Social Justice Ireland
Policy Briefing
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Fairness and Tax Reform

Inside this issue:

Ireland's overall tax-take is low by European standards. This trend has been constant for some time (Chart 1 on page 2 provides the comparative figures going back to the year 2000). Countries such as France, Denmark, Austria and Sweden collect between 44-48% of GDP in taxation. The EU average is 37.1%. In 2014 Ireland's tax to GDP ratio stood at 30.7%.

The core policy objective of taxation should be 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. 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.

In the context of the trends in Chart 1, the question needs to be asked: if we expect our economic and social infrastructure to catch up to other advanced EU countries, how can we achieve 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, Ireland will never bridge these social and economic infrastructure gaps unless we gather a larger share of our national income and invest it in building a fair and successful society.

Broaden tax base

Ireland needs to broaden its tax base—a lesson painfully learned during the recent economic crash. On page 3 we outline a broad suite of policy initiatives and reforms intended to achieve this outcome.

Increase overall tax-take

Ireland also needs to increase its overall tax-take. Raising the overall tax-take by three percentage points would represent a small overall increase and one which is unlikely to have any significant negative impact on the economy in the long term. However the additional resources such a move would provide would go a long way to addressing Ireland's current infrastructure and social provision deficits in areas such as social housing, affordable childcare and rural broadband.

A just and sustainable taxation system is an essential component of a fairer future.

The need for fairness in the tax system was clearly recognised in the first report of the Commission on Taxation 35 years ago. Yet we still have a long way to go. On page 3 we set out a range of proposals to achieve a fair tax system.

Sustainability in the tax system is also essential. Ensuring the corporate sector pays a fair share of tax is central to securing the system's sustainability. To this end *Social Justice Ireland* proposes that there should be a minimum effective corporate tax rate—ensuring all corporations for example paid 6% of their profits in tax.

Eliminating the first three rates of the Universal Social Charge, as advocated by many, would be an expensive and profoundly unfair policy with benefits accruing to the better off. We provide details on page 7.

Social Justice Ireland provides much more detailed analysis on these and related tax issues on its website www.socialjustice.ie.

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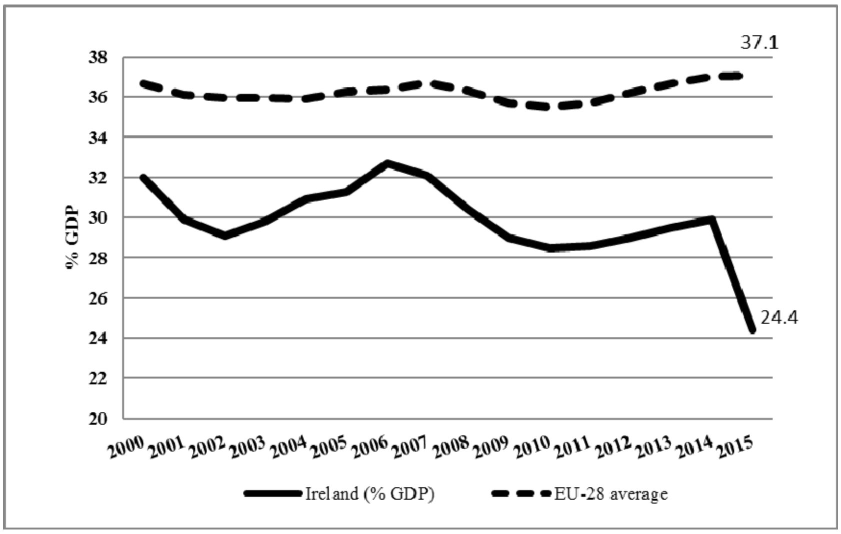
Ireland's Low Overall Tax Take

The most recent comparative data on the size of Ireland's total tax-take has been produced by Eurostat. The definition of taxation employed comprises all compulsory payments to central government (direct and indirect) alongside social security contributions (employee and employer) and the tax receipts of local authorities. The tax-take of each country is established by calculating the ratio of total taxation revenue to national income as measured by gross domestic product (GDP). Eurostat found that in 2015 (the latest data available) the average tax-take among all EU member states was 37.1 per cent.

Chart 1: Trends in Ireland and EU-28 overall taxation levels, 2000-2015



Source: Eurostat online database

Of the EU-28 states, the highest tax ratios can be found in France, Denmark, Belgium, Austria and Sweden (44-48% of GDP) while the lowest appear in Romania, Bulgaria, Lithuania, and Latvia (28-30% GDP). The effect of multinational company restructuring on Ireland's national accounts in 2015 impacts on the data by inflating the GDP (and GNP) figure for Ireland in 2015. Consequently, the tax-take is recorded at a record low for any EU member state at 24.4%. Prior to this effect, in 2014 Ireland's tax to GDP ratio stood at 30.5 per cent some way below the EU average.

Ireland's overall tax take has remained notably below the EU average over recent years (see Chart 1). 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.

In the context of the figures and the trends in Chart 1, the question needs to be asked: if we expect our economic and social infrastructure to catch up to that of other advanced European countries, how can we achieve and sustain 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, Ireland will never bridge these 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 society.

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Time for a Modest Increase in Our Tax Take

The need for a wider tax base is a lesson painfully learnt by Ireland during the recent economic crisis. A disastrous combination of a naïve housing policy, a failed regulatory system and foolish fiscal policy and economic planning caused a collapse in exchequer revenues. It is only through a strategic and determined effort to reform Ireland's taxation system that these mistakes can be addressed and avoided in the future. On page 3 we outline a broad suite of policy initiatives and reforms intended to achieve this.

Social Justice Ireland believes that, over the next few years, policy should focus on increasing Ireland's tax-take. Given the current absence of a robust measure of national income, it is difficult to propose a measure fixed as a percentage of GDP or some equivalent measure. However, given the historically low levels of taxation reported in Chart 1 we believe an increase in the overall tax take is more than feasible.

For example, raising the overall tax take by three percentage points would represent a small overall increase and one which is unlikely to have any significant negative impact on the economy in the long term.

As a policy objective, Ireland should remain a low-tax economy, but not one incapable of adequately supporting the economic, social and infrastructural requirements necessary to support our society and complete our convergence with the rest of Europe.

The documentation produced by the Department of Finance to accompanying Budget 2017 set out projections for the overall scale of the national tax-take (as a proportion of GDP) out to 2021. These estimate figures of between 24.8 % and 25% of GDP. The expected figure in 2021 is 24.8% of GDP.

Based on these figures we estimate that a three percentage point increase in the overall tax take would provide an average yield of €9 billion per annum in additional taxation revenue between now and 2021.

Such a reform would see Ireland continue as a low-tax European economy but would provide the necessary additional resources required to address the all too common deficits in social provision, infrastructure and public services.

Competitiveness and Taxation

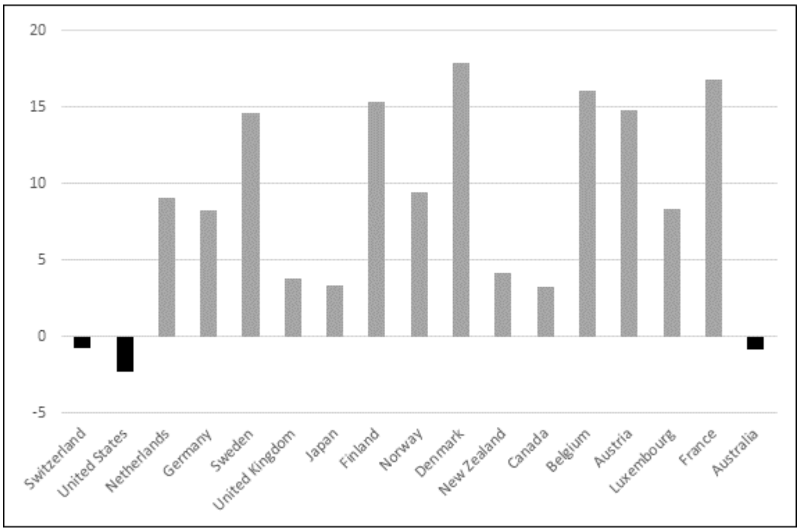
An argument often made against increases in Ireland's overall taxation levels is that it will undermine competitiveness. Similarly, it is argued that reducing taxes will boost competitiveness. However, these suggestions are not supported by international studies of competitiveness.

Annually the World Economic Forum (WEF) publishes a *Global Competitiveness Report* ranking the most competitive economies across the world. The latest for 2016-17 ranks Ireland as the 23rd most competitive country. Chart 2 compares Ireland's 2014 taxation level to all countries ranked as being more competitive than Ireland. Of those for whom tax data is available (17 of 22), only three record lower levels of taxation than Ireland: Switzerland, USA and Australia. All others tax at a higher level, collecting on average ten percentage points of GDP more than Ireland.

International reports on Ireland's competitiveness performance highlight weakness in areas including: poor performances by public institutions and underinvestment in state funded areas such as education, research, infrastructure and broadband connectivity. As such, lower taxes do not feature as a significant priority; rather the focus is on increased and targeted efficient government spending.

low taxation hinders, not helps, our competitiveness...

Chart 2: Comparing Ireland's Tax-Take with countries identified bythe World Economic Forum as being more competitive



Source: World Economic Forum and OECD taxation online database.
Notes: 2015 data for all countries except three were 2014 data is used: Ireland, Japan and Australia. 2014 data used for Ireland to avoid the distortion in the 2015 GDP figures. The OECD do not have tax data for five countries with a higher competitiveness rank than Ireland and these are not included in the chart: Singapore, Hong Kong, Taiwan, UAE and Qatar.

Policies for Tax Reform

Over the remainder of this page we list a series of reforms to the taxation system aimed at broadening the tax base and developing a fairer taxation system. We provide much greater detail on each of these proposals in the taxation chapter of our annual *Social Economic Review* which is available on our website.

Reforming/Broadening the Tax Base

Social Justice Ireland believes that there is merit in developing a tax package which places less emphasis on taxing people and organisations on what they earn by their own useful work and enterprise, or on the value they add or on what they contribute to the common good. Rather, the tax that people and organisations should be required to pay should be based more on the value they subtract by their use of common resources. There are a number of approaches available to Government in reforming the tax base including:

- ***Reforming Tax Breaks***
- ***Increasing Minimum Effective Tax Rates for Higher Earners***
- ***Increasing Corporate Taxes*** (see p4 & 5)
- ***Introducing a Site Value Tax***
- ***Taxing Second Homes, Empty Houses and Underdeveloped Land***
- ***Introducing a Windfall Gains Tax***
- ***Introducing a Financial Transactions Tax***
- ***Reforming Carbon Taxes***

Building a Fairer Taxation System

The need for fairness in the tax system was clearly recognised in the first report of the Commission on Taxation 35 years ago. It stated:

> *"...in our recommendations the spirit of equity is the first and most important consideration. Departures from equity must be clearly justified by reference to the needs of economic development or to avoid imposing unreasonable compliance costs on individuals or high administrative costs on the Revenue Commissioners." (1982:29)*

The need for fairness is just as obvious today and *Social Justice Ireland* believes that the following reforms would greatly enhance the fairness of Ireland's taxation system:

- ***Standard Rating all Discretionary Tax Breaks***
- ***Favouring Fair Changes to Income Taxes*** (see p6& 7)
- ***Keeping the Minimum Wage out of the Tax Net***
- ***Introducing Refundable Tax Credits***
- ***Reforming individualisation***
- ***Making the Taxation System Simpler*** (see p8)

Reforming Corporate Taxation

Social Justice Ireland welcomes the recent attention given to the issue of corporate taxation reform including the Budget 2017 announcement of a review of the current system. We consider this an important public policy issue and one that has not received appropriate attention over recent years. To date, we have engaged with this process and look forward to continue to do so in the years ahead as a suite of overdue national and international reforms are designed and implemented.

To a great degree, Ireland's corporation tax policy has been one that has been let drift for some time, with occasional changes in Finance Bills, often driven by accountancy firms and representative groups for multi-national firms, but with limited strategic oversight and assessment of the overarching public policy interest. It's only as the international corporate tax system has begun to fall apart over the last few years that there has been renewed focus; principally at the behest of the OECD and the European Union.

Social Justice Ireland has a long history of interacting on taxation issues with Government. This is reflected in our view that a sustainable and fair taxation system, which provides adequate resources, is a core part of the achievement of the just society that we continue to advocate for. We approach the corporate tax issue from two perspectives: (i) the adequacy and sustainability of this area of taxation policy as a contributor to the state and (ii) the fairness of the overall taxation system

The Corporate Tax Context has Dramatically Changed

Social Justice Ireland believes the context for Ireland's corporation taxation system and policy has changed dramatically in the last year. This is because:

- The OECD BEPS process has signalled a greater international focus on the system and the way in which some countries and large corporations have exploited the international system for some time.
- The BEPS process has also signalled an unwillingness of most countries to continue to tolerate the abuses of the international corporate tax system, almost all of them entirely legal abuses, but abuses none the less.
- The BEPS process has begun to see greater transparency in the international system and this is likely to grow further in the years to come.
- The 2015 national income figures for Ireland highlighted, in a very public international way, the fact that the Irish economy, and the Irish corporate tax system, has been, and is being, exploited by a number of companies who are strategically managing their international activities and tax affairs via Ireland, to the benefit of this country, at least in economic growth terms, but at a cost for many other countries.
- The publication of the European Commission's Apple tax investigation report which clearly highlighted that it was possible for a large multi-national company to operate out of Ireland and use the corporate tax system to record unacceptably low tax liabilities.
- The way in which these National income figures and the Apple report were greeted by our fellow European countries. They saw these events for what they were; a clear demonstration of the way Ireland and its corporate tax system had been used in an unacceptable way to alter tax liabilities and undermine the revenue expectations of governments in other parts of the EU and beyond. Put simply, this has alienated a many countries who are unlikely to tolerate this type of behaviour from corporations or countries in the years to come. It's a case of clear reputational damage.
- The forthcoming changes to the corporate tax structures in the United States and the United Kingdom.

Overall, the impact of these occurrences has been to fundamentally alter the international corporate tax landscape. For Ireland, it simply means that the future of the corporate tax system has shifted from being a national policy issue to an issue that sits in a very visible and scrutinised international tax and political context. Simply, about a year ago it could argued that Ireland designed its own corporate tax policy; it is clear that that is no longer the case and that any decisions are now resting in a European and international context where our fellow member states will have a very clear say in the appropriateness and acceptability of Irish policy decisions in this area.

> ***We approach the corporate tax issue from the perspective of adequacy, sustainability and fairness...***

Reforms to Corporate Taxation: Key Points

As Government reviews and considers reforms to the Corporate Tax system, *Social Justice Ireland* believes the following points are important:

On the current tax take from large multinational firms

- we believe there is a short-term bubble in corporate tax revenue driven by the shifting structures of MNCs and the way some have begun to use Ireland to manage their tax and intellectual property affairs. This is not a sustainable source of revenue, it may last for a number of years, but it is a clear issue for the sustainability of the taxation system and the sustainability of revenue from it. In the past, the way the tax system has dealt with bubbles has been to dismiss them as nothing other than structural increases in revenue and then treat them as such; that becomes a significant problem when those revenue sources begin to disappear.
- individually within companies, the amount of tax that many large multi-national companies are paying is unacceptably low. In our pre-Budget submissions over recent years, and in our core analysis and policy document the annual Socio-Economic Review, we have called for the establishment of a minimum effective tax rate for corporations – starting at 6% and increasing to 10%.

On the OECD BEPS reforms

- We welcome all of the 15 BEPS Actions and believe that Ireland should take a leadership role in implementing ALL of these actions.
- on Action 13 (***Transfer Pricing Documentation and Country-By-Country Reporting***) we believe that the Irish Government should take a leadership position in making publicly available the country-by-county reporting results of all MNCs operating in Ireland.
- on Actions 8-10 (***Aligning Transfer Pricing Outcomes with Value Creation***) we note the potential for significant lobbying, principally from MNCs and large accountancy firms, around Actions 8 to 10. While these actions carry challenges for Ireland, the reason they do so is because companies have used this country, and the transfer pricing and intangible valuation structures we have permitted, to their advantage and to the detriment of many other countries. Simply, while these reforms are likely to cost revenue and economic activity for Ireland, they are overdue, fair and necessary. Policy needs to be mature in its appreciation of the need for reform here and again, Ireland should play a core role in adopting and implementing reforms under these actions.

> ***...while these reforms are likely to cost revenue and economic activity for Ireland, they are overdue, fair and necessary.***

On the EU CCCTB process

- We welcome the revival of the EU CCCTB process. Again, this signals a broader appreciation of the need for reform of the international corporate tax system. The general objective of the CCCTB proposals, which is to align better the profit taxes of firms with the location of their activities, make logical sense.
- We note the potential for significant lobbying, principally from Multinational companies and large accountancy firms, against these reforms.
- *Social Justice Ireland* believes that policy and policy makers needs to be mature in appreciating that this reform, which is likely to come at a short-term cost to Ireland, makes sense in the medium to long term and is part of the development of a fairer and more transparent corporate tax system. We note reports from the ESRI and others indicating that these reforms will have a negative impact for Ireland. The reality is that they will, given the current unsustainable structures and process that are in place, but that in itself is not a good enough argument for not adopting and implementing the CCCTB proposals. There is an inevitability of reform and Ireland should take a mature and leadership role in this process.

On Corporate Taxation and Corporate Tax Structures in an international context

- *Social Justice Ireland's* interaction with Government on this issue has included a focus on both the national and international contexts for corporate taxation. As an organisation we are very conscious of Ireland's commitments and role in the developing world. It is an area of policy focus for us; because we believe that part of Ireland becoming a fairer society is that Ireland, as one of the richest countries in the world, plays a key role in correcting the international inequalities that persist between developed and developing world countries.
- The structures of the corporate tax system are an element of this, and the OECD BEPS reforms represent some progress in this area – a further reason for them to be adopted and implemented.
- We continue to highlight the work of Trocáire and Christian Aid, among others, in this area. They have highlighted in a very clear way the costs to developing countries of the current structures of international corporate activities. There are fundamental issues of justice and fairness associated with reform to these practices and it is important that as a country we are aware of the need to achieve these.

Need for Clarity of Effective Tax Rate being paid by Corporations

Despite a low headline rate (12.5%), there is limited data on the effective rate of corporate taxation in Ireland. A report from the Department of Finance in 2014 pointed towards four methods of calculating that rate. Although each were valid methods, it favoured one which reported an effective rate of 11.9 per cent on 'taxable income'. As 'taxable income' excludes income removed or offset from taxation through various tax breaks, it is unsurprising that the measure is close to the headline rate. However, in practical terms, the provision of tax breaks and exemptions is likely to imply corporations enjoy a substantial reduction in their tax liability.

Data from Eurostat estimate an implicit corporate tax rate on business income of between 6% and 6.6% although it is likely to be as low as 3% for many large corporations while Small and Medium Enterprises (SMEs) pay close to 12.5% for the most part. A report from Collins (2015) found that the profits of US companies in Ireland were equivalent to 41.9 per cent of GDP in 2010; multiples of the figure recorded for similar companies in (higher tax) G7 countries, where the average figure was 0.7 per cent of GDP.

In the interests of transparency, it would be important for the current Government review of the corporate tax code to offer a robust assessment of the average, and range, of effective tax rates being paid by large multi-national companies in Ireland.

Income Tax: Fair Choices Available

Possible changes to income taxation levels continue to be highlighted as a potential policy reform. *Social Justice Ireland* believes that the best reform to the income taxation system would be to make tax credits refundable. Such a reform would mean that the full value of tax credits goes to everybody who has an earned income.

We do not consider broader reforms to income taxes as a central priority for *Social Justice Ireland* either in the next Budget or in any future plans for taxation policy reform. We believe that any available money should be used to improve Ireland's social services and infrastructure, reduce poverty and social exclusion and increase the number of job opportunities for the long-term unemployed.

However, as discussion and policy considerations often focuses on income taxation reductions we have recently completed a study which examined, from the perspective of fairness, various reform choices. As a minimum, the analysis highlights the distributive impact taxation policy choices can have and the potential policy has to pursue both fair and unfair outcomes.

Table 1 presents this comparison. In all cases the policy examined would carry a full year cost of between 1% and 1.4% of the total expected income taxation yield in 2017 (€184m-€288m).

we do not consider income tax reforms a priority...there are better alternative uses of resources

The reforms examined are for changes to the 2017 income taxation system and are:

- a decrease in the top tax rate from 40% to 39%
- a decrease in the standard rate of tax from 20% to 19.5%
- an increase in the personal tax credit of €100 with commensurate increases in couple, widowed parents and the single person child carer credit
- an increase in the standard rate band (20% tax band) of €1,500
- the abolition of the 0.5% USC rate - that applies to incomes below €12.012 - and a 1% point reduction in the 2.5% USC rate - that applies to income between €12,012 and €18,772
- a 0.5% point decrease in the 5% USC rate – that applied to income between €18,772 and €70,044
- A 1.5% point decrease in the 8% USC rate– that applied to income above €70,044

Although all of the income taxation options have similar costs (1%-1.4% of the income taxation yield), they each carry different effects on the income distribution. Overall, two of the changes would produce a fair outcome:

- increasing the personal tax credit; and
- reducing the 0.5% and 2.5% USC rates

Each of the two fair options would provide beneficiaries with an improvement in their annual income of around €100-120. Each of the five unfair options would skew benefits towards those with higher incomes.

Table 1: Comparing gains under seven possible income tax reforms (€ per annum)

Gross Income	**€15,000**	**€25,000**	**€50,000**	**€75,000**	**€100,000**	**€125,000**
Decrease in the top tax rate from 40% to 39% (full year cost €283m)						
Single earner	0	0	162	412	662	912
Couple 1 earner	0	0	72	322	572	822
Couple 2 earners	0	0	0	74	324	574
Decrease in the standard tax rate from 20% to 19.5% (full year cost €288m)						
Single earner	0	125	169	169	169	169
Couple 1 earner	0	50	214	214	214	214
Couple 2 earners	0	0	250	338	338	338
Increase in the personal tax credit of €100 (full year cost €227 million)						
Single earner	0	100	100	100	100	100
Couple 1 earner	0	50	200	200	200	200
Couple 2 earners	0	0	200	200	200	200
Increase in the standard rate band of €1,500 (full year cost €264 million)						
Single earner	0	0	300	300	300	300
Couple 1 earner	0	0	300	300	300	300
Couple 2 earners	0	0	0	600	600	600
Abolish 0.5% USC rate and 1% point decrease in the 2.5% USC rate (full year cost €283m)						
Single earner	89.94	127.66	127.66	127.66	127.66	127.66
Couple 1 earner	89.94	127.66	127.66	127.66	127.66	127.66
Couple 2 earners	0.00	102.44	242.60	255.32	255.32	255.32
A 0.5% point decrease in the 5% USC rate (full year cost €184m)						
Single earner	0.00	31.14	156.14	256.36	256.36	256.36
Couple 1 earner	0.00	31.14	156.14	256.36	256.36	256.36
Couple 2 earners	0.00	0.00	68.64	187.28	312.28	381.25
A 1.5% point decrease in the 8% USC rate (full year cost €221m)						
Single earner	0.00	0.00	0.00	74.34	449.34	824.34
Couple 1 earner	0.00	0.00	0.00	74.34	449.34	824.34
Couple 2 earners	0.00	0.00	0.00	0.00	0.00	168.09

Source: *Social Justice Ireland* Occasional Paper (2017) **Notes:** All workers are assumed to be PAYE workers. For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner.

Abolishing the USC: a fairness assessment

Many recent discussions on the reform of income taxes have focused on changes to the USC. While proposals have varied, they have generally argued for the elimination of the first three rates of the USC (0.5%, 2.5% and 5%) over a series of Budgets.

Here we examine the fairness of such a reform. Our analysis is based on the Post-Budget 2017 Taxation Ready Reckoner published by the Revenue Commissioners. It does not include any accompanying policy measures which might attempt to claw back some of the gains from earners with very high incomes.

The reform examined is based on the 2017 income taxation system and includes:

- the elimination of the current 0.5% USC rate – that applies to income below €12,012 (full year cost €124m);
- the elimination of the current 2.5% USC rate – that applies to income between €12,012 and €18,772 (full year cost €398m);
- the elimination of the current 5% USC rate – that applies to income between €18,772 and €70,044 (full year cost €1,835m); and
- no change in the 8% USC rate – that applies to income above €70,044.

this is an expensive and unfair policy path...the question arises as to whether such a large amount of revenue could be used in a much fairer and better way?

The total cost of these changes would be €2,357m in a full tax year; equivalent to 11.6% of the expected income taxation yield in 2017.

Chart 3 presents the results of this analysis in € per annum terms.

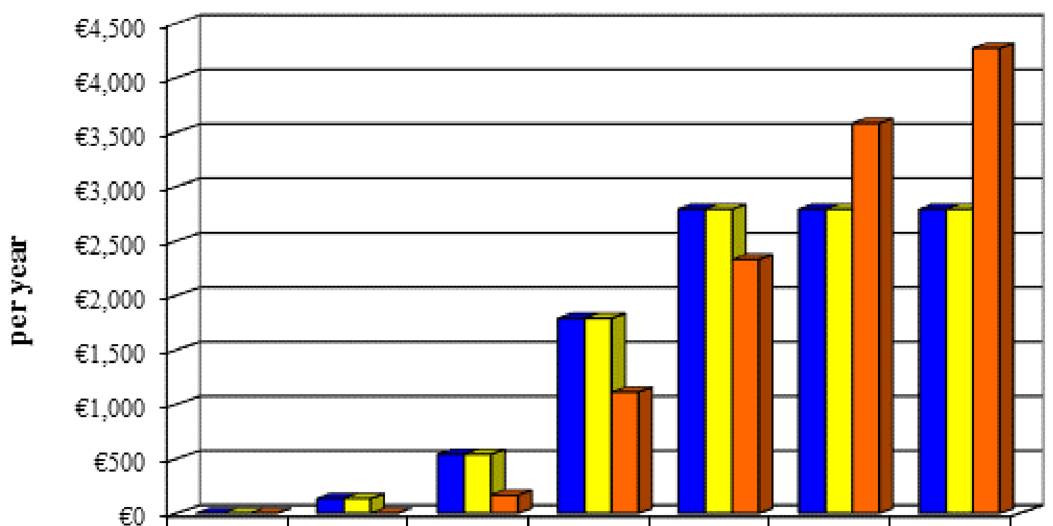
What it shows is a dramatically unfair impact with the gains heavily skewed towards those on the highest incomes. Single earners above €70,044 gain €2,793 per annum, more than 5 times the gains for a worker on €25,000. Couples with two incomes totalling €125,000 gain over €4,000 per annum, almost four times the amount that goes to a similar middle-income couple on €50,000.

Looked at as a proportion of gross income the regressive nature of the tax change is further visible. As income increases so too does the proportional gain, peaking at a value of 3.7% of gross income for single earners at €75,000 and peaking for couples with two incomes at an annual income of €100,000.

Overall, reforming the income taxation system through the elimination of the first three rates of the USC is an expensive and unfair policy path. Although we have assumed here that there is no change to the 8% USC rate, the gains are heavily skewed towards those on the highest incomes.

From the perspective of fairness, the question arises as to whether such a large amount of annual taxation revenue could be used in a much fairer and better way?

Chart 3: How much better off would people be if the 0.5%, 2.5% and 5% USC rates were abolished (full year cost €2,357 million) - € per annum



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0	134.76	540.46	1790.46	2792.66	2792.66	2792.66
Couple 1 Earner	0	134.76	540.46	1790.46	2792.66	2792.66	2792.66
Couple 2 Earners	0	0	166.01	1112.72	2330.92	3580.92	4270.62

Source: *Social Justice Ireland* Occasional Paper (2017) **Notes:** USC calculations assume earners pay the standard rate of USC. All workers are assumed to be PAYE workers. For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2017 income taxation system. The results do not include the effect of any accompanying measures to claw back some of the gains from high earners.

A Need for Vision

Most Irish people would like to live in a society based on the values of human dignity, equality, human rights, solidarity, sustainability and the pursuit of the common good. These values are at the core of a vision of Ireland's future in which all men, women and children have what they require to live life with dignity.

If such a vision of Ireland's future is to be reached then care must be taken to ensure that all policy decisions move society and the economy in that direction.

A new policy framework is required - one that rejects the failed approach of focusing on the economy and assuming everything else will follow. Instead it is critical to recognise the importance of an integrated approach that seeks to deliver five outcomes simultaneously:

- A thriving economy;
- Just taxation;
- Decent services and infrastructure;
- Good governance, and
- Sustainability.

These five policy areas are interdependent. All must be focused on in tandem if Ireland is to achieve its long- term economic, social and environmental policy goals. Planning for Ireland's future requires that decisions are made within a framework that gives priority to long-term policy outcomes.

A Need for Simplicity

Ireland's taxation system is not simple. The reasons given to justify its complexity vary but they are focused principally around the need to reward particular kinds of behaviour which is seen as desirable by legislators. This, in effect, is discrimination either in favour of one kind of activity or against another. There are many arguments against the present complexity and in favour of a simpler system.

Discriminatory tax concessions in favour of particular positions are often very inequitable, contributing far less to equity than might appear to be the case. In many circumstances they also fail to produce the economic or social outcomes which were being sought. At other times they may be a complete waste of money, since the outcomes they seek would have occurred without the tax incentive. Having a complex system has other down-sides. It can, for example, have high compliance costs both for taxpayers and for the Revenue Commissioners

For the most part, society gains little or nothing from the discrimination contained in the tax system. Complexity makes taxes easier to evade, invites consultants to devise avoidance schemes and greatly increases the cost of collection. It is also inequitable because those who can afford professional advice are in a far better position to take advantage of that complexity than those who cannot. A simpler taxation system would be fairer and better serve Irish society and all individuals within it, irrespective of means.

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SOCIAL JUSTICE IRELAND

working to build a just society

Social Justice Ireland is an independent think-tank and justice advocacy organisation of individuals and groups throughout Ireland who are committed to working to build a just society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected.

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