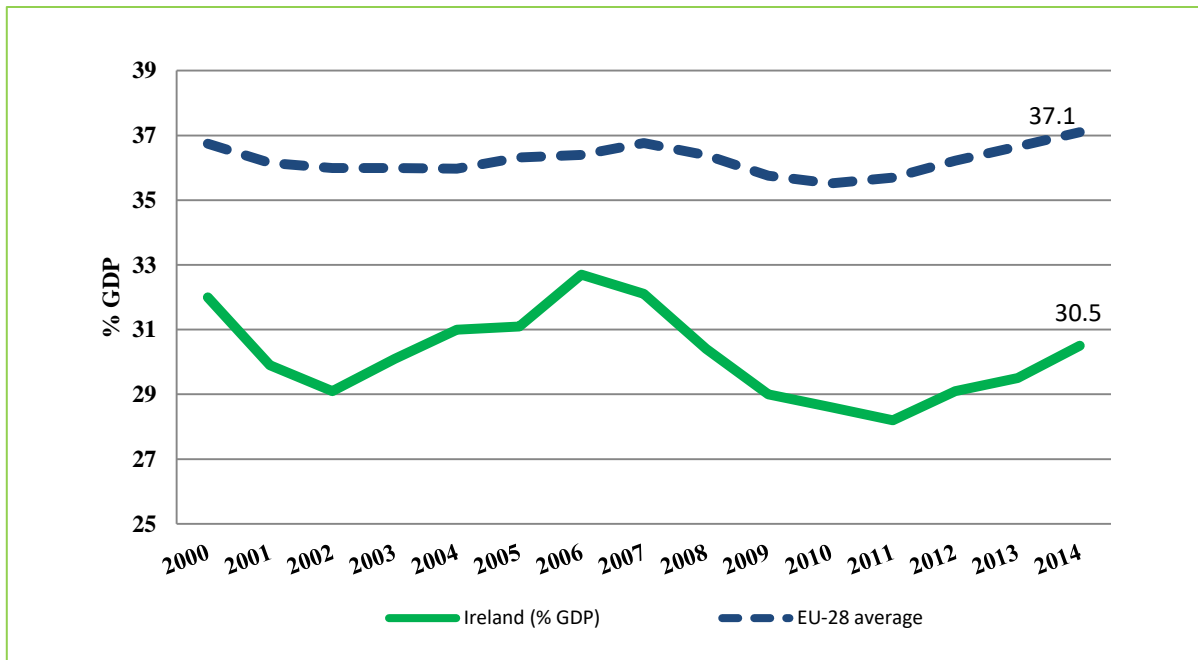


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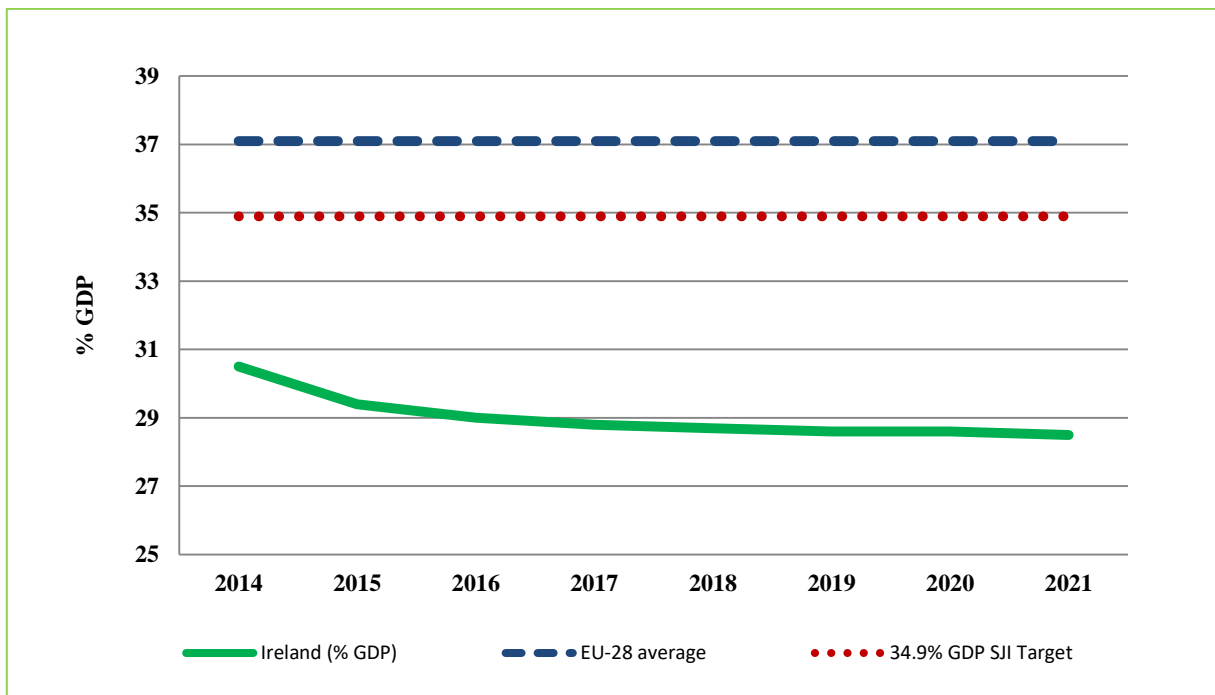
TAXATION

Chart 1: Trends in Ireland and EU-28 overall taxation levels, 2000-2014



Source: Eurostat online database

Chart 2: Ireland's Projected Taxation Levels to 2021 and comparisons with EU-28 averages and Social Justice Ireland proposed target



Source: Calculated from Eurostat and Department of Finance

Note: EU-28 average was 37.1% GDP in 2014 and this value is used for all years.

Introduction

Taxation plays a key role in shaping Irish society through funding public services, supporting economic activity and redistributing resources to enhance the fairness of society. Consequently, it is crucial that clarity exist with regard to both the objectives and instruments aimed at achieving these goals.

Taxation trends

Ireland's overall tax take has remained notably below the EU average over recent years, with the 2014 value representing a marginal increase from a record low figure in 2010 (see chart1). The increase in the overall level of taxation between 2002 and 2006 can be explained by short-term increases in construction related taxation sources (in particular stamp duty and construction related VAT) rather than any underlying structural increase in taxation levels.

Using Department of Finance projections on taxation, chart2 highlights just how far below average EU levels (assuming these remain at the 2014 level of 37.1 per cent of GDP) and the *Social Justice Ireland* target (34.9 per cent of GDP) Government's planned taxation revenue figures are.

Social Justice Ireland believes that, over the next few years, policy should focus on increasing Ireland's tax-take to 34.9 per cent of GDP, a figure defined by Eurostat as 'low-tax' (Eurostat, 2008:5). Such increases are certainly feasible and are unlikely to have any significant negative impact on the economy in the long term.

Reform of the tax system

The difference between the 34.9% benchmark and Government's planned level of taxation, stands at €13 billion in 2016 and averages at €15.5 billion per annum over the next six years (2016-2021). Were Government to maintain overall taxation levels at their 2014 level (30.5%

of GDP), rather than pursuing the planned reductions highlighted in chart2, the state would collect an average of €4.5 billion per annum in additional taxation revenue between now and 2021.

Future taxation needs

Government decisions to raise or reduce overall taxation revenue needs to be linked to the demands on its resources. New future taxation needs (such as servicing the national debt and ensuring our public services can adapt and meet the demands of changing demographics), are in addition to those that already exist for funding local government, repairing and modernising our water infrastructure, paying for the health and pension needs of an ageing population, paying EU contributions and funding any pollution reducing environmental initiatives that are required by European and International agreements.

Collectively, they mean that Ireland's overall level of taxation will have to rise significantly in the years to come – a reality Irish society and the political system need to begin to seriously address.

In the context of the trends in charts 6.1 and 6.2, the question needs to be asked: if we expect our economic and social infrastructure to catch up to that in the rest of Europe, how can we do this while simultaneously gathering less taxation income than it takes to run the infrastructure already in place in most of those other European countries? In reality, we will never bridge the social and economic infrastructure gaps unless we gather a larger share of our national income and invest it in building a fairer and more successful Ireland.

Policy Priorities

- Increase the overall tax take.
- Adopt policies to broaden the tax base.
- Develop a fairer taxation system.

Social Justice Ireland is an independent think tank and justice advocacy organisation that advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole. Further information on this and other issues is available on our website www.socialjustice.ie

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