

# Budget Choices

## Pre-Budget Submission, Budget 2020

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**W**hile at a surface level Ireland may appear to be doing better than most with high economic growth levels and close to full employment, a closer analysis tells a different story.

A housing crisis with rising levels of homelessness, a two-tier healthcare system with long waiting lists, an approach to sustainability that fails to appreciate the urgency of climate change, these are just some of the facts that tell a different story about Ireland's dramatic 'recovery' from the economic crash of a decade ago.

Other challenges which Ireland is currently facing will put further pressure on the Government's approach to Budget 2020 and to the decade ahead. Brexit, whatever its outcome, will have serious down-sides for Ireland. Ireland's approach to corporate taxation is not likely to survive much longer. Concentrating on climate-damaging approaches to agriculture, no matter how efficient, as key elements of generating economic growth will not promote climate justice but will lead to growing stress on the viability of rural Ireland. The constraints on essential investment imposed by inappropriate EU fiscal rules have contributed to the slowness of response in areas such as addressing the housing crisis.

### Key Question?

The key question that should underpin Government decisions on Budget 2020 is what approach would be most likely to promote human wellbeing? This is the key question because after more than four decades of experimentation we now know from experience across the world that the neoliberal approach does not work.

After more than forty years of neoliberal policies - reducing taxes on the wealthy, deregulation of markets and banks, financialisation and globalisation - there is a widespread realisa-

tion that this approach has failed.

Benefits have mostly accrued to the better off, banks have been protected while homelessness has grown, poverty has not been addressed effectively and the environment has been seriously damaged while climate change is not being addressed on anything like the scale required.

### Is Ireland different?

Ireland used this approach in areas such as taxation, deregulation, financialisation and globalisation. Initially it produced the Celtic Tiger and the subsequent crash. Some adjustments have been made over the past decade but the approach has basically been the same.

Over the years Ireland has tried to protect the vulnerable in some policy areas. This has been the case on poverty where social welfare and income tax policy have been used to alleviate the substantial pre-tax levels of poverty. But fundamental change that would genuinely reduce pre-tax poverty has not been on the agenda.

### Vision and Framework?

It now appears that there is a growing global consensus about corporate taxation and globalisation that will provide major challenges to how Ireland has approached its development in recent decades.

A new and better approach is required. To promote human wellbeing and address current challenges, *Social Justice Ireland* proposes a guiding vision and policy framework focused on producing five outcomes:

- A vibrant economy;
- Decent services and infrastructure;
- Just taxation;
- Good governance; and
- Sustainability

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# Budgetary Stance and Proposals



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It is essential that these five outcomes be pursued simultaneously—not in sequence. They are interdependent. Ireland needs good services and infrastructure to deliver a vibrant economy. Just taxation and good governance are required to deliver any or all of these outcomes. Sustainability is required in the economy, on the environment, and in society itself for these outcomes to be achieved.

All of the proposals for Budget 2020 and beyond set out in this publication are focused on delivering these five outcomes simultaneously and in as short a timeframe as possible.

## Economically Sound and Socially Fair

Budget 2020 should be designed so that it is both economically sound and socially fair. These twin objectives are both realistic and achievable. However, they need to be underpinned by a clear policy commitment and by Budget decisions aimed at achieving both.

On page 4 we set out the parameters *Social Justice Ireland* believes should guide fiscal policy in Budget 2020. The overall scale of the available resources is large. There are some resources available on this occasion that should be prudently considered as one-off and used strategically in the long-term interest of building a better and fairer Ireland.

Given the likely problems for Ireland flowing from international developments ranging from Brexit to the US/China trade war, it is essential that we not repeat the mistakes of a decade ago in our response to the economic crash of 2008. On that occasion we prioritised banks over the vulnerable and over job protection, with an ‘austerity’ approach that led to much greater long-term problems in areas such as unemployment, housing provision and rural development. In the economic upheaval that may well emerge in the period ahead it is essential that priority be given to protecting the vulnerable and to ensuring that we use available resources to protect jobs and to reduce the infrastructure gaps Ireland currently faces vis a vis the EU-15. This may well require, among other things, an adjustment to the EU’s fiscal rules.

## EU’s Country Report 2019

*Social Justice Ireland* welcomes the European Commission Country Report for Ireland 2019. We especially welcome its recognition of the very high levels of direct income inequality in Ireland and the reliance on social transfers to alleviate this problem. We also welcome its highlighting of large regional disparities in terms of employment, productivity of firms, access to services and infrastructure such as digital infrastructure and broadband.

We welcome the Commission’s emphasis on the need for increased investment which is socially and environmentally sustainable; its acknowledgement of the volatility of corporate tax revenues and recognition that there has been only limited progress on broadening the tax base.

We also welcome its emphasis on the need to move to primary and community based care as a cornerstone of *Sláintecare*; its focus on the need to move towards a formal system of home care; and its highlighting of the need for investment in social housing, infrastructure and social services. This Briefing contains specific proposals to deliver on each of these.

**Budget 2020 should be both economically sound and socially fair.**

**It needs to be underpinned by clear policy commitments and by Budget decisions aimed at achieving both.**

## Sustainable Development Goals

The Global Goals for Sustainable Development were adopted at the UN General Assembly on 25th September 2015 and came into effect on 1st January 2016. These goals make up the 2030 Sustainable Development Agenda which is defined as a ‘plan of action for people, planet and prosperity’. In this process world leaders have committed to seventeen Global Goals (also known as Sustainable Development Goals [SDGs]) containing 169 targets to achieve three distinct aims: to end poverty, fight inequality and tackle climate change over the next ten years.

*Social Justice Ireland* believes these goals should be at the core of Government policy-making in the years ahead. The Government’s National Implementation Plan 2018 - 2020 for the SDGs lacks the scale and the urgency required to make these Goals the priority they should be. *Social Justice Ireland* has proposed that all Government initiatives should identify the particular SDG to which they relate.

In this Briefing we have put this into practice and on each page that contains proposals we have also identified the particular SDGs to which these apply.

## Investment Proposals

In this Policy Briefing our proposals include:

**Housing:** €1,077m in addition to what’s already committed in Government plans towards increasing the resources to provide an additional 120,000 sustainable homes. (p. 8)

**Rural/Regional Development:** €496m to help complete the rollout of high quality rural broadband, as well as additional investment in rural transport, and the development of rural enterprise and tourism, as well as increased funding for the community and voluntary sector. (p. 10)

**Education:** €429m investment in areas such as adult literacy, DEIS, skills development, community education, digital education and higher education. (p. 12)

**Healthcare and disability:** €1,130m investment prioritising social and community care, disability, mental health and *Sláintecare*. (p. 11)

**Pensions:** A universal pension financed mostly by reducing tax-breaks that currently favour the better-off. (p. 13)

**Sustainability:** €500m investment incl funding for renewable energy, and a Just Transition Fund to deal with the repercussions of implementing a Carbon Tax. (p. 14)

**Children:** €234m focused on Early Childhood Care and Education, paternity leave and affordable childcare. (p. 12)

**ODA:** An additional €144m to increase the aid budget towards the UN target of 0.7 per cent of GNI\*. (p. 13)

## Guiding vision and policy framework



Vibrant economy	Decent services and infrastructure	Just taxation	Good governance	Sustainability
Fiscal and financial stability and sustainable economic growth	Secure, well-funded public services and social infrastructure	A tax-take closer to the EU average	Deliberative democracy & PPNs	Increased environmental protection and climate justice
Adequate public investment	Reduced unemployment & underemployment	Increased equity in taxation and reduced income inequality	Social dialogue – all sectors in deliberative process	Balanced regional development
A more just economic structure	Seven social, economic and cultural rights to be achieved	A fair share of corporate profits for the State	Reformed policy and budgetary evaluation	New indicators of progress and Satellite National Accounts

More details on this chart is available in *Social Justice Ireland's* Socio-Economic Review: *Social Justice Matters* (2019).

## An Adequate Tax Take Target for Ireland



To achieve the objectives outlined above, *Social Justice Ireland* believes that, over the next few years, policy should focus on increasing Ireland's 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 (or per-person) basis; 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.

The target is as follows:

***Ireland's overall level of taxation should reach a level equivalent to €15,000 per capita in 2017 terms. This target should increase each year in line with growth in GNI\*.***

Table 1 compares our target to the projections of the Department of Finance as published in the documentation accompanying Budget 2019. We also calculate the overall tax gap for the economy; the difference between the level of taxation that is proposed to be collected and that which would be collected if the *Social Justice Ireland* target was achieved. In 2020 the overall tax gap is projected to be €2.78 billion and the average gap over the period 2018-2020 will be €3.2 billion per annum.

Increasing the overall tax take to this level would require a number of changes to the tax base and the current structure of the Irish taxation system. We outline some such changes for implementation in Budget 2020 later (see pages 5-7). However, increasing overall taxation revenue to meet this new target would represent a small overall increase in taxation levels and one which is unlikely to have any significant negative impact on the economy. It would also not alter Ireland's status as among the lowest taxed economies in Europe.

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

**Table 1: Ireland's Tax Gap, 2018-2020**

	2018	2019	2020
<b>Tax-take € per capita</b>			
Budget 2019 projection	€15,366	€15,959	€16,617
<i>Social Justice Ireland</i> target	€15,885	€16,505	€17,049
Difference	€519	€545	€432
<b>Overall Tax-take €m</b>			
Budget 2019 projection	€73,641m	€77,515m	€81,354m
<i>Social Justice Ireland</i> target	€77,153m	€80,804m	€84,138m
<b>Tax Gap</b>	<b>€3,513m</b>	<b>€3,289m</b>	<b>€2,784m</b>

**Sources:** See Chapter 4 of our 2019 Socio-Economic Review, *Social Justice Matters*, for a complete set of sources

# Macro-Economic Stability - Fiscal Policy



## Sound & Fair Fiscal Policy

**B**udget 2020 should be designed so that it is both economically sound and socially fair. These twin objectives are both realistic and achievable. However, they need to be underpinned by a clear policy commitment to achieving both.

The design of the overall Budget package is influenced by EU-wide Stability and Growth Pact rules and the Fiscal Compact. Under this procedure the net size of the Budget package is limited by the available 'fiscal space' - simply the money available for Budget decisions after account is taken of demographic pressures on public spending, capital plans, the indexation of income taxation structures and other pre-committed policies.

As the fiscal space measure is a net one, Government has the freedom in Budget 2020, and in any future Budget, to generate additional taxation revenue, from raising taxes in one area, and then spending or investing this money elsewhere. Similarly, it has the ability to ignore some of the assumptions involved in the calculation of the fiscal space and, for example, decide not to index the income taxation system.

This is particularly relevant as the calculations for Budget 2020 assume this will happen at an estimated cost of €660m (based on Revenue Commissioners Post-Budget 2019 Ready Reckoner). Deciding not to do this, as has been the case in all other Budgets, increases the size of the possible 2020 Budget package.

The overall scale of the available resources is particularly large on this occasion as the Budget is now considered to be 'technically balanced'. While the Department of Finance has been unwilling to publish estimates of the Fiscal Space in its recent *Stability Programme Update* (unlike in recent years), estimates are available from last years *Summer Economic Statement*. These suggest a 'fiscal space' of €2.8bn for Budget 2020 and imply an overall Budget package, prior to any revenue raising measures, of between €3.3bn and €3.5bn.

*The overall Budget 2020 package will exceed €3bn...*

Irrespective of the scale of the final Budget package announced by Government for the forthcoming Budget, this document clearly highlights that fair choices are feasible and possible in Budget 2020.

*Budget 2020 should be designed so that it is both economically sound and socially fair.... We show throughout this document that such choices are both feasible and possible*

## Assessing the Fairness of Recent Budgets

**O**ver the past few years *Social Justice Ireland* has developed its ability to track the distributive impact of annual Budgets on households across Irish society. Following Budget 2019, we assessed the cumulative impact of changes to income taxation and welfare over the three Budgets of the current Government (Budget 2017, 2018 and 2019). As different policy priorities can be articulated for each Budget, it is useful to bring together their cumulative effect. The households we examine are spread across all areas of society and capture those with a job, families with children, those unemployed and pensioner households (see charts below). Within those households that have income from a job, we include workers on the minimum wage, on the living wage, workers on average earnings and multiples of this benchmark, and families with incomes ranging from €25,000 to €200,000.

At the outset it is important to stress that our analysis does not take account of other budgetary changes, most particularly to indirect taxes (VAT and excises), other charges (such as prescription charges) and property taxes. Similarly, it does not capture the impact of changes to the provision of public services. As the impact of these measures differs between households it is impossible to quantify precise household impacts and include them.

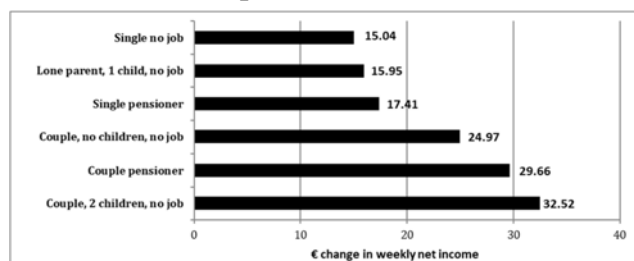
Among households with jobs (see Chart 2), the net income gains experienced range from €4.22 per week (for a single worker on €25,000) to almost nine times as much, €37.19 per week, for a couple with 2 earners and an income of €200,000. Overall,

across these households the main gains have flowed to those earning the highest incomes.

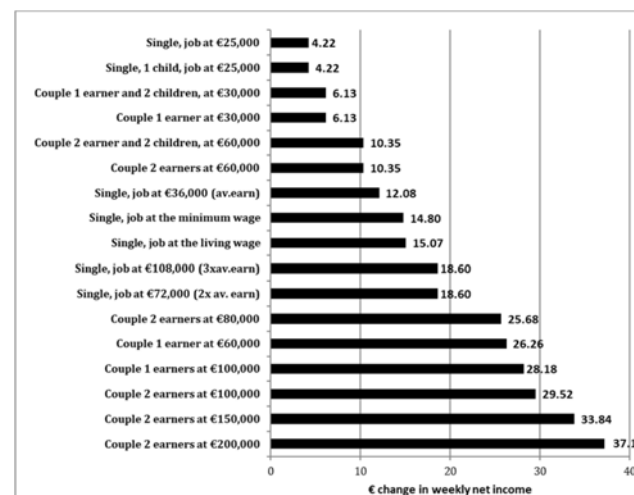
Among households dependent on welfare, the gains have ranged from €15.04 per week (to single unemployed) to €32.52 per week (to single unemployed) to €32.52 per week to unemployed couples with 2 children - see Chart 1.

Over these three Budgets all household types recorded increases in their disposable income. However, it is single unemployed people and those on the lowest earnings who have gained least.

**Chart 1: Welfare Dependent Households, 2017–2020**



**Chart 2: Households with Jobs, 2017–2020**



Source: Social Justice Ireland *Social Justice Matters 2019* (p58-60).



# Taxation - Choices



## Low Overall Tax Take is Unsustainable

**S**ocial Justice Ireland believes that, over the next few years, policy should focus on increasing Ireland's tax-take. We believe that an increase in Ireland's overall level of taxation is unavoidable in the years to come; even to maintain current levels of public services and supports more revenue will need to be collected; although we must be careful not to regard recent windfall taxes from multinational corporations (MNCs) as sustainable revenue. Consequently, an increase in the tax take is a question of how, rather than if, and we believe it should be of a scale appropriate to maintain current public service provisions while providing the resources to build a better society.

On page 3 we have outlined an appropriate overall tax-take target for Ireland. Over the remainder of this page and page 6 we outline a series of taxation proposals for inclusion in Budget 2020. Each proposal concludes with an estimated cost of the reform - cost figures which are reflected in the costed summary of all our proposals on pages 16 and 17. The overall thrust of our proposals is the development of a fairer taxation system and a broader and more sustainable taxation base.

## Tax Choices

### Reforming Income Taxes

#### Increase the PAYE and Earned Income tax credit

Those earning income as employees or as self-employed are entitled to a PAYE or Earned Income tax credit. At present the PAYE tax credit is €1,650 per annum while the Earned Income credit is €1,350. In this *Policy Briefing* we recommend that social welfare rates be increased by €9 a week (see p9) in order to keep pace with earnings.

Given that earnings are already increasing, most of those in employment will already see increases in their disposable income. To ensure that those employed in sectors not experiencing this generally broad-based increase receive some improvement in disposable income, we recommend that income tax credits be increased by €5 per week (€260 per year).

In distributing the available resources through the tax credit system we are also ensuring that they are distributed in a progressive manner. While everyone receives the same amount of cash benefit, the increase is proportionately much larger for those with lower earnings.

**Proposal: Increase the PAYE and Earned Income tax credit by €5 a week. This would cost €598m in 2020.**

#### Introduce Refundable Tax Credits

Social Justice Ireland's proposal to make the two main income tax credits refundable would make Ireland's tax system fairer, address part of the working poor problem, and improve the living standards of a substantial number of people in Ireland. This system would also result in all future changes to tax credits being equally experienced by all employees.

According to the most recent data 14.3% of all those in poverty are at work. Our detailed study on this issue in 2010 *Building a Fairer Tax System: The Working Poor and the Cost of Refundable Tax Credits* identified that 113,000 low-income individuals would benefit in an efficient and cost effective manner from making tax credits refundable. The proposal only applies to the unused portions of the Personal and PAYE tax credits. The cost of refunding unused income tax credits to individuals satisfying all of the criteria outlined in the study is €140 million.

**Proposal: Make the two main income tax credits refundable. This would cost €140 million in 2020.**

### Reforming Tax Breaks

#### Standard Rating

Making all discretionary tax reliefs/expenditures available only at the standard 20% rate would represent a crucial step towards achieving a fairer tax system. If there is a legitimate case for making a tax relief/expenditure available, then it should be made available in the same way to all. It is inequitable that people on higher incomes should be able to claim certain tax reliefs at the top marginal income tax rate while people with less income are restricted to claim benefit for the same relief at the lower standard rate of 20%.

Budget 2020 should standard rate the tax break on all pension contributions to fund a universal social welfare pension, and standard rate all other discretionary tax reliefs costing more than €10m per annum in revenue forgone.

**Proposal: Standard rate non-pension discretionary tax breaks costing more than €10m per annum. This would yield €480m in 2020.**

#### Reform the R&D tax credit

A tax break for companies engaged in research and development was introduced in 1997 and has been revised and reformed on a number of occasions since.

A curious component of the current structure is that firms may claim a tax refund on unused R&D credits - i.e. where they have not paid tax to cover the refund amount. The use of this scheme has allowed a number of profitable firms to record zero or negative (refund) tax paid amounts over recent years. A reform to this refund structure is overdue and it should be removed from the structure of this tax break in Budget 2020.

**Proposal: Remove the tax refund element for unused R&D tax credits. This would yield €150m in 2020.**

### Reforming Corporate Taxation and Subsidies

#### Introduce a Minimum Effective Corporate Tax Rate

The adequacy and fairness of corporate tax payments has been a recurring issues for a number of years. Despite a low headline rate (12.5%), there is limited data on the effective rate of corporate taxation in Ireland.

A recent report from the Comptroller and Auditor General (C&AG) shed new light on this sector. Using the approach used by the Revenue Commissioners to calculate the effective tax rate (tax due as a % of taxable income) they found an overall effective corporation tax rate of 9.8% in 2016. Among the top 100 corporate tax payers, who account for 70% of tax paid, 8 had a 0% or less rate, 5 paid between 0% and 1%, 1 paid between 1% and 5%, 7 paid between 5% and 10%, while the remainder (79 firms) paid more than 10%. It is clear that a small number of very large firms are at the core of the tax adequacy issues in this sector.

Social Justice Ireland believes that the issue of corporate tax contributions is principally one of fairness. Profitable firms with substantial income should make a contribution to society rather than pursue various schemes and methods to avoid these contributions.

**Proposal: Introduce an effective corporation tax rate of 6%. This would yield in excess of €1,000m in 2020.**

## Taxation - Choices



### **Limit the ability to carry losses forward**

Government should reform the tax laws so that limits are placed on the ability of individuals and corporations to carry past losses forward and offset these against current profits/income. While there is merit in having some period available to carry losses, to reflect the choices and operating decisions of business and other short-term effects, there is no merit in these continuing indefinitely as is currently the case. We suggest introducing a rolling limit of 10 years on these losses commencing from midnight of the day Budget 2020 is announced. Losses prior to this period would no longer be available to offset against profits or capital gains. The 50% annual cap should also be reintroduced.

While this initiative would bring greater fairness to the overall taxation system, we note it would have a disproportionate effect on banking institutions who carry significant, self-inflicted, losses from the economic crisis a decade ago. Consequently, we suggest that Budget 2020 would also amend the current banking levy, reducing it by 50%, as a means of partially offsetting this effect for banks.

**Proposal: Limit the ability of individuals and corporations to carry losses forward to 10 years; and halve the banking levy. This would yield €100m in 2020.**

### **Abolish the Special Assignee Relief Programme (SARP)**

The SARP was introduced in 2014 to provide a tax reduction to high earning individuals who locate to Ireland for work purposes (generally in MNCs in the IT and financial sector). Recipients must earn between €75,000 and €1m. Qualifying employees with income above €75,000 receive a reduction in their income tax liability. This subsidy was intended to boost the attractiveness of Ireland for foreign investment; however there is no evidence to suggest the scheme has achieved this or that it has induced any recent investment and relocations that would not have otherwise occurred. Abolishing this scheme would also make the tax system fairer.

**Proposal: Abolish SARP to yield €18m in 2020.**

### **Increase the National Training Fund Levy**

A recommendation of the Cassells Report on the future funding of higher education was that employers should make greater contributions to the cost of the higher education sector - given the benefits they receive from those educated by that sector. The report recommended that the National Training Fund Levy paid by employers be gradually increased to 1% by 2020 and that the fund be reformed to provide greater support for programmes in higher education. Budget 2018 commenced this process with a 0.1% increase and Budget 2019 did the same. We recommend that Budget 2020 completes this process and increases the levy from 0.9% to 1%.

**Proposal: Increase the National Training Fund Levy to 1%. This would yield €74m in 2020.**

## **Reforming Land, Capital and Environmental Taxes**

### **Taxing Empty Houses / Underdeveloped Land**

Budget 2020 should empower local authorities to collect a new site value tax on underdeveloped land - such as abandoned urban centre sites and land-banks of zoned land on the edges of urban areas. This tax should be levied at a rate of €2,000 per hectare (or part thereof) per annum. The objective of the tax should be to encourage land owners to utilise the land they possess and prevent speculation and land banking.

In the context of a shortage of housing stock, building new

units is not the entire solution. There remains a large number of empty units across the country. Policy should be designed to reduce the number of these units and penalise those who own units and leave them vacant for more than a six month period. We propose that Budget 2020 introduce a levy on empty residential properties of €200 per month with the revenue from this charge collected and kept by local authorities. Income from both these measures should reduce the central fund allocation to local authorities by €75m per annum.

**Proposal: Introduce taxes on empty houses and a site value tax on underdeveloped land. These measures would yield €75m in 2020.**

### **Stamp Duty on Non-Residential Property**

Budget 2018 increased stamp duty on non-residential property from 2% to 6%; a welcome initiative that has had no negative impact on that sector since. *Social Justice Ireland* believes that the current 6% stamp duty remains generous relative to other countries, and to past rates, and should increase to 8% for all transfers of non-residential property in excess of €500,000, except for transfers of stocks, shares and insurance policies - where other stamp duty regimes apply.

**Proposal: Increase by 2% points the stamp duty on non-residential property transfers on all amounts in excess of €500,000. This would yield €126m in 2020.**

### **Stamp Duty on Residential Property**

Budget 2020 should use stamp duty on residential property as a means of slowing down the current rates of unsustainable growth in the residential property market; these continue to substantially exceed wage increases. Such increases are bad for living standards, the generation of sustainable employment opportunities and society in general. As an initial measure we propose an increase to 5% for the stamp duty on the excess above €1m.

**Proposal: Increase to 5% the stamp duty on residential property transfers on all amounts in excess of €1m. This would yield €29m in 2020.**

### **Equalise Petrol and Diesel Excise Duty**

A report from the ESRI recommended that, for environmental reasons, Government should equalise the excise duty on petrol and diesel. We propose a decrease of 6c per litre for petrol (from 59c to 53c) and a simultaneous increase of 6c per litre for diesel (from 47c to 53c). This would yield a total of €102m in 2020 and we propose that €22m of this be used on a year one basis to assist in various transition measures for those diesel users most impacted.

**Proposal: Equalise the excise duty on petrol and diesel at 53c per litre. Provide a €22m one-off transition fund in 2020. This would yield €80m in 2020.**

### **Other Tax Reform Measures**

5 further taxation reforms aimed at broadening the tax base:

- an increase in the in-shop and online betting tax to 3% (+€150m in 2020);
- an increase from 30% to 35% of the minimum effective tax rate of people earning more than €400k p/a (+€15m);
- restore the Non Principal Private Residence (NPPR) charge on second homes at a rate of €500 per yr (+€125m in 2020);
- restoration of the Windfall Gain Tax on rezoned land (abolished in Budget 2015); and
- support the adoption of broad-based European Financial Transactions Tax (FTT).

# Taxation - Fairness



## Fairness in Changing Income Taxes

Possible changes to income taxation levels have been highlighted as a potential policy reform in Budget 2020. *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 outline our proposal on this issue on page 5.

Broader reforms to income taxes are not a central priority for *Social Justice Ireland* either in the forthcoming 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 target the creation of employment opportunities for those most distant from the labour market – policy priorities highlighted throughout this publication.

However, as discussion and policy considerations often focuses on income taxation reductions we have undertaken 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 2 presents this comparison. In all cases the policy examined would carry a full year cost of between 1.3% and 1.5% of the total income taxation yield (€299m-€342m).

The reforms examined are for changes to the 2019 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 €125 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 income below €12,012 and a 1% point decrease in

the 2% USC rate – that applies to income between €12,012 and €19,874

- a 0.75% point decrease in the 4.5% USC rate – that applies to income between €19,874 and €70,044
- a 2% point decrease in the 8% USC rate – that applies to income above €70,044

Although all of the income taxation options have similar costs (1.3%-1.5% 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% USC rates.

The other five changes produce an unfair outcome where the benefits are skewed towards those with higher incomes.

*...the analysis highlights the distributive impact taxation policy choices can have and the potential policy has to pursue both fair and unfair outcomes.*

**Table 2: Comparing gains under seven possible income tax reforms (€ per annum)**

Gross Income	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
<b>Decrease in the top tax rate from 40% to 39% (full year cost €340m)</b>						
Single earner	0.00	0.00	147.00	397.00	647.00	897.00
Couple 1 earner	0.00	0.00	57.00	307.00	557.00	807.00
Couple 2 earners	0.00	0.00	0.00	44.00	294.00	544.00
<b>Decrease in the standard tax rate from 20% to 19.5% (full year cost €334m)</b>						
Single earner	0.00	125.00	176.50	176.50	176.50	176.50
Couple 1 earner	0.00	50.00	221.50	221.50	221.50	221.50
Couple 2 earners	0.00	0.00	250.00	353.00	353.00	353.00
<b>Increase in the personal tax credit of €125 (full year cost €317million)</b>						
Single earner	0	125	125	125	125	125
Couple 1 earner	0	50	250	250	250	250
Couple 2 earners	0	0	250	250	250	250
<b>Increase in the standard rate band of €1,500 (full year cost €305 million)</b>						
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
<b>Abolish 0.5% USC rate and a 1% point decrease in the 2% rate (full year cost €328m)</b>						
Single earner	89.94	138.68	138.68	138.68	138.68	138.68
Couple 1 earner	89.94	138.68	138.68	138.68	138.68	138.68
Couple 2 earners	0.00	102.44	253.62	277.36	277.36	277.36
<b>A 0.75% point decrease in the 4.5% USC rate (full year cost €299m)</b>						
Single earner	0.00	38.45	225.95	376.28	376.28	376.28
Couple 1 earner	0.00	38.45	225.95	376.28	376.28	376.28
Couple 2 earners	0.00	0.00	94.69	264.39	451.89	555.35
<b>A 2% point decrease in the 8% USC rate (full year cost €342m)</b>						
Single earner	0.00	0.00	0.00	99.12	599.12	1,099.12
Couple 1 earner	0.00	0.00	0.00	99.12	599.12	1,099.12
Couple 2 earners	0.00	0.00	0.00	0.00	0.00	224.12

**Source:** *Social Justice Ireland* Occasional Paper (2019) **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.



## Investment—Housing and Homelessness



The provision of adequate, and appropriate accommodation is a key element of *Social Justice Ireland's* Social Charter framework. The Government has thus far failed spectacularly to rise to this challenge and provide sustainable, long term homes, opting instead to rely on the private sector for the vast majority of its 'social housing solutions'. The policies being pursued are not only fiscally irresponsible and unsustainable, but are damaging entire generations forced to live in unsuitable accommodation, hubs and emergency homeless accommodation.

To achieve the objective of providing adequate and appropriate accommodation, *Social Justice Ireland* believes that Government must:

### Build more social and affordable housing

There are currently 71,858 *households* (not people) on the social housing waiting list, and with the inclusion of almost 50,000 households in receipt of the Housing Assistance Payment (HAP), the real number of *households* in need of long-term, sustainable social housing is closer to 120,000. The Government's build targets under *Rebuilding Ireland* display a startling lack of urgency, at only 24% of the total social housing target for the period 2019 (6,545 homes). Even at this rate, the fact that the definition of 'build' includes turnkey properties bought by local authorities from developers is a cause for concern, proving far more expensive than if local authorities build on their own lands. In 2018, 45% of local authorities failed to meet their build targets, with 40% of all builds provided by Approved Housing Bodies. Central and local Government must recognise the scale of the challenge and show ambition and leadership in rising to it.

Housing cost overburden, particularly in the private rented sector, is becoming an increasing problem in Ireland. Government must invest in an affordable rental model, cost rental, financed off balance sheet as proposed by *Social Justice Ireland* in our submission to the Department in 2018.

**Proposal: Invest a further €1bn in social and affordable housing, and reduce reliance on HAP to provide social housing.**

### Protect Tenants in the Private Rented Sector

In 2017, over 1 in 5 tenants in the private rented sector in Ireland spent more than 40% of their disposable income on housing costs. Almost 1 in 10 spent more than 60% and more than 1 in 20 spent more than 75% of their disposable income on housing costs. Asking rents have increased, quarter on quarter, for the last 27 consecutive quarters, according to the latest Daft.ie Rent Report, and the average national asking rent is now almost €1,400 per month.

While individual landlords continue to dominate the rental market, with an increasing number of Real Estate Investment Trusts (REITs) buying large swathes of properties and the development of the 'build to rent' market contributing to the reduction in building standards, there is a real need to ensure that tenants rights are protected in an increasingly dysfunctional market. *Social Justice Ireland* welcomed the enactment of the Residential Tenancies (Amendment) Act, 2019 and looks forward to its implementation. However, it must be adequately resourced to fulfil its objective. The

role of the Residential Tenancies Board will expand under the new legislation. The current rate of inspections is inadequate and should be replaced with a new system whereby all rental properties are routinely subject to inspections and receive a certificate of compliance which can be verified by prospective tenants.

**Proposal: Increase the allocation to the Residential Tenancies Board by €5m to allow for increased inspections and enable them to fulfil their duties under the new Residential Tenancies Act.**

### Support households in Mortgage Arrears

There are currently approximately 64,000 households in mortgage arrears, owing €2.5bn in arrears payments. Given the decrease in the number of mortgages in arrears, the likelihood is that those who remain are in persistent, long-term arrears, with a consequent risk to the home. The sale of residential mortgages to unregulated funds may provide a quick way of cleaning the banks' balance sheet, but it also reduces the consumer protections available to the borrower and puts their home at greater risk. Insolvency legislation introduced in 2012 did not provide the necessary solutions, especially for low-income borrowers. The creation of a personal debt industry did not serve the most vulnerable who cannot afford to pay upfront charges. Voluntary interventions can be effective, but are at the lenders' discretion.

**Proposal: Invest €2m in the development of a Public Insolvency Practitioner Service through MABS National Development.**

### Provide Homes not Hubs

The recent report from the Office of the Children's Ombudsman was a damning account of the experiences of children living in Family Hubs for up to 2 years. When introduced in 2017, IHREC warned of the possibility that Family Hubs risked institutionalising families and normalising family homelessness. Family homelessness is now four times what it was in 2014. There are almost 4,000 children accessing emergency accommodation, and that is just the 'official' data. The real figures are likely to be much higher when the number of families housed in own-door temporary accommodation with local councils, those sleeping rough, those couch-surfing with family and friends, and mothers and children seeking refuge from domestic violence are included. The 1919 Democratic Programme pledged as its **first duty** to secure that "...no child shall suffer hunger or cold from lack of food, clothing or shelter...". One hundred years later, the physical, educational and emotional development of children is being stunted by a lack of space to play, read or study in peace. Children are being born into homelessness and hubs, into rooms already overcrowded with their parents and siblings. The Government must stop providing additional funding to build more hubs and instead redirect this money to providing long-term homes for families experiencing homelessness, with wrap-around services provided in line with Housing First principles.

**Proposal: Redirect any proposed allocation to increase the provision of Family Hubs to a programme of Housing First for families experiencing homelessness and abolish the Help to Buy Scheme, diverting the €70m savings to an expansion of the Housing First programme to homeless families.**



## Investment - Work, Jobs and Welfare



Ireland's headline employment trends over the last number of years have been broadly positive. Unemployment was at 5.4 per cent in April 2019, dipping below 6 per cent for the first time in ten years, and 2018 saw a net increase in jobs of approximately 50,500. Total employment in Ireland was 2,281,300 at the end of 2018 and is now at its the highest level ever.

Employment numbers have been a major "good news story" in Ireland's economic recovery. Unemployment numbers have fallen significantly. The long-term unemployment rate fell from 9.7 per cent in 2012 to 2.1 per cent at the end of 2018. Long-term unemployment accounts for 36 per cent of total unemployment, having been steadily above half of all unemployment for most of the preceding decade.

But there is still room for improvement. For example, though Ireland has surpassed its previous peak in employment numbers, this is in the context of a much lower participation rate. The participation rate for the country as a whole is 62 per cent, compared with 67.4 per cent in Q3 2007, which was the previous peak of Ireland's employment performance.

Also requiring attention is a relatively high instance of under-employment, where people are working part-time hours but would take full-time work if it were available. There were an estimated 108,000 under-employed people at the end of 2018, representing 23.5% of all those in part-time employment. This is down from 32.9% in 2011, but is higher than the 20.1% recorded at the end of 2008 and compares poorly with our international peers, as our 4.8% under-employment rate puts Ireland 6th highest out of the 28 European Union countries.

Under-employment implies that thousands may be struggling financially as they are unable to work as much as they would like or need. It also implies under-usage of resources. These under-employed people could be added to the estimated 108,300 'potential additional labour force' noted in the CSO's Labour Force Survey to increase true unemployment numbers by almost 170%.

In advance of Budget 2020, *Social Justice Ireland* has proposed **a number of jobs-boosting measures**, including:

- A rural jobs package (see page 10) and increased infrastructure investment in healthcare, caring work, and housing over the coming years (see pages 8 and 11).
- Expanded higher education funding, including for apprenticeships (see page 12), which will help prepare the Irish labour force to fill the employment needs of coming years, including in the construction sector.
- Investment in meeting Ireland's climate and sustainability-related targets (see page 14) including a retrofitting programme, Community Energy Advisors, and a Circular Economy package.

Government should also **introduce a living wage for all civil service and public sector workers** at an estimated cost of €55m in Budget 2020.

In general there is a clear need in Ireland to move the National Minimum Wage (NMW) in the direction of the living wage, which stood at €11.90 per hour in June 2019. Recent budgets have confirmed welcome increases in the NMW, but the rate (€9.80 per hour) remains significantly below that necessary for a single adult to achieve a socially acceptable standard of living working a 39 hour week.

### Social Welfare Rates

Adequate social welfare payments are required to prevent and address poverty. Without the social welfare system 43.8 per cent of the Irish population would have been living in poverty in 2017. Such an underlying poverty rate suggests a deeply unequal distribution of direct income. In 2017 social welfare payments reduced the poverty rate by 28 percentage points to 15.7 per cent.

In 2017 there were just over 760,000 people in Ireland living below the poverty line. Of these approximately 230,000 were children.

### Jobseekers Benefit

Budget 2019 delivered a welcome increase to the minimum social welfare payment. From March 2019 onwards it increased by €5 per week (to €203). This followed similar increases in Budgets 2017 and 2018. The Budget 2017 increase was the first increase to this payment since 2011.

A lesson from past experiences of economic recovery and growth is that the most vulnerable in our society get left behind unless welfare increases keep track with increases elsewhere in the economy. Benchmarking minimum rates of social welfare payments to movements in average earnings is therefore an important policy priority.

Just over a decade ago, Budget 2007 benchmarked the minimum social welfare rate at 30 per cent of Gross Average Industrial Earnings (GAIE). Today that figure is equivalent to 27.5 per cent of the new average earnings data being collected by the CSO. Applying this benchmark using CSO data for 2018 and ESRI projections for wage growth in 2019 (3.2 per cent) allows us to compare this benchmark with current welfare rates.

In 2019 the updated value of 27.5 per cent of average weekly earnings equals €212, implying a shortfall of €9 between current minimum social welfare rates (€203) and this threshold. **Minimum social welfare rates should increase by €9 per week in Budget 2020.**

### Old Age Pensions

The new National Pensions Framework, entitled the *Roadmap for Pensions Reform 2018-2023*, notes that the state pension contributory payment should be 'set at approximately 34/35% of average earnings' (p5). Taking a similar approach to that outlined above for jobseekers benefit, in 2019 the updated value of 34/35 per cent of average weekly earnings equals €262.66/€270.38 implying a shortfall of between €14.36 and €22.08 (average €18.22) between current pension rate (€248.30) and this threshold.

As a means of closing this gap over the next two to three years, Social Justice Ireland believes that **old age pension rates should initially increase by €9 per week** in Budget 2020.

### Other Social Welfare Payments

We believe Budget 2020 should also:

- Equalise Jobseekers rates for the under 26s at the increased rate of €212 per week;
- Increase the Living Alone Allowance by €5 per week;
- Increase Fuel Allowance rates to €24.85 (currently €22.50) in order to achieve purchasing power parity with 2010 levels, and reintroduce a 32 week payment period.

## Investment—Rural Ireland, the Regions and Communities



Over 3 million people live in rural Ireland as defined to be outside the administrative boundaries of the 5 main cities of Dublin, Waterford, Galway, Cork and Limerick. This is over 60 per cent of the population of Ireland, and yet the bulk of investment continues to be concentrated within urban centres. To this end, *Social Justice Ireland* welcomed the Ireland 2040 planning framework and the focus on ensuring there is balanced rural and regional development. For this to be achieved it will be essential that adequate resources are deployed immediately for the implementation of policy, and that a full Inter-Departmental commitment to rural Ireland is secured.

### Rural and regional economies

In conjunction with lower participation rates in and between regions, there is also a need to consider the sustainability of some of the employment across Ireland. In some regions many of the jobs currently available will be transformed or indeed made redundant in the medium term either by disruptive technology or by the need to adapt to a low carbon economy. ***Social Justice Ireland proposes the establishment of a regional development and transition programme.*** This programme would have the task of aligning Rural Development Policy, the Regional action Plans for Jobs, Future Jobs Ireland and the All of Government Climate Plan with the principles of just transition and helping communities across the country develop sustainable local economies and livelihoods for the people who live there. Investment in Smart Villages with a focus on revitalising rural services, investment in education for the current and future generation of farmers to move to more sustainable agricultural methods, and the development of local cooperatives should also form part of the Regional Development and Transition policy. **€50m should be allocated to Regional Development and Transition in Budget 2020.**

In addition to the investment in regional development and transition we are proposing an additional **€25m to Enterprise Ireland** to develop and support indigenous enterprises and job creation across the regions, particularly those areas who will be most impacted by Brexit. We also propose an additional **€25m for Fáilte Ireland** to promote local and regional tourism initiatives.

### Rural transport

Increased funding is required for rural public transport, yet the €8.6 billion committed to public transport in the National Development Plan focuses primarily on Metro North, DART expansion and BusConnects in Dublin, Galway and Cork. ***Social Justice Ireland calls on Government to invest an additional €50m to the Rural Transport Programme,*** increasing the range of public transport options and ensuring the rural public transport options and fleet are in line with our climate commitments, safe-guarding communities from isolation, and incentivising greater public transport usage.

### Broadband

The European Commission has updated its targets under the Digital Agenda for Europe. Common EU broadband targets for 2025 now set a target for households of subscriptions to 100mbps by 2020 (formerly set at 50% of households). According to Census 2016, only 61 per cent of rural

households had broadband access as opposed to 76 per cent in urban areas. The employment commitments in Government's *Action Plan for Rural Development—Realising our Rural Potential* are heavily reliant on the provision of reliable, quality, high-speed broadband. The National Broadband Plan continues to face issues and has yet to be properly implemented.

***Social Justice Ireland proposes that €300m be made available for Digital Agenda for Europe targets.***

### Community and Voluntary Sector

Funding for the Community and Voluntary sector was greatly reduced during the recession. While resources have been restored to the majority of other sectors, the scale of resources available to the Community and Voluntary sector today falls far short of what was available prior to the crash, while demand for its services and supports, not to mention the increased administrative and regulatory duties imposed upon it, have increased. ***Social Justice Ireland proposes an increase of €30m to the Community and Voluntary Sector*** to enable it to provide key services and supports in our communities.

### Public Participation Networks (PPNs)

PPNs have a significant role in the development and education of their member groups, sharing information, promoting best practice, and facilitating networking. Building real engagement at local level is a developmental process that requires intensive work and investment. ***Social Justice Ireland proposes that an additional €3m be provided to enable PPNs to fully engage with their membership in democratic processes.***

### Local Community Development Committees

LCDCs provide a platform for engagement between civil society and local government with a wide-ranging mandate on strategic policy issues. In support of this, ***Social Justice Ireland proposes an increase of €1m to support meaningful engagement in LCDCs.***

### Social Enterprises and Deficit Demand

There is a diverse range of organisations within the social enterprise arena, ranging from those responding to 'deficit demand', particularly in under-represented and disadvantaged areas, to social entrepreneurs whose business model is most closely aligned to the commercial sector. While not differentiated within the draft *National Social Enterprise Policy for Ireland 2019-2022*, it is imperative that those social enterprises dealing with deficit demand are supported due to their impact on their communities. ***Social Justice Ireland proposes that €5m be provided to social enterprises catering to deficit demand.***

### Legal Supports and Access to Justice

Addressing imbalances in accessing justice in the court system is largely dependent on accessing sound legal advice that takes account of the nuances of the case and puts forward the best legal argument available. The costs associated with accessing legal advice can be prohibitive. There is a waiting list for almost all Legal Aid Board centres, with some as high as 48 weeks for a first appointment. Justice delayed is justice denied. ***Social Justice Ireland therefore proposes an increase of €5m for civil legal aid.***

## Investment—Health and Disability



**H**ealthcare services are fundamental to wellbeing - important in themselves and important to economic success in a range of ways, including improving work participation and productivity. Securing healthcare services and infrastructure is a key policy area that must be addressed urgently as part of Budget 2020.

People should be assured of the required treatment and care in their times of illness or vulnerability. The standard of care is dependent to a great degree on the resources made available, which in turn are dependent on the expectations of society. The obligation to provide healthcare as a social right rests on all people. In a democratic society this obligation is transferred through the taxation and insurance systems to government and other bodies that assume or contract this responsibility.

*People should be assured of the required treatment and care in their times of illness or vulnerability*

One of the most obvious concerns about the Irish healthcare system is to do with access. Ireland ranked 21st out of 35 countries in 2016 in a report by Health Consumer Powerhouse published in 2017, but on the issue of accessibility, Ireland ranked among the three worst countries. That report notes that even if the (then) Irish waiting-list target of 18 months were reached, it would still be the worst waiting time situation in Europe. Irish hospitals are working near full capacity. The occupancy rate for acute care beds is among the highest in OECD countries, and while having a high utilisation rate of hospital beds can be a sign of hospital efficiency it can also mean that too many patients are treated at the secondary care level.

Our complex two-tier system for access to public hospital care means that private patients have speedier access to both diagnostics and treatment, while those in the public system can spend lengthy periods waiting for a first appointment with a specialist and for treatment. National Treatment Purchase Fund figures suggest that 70,295 people were waiting for treatment as an in-patient or day case at the end of April 2019, a situation that had worsened since December 2014 (when it was just above 63,000).

There is a need to focus on health and social care provision for children and families in tandem with the development of primary care networks and a universal approach to access to healthcare. In 2016 the United Nations Committee on the Rights of the Child voiced concerns about children's health in Ireland, including concern about the state of health of children in single-parent families, children in poverty, and Traveller and Roma children.

Government needs to urgently address these inequalities in the health service and implement a programme that provides access on the basis of need.

**Proposal: To address the inequalities in our healthcare system and develop a system that is fit for purpose for all, Government needs to:**

- Invest the €500m infrastructure allocation set out in Sláintecare.
- Invest €50m in Community Nursing Facilities.

- Invest €150m in the roll-out of primary care networks to alleviate pressure on acute services and ensure treatment is provided at the appropriate level of need.
- Reduce prescription charges for medical card holders from €2.00 to €1.50.
- Dedicate €75m to an anti-obesity programme.

### Mental Health

Specific supports need to be implemented for people experiencing mental health difficulties and dual diagnoses of mental health and addiction issues.

Problems with mental health can arise at any age; however young people are especially susceptible and early intervention is key. The aforementioned UN Report also raised concerns about children's mental health services, including children being admitted to adult psychiatric wards, long waiting lists for access to mental health support, and insufficient out-of-hours services for children and adolescents with mental health needs, particularly eating disorders. The report also expressed concern about the high number of suicides among adolescents and stated that Ireland should adopt all-inclusive legislation that addresses the health needs of children.

**Proposal: Invest in the full implementation of the Vision for Change policy at a cost of €35m and increase funding for programmes dealing with alcoholism and addictions at a cost of €50m.**

### Persons with a Disability and Carers

The latest Census suggests that 13.5 per cent of the population, or 643,121 people, experience disability. This represented an increase of 47,796 persons (8 per cent) on the 2011 figure of 595,335. Disability policy remains largely as set out in the National Disability Strategy from 2004 and its Implementation Plan published in 2013. There are many areas within the disability sector in need of further development and core funding, and an ambitious implementation process needs to be pursued.

People with disabilities were cumulatively affected by a range of decisions introduced as part of successive austerity Budgets. These included cuts to social welfare payments, changes in medical card eligibility, increased prescription charges, and cuts to supports such as respite, home support hours and housing adaptation grants. The cumulative effect of changes makes it difficult for some people to continue to live in their communities.

**Proposal: To support people with disabilities to live fulfilling lives within their communities, Government must:**

- Introduce a cost of disability payment of €20 per week at a cost of €150m in Budget 2020.
- Increase investment in disability services, including respite and personal assistant services (cost of €35m).
- Allocate €5m for implementation of the UNCRPD.
- Increase the Domiciliary Care Allowance from €309.50 to €330 at a cost of €9m.
- Expand the Free Travel scheme to include people in receipt of Domiciliary Care Allowance (cost of €3m).
- Increase the annual Carer's Support Grant from €1,700 to €2,000 (at a cost of €34m).



## Investment—Education, Children and Families



**I**nvestment in education at all levels and throughout the life cycle can deliver a more equal society and prepare citizens to participate in a democracy.

### Early Childhood Care and Education (ECCE)

When it comes to investing in early years and ECCE, Ireland compares poorly to other European countries and we also fall short of the UNICEF-recommended levels of investment. Ireland spends just under 0.2% GDP (0.25% of GNI\*) on pre-primary education compared to an OECD average of 0.8% of GDP. **Social Justice Ireland proposes that Government allocate €65m in Budget 2020**, to bring spending in this area to 0.3% of GNI\*, and build on this investment each year to meet the OECD average by 2022. This investment must include non-contact ECCE time.

### Primary Schools in Disadvantaged Areas

Despite recent improvements there is still a large achievement gap between students from lower socio-economic backgrounds and their more affluent peers. More investment is required to close the attainment gap between students in DEIS schools and students from other schools. **Social Justice Ireland proposes an increase in funding for DEIS schools, including the expansion of the Student Support Scheme Pilot, of €15m in Budget 2020.**

We also recommend the **restoration of the Back to School Clothing and Footwear Allowance** to 2011 levels (cost €18m), as well as a **10% increase in funding for the Schools Meals Programme** (cost €4m).

Finally, Budget 2020 should see an **increase in capita-tion grants at both primary and secondary level by 10% (cost €28m).**

### Further and Higher Education

**An additional €40m** investment in Further Education and Training to develop and expand apprenticeships and traineeships to meet future skills needs and advance the circular economy, particularly at a regional and community level.

**An additional €40m** in State funding in higher education as a first step towards meeting the core funding requirements identified in the Cassells Report.

### Maintenance Grants for Full- and Part-Time Students and funding for Students with a Disability

**Social Justice Ireland proposes that Government allocate €107m** in Budget 2020 to extend the maintenance grant to part-time students at both under- and post-graduate levels, increase the maintenance grant for FT students by €1,000, and extend the fee grant to PT students.

**We also propose an increased allocation of €1m to the Fund for Students with a Disability in Budget 2020.**

### Human Capital Initiative

We propose the expansion of the Human Capital Initiative to encompass digital literacy, an inclusion of courses at levels 4 and 5, and the targeting of the groups identified as underrepresented in the National Access Plan. It would also upskill the labour force, contribute to our lifelong learning target and ensure coherence across our community, further and higher education strategies. **Social Justice**

**Ireland proposes an investment of €20m to expand the Human Capital Initiative in Budget 2020.**

### Apprenticeships and Traineeships

Travellers have among of the lowest school completion rates and employment rates in Ireland. We propose **a €2m investment in additional apprenticeship and traineeship places for Traveller students.**

### Lifelong Learning

The lifelong learning rate in Ireland at 9% is improving, but still well below our national target of 15%. **Social Justice Ireland proposes an additional investment of €40m in lifelong learning and digital education in Budget 2020.**

### Adult Literacy and Community Education

A significant proportion of Ireland's adults only have very basic literacy and numeracy skills. **Social Justice Ireland proposes an additional €30m in Budget 2020 to implement the 'Upskilling Pathways Plan—New Opportunities for Adults.**

**Social Justice Ireland** also proposes an additional **investment of €5m in Community Education** with a focus on meeting the needs of learners at all levels.

## Children and Families

**I**nvestment in Children and Families is an essential investment in our social and human capital now and into the future. To assist with the delivery of the European Pillar of Social Rights Work Life Balance initiative we are proposing **an additional two weeks paternity leave in Budget 2020 at a cost of €12m and an additional two weeks of paid parental leave at a cost of €22m.**

The provision of quality, affordable, accessible childcare for working parents is essential. **Social Justice Ireland proposes that Government invest €85m in Budget 2020 to develop a new funding model for childcare provision.** It should be based on elements of the ECCE scheme, separating affordability for families from wages and the professionalisation of the sector, thereby improving quality services for children and affordability for families. This model would allow providers to focus on improving and expanding the provision of high quality services for families.

**Budget 2020 should allocate additional funding to Tusla of €50m for increased social provision for children and families, while increasing the resources available for the regulation of childminders by €2m.**

### Arts and Cultural Participation

**We propose an additional investment of €5m** in funding for the Arts Council to embed arts and cultural participation as part of the ECCE framework. This investment would begin to address the large disparities in arts participation between children from different socio-economic backgrounds highlighted in the Growing up in Ireland Study.

### Children and Young People in Direct Provision

Budget 2020 should increase the weekly allowance for children in Direct Provision to €31.80 in line with the QCI rate and expand the recently revised Student Support Scheme for Asylum Seekers. We urge further review of the criteria if there is no significant increased take-up — **Cost in 2020: €2m.**

## Older People and Overseas Development



**S**ocial Justice Ireland is seriously concerned that Government is not planning sufficiently for the changes that Ireland's ageing population will bring. Over the coming decades there will be a steady increase in older people and people with disabilities accessing services. While a large proportion of older people own their home debt free, an increasing number of those aged 65+ have a mortgage, are living in private rented accommodation, or are accessing emergency homeless accommodation.

According to Eurostat, 11.1% of Ireland's population aged 65+ are living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor, and that's before accounting for illness or disability which requires further home adaptations. That amounts to 44,000 older people. Research by TILDA puts the rate of people aged 50+ living in substandard accommodation at 57.8%, with the most prevalent housing condition issues relating to damp, mould or moisture.

The expenditure in respect of the Housing Aid for Older People plummeted from €30.8m in 2010 to just €13.9m in 2018, while Housing Aid for People with a Disability reduced from €39.8m to €29.7m in the same period. The number of grants across both schemes fell from 11,552 in 2010 to 7,262 in 2018. **Social Justice Ireland therefore proposes an increase of €85m for Housing Aid for Older People and Housing Aid for People with a Disability**, as well as the increases to the Living Alone Allowance and Fuel Allowance discussed on page 9.

Being well at home is also about the availability of care supports appropriate to the needs of older people. The Government has committed to the introduction of a statutory right to home care in 2021, and debates are ongoing as to what that should entail. *Social Justice Ireland* believes that ultimately it should allow for choice on the part of the care recipient from a 'basket of goods' that ranges from healthcare to home care, personal care to social inclusion. In the meantime, an increase in the current provision of home support packages to older people is urgently required. The estimated increase in demand for home care across all ages is expected to be 65.6% between 2016 and 2031. The average number of hours provided by the HSE per older care recipient for the first nine months of 2018 was just over 6 hours per week. In addition, the number of older people waiting on funding for home support in September 2018 was 6,423. **Social Justice Ireland therefore proposes a €100m package** which would eliminate the current waiting list for Home Support packages and provide an additional 2 million hours in 2020.

The Community and Voluntary sector provide a range of key supports for older people, from befriending and social inclusion supports, to home care and assistive technologies. These supports are particularly important for those older people living with dementia and their families. **Social Justice Ireland therefore proposes the expansion of these community supports and voluntary programmes at a cost of €30m.**

The objective of a pension system is to provide citizens and residents with an income that removes them from the risk of poverty in old age, yet the Irish pension system is characterised by incomplete coverage and a generous system of tax reliefs that disproportionately benefit the better off in

society. (More than 70 per cent of pension tax reliefs accrue to individuals in the top income quintile).

**Social Justice Ireland proposes a single-rate universal state social welfare pension from January 2020 at the rate of €257.30.** The significant additional expenditure required could be funded through reform of Ireland's system of pension-related tax reliefs, as detailed in our report on the Universal Pension from March 2018, including standard-rating the tax break on all private pension contributions, including the public sector levy.

### Overseas Development Assistance (ODA)

**W**hile Ireland faces a number of challenges, including deficits in our public services and infrastructure, unacceptable rates of poverty, and high levels of national debt, it is important to remember that many people in the world face a far worse situation.

Budget 2019 allocated €817m in overseas aid; an amount approximately equivalent to 0.39 per cent of GNI\*.

The United Nations-agreed target is for developed countries like Ireland to provide 0.7 per cent of national income in aid. Since 2008, when Ireland's ODA reached a peak of 0.59 per cent of GNP, expenditure as a proportion of national income, regardless of how that is measured, has decreased significantly. This limits the resources available for tackling extreme poverty, hunger, and human rights abuses.

**Table 3: Pathway to UN target of 0.70% of GNI\* by 2025**

Year	GNI* (€m)	% of GNI* to achieve 0.7% target by 2025	Required budget for ODA in each year (€m)	Increase in Budget allocation for ODA (€m)
2019	207,600	0.39	817	-
2020	218,425	0.44	961	144
2021	227,650	0.49	1,115	154
2022	237,400	0.54	1,282	166
2023	247,750	0.60	1,487	205
2024	257,660	0.65	1,675	188
2025	267,966	0.70	1,876	201

Ireland's improving economic situation is an opportunity to recover lost ground in relation to our ODA commitments. We strongly welcomed the €110m increase in the ODA allocation in Budget 2019, and **urge Government to provide an additional €144m in Budget 2020.** Government should also make a commitment to increase the aid budget over the next six years to 0.7 per cent of GNI\*. Table 3 (above) shows how Government can reach this target by 2025.

Using GNI\* as a proxy for GNP, this would return the aid budget to pre-recession levels by 2023, allowing coherent forward planning for aid recipients which would maximise the impact of that aid.

## Environment and Sustainability



**S**ustainable development which gives equal consideration to the environment, society and the economy is key to protecting our future. With this in mind, *Social Justice Ireland* propose the following sustainability –related measures for Budget 2020.

### Commercial Air Transport Tax

Jet kerosene is not subject to Mineral Oil Tax at present, yet it is well-known that air travel is a significant polluter. In a first step to address this anomaly, and as part of a comprehensive carbon policy to meet our national targets for 2030 out to 2050, ***Social Justice Ireland* proposes the introduction of a Commercial Air Transport Tax which would yield €210m in Budget 2020.** This is in line with the ‘Polluter Pays’ Principle and the Environment Liability Directive. Airlines and business air charter companies operating in Ireland will pay a per-passenger charge of between €5 and €30, depending on destination, on all commercial flights, with a seating capacity greater than 10, departing Irish airports.

*Ireland has the capacity to develop ambitious policy, as the Fossil Fuel Divestment Bill, the Citizen’s Assembly report on climate change and the Report of the Joint Oireachtas Committee on Climate Action can attest to.*

### Aggregate Levy

To promote the recycling of aggregates (rocks, sand and gravel) in the building industry, and the re-use of old buildings, ***Social Justice Ireland* proposes the introduction of an aggregate levy of €2.50 per tonne in Budget 2020 at an estimated yield of €75m.**

### Retrofitting and Energy Efficiency

*Social Justice Ireland* proposes that the PSO levy for peat be removed at a saving of €118m million, and that these funds be diverted to the development of renewable energy sources and the move to a low-carbon power system by 2050. One of the most cost-effective measures of moving towards our Europe 2020 energy targets is to increase building energy efficiency. ***Social Justice Ireland* proposes that €130m be allocated in Budget 2020 for a**

**retrofitting programme** modelled on the Energiesprong programme in the Netherlands.

### Electric Vehicles

*Social Justice Ireland* proposes that the Electric Vehicle Grant be increased by €1,000 in Budget 2020, and that there should be additional resources to expand and develop the re-charging infrastructure for electric vehicles. This will require **increased investment of €15m in electric vehicles in Budget 2020.**

### Levy on Single Use Coffee Cups

To reduce the level of municipal waste going to landfill and promote the use of re-usable, biodegradable and compostable products, ***Social Justice Ireland* proposes the introduction of a 15c levy on single use coffee cups in Budget 2020, to yield an estimated €96m per annum.** In addition to the levy, an investment in a deposit and return scheme for sealed beverage containers of €5m in Budget 2020 would boost recycling and reduce waste.

### Biodiversity and Nature

Our biodiversity and nature are a finite and vital natural resource. In order to preserve and enhance this resource for future generations we propose an **investment of €10m in Budget 2020** in the National Biodiversity Centre and the National Parks and Wildlife Service.

### Investing in the Future—the Circular Economy

Changing to a circular economy ‘where the value of products, materials and resources is maintained in the economy for as long as possible, and the generation of waste minimised’ presents a challenge across all sectors, but bears rewards from an economic, environmental and social standpoint. Ireland should move to develop a circular economy strategy concentrating on areas such as sustainable agriculture, bio-economy and recognition of the inter-connectivity between the economy, environment and society. ***Social Justice Ireland* proposes an allocation of €10m in Budget 2020 to begin implementation of a Circular Economy Package.**

Government should also allocate €10m in additional funding to the Central Statistics Office to track Ireland’s progress on the Sustainable Development Goals and to allow expansion of the SILC, while increasing funding to the Parliamentary Budget Office by €2m.

### Transition to a low carbon economy

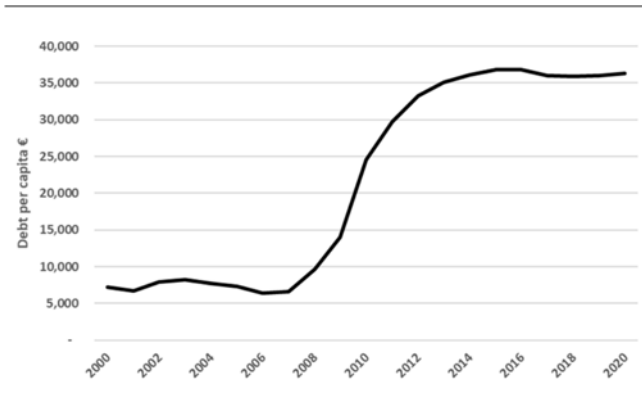
**I**reland’s greenhouse gas emissions are nearly 3 million tonnes over the pathway required to meet our 2020 targets and we are on track to face fines of €150m for overshooting these targets significantly. We are also well off-course to achieve our 2030 emissions reduction targets. Ireland must make firm commitments to reduce total emissions outputs from agriculture, transport and energy. These commitments must be underpinned by ambitious and substantive policies which must be implemented fully. We have the capacity to develop ambitious policy, as the Fossil Fuel Divestment Bill, the Citizen’s Assembly report on climate change and the Report of the Joint Oireachtas Committee on Climate Action can attest to. In Budget 2020 we must begin to implement it.

***Social Justice Ireland* proposes an increase to the rate of carbon tax of €10 per tonne of CO<sub>2</sub> emitted, to yield €212m in Budget 2020. This €212m should be ring-fenced for investment in a Just Transition Fund.** A Just Transition programme should contain as a minimum (i) re-training and support for those communities who will be most impacted by the loss of employment; (ii) support and investment in the circular economy and bio-economy with regional strategies and targets; (iii) investment in the deep retrofitting of homes and community facilities; (iv) investment in renewable energy schemes and in community energy advisors and community energy programmes; (v) policies to eliminate energy poverty and (vi) investment in a quality, accessible and well-connected public transport network.

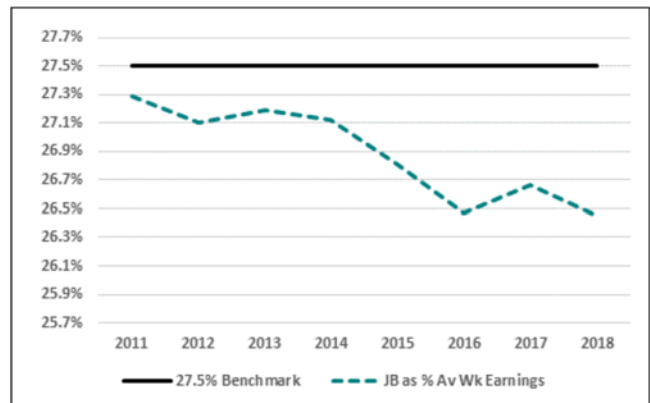


## Ireland: Some Key Diagrams and Tables

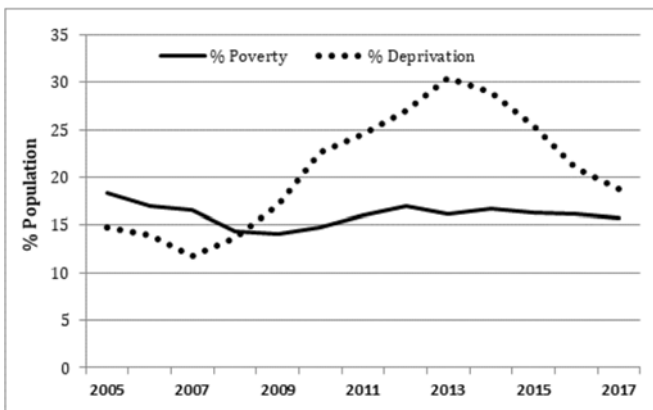
**Chart 3: Net Debt per person, Ireland 2000-2020**



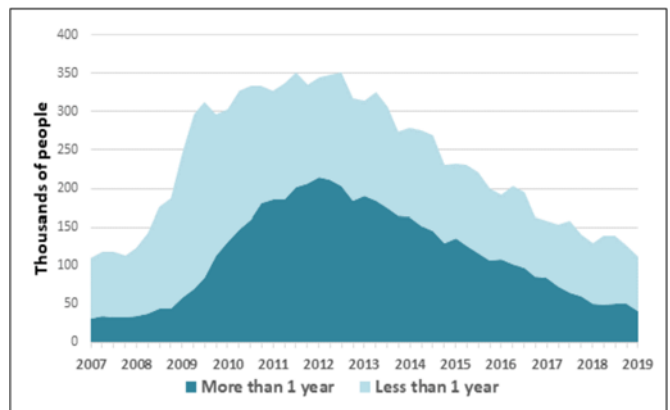
**Chart 4: Jobseekers Benefit (% of Avg Weekly Earnings)**



**Chart 5: Poverty and Deprivation, 2005-2017**



**Chart 6: Unemployment 2007-2019 (000s)**



**Table 4: The Minimum Weekly Disposable Income Required to Avoid Poverty in 2019, by Household Type**

Household containing:	Weekly poverty line	Annual poverty line
1 adult	€252.11	€13,155
1 adult + 1 child	€335.31	€17,496
1 adult + 2 children	€418.50	€21,837
1 adult + 3 children	€501.70	€26,179
2 adults	€418.50	€21,837
2 adults + 1 child	€501.70	€26,179
2 adults + 2 children	€584.90	€30,520
2 adults + 3 children	€668.09	€34,861
3 adults	€584.90	€30,520

**Table 5: Effective Taxation Rates for selected household types, 2000 / 2008 / 2019**

	2000	2008	2019
<b>Single earner</b>			
Gross Income €25,000	24.0%	8.3%	12.6%
Gross Income €60,000	37.7%	27.5%	30.1%
<b>Couple 1 earner</b>			
Gross Income €40,000	20.2%	9.4%	10.7%
Gross Income €60,000	29.0%	19.8%	21.9%
<b>Couple 2 earners</b>			
Gross Income €40,000	17.5%	3.6%	7.6%
Gross Income €100,000	35.9%	23.8%	26.4%

**Data on this page is from:** IMF *World Economic Outlook 2019*; CSO Survey of Earnings and Labour Costs; CSO Survey on Income and Living Conditions (SILC); CSO Labour Force Survey; Social Justice Ireland *Budget Analysis and Critique*; and Social Justice Ireland *Social Justice Matters 2019*.

**Table 6: Taxation: *Social Justice Ireland's* key initiatives for Budget 2020**

Area	Proposal	Increase in Exchequer Income	Decrease in Exchequer Income	Balance
	<b>Tax decreases</b>			
<b>PAYE</b>	Increase the PAYE and Earned Income Tax Credits by €5 p/w		€598m	
<b>Tax Credits</b>	Make the two main Income tax credits refundable		€140m	
	<b>Tax reform</b>			
<b>Tax Breaks</b>	Standard rate discretionary non-pension related tax reliefs above an annual cost of €10m	€480m		
<b>Pensions</b>	Standard-rate the tax-break on all private pension contributions (including the public sector PRD)	€483m		
	Reduce Earnings Cap for contributions to private pensions to fund Universal Pension	€44m		
<b>Corporation Tax</b>	Remove refundable element for unused R&D tax credits	€150m		
	Minimum Effective Rate of Corporation Tax - 6%	€1,000m		
	Abolish the Special Assignee Relief Programme (SARP)	€18m		
	Reintroduce the 50% annual cap on past losses that can be offset against current profits.	€100m		
	<b>Tax increases</b>			
<b>Capital Taxes</b>	Increase Capital Gains Tax from 33% to 35%	€71m		
	Increase Capital Acquisitions Tax from 33% to 35%	€30m		
<b>Land Taxes</b>	Levy on underdeveloped sites and empty homes	€75m		
	Restore NPPR charge on second homes at rate of €500 p/a	€125m		
	Abolish the Help To Buy Scheme	€70m		
<b>Gambling</b>	Increase tax on in-shop and online betting to 3%	€150m		
<b>Stamp Duty</b>	Increase stamp duty from 6% to 8% on non-residential property for amounts in excess of €500k	€126m		
	Increase to 5% the stamp duty on residential property in excess of €1m	€29m		
<b>Excise Duty</b>	Equalise the Excise Duty on Diesel and Petrol	€102m		
	Increase commercial diesel rebate		€22m	
	Increase Excise Duty on beer by 5 cents per pint	€34m		
	Increase Excise Duty on spirits by 5 cents per half glass	€20m		
	Increase Excise Duty on cider by 5 cents per pint	€5m		
	Increase Excise Duty on wine by 25 cents per 75cl	€16m		
<b>High Earners</b>	Increase from 30% to 35% the minimum effective tax rate of people earning €400,000+ pa	€15m		
<b>PRSI</b>	Amend Employers PRSI to Fund Universal Pension	€422m		
	Increase employer's contribution through the National Training Fund Levy by 0.1%	€74m		
<b>Sustainability</b>	Levy on single-use coffee cups	€96m		
	Introduce an Aggregate Levy of €2.50 per tonne	€75m		
	Commercial Air Transport Tax	€210m		
	Increase carbon tax by €10 per tonne of CO <sup>2</sup> emitted	€212m		
<b>Total</b>		<b>€4,232m</b>	<b>€760m</b>	<b>€3,472</b>

**Table 7: : Expenditure: Social Justice Ireland's key initiatives for Budget**

Area	Proposal	Decrease in Exchequer Expenditure	Increase in Exchequer Expenditure	Balance
<b>Older People</b>	Increase State Social Welfare pension by €9. Universalise the payment		€1,033m	
	Increase the Living Alone Allowance by €5 per week		€55m	
	Increase Fuel Allowance rates, reintroduce a 32 week payment period		€62m	
	Investment in social care, including Home Care Packages		€100m	
	Housing Aid for Older People, Housing Aid for People with Disabilities		€85m	
	Expand community supports for people with dementia		€30m	
<b>Children</b>	Increase ECCE provision		€65m	
	Increase funding for Tusla and for the regulation of childminders		€52m	
	Increase paternity leave by 2 weeks and parental leave by 2 weeks		€34m	
	Development of new state-funded model of childcare provision		€85m	
	Increase funding for young people and students in Direct Provision		€2m	
<b>Education</b>	Increase investment in Higher Education		€81m	
	Expansion of Human Capital Initiative and funding for adult literacy		€50m	
	Increase funding for life-long learning and digital education		€40m	
	Increase funding for community education and cultural participation		€12m	
	Broadening and increasing 3rd level maintenance and fee grants		€107m	
	Increase primary and second level capitation grants by 10%		€28m	
	Increase funding for Skills Development and Training		€74m	
	Increase funding for DEIS schools		€15m	
	Restoration of the Back to School Clothing and Footwear Allowance		€18m	
	Expansion of the School Meals Programme by 10%		€4m	
	Increase core weekly welfare rates by €9 per week		€318m	
<b>Work &amp; Welfare</b>	Equalise Jobseekers rates for under 26s at €212 per week		€86m	
	Introduce a living wage for public sector and civil service workers		€55m	
<b>Health</b>	Infrastructure allocation towards implementation of Sláintecare		€500m	
	Investment in Primary Care Networks		€150m	
	Obesity prevention programme		€75m	
	Increase funding for anti-alcoholism and addiction programmes		€50m	
	Implementation of <i>Vision for Change</i> (mental health)		€35m	
	Investment in Community Nursing Facilities		€50m	
	Reduce prescription charges for medical card holders to €1.50		€34m	
	Carer's package outlined on p11		€46m	
	Disability services, incl. respite and PA services, and UNCRPD		€40m	
	Introduce a cost of disability payment (€20 p/w)		€150m	
<b>Sustainability</b>	Retrofitting programme and Community Energy Advisors		€130m	
	Remove the PSO peat subsidy, divert funding to renewable energy	€118m	€118m	
	Ring-fence money from carbon tax for a <i>Just Transition Fund</i>		€212m	
	Other sustainability-related measures, incl. Circular Economy Package		€40m	
	Increase funding to CSO and the Parliamentary Budget Office		€12m	
<b>Governance</b>	Increase Overseas Aid Budget towards UN target		€144m	
<b>ODA</b>	Increase provision for social and affordable housing		€1,000m	
<b>Housing</b>	Expand the <i>Housing First</i> programme		€70m	
	Increase allocation to the RTB and PIP Service		€7m	
	Investment in Enterprise Ireland and Fáilte Ireland with rural focus		€50m	
<b>Rural</b>	Rural Transport Programme & Regional Development and Transition		€100m	
	Rollout of Rural Broadband		€300m	
<b>Community</b>	Increase funding for C&V sector, community progs, and Legal Aid		€46m	
<b>Total</b>		<b>€118m</b>	<b>€5,850</b>	<b>€5,732</b>



**Table 8: Fiscal impact of Social Justice Ireland's proposals for Budget 2020**

	Impact on Govt Balance
Projected "Fiscal Space" (or money available in the event of no changes)	€2,800m
Public Sector Pay increases, and other commitments, including carryover from <i>Budget 2019</i> , and contribution to the Rainy Day Fund	-€1,200m
Non-indexation of the income tax system	€660m
<b>Total funding available</b>	<b>€2,260m</b>
Our proposed revenue-raising measures	€4,232m
Our proposed measures to decrease revenue	-€760m
<i>Overall change in Government Revenue from Social Justice Ireland proposals</i>	<i>€3,472m</i>
Our proposed increases in expenditure	-€5,850m
Our proposed measures to decrease expenditure	€118m
<i>Overall change in Government Expenditure from Social Justice Ireland proposals</i>	<i>-€5,732m</i>
<b>Impact on Government Balance of Social Justice Ireland's proposals</b>	<b>-€2,260m</b>

## Summary of Key Policy and Investment Packages

### Pensions and Older People

Universal State Social Welfare Pension: €1,033m  
 Increase the Living Alone Allowance by €5: €55m  
 Increase Fuel Allowance rates to €24.85 (currently €22.50) and reintroduce a 32 week payment period: €62m  
 Investment in social care, including Home Care Packages: €100m  
 Housing Aid for Older People and People with Disabilities: €85m  
 Community supports for people with dementia: €30m  
**Total investment: €1,365m**

### Health and Disability

Allocation for the implementation of Sláintecare: €500m  
 Community nursing facilities: €50m  
 Primary Care Networks: €150m  
 Mental Health: €35m  
 Obesity prevention programme: €75m  
 Reduce prescription charges for medical card holders: €34m  
 Anti-alcoholism and addiction programmes: €50m  
 Implementation of UNCRPD: €5m  
 Cost of disability payment: €150m  
 Disability services: €35m  
 Carer's package: €46m  
**Total investment: €1,130m**

### Education

Increased Investment in Higher Education: €81m  
 Extension of maintenance and fee grants at 3<sup>rd</sup> level: €107m  
 Increase capital grants at 1<sup>st</sup> and 2<sup>nd</sup> level by 5%: €28m  
 Increase funding for DEIS schools: €15m  
 Increase funding for adult literacy: €30m  
 Increase funding for lifelong learning and digital ed: €40m  
 Increase funding for community education and cultural participation: €12m  
 Increase funding for skills development and training: €74m  
 Expansion of Human Capital Initiative: €20m  
 Expansion of School Meals programme and Restoration of Back to School Allowance: €22m  
**Total investment: €429m**

### Children

Increase ECCE provision: €65m  
 Increase social provision for children and families: €50m  
 Increase paternity leave and parental leave: €34m  
 Development of a state-funded model for childcare: €85m  
**Total investment: €234m**

### Housing

Increase provision for social housing: €1,000m  
 Expand *Housing First*: €70m  
 Increase allocation to the RTB and PIP Service: €7m  
**Total investment: €1,077m**

### Work and Welfare

Make tax credits refundable: €140m  
 Increase PAYE and Earned Income credit by €5 p/w: €598m  
 Increase Social Welfare Rates by €9 per week: €318m  
 Equalise Jobseekers Rates for Under 26s: €86m  
 A living wage for public sector and civil service workers: €55m  
**Total investment: €1,197m**

### Sustainability

Retrofitting Programme & Community Energy Advisors: €130m  
 Just Transition Fund for Carbon Tax implementation: €212m  
 Circular Economy Package: €40m  
 Increase funding for renewable energy schemes: €118m  
**Total investment: €500m**

### Rural, Regional and Community

Regional Development and Transition: €50m  
 Rural Transport Programme: €50m  
 Rollout of Broadband: €300m  
 Funding for Enterprise Ireland for rural projects: €25m  
 Funding for Fáilte Ireland for rural tourism initiatives: €25m  
 Increase funding for C&V Sector: €30m  
 Community Capacity Building: €2m  
 Social Enterprise: €5m  
 LCDC funding: €1m  
 Increase funding for PPNs: €3m  
 Increase Legal Aid funding: €5m  
**Total investment: €496m**

## The Social and Economic position framing Budget 2020

**T**able 9 brings together a range of relevant data and indicators which reflects various aspects of Ireland's social and economic situation. These data frame the context of Budget 2020.

Some of the indicators are positive and much improved on recent years. GDP is growing. Unemployment is falling, as are our debt to national income levels. The number of people in employment is growing.

At the same time there are a number of significant challenges facing Ireland. Despite improving debt to national income ratios, gross debt is still very high. There is growing pressure on public services, as well as a sustained problem

with poverty. Homelessness continues to hit new record levels. Ireland has a low tax-take as a proportion of national income, which leads inevitably to significant infrastructure deficits. An ageing population and lengthy social housing waiting lists are among the other challenges faced.

Ireland's total tax-take is not just low; it is well below the EU average. It is also projected to fall in coming years. It is not possible to address the challenges listed above without increasing taxation, in a fair and equitable manner, towards the EU average. This is necessary to provide the investment required for the public services and social infrastructure most Irish people aspire to having.

**Table 9: Ireland's Social and Economic Position ahead of Budget 2020**

Nominal GDP in 2018 / 2019 / 2020 (€ billion)	322 / 341.1 / 360	Minimum Wage (per hour / 39hr week)	€9.80 / €382.20
Nominal GNI* in 2018 / 2019 / 2020 (€ billion)	196 / 208 / 218	Living Wage (per hour / 39 hr week)	€11.90 / €464.10
Projected GDP growth in 2019 / 2020 (DoF)	3.9% / 3.3%	Population earning the minimum wage (or less)	137,200 / 7.6%
Projected export growth in 2019 / 2020	5.6% / 4.8%	Minimum Social Welfare Payment (1 adult)	€203 per week
Change in personal consumption in 2018	+3%	Minimum Essential Standard of Living amount for working-age adult living alone (urban/rural)	€245 / €284 per week
Projected Gross Govt Debt in 2020 (€ billion)	203.3	Poverty line 1 Adult (week / year)	€252 / €13,155
Gross Govt Debt, % of GNI* (2017/2020)	111.1 / 93.1	Poverty line 2 Adults (week / year)	€419 / €21,837
Total Govt Revenue, % of GNI* (2017/2020)	42.7 / 40.2	Poverty line 1 Adult + 1 Child (week / year)	€335 / €17,496
Total Govt Expenditure, % of GNI* (2017/2020)	42.2 / 40.7	Poverty line 2 Adults + 2 Children (week / year)	€585 / €30,520
% Tax on single person earning €25,000	24 / 12.6 (2000/19)	% of population living in poverty (numbers)	15.7% / 763,000
% Tax on single person earning €60,000	37.7 / 30.1 (2000/19)	Children living in poverty (% / numbers)	19.3% / 231,000
% Tax on single person earning €100,000	41.1 / 38.5 (2000/19)	% of population experiencing deprivation (2+ basic items) (2007/2013/2017)	11.8% / 30.5% / 18.8%
% Tax on 2-earner couple earning €25,000	11 / 0.6 (2000/19)	Ireland's Gini coefficient (2012 / 2017)	31.7 / 31.5
% Tax on 2-earner couple earning €60,000	28 / 14.9 (2000/19)	In need of long-term sustainable homes	c. 120,000 households
% Tax on 2-earner couple earning €100,000	35.9 / 26.4 (2000/19)	Total homelessness in Ireland (March 2019)	10,305
Corporation Tax rate	12.5%	Homeless children (March 2019)	3,821
Capital Gains Tax rate	33%	24 month increase in child homelessness	45% (to March 2019)
VAT rates—Standard / Reduced / Agricultural	23% / 13.5% / 4.8%	Population of Ireland (April 2018)	4,857,000
Employment (Q1, 2019) total / 12mth increase	2,301,900 / +81,200	Net migration (year to Apr 2018)	34,000
Labour Force (Q1, 2019) total / 12mth increase	2,416,300 / +62,600	Net migration Irish Nationals (year to Apr 2018)	+100
Unemployment (April 2019) numbers / rate	112,500 / 4.6%	% of population older than 65 in 2016 / 2036*	13.3% / 20.6%
Unemployment (April 2018) numbers / rate	141,600 / 5.9%	% of population older than 80 in 2016 / 2036*	1.5% / 3.2%
Youth Unemployment (Q1, 2018 / Q1 2019)	12.5% / 10.9%	Inflation rate (CPI/HICP) year to April 2019	1.7% / 1.7%

**Sources:** Department of Finance *Economic Bulletin* and *Economic and Fiscal Outlook 2019*, Revenue Commissioners, CSO Labour Force Survey, CSO *Population and Migration Estimates*, CSO *SILC*, CSO *Census 2016*, CSO *Population and Labour Force Projections (assumption M2F1)*, VPSJ's MESL data, *Summary of Social Housing Assessments 2018*, and Social Justice Ireland's *Budget 2019 Analysis & Critique*. **Note:** numbers for future years are projections.

## Tax expenditures—Time for Reform

Given where the discussion is on the need for tax reform internationally, it is urgent that Ireland review its approach to tax expenditures.

Tax expenditures - or tax reliefs, as they are often known - are policy tools for reducing an individual's or firm's tax liability, usually with the goal of encouraging certain behaviours.

They are often politically appealing as they don't increase direct government expenditure. So it is sometimes forgotten or overlooked that they represent revenue to the government that is being foregone, so there is always a cost attached.

In 2016, the latest year for which data is available, tax expenditures amounted to approximately 10 per cent of total tax revenue and 9 per cent of government expenditure. This is very significant. However, unlike direct government expenditure, tax expenditures are not subject to annual assessment as part of the budgetary process. *Social Justice Ireland* considers it extraordinary that this is the case given the costs involved.

Additionally problematic is the fact that, by their very nature, tax expenditures are regressive. Because government revenue is being foregone, this funding needs to be made up elsewhere to maintain the same level of service provision. The cost of tax expenditures is spread among all tax payers, but not everyone can benefit from them, and it is almost always those with the greatest income that are best placed to avail of them.

For this reason, tax expenditures represent a departure from the equity principle of taxation, as they typically benefit higher earners to a much greater extent than lower earners. Tax expenditures have even been acknowledged to be regressive by the government's own Commission on Taxation, which

has commented that 'in general, direct Exchequer expenditure should be used instead of tax expenditures' and asserted that 'to the extent that the beneficiaries of tax expenditures are those with higher incomes or substantial capital, this results in a transfer of financial resources to these beneficiaries by the rest of the taxpaying community, including those on low income..

*Tax expenditures have been acknowledged as regressive by the government's own Commission on Taxation.*

For these reasons it is important that tax reliefs - particularly the most costly ones - undergo proper administrative scrutiny and parliamentary debate to ensure they remain fit for purpose and cost effective. *Social Justice Ireland* believes that as part of the budgetary process, the cost of tax expenditures (by type) for each past year should be published, as should the estimated cost of tax expenditures for the year ahead.

Furthermore, 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 also be, at the very least, scope for automatic periodic review of each expenditure. The preferable option would be for a sunset clause on each expenditure so that each must be reviewed and judged on its merits.

### Recent Publications and Research from *Social Justice Ireland*

**National Social Monitor—Local Edition**  
(May 2019)

**Poverty Focus** (April 2019)

**Ireland and the Europe 2020 Strategy Review** - (April 2019)

**National Social Monitor—European Edition**  
- (April 2019)

**Sustainable Progress Index 2019** — (February 2019)

**Social Justice Matters—Socio-Economic Review** - (February 2019)

All of these are available on our website at [www.socialjustice.ie](http://www.socialjustice.ie)  
Printed copies can be purchased from the Social Justice Ireland offices.

#### Acknowledgement

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*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.

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