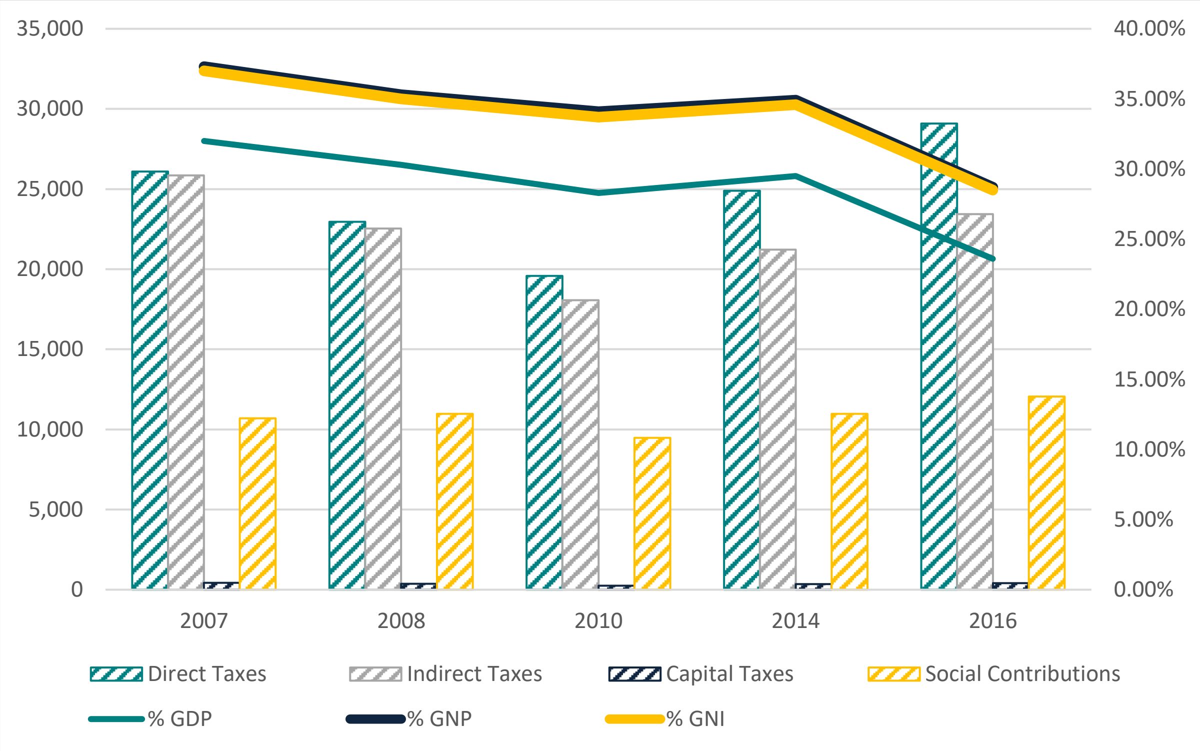
Taxation

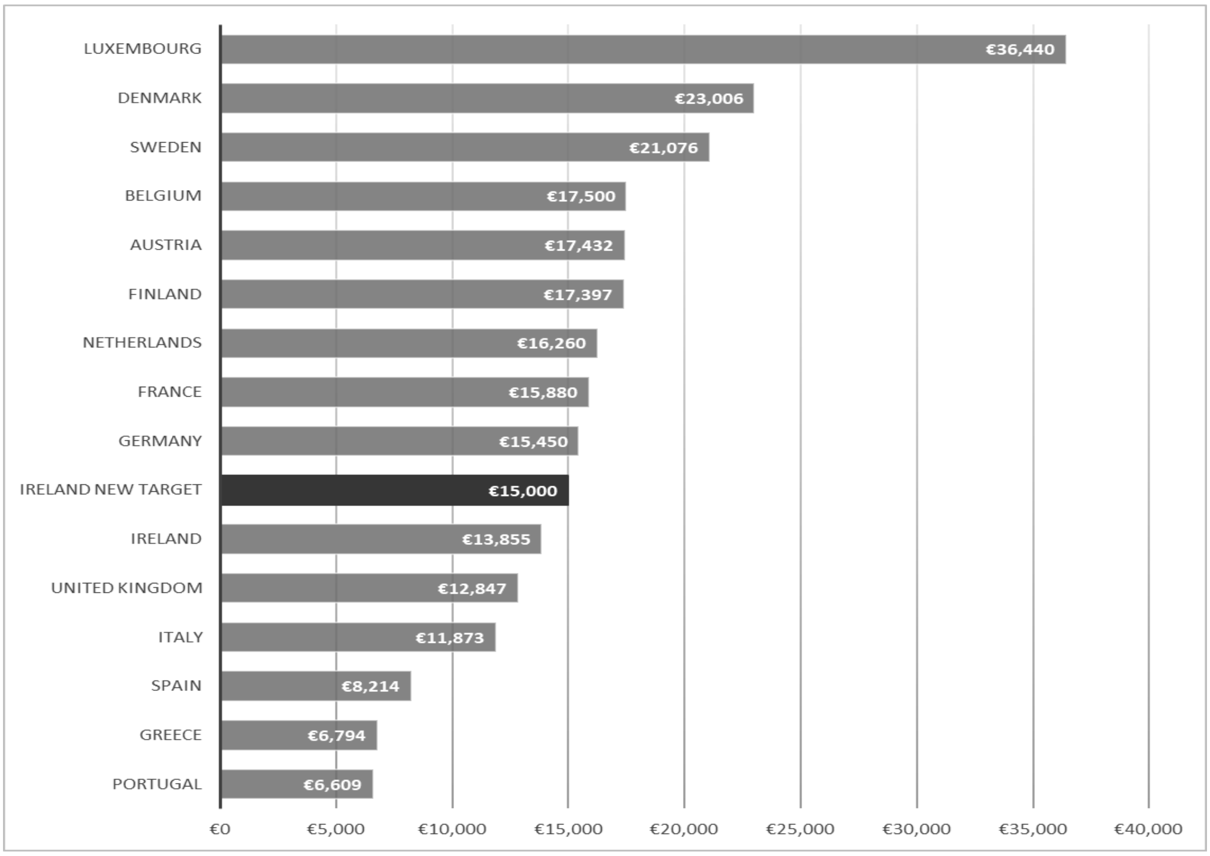
Chart 8.1: The changing nature of Ireland's tax revenue (€m), % GDP, GNP, GNI, 2007-2016



Source: CSO online database tables GFA03 and N1503

Note: Total taxation expressed as a percentage of published CSO national income figures at current prices

Chart 8.2: Per-Capita Tax Take in EU-15 states, 2016



Source: Social Justice Ireland, Social Justice Matters 2018 Guide to a fairer Irish society

Taxation

Broadening the Tax Base

In March this year *Social Justice Ireland* welcomed the re-statement by the European Commission of its recommendation that Ireland broaden its tax base.

The need for a wider tax base is a lesson painfully learnt by Ireland during the recent economic crisis. A combination of an ill-judged housing policy, a failed regulatory system, and foolish fiscal policy and economic planning caused a collapse in exchequer revenues. The narrowness of the Irish tax base resulted in almost 25% of tax revenues disappearing, plunging the exchequer and the country into a series of fiscal policy crises. Tax revenues collapsed from over €63bn in 2007 to a low of €47.3bn in 2010, but have since increased to exceed 2007 levels, reaching almost €65bn in 2016 (these figures are disaggregated by tax type in Chart 8.1). It is only through a strategic and determined effort to reform Ireland's taxation system that previous mistakes can be avoided in the future.

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. Whatever changes are made should also be guided by the need to build a fairer taxation system which adheres to the policy objective of collecting sufficient taxes to ensure full participation in society for all, through a fair tax system.

There are a number of approaches available to Government in reforming the tax base[1]. The political will must exist to ensure that we create a more sustainable revenue stream and become less vulnerable to financial shocks.

Increasing the Tax Take

Over the next few years, policy should focus on increasing Ireland's tax take. As can be seen in Chart 8.2, Ireland is a low tax country. Compared to our EU15 peers, we rank 10th in terms of per capita tax take. Previous benchmarks, set relative to the overall proportion of national income collected in taxation, have become redundant following recent revisions to Ireland's GDP and GNP levels as a result of the tax-minimising operations of a small number of large multinational firms. Consequently, an alternative benchmark is required.

We propose a new tax take target set on a per-capita basis of €15,000 per capita; an approach which minimises some of the distortionary effects that have emerged in recent years. Our target is calculated using CSO population data, ESRI population projections, and CSO and Department of Finance data on recent and future nominal overall taxation levels. This increase would not change Ireland's ranking vis a vis other EU15 countries, where we would still rank 10th.

Policy Priorities

- Broaden the tax base to secure Ireland's revenue stream and reduce vulnerability to financial shocks.

- Increase Ireland's overall level of taxation to a level equivalent to €15,000 per capita in 2017 terms, benchmarked to growth in GNI*.

[1] For more detail on *Social Justice Ireland's* proposals for tax reform, see our *Socio Economic Review, Social Justice Matters 2018 Guide to a fairer Irish society*