There is a better way

Todhchaí níos fearr - Moltaí Shinn Féin don Geilleagar

Sinn Féin economic plan for recovery 2011

The following are Sinn Féin's key proposals, as costed by the Department of Finance and leading economists, to reduce the deficit by €4.671 billion in 2011 and to finance a 3.5 year economic stimulus package of €7.595 billion (€2.595 billion stimulus in 2011). The full list of proposals are contained within this document.

REVENUE RAISING

- Introduce a third tax rate of 48% on individual incomes in excess of three times the average industrial wage (€100,000) per annum – Raises €410 million
- Standardise all discretionary tax reliefs – Raises €1.1 billion
- Introduce an income-linked wealth tax of 1% on all assets, including property, in excess of €1 million, excluding working farmland, regardless of residency – Raises €1 billion
- Increase Capital Gains Tax to 40% (15% increase) – Raises €240 million
- Increase Capital Acquisitions Tax to 35% (10% increase) – Raises €96 million
- Increase DIRT to 30% (5% increase) – Raises €123 million
- Reduce the earnings cap for pension contribution tax relief to €100,000 – Raises €85 million
- Increase tax on second homes to €600 and introduce a tiered tax increase on subsequent homes: e.g. €700 for third homes, €800 for fourth and fifth homes. Examine the introduction of an income-linked waiver for individuals with second homes who cannot sell them in the current climate, are struggling to meet mortgage repayments or are in financial difficulties – Potential to raise €120 million

ABOLISH EXEMPTIONS

- Abolish mortgage interest relief for landlords – Raises €285 million (2009 figure)
- Abolish the PRSI ceiling – Raises €119 million
- Abolish PRSI exemption for share options – Raises €18 million
- Abolish the income tax exemption for share-option schemes – Raises €3 million
- Adjust PRSI on share-based remuneration & Capital Gains (TASC recommends treating all income the same and as such, PRSI should be applied)– Raises €79 million
- Abolish legacy amounts of property tax reliefs – Potential to raise €400 million per annum (costed by Commission on Taxation)

(€4.078 billion in tax measures)

PUBLIC SPENDING SAVINGS

- Cap ministerial salaries at €100,000; TDs' salaries at €75,000; and senators' salaries at €60,000 – Saves €6 million
- Cap the maximum salary of public servants and employees in semi-state bodies at four times the entry rate (three times the average industrial salary) €100,000 – Saves €350 million
- Tackle the expenses corruption by introducing properly vouched expenses and reducing what is allowable as expenses for both public representatives and senior civil servants – Potential savings €3 million
- Reduce professional fees (state-paid to solicitors, accountants, etc) by 25% – Saves €200 million
- Invest in school buildings and save on prefab renting – Saves €24 million
- Apply charges based on the full economic cost to all use of beds in public and voluntary hospitals in the State for the purposes of private medical practice – Saves €305 million
- Introduce measures to reduce the cost of medicines in our health system, including establishing a state company for the wholesale distribution of drugs, using lower-cost generic drugs and tackling over-prescription and wastage – Saves €200 million (figure provided by Department of Health in 2009)
- End private hospital co-location scheme – Potential to save €100 million in 2011 (figure provided by Department of Health in 2009)

(Saves €1.188 billion)

Total raises €5.266 billion. €595 million directed to financial stimulus. Deficit reduction of €4.671 billion in 2011

STIMULUS

Transfer of funds

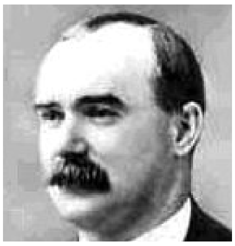
- Transfer €7 billion from the National Pension Reserve Fund for a state-wide investment programme (Stimulus)

€7 billion for a 3.5-year employment/infrastructure provision stimulus package. €2 billion for employment stimulus in 2011. Details discussed in document.

€595 million financial stimulus from current spending as set out below

- Make tax credits refundable. **Cost: €140 million**
- Return the additional social welfare payment at Christmas paid to pensioners, and welfare recipients **Cost: €226 million**
- Remove all those under the tax bracket from the Government levy **Cost: €55 million**
- Remove the 50 cent levy on medical card prescriptions **Cost: €24 million**
- Ease the recruitment embargo in the public service **Cost: €150 million**

Sinn Féin's multi-annual pre-budget proposal, including the deficit reduction proposal for 2011 and the stimulus package, would bring the deficit back to below the Stability and Growth Pact (SGP) target of under 3% of GDP by at least 2016, with the potential to eradicate it completely that year (see appendices for deficit reduction details).



"Ireland without its people is nothing to me. And the man who is bubbling over with love and enthusiasm for Ireland and can pass unmoved through our streets and witness all the wrong and suffering, the shame and degradation wrought upon the people of Ireland, aye, wrought by Irish men and women, and without burning to end it, is in my opinion a fraud and a liar in his heart." - James Connolly

EXECUTIVE SUMMARY

Fianna Fáil and the Green Party have brought the country close to economic ruin. They have introduced four successive budgets, as well as emergency measures in February 2009, and everything they have done has made the situation worse.

- 450,000 people are now out of work.
- 100,000 more will have emigrated by next year.
- Tax revenues have collapsed.
- Almost €90 billion between recapitalisation and NAMA has been promised to bail out the banks.
- The interest rates being paid by the Irish government on the international bond market are three times those paid by Germany.

Fianna Fáil and the Green Party are completely out of their depth. In the budget in December they are going to go after low-income people and working families and they are going to make savage cuts to frontline public services. This is a disastrous policy that will deflate the economy further and take money from those who can least afford it. This government has decided that someone who earns €300,000 a year contributes enough but a person on the miminum wage, or someone who has lost their job and is receiving €196 a week, must survive on less. They have signed up to a four-year timeframe for deficit reduction which they know they cannot meet and which the IMF, OECD and ESRI know they won't meet. And Fine Gael and Labour have once again followed the government's lead – just as they did in the General Election in 2007 when they too offered to cut taxes and just as they did in the Lisbon referendum in 2009 when the promised there would be jobs if people voted yes to Lisbon.

Enough is enough. People are sick and tired of lies and what passes for politics in this State. The fact is that Fianna Fáil, the Greens, Fine Gael and Labour are all part of a cosy consensus that has brought this state to the edge of economic ruin. For all their bluster in the media they are all following the same economic strategy and it is an economic strategy that has failed dismally to date.

We are facing challenges unlike any faced before. We need new thinking and we need to face up to the corruption that has almost destroyed Ireland. There needs to be an honest debate about what we stand for as a people and what type of country we want for our children. What are the values that define us?

Sinn Féin is proposing this detailed, fully costed pre-budget submission, which is guided by a number of core values which define us as a republican party.

- In a time of economic difficulty there is a moral obligation to protect those most in need.
- People have an absolute right to a home, a decent education for their children and access to healthcare when they need it.
- The government must be accountable for its actions.

To ensure these rights are protected the government needs to raise sufficient finance and this can be done. There is still wealth in this state.

In our economic plan for recovery we are proposing:

- A €7.6 billion package spread over 3.5 years to stimulate the economy – there can be no recovery without economic growth and getting Ireland back to work.
- A six-year plan to reduce the deficit to within the Stablility and Growth Pact – beginning with an immediate €4.671 billion reduction of the deficit in 2011, which can be made if wasteful public spending is eliminated and the taxation system is overhauled. We have identified over €1 billion in wasteful spending and over €4 billion through making the tax system fairer. Our tax and savings proposals are targeted at wealth in the state – they do not tax lower earners or cut spending from vulnerable and essential services. The details of the reductions in the deficit in subsequent years as a result of the stimulus package are set out in appendix 2.

The government's approach of slash and burn is not working. Increasing the amounts they slash and burn will not work. By contrast, other EU countries, which adopted measures to boost their economies in 2009, have seen their tax revenues rise and budget deficits fall. This group includes Germany, France, Spain, Belgium and the Netherlands. Spain adopted the largest package of measures to boost growth, equivalent to 2.3% of GDP in 2009, and has seen its tax revenues rise and deficit almost halve in the first 7 months of this year alone. Right now, this government has no plan to reduce the deficit – it has a plan to reduce spending. Its plan will damage the economy, not recover it.

Our multi-annual plan has the potential to reduce the deficit earlier than 2016, between the increased funds we identify from an overhaul of the tax system and the financial return of our stimulus, but we are allowing for negative impact from a myriad of factors from stimulus leakage to increased borrowing costs. 2016 is our conservative and prudent estimate.

THERE IS A BETTER WAY – IT'S TIME FOR THE IRISH PEOPLE TO MAKE A STAND

KEY FACTS ABOUT THE IRISH ECONOMY

Government policies cause spiraling deficit – The government will begin 2011 with a deficit of €19 billion (11.9%). The government's projected 2011 spending is just over €60 billion (€55 billion in current spending and €5.5 billion in capital spending). This deficit doesn't include the recapitalisation plan for the banks of almost €50 billion or the off-general government balance sheet borrowing for NAMA, which it is speculated will amount to €40 billion. All of this brings the actual deficit to 32%.

Rising unemployment and emigration – In October 2010, 450,000 people were on the live register. Emigration has returned to 1989 levels and we now have the highest emigration rate in Europe based on Eurostat figures. Over the past year the government has announced the creation of hundreds of thousands of jobs but very few have actually been delivered. Unemployment has soared from 4.5% in 2007 to 13.7% in 2010, with a population falling from emigration.

Tax revenue falling dramatically – In 2009 tax revenues fell by €7.7 billion. A central part of economic recovery must be a radical overhaul of the tax system. An over-reliance on taxation from consumer spending, and cutting tax rates when they should have been maintained and used wisely, caused many of the problems being experienced today. Government policy of high indirect taxes for everyone and low direct taxes for high earners needs to change. For every €100 paid in income tax, a further €147 is paid by everyone, including children, on consumption (spending) taxes. Due to the existence of more than 130 tax exemptions and reliefs, high-income earners pay an effective rate of only 20.3 percent. We need a tax system that is fair, that is sustainable and that puts money into the economy.

High salaries and perks for the boys continue - The salaries of CEOs of public bodies and semi-state bodies in this state far exceed those of their international counterparts. Many of these individuals earn more than the President of the United States (€300,000 per annum). HSE Chief Executive Cathal McGee is on a salary of €322,133. ESB chief executive Padraig McManus is the best paid semi-public CEO in the state with a salary of €458,000. Add in a bonus, a pension contribution and other benefits and McManus collects more than €654,000 per annum. In October, the ESB introduced a 5% increase in its prices and has been disconnecting more than 900 families a month who have fallen into arrears.

Cost of living still on the rise - The cost of living has not gone down for the majority of people and is in fact rising. The most notable changes in 2010 were increases in Education (+9.5%), Housing, Water, Electricity, Gas & Other Fuels (+8.5%), Transport (+1.4%), Health (+0.5%), Mortgage Interest (+25.1%) and Communications (+2.9%). The annual rate of inflation for Services was 2.3% in the year to August. (Consumer Price Index October 2010)

Economy stagnant - In October, the Central Bank revised downwards its estimate of Gross Domestic Product, the country's overall economic output, from a growth of 0.8% in 2010 to 0.2%. It also forecast Gross National Product, the economic output without taking multinationals into account, to fall by around 1.7%, compared to a previously forecasted fall of 1%. The Bank says that any economic recovery will be unbalanced in nature, because it is driven mainly by multinational exports, as domestic demand continues to fall. At this point, even the government's most optimistic forecasts for the economy in 2011 are broadly flat.

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1. INTRODUCTION

In advance of every budget since 2007, the Fianna Fáil/Green/ Independents government has repeated the same line. Public finances are bad so we need to slash public services and cut social welfare. Every year, establishment economists, elements of the media, Fine Gael and Labour, line up to support this view. The fact that the government is repeating the same bad policy over and over, and that it is not working, is ignored by all these groups. Added to the mix this year is the massive financial ramifications of the government's bank recapitalisation plan and the impact of the National Assets Management Agency, NAMA, on our borrowing.

Still, the overall consensus among all of these groups is that this state must abide by EU rules and reduce its deficit to the 3% Stability and Growth Pact (SGP) level by 2014 and that this reduction must come about from public spending reduction over tax increases.

Sinn Féin challenges that view. First we challenge the collective refusal to acknowledge the implications of this government's banking policy on our public finances. The €4 billion plus that will be cut from spending this year has nothing to do with reducing the deficit which, if we include the banking bailout, now stands at 32%. The hope is that these cuts will signal to the EU and international bond markets that there is an economic consensus in the state that supports the orthodoxy of austerity. They believe this will mean lending from the ECB and international bond markets to fund the banking debt will continue. Basically, every cent that is cut from the public spending budget this year will be redirected at least ten times into the government's recapitalisation programme for the banks.

Secondly, we challenge the 2014 deadline and the SGP itself. Why 2014? Why must states run a deficit of no more than 3%, when the larger states, even during the wealthier years, ran deficits in excess of that? In this pre-budget submission we set out a realistic timeline for deficit reduction that culminates in a revised deadline of before 2016. We firmly believe that the government itself has no faith in the four-year timeframe – which makes Fine Gael and Labour's willingness to cling to it themselves even more questionable. This is a timeline that is being produced for an international audience in the hope that by year 4, when all is not going to plan, nobody will mind that it will take an extra few years to right the finances.

Thirdly, we challenge the economic thinking behind a deficit reduction plan that relies on frontline spending cuts over both a tax system overhaul and an investment programme (stimulus package). There can be no recovery without economic growth. The spending cuts inflicted in this state have had a devastating social impact and have done nothing to actually reduce the growing deficit. They have cut disposable incomes, taken money out of circulation and contracted the economy. This is a fact. Rather than review this policy, the government, now with the agreement of Fine Gael and Labour, is insisting on compunding its errors by actually cutting more in its fiscal adjustment plan.

Sinn Féin stood apart from the established economic view in the years leading up to the financial crisis. We called for a countercyclical economic approach, put simply, a counter-Charlie McCreevy approach, that would have seen the state raise money in the good times to spend in the bad. We lined up against a cosy consensus who were calling for tax cuts for the wealthy, tax reliefs for property expansion, a growth in and reliance on indirect taxation, an over-dependance on international investment and a trust in an unregulated banking industry.

Today we again lead the way in calling for an economic recovery plan that is based on job creation, taxation justice, an end to wasteful expenditure and a sensible deficit reduction timeline. We believe our vision is not only workable, but offers real hope for people struggling to cope with the barrage of harsh measures levelled at them by this government and its so-called Fine Gael and Labour opposition.

Our way is better for the economy. Our way is better for people.

The Real State of the Economy

Irish Gross Domestic Product is now supported by about €8 billion per quarter of "net factor income from the rest of the world", the (Central Statistic Office) CSO's awkward euphemism for corporate profits recorded in Ireland for tax purposes as a consequence of the low tax rate. Needless to say, that income is at risk of tax and other legal changes elsewhere, beyond Irish control.

'Net factor income from the rest of the world' has no discernable effects on the state's economy beyond its 12.5% tax contribution, and that's before this tax rate is reduced through tax expenditures and exemptions.

The second-quarter statistics for Gross Domestic Product, like the unemployment statistics, the revenue statistics and the housing market statistics, show Ireland still firmly in the grip of a deflationary downward spiral. That trend must be broken before any meaningful recovery can take place.

Government and its supporters continue to publish economic forecasts which predict steady growth over the next few years. Those forecasts are all driven by assumptions on the demand side; particularly the assumption that consumers will resume spending freely and that will fuel everything else. That is not happening. Left out of their equation is the question of where that money will come from. Government persists in writing budgets that take money out of the economy; private sector job losses take still more money out of the economy, and even the foreign multinationals are reducing their payrolls.

Our forecasts are based on taking money into the Exchequer that can afford to be given and putting money into the economy to stimulate its growth. It's a far fairer and more sensible approach.

2. REDUCING THE DEFICIT

In four successive budgets and the February 2009 emergency measures, Fianna Fáil and the Green Party introduced 'fiscal tightening' measures of €14.6 billion, mainly in spending cuts. Not only have these measures not reduced the deficit, they have made the situation far worse. Tax revenues fell by €7.2 billion in 2009 alone. Already taxes have failed to meet their target for 2010. There has never been any impact assessment of these cuts published by the Department of Finance. They have never questioned their approach, even though it is clearly failing.

The government does not have sufficient finance to cover current and capital spending and is running at a deficit of almost 12% - €19 billion. Attempting to reduce the deficit by the same measures that have failed for the last three years makes absolutely no sense and flies in the face of what is working elsewhere.

Other EU countries, which adopted measures to boost their economies in 2009, have seen tax revenues rise and budget deficits fall. This group includes Germany, France, Spain, Belgium and the Netherlands. Spain adopted the largest package of measures to boost growth, equivalent to 2.3% of GDP in 2009, and has seen its tax revenues rise and deficit almost halve in the first 7 months of this year alone.

Nobel Prize-winning economist Joseph Stiglitz, singling out the policy of the Irish government, has argued that austerity leads to declining output, rising unemployment and high bond spreads, instead of renewed investment.

Ireland's deficit needs to be reduced but it must be done over a realistic timeframe and in a way that does not deflate the economy further. And it must be done hand in hand with a plan to grow the economy in a sustained fashion.

The overwhelming priority is getting people back to work, reversing the tide of business bankruptcies, maintaining and restoring funding to our schools and hospitals, and investing in our infrastructure. These are polices that will actually secure deficit reduction, as tax revenues rise and welfare outlay is lowered.

Timeframe

The government has signed up to a four-year timeframe for deficit reduction which they know they cannot meet and which the IMF, OECD and ESRI know they won't meet. Most forecast the deficit to rise further in the short-term. Fine Gael and Labour have once again followed the government's lead – just as they did in the General Election in 2007 when they promised low taxes and in the Lisbon referendum in 2009 when they promised that voting yes to Lisbon would create jobs.

All these agencies concede that the prospects for reducing the deficit are dependant on the levels of growth achieved over the medium-term. This is the real determinant of the deficit. The government and the Department of Finance believe that to grow a little, you have to cut a lot. Sinn Féin argues that to grow at all, you have to invest.

Sinn Féin is setting out a plan to reduce the deficit to within the Stablility and Growth Pact within 6 years – beginning with an immediate €4.671 billion reduction of the deficit in 2011. This will be achieved through a range of measures, including eliminating wasteful spending and tax increases for those on higher incomes. The remaining deficit reduction will come from the outworkings of a stimulus package and the increased revenue from our new taxation measures annually.

Wealth and its concentration

Ireland is still a wealthy state, but it is also an extremely unequal state. The top 1% of the Irish populatation owns 20% of all the wealth. This concentration of wealth is backed up in the HEAP (Hierarchy of Earnings, Attributes and Privilege) report prepared by TASC last year.

The vast majority of recent job losses are among the lower to middle paid in manufacturing, retail, and construction. There are still people earning up to €1 million per annum in salaries and, through availing of the myriad of tax reliefs and exemptions on offer, very little of that is taxed. They manage to keep their effective tax rate low (the last Finance Act saw their effective rate increase to 20%).

The rise in consumption/spending tax income in 2010, such as VAT and Capital Gains, and also the increase in savings show that there is still a large level of disposable income in the economy.

High GDP and growing wealth

According to Eurostat, Ireland's GDP of approximately €160 billion is still, per head, among the highest in the world. In 2009, the net assets of Irish households rose by 30% to €105 billion.

The gross wealth of households (before the liabilities of loans are taken away) is at almost €1 trillion. Of the €24 billion increase in net wealth in 2009, the financial assets of this sector of people (which includes bank deposits, shares, life insurance and pension fund assets, etc, but **excludes** housing and other physical assets) increased by €20.3 billion. This means that concentrated financial wealth is growing – not just property wealth as in the boom (CSO Institutional sector accounts).

The total tax take in Ireland from every sector**:** income, business, wealth and spending - is expected to come in at approximately €30 billion this year, among the lowest tax-to-GDP ratios in the EU. In this submission, most of our proposals are aimed at wealth and we also propose the introduction of a new specific wealth tax.

Government cannot answer questions about tax exemptions for the wealthy

Sinn Féin posed a series of questions to the Department of Finance in relation to some of the tax exemptions (separate to tax reliefs) that were identified in the Commission of Taxation report. We queried their rationale and the potential return to the Exchequer if they were changed. These included:

» Questioning the amount lost to the Exchequer annually through the tax relief made payable for exchange of trading losses (where a corporate 'group' exchange losses to the more profitable companies in the group so they can

downsize their tax by writing off the losses against their profits).
- » The potential gain to the Exchequer if a limit was placed on the gains that could be transferred between spouses before Capital Gains Tax and Capital Acquisitions Tax is applied (this would have an impact on wealthier people who transfer ownership of wealth to their spouses for tax purposes or when they face bankruptcy proceedings).

The Department of Finance was unable to estimate the potential gain to the Exchequer for any of these questions, revealing how protected wealthy individuals are in this state. There must be an immediate public investigation into all tax exemptions.

Proposals for raising and saving €4.671 billion to reduce deficit in 2011

Sinn Féin's long-term approach to reducing the deficit is a stimulus plan, but we believe an initial reduction in the gap between government spending and finances can be achieved through the elimination of wasteful spending and a review of the tax system. This proposal is set out below.

The total package as detailed here amounts to **€5.266** billion. We are subtracting **€595** million for current spending on a financial stimulus package detailed in the later stimulus section. All figures are obtained from Department of Finance, except where stated. Estimates are based on the latest figures available as provided to us by a team of economists and tax accountants. We recognise that the impact of some of these measures would not be felt immediately in 2011 and also that some measures would counter others (capping public servants' wages would have an effect on the new 48% income tax rate) so for that reason we have exceeded the government's speculated budget adjustment of approx €4 billion to allow for the partial-year effectiveness of these measures. In future years further tax adjustments can be made via the elimination of more tax exemptions and a complete overhaul of the tax relief/expenditure system, where we envision many of these reliefs being abolished. In addition, some of our new measures and new rates would continue to contribute to the Exchequer annually.

Over the following years, our deficit reduction figures will stem from the additional tax revenue raised by the creation of jobs and the savings that will be made in social welfare expenditure, but especially by the growth in GDP that will come about from an investment package (growth in GDP means our debt-to-GDP ratio will naturally reduce).

Greater contributions from those on higher incomes and the wealthy

- » Standardise all discretionary tax reliefs – **Raises €1.1 billion**
- » Introduce a third tax rate of 48% on individual incomes in excess of three times the average industrial wage (€100,000) per annum – **Raises €410 million**
- » Introduce an income-linked wealth tax of 1% on all assets, including property in excess of €1 million, excluding working farmland, regardless of residency – **Raises €1 billion** (Estimate: see Appendix for details re: wealth tax)
- » Abolish the PRSI ceiling – **Raises €119 million**
- » Increase Capital Gains Tax to 40% (15% increase) – **Raises €240 million**
- » Increase Capital Acquisitons Tax to 35% (10% increase) – **Raises €96 million**
- » Increase DIRT to 30% (5% increase) – **Raises €123 million**
- » Abolish mortgage interest relief for landlords – **Raises €285 million (2009 figure)**
- » Reduce the earnings cap for pension contribution tax relief to €100,000 – **Raises €85 million**
- » Increase tax on second homes to €600 and introduce a tiered tax increase on subsequent homes: eg, €700 for third homes, €800 for fourth and fifth homes. Hardship appeals system: Examine the introduction of an income-linked waiver for individuals with second homes who cannot sell them in the current climate, are struggling to meet mortgage repayments or are in financial difficulties – **Potential to raise €120 million**
- » Abolish exemptions (as proposed by TASC): Abolish PRSI exemption for share options – Raises **€18 million**
- » Abolish the income tax exemption for share-option schemes – **Raises €3 million (TASC)**
- » Adjust PRSI on share-based remuneration & Capital Gains (TASC recommends treating all income the same and as such, PRSI should be applied) – **Raises €79 million (TASC)**
- » Abolish legacy amounts of property tax reliefs – **Potential to raise €400 million per annum (costed by Commission on Taxation**)

Eliminate wasteful spending from exorbitant wages

- » Cap ministerial salaries at €100,000; TDs' salaries at €75,000; and senators' salaries at €60,000 **– Saves €6 million**
- » Cap the maximum salary of public servants and employees in semi-state bodies at four times the entry rate (three times that average industrial salary) €100,000 – **Saves €350 million**
- » Reduce professional fees (state-paid to solicitors, accountants, etc) by 25% – **Saves €200 million**
- » Tackle the expenses corruption by introducing properly vouched expenses and reducing what is allowable as expenses for both public representatves and senior civil servants – **Potential savings €3 million**

Stop waste from public subsidy of private profit

- » Invest in school buildings and save on prefab renting – **Saves €24 million**
- » Apply charges based on the full economic cost to all use of beds in public and voluntary hospitals in the State for the purposes of private medical practice – **Saves €305 million**
- » Introduce measures to reduce the cost of medicines in our health system, including establishing a state company for the wholesale distribution of drugs, using lower-cost generic drugs and tackling over-prescription and wastage – **Saves €200 million (figure provided by Department of Health in 2009)**
- » End private hospital co-location scheme – **Potential to save €100 million in 2011 (figure provided by Department of Health in 2009)**

3. GROWING THE ECONOMY

In 2010, unemployment in the 26 Counties peaked at almost 460,000. Seasonally adjusted figures reduced this rate to 450,000 when the schools and universities returned in September. Unemployment is the only figure that matters for those of us concerned with economic recovery. Employment, not percentage increases in GNP/GDP, is a true reflection of meaningful economic growth. High rates of unemployment don't just spell bad news for the economy now – structural unemployment into the future will have a devastating impact on any hope of restoring the Irish economy.

The arguments from the government and right-wing commentators against a stimulus have been plentiful. In any economy, a degree of stimulus will leak out as a result of external consumption, however the type of stimulus applied is what matters. A stimulus that invests in public infrastructure and Irish jobs is an investment that will be returned to the exchequer through the local economy. We have taken a conservative approach and factored the leakage argument and its impact into our multi-annual approach. We have calculated our stimulus plan to reduce the deficit by 2016 – our figures exceed the necessary deficit reduction to allow for potential leakage (see appendix 2).

The relationship between jobs and the deficit is a clear one – more people in work produce higher levels of spending activity and tax revenues, as well as lower welfare payments. In 2008 employment in this State fell by 84,000. This was associated with a decrease in tax revenues of €6.5 billion and an increase in social welfare payments of at least €2.5 billion (2008 Exchequer Statement), a total deterioration in government finances of €9 billion.

Sinn Féin's employment and financial stimulus package costs €7.595 billion and will create 160,000 jobs directly over the medium-term, tens of thousands more jobs indirectly and also save thousands of jobs. The full cost of our employment stimulus amounts to €7 billion. The financial stimulus of €595 million is accounted for in our tax and saving measures.

The multiplier effect on GDP of creating 160,000 jobs would amount to 1.8%, according to ESRI figures. And this would be real GDP growth – not growth based on the profits of multinational companies based here.

Our stimulus package, if applied, in addition to our deficit reduction proposal for next year, would ultimately see the deficit reduce to well within the SGP by at least 2016 and potentially eradicate it (see appendix 2). As stated, our plan has the potential to reduce the deficit earlier, between the increased funds from an overhaul of the tax system and the financial return of the stimulus, but we are allowing for negative impact from a myriad of factors from stimulus leakage to increased borrowing costs. 2016 is our conservative and prudent estimate.

Our stimulus is about providing immediate and direct employment in key sectors such as infrastructure in the immediate term. But in the longer term, the impact of our stimulus plan would see the state's competitiveness increase as we become a world leader in green energy, IT and research and development, in addition to having world class infrastructure to attract Foreign Direct Investment and support indigenous enterprise for longer-term employment creation. This sustainable, long-term employment would broaden the tax base and secure it.

Transfer of state funds

Sinn Féin is advocating the transfer of €7 billion from the National Pension Reserve Fund (NPRF) for a state-wide investment programme (stimulus). We are calling for a once-off transfer from the fund of €7 billion – equal to the investment at the beginning of the year in AIB and BoI – for a jobs stimulus package. This money should be administered out of the NPRF over the next 3.5 years, with the Department of Finance signing off on proposals as they are submitted from the departments. All proposals would have to have value for money clauses and total number of people that would be employed under the proposal (see appendices for details of funds in the NPRF). €2 billion would be spent on the employment stimulus in 2011.

Sinn Féin's key jobs proposals

(Full proposals can be found in 'Getting Ireland Back to Work'; 'No job? No future? No way!'; and 'Let's get Dublin working' – available at www.sinnfein.ie)

» Use the public sector and direct public employment to kickstart the economy. Increase and modernise CE schemes and invest in state infrastructure, using state employees to build it. The National Development Plan has to be completely redrawn to focus on the more labour intensive and necessary infrastructure, such as schools, hospitals, conversion of appropriate vacant accommodation to social housing, improving energy efficiency in homes and public transport provision. This infrastructure will improve the state and provide jobs in construction, architecture, engineering and all the other trades. Examples of how and where infrastructure could be improved include: remediating the leaking water network and extending the current pilot water collection scheme to all schools, thus saving costs on water and creating jobs; and rolling out broadband across the state.
Cost: Use fully existing capital expenditure plans and invest an additional €4 billion for labour intensive infrastructure provision

» Build the state childcare and pre-education sector through both state-employed fully-trained accredited childcare workers and infrastructure provisions. Studies have shown that for every €4 invested in childcare €7 is returned to the Exchequer in increased workforce participation.
Cost: €400 million

» Initiate a 'Frontline services aides scheme,' where people are employed to take on specific work from overworked front-line workers (e.g. civilianising administrative work that is currently done by Gardaí).
Cost €250 million

» Provide a one-stop-shop virtual helpdesk for business start-ups with legal, HR, patents, accountancy and funding

advice. In addition, create an Ireland innovation website where budding entrepreneurs can pitch their business and invention ideas to investors at home and abroad.
Cost €2 million

Financial stimulus package to help families struggling to cope

The government's attack on the most vulnerable is both wrong and bad for the economy. Social welfare payments are always returned back into the economy. They are not saved or invested abroad. They are spent on rent, mortgages, food, utilities and other essentials. Cutting welfare is a false economy and one that ultimately only causes misery for those on the receiving end of the policy.

In addition, adding the lowest paid into the levy system has pushed many low-earners to tipping point. Their quality of life has deteriorated and their ability to contribute to the local economy has been significantly reduced.

The Consumer Price Index figures quoted in the initial pages of this document show how the cost of living in Ireland has continued to rise. It is important to focus on how we can improve consumer spending in the state. This will benefit not just the exchequer (which unfortunately has a heavy reliance on indirect taxation) but also Irish businesses.

Sinn Féin proposals (total €595 million):

- Make tax credits refundable. According to Social Justice Ireland, this would benefit 113,000 of the lowest-income individuals in an efficient and cost-effective manner (Social Justice Ireland study July 5, 2010). When children and other adults in the household are taken into account the total number of beneficiaries would be 240,000. The premise is that the tax credits that aren't availed of by these families because they don't earn enough would be paid back to them.
  Cost: €140 million
- Return the 2% social welfare payment at Christmas time designed to aid struggling families and keep them out of the clutches of money-lenders
  Cost: €226 million
- Remove all those under the tax bracket from the government levy (those brought into the emergency levy scheme earning under €18,000, who were previously exempt from tax)
  Cost: €55 million
- Remove the 50 cent levy on medical card prescriptions
  Cost: €24 million
- Ease the recruitment embargo in the public service in the frontline areas of education, health, gardaí and social welfare and recruit extra numbers in these areas to staff the newly built infrastructure. Sinn Féin would simultaneously conduct a speedy review of the public service to ensure efficiencies and value for money across all departments, culminating in a reform of the whole sector that is foccussed on increasing frontline staff. (Note: recent research shows that Irish nurses are being trained at a cost of €90,000 to the state and more than 90% are being recruited by health services abroad because there are no jobs for them here).
  Cost: €150 million
- A commitment to ring-fence €50 million per year from the dormant accounts fund for the community and voluntary sector. There is currently in the region of €158 million in the fund of which €62 million, by its own reckoning, is available for disbursement. The fund is also bringing in an additional €40-€45 million per year from dormant accounts. Monies could be allocated in multi-annual grants to give projects some security and ability to plan ahead.
- ***Maintain all social welfare payments at their current rates*** in 2011.
- Introduce compensatory measures to offset the carbon tax for low income families, as demanded by social justice groups across the state. We agree with a percentage allocation from the carbon tax income fund being used to specifically address energy poverty and subsidised energy efficiency measures for the lowest income groups.

NO MORE TARGETING LOW-EARNERS - THE TRUE COST OF EDUCATION

The cost of educating a child from primary through to third level is estimated at around €70,000 per child (Bank of Ireland Life Report August 2010) This is a scandalous situation in a state that prides itself on its provision of "free education". The hardship that parents face is starkly illustrated during back to school time in September. This is a difficult time for many parents as they scrimp and save for books, uniforms and everything that goes with them.

CHILD AGED 10 GOING INTO 4TH CLASS IN PRIMARY SCHOOL
<u>**Basic Costs**</u>
Clothing: €110
Footwear: €70
School Books: €130
Stationery: €50
Voluntary contribution: €100
Total :*€460

Back to School Clothing and Footwear Allowance = €200

* Not including extra costs such as school bag, trainers, art & craft supplies, etc, estimated to be between €25 - €85

SECONDARY SCHOOL – CHILD AGED 12 ENTERING 1ST YEAR
<u>**Basic Costs**</u>
Clothing: €290
Footwear: €80
School Books: €265
Stationery: €60
Voluntary contribution: €120
Total: *€815

Back to School Clothing and Footwear Allowance = €305

* Not including extra costs such as school bag, trainers, art & craft supplies etc estimated to be between €25 - €85

We've also excluded the average estimated cost of school transport, which is €300. The shortfall in the Back to School clothing and footwear allowance shows the difficulty struggling families are already facing. Any cuts to this payment or to child benefit would have a catastrophic effect on the ability of parents to meet this cost. (Education case study figures from Barnardos)

4. THE BANKING IMPACT ON PUBLIC FINANCES

'The value of your investment can go down as well as up'

The impact of the Banking Crisis on the Public Finances has been nothing short of catastrophic. However this was an avoidable catastrophe and the policies pursued, coupled with government's obsession with secrecy, have now backfired in the most devastating way. Our domestic public finances can be fixed. However, if the government pursues its banking policy, however, we are consigning generations to bank-related debt and sacrificing our economic sovereignty should we need the EU, and possibly even the IMF, to bail us out. As it stands, every budget must now be vetted by Brussels. It should be noted that any type of bailout that would be given to us, if we look at the Greek example, would actually be a bailout of international banks and bondholders – not the Irish people. We would be forced to take even more severe measures in terms of slashing public spending to avail of it.

Where Ireland once had a top-class credit rating and paid interest rates on its sovereign debt almost identical to those paid by Germany (2.5% interest on all 10-year bonds sold by the state), now the premium demanded in the international bond markets is over three times higher than that of Germany's bonds (we have to pay almost 7% to international investors on 10-year bonds and this is rising steadily). The government has now stated that it will not go back to the bond markets until at least January 2011. The only interpretation of this is that it cannot afford to take the risk of being ridiculed internationally in punitive financial terms for its banking policy.

The fictitious games with the banks' bad debt – how much is recorded on the balance sheets of the banks, and how much is stored in NAMA for delayed reckoning – can continue, but the EU Commission has now ruled that there will be no permanent reprieve for Anglo-Irish, and there will be no further delay in recapitalising the remaining banks. That recapitalisation has brought about a de-facto nationalisation of almost the entire Irish banking system; a step that Sinn Féin recommended before the crisis even began.

Cost to Fix the Banking Crisis

Recent announcements on 30 Sept 2010 by the Financial Regulator and the Governor of the Central Bank indicated that the forecast bank recapitalisation cost is expected to be in the range of €45 billion to €50 billion. In excess of €30 billion of this figure is a sunk cost in both Anglo and Irish Nationwide, which will yield no return to the Irish taxpayer. It is Sinn Féin's view that there will be a minimal if not zero return on the funds committed for the recapitalisation of the remaining institutions (AIB, BoI, EBS, etc). Sinn Féin has advocated letting the bondholders at Anglo-Irish (€17 billion worth) take the hit of their bad investment and negotiating a discount where we must with other banks' bondholders (if the option is not there to let them take the hit). With political will, emergency legislation can be fast-tracked through the Dáil to allow this.

Furthermore, the recapitalisation cost excludes the cost of operating NAMA, which has been separately funded by means of cheap funds from the EU and an agreed special purpose vehicle. The mirage with numbers and 'hair cuts' to be applied to the toxic loans in NAMA means that the final cost of NAMA is difficult to assess. In the worst case scenario, NAMA could fail to return anything on its 'investments' and end up costing the state in excess of €40 billion plus. In the absolute best case scenario, even if it were to break even over ten years, it is still estimated to cost the state at least €1 billion. Suffice it to say, regardless of how well NAMA performs over the years ahead, the markets will not view it as a special purpose vehicle or an investment, as it is claimed to be. Hence, NAMA merely adds fuel to our already high debt-servicing costs.

NAMA would be a major embarrassment, and a major news story, except for the imminent collapse of the state finances as a result of the recapitalisation plan. According to Eurostat, the state's debt totalled €104 billion at the end of 2009. All of this combined will push Ireland's sovereign debt beyond 100% of GDP.

Where now?

Rather than stand up for the bank bondholders, government needs to stand up for the Irish people and our economy. If additional billions can always be found for the banks, money can be found for recovery. Government has it backwards: banks follow the economy, they do not lead it: fix the economy and you fix the banks as well as fix the future.

The figures being wasted on Anglo say it all about the government's priorities. €17 billion will be pumped in by Irish taxpayers to pay out bondholders who hold €15 billion in senior debt and €2 billion in subordinated debt. So far the government has said it will only negotiate discounts with subordinated bondholders. A 50% discount applied to the whole amount would have saved the state €8.5 billion. The government has refused to disclose who the bondholders are, but the Daily Telegraph in Britain has already run articles on the potential hedge funds that hold the bonds and in September, Chelsea football team's billionaire owner Roman Abramovic outed himself as a subordinated debt holder and threatened to sue the Irish state if it defaulted on any part of his bond. The fact is, Abramovic invested in a high-risk bond with the bank. As the caveat under every financial institution advertisement reads: ***Caution: the value of your investment can go down as well as up.***

- Sinn Féin believes that the Anglo bondholders must take the hit of their bad investment and the good deposits in the bank must be moved to the now nationalised AIB (which must become a state bank).
- The Oireachtas must establish a commission to examine the responsible wind-down of NAMA. The state must take the properties already transferred to NAMA and a redirection of some of this stock must be used, where possible, to eradicate the current housing waiting list and for social good. In other cases, estates must be finished to a high standard and sold where possible. Examination must be made of the proposals for apartment blocks and hotels etc acquired by NAMA to be used for schools, homeless shelters, state-run nursing homes and step-down facilities etc.
- The banking guarantee as it stands must be abolished immediately, leavings just a depositors guarantee in place.

5. UTILISING ALL-IRELAND SERVICES

Duplication and overlapping expenditure on the island of Ireland is wasteful and expensive within both jurisdictions. Actions should be taken immediately to develop a joint approach to addressing the economic downturn and examine areas where savings can be made. We are not advocating a rationalisation of jobs – instead we are proposing a cost-saving exercise that is directed at reducing administration expenses and the cost of future projects.

These should include:

- **Procurement** – Joint procurement and tendering for the supply of work, services, and goods for government departments and agencies should be introduced immediately. A common approach to procurement criteria should be adopted to ensure that all public procurement contracts include clauses for the promotion of equality and sustainable social outcomes.
- Joint economic development and job promotion programmes.
- Joint approach to Research and Development.
- **Joint public information campaigns** across government departments.
- **Education** – There is potential in the higher education sector, particularly at post-graduate level, for sharing services and joint approach across the island.
- **Health** – Implement actions to ensure the best provision of hospital services in border regions. Primary and community care in border areas should be operated on a joint basis; multi-agency planning, looking at sharing specialist or regional facilities, equipment, and clinical and support staff should be implemented. There should be increased cooperation in health research and development.
- **Planning and Infrastructure** – Implement a coordinated approach to spatial planning including long-term infrastructure planning on an all Ireland basis.
- **Energy** – Maximise opportunities in the Energy market on an all-Ireland basis. Develop greater cooperation in the renewables sector and associated infrastructure.
- **Rural development** – Expand and build on rural development initiatives and services.
- **Waste** –An all-Ireland approach to waste management would generate savings.

APPENDICES

Appendix 1 - Wealth tax

» The total tax take in Ireland from **every sector;** income, business, wealth and spending - is expected to come in at approximately €30 billion in 2010, among the lowest tax-to-GDP ratios in the EU (Eurostat).

The Department of Finance, in response to parliamentary questions, said that it is unable to provide us with the potential revenue that could be raised from a wealth tax. Our proposal is for an income linked (threshold to be examined) 1% wealth tax on assets in excess of €1 million, excluding working farmland. Only the percentage over the €1 million is taxed, so an individual whose assets are €1.5 million pays 1% of €0.5 million. The provision of an income link will take into account the potential pitfalls of those living in homes that have gained in value while their net incomes remain low.

This is a tax that is implemented in several countries –France and Norway being two. Spain has become the latest country to announce the introduction of a wealth tax, its Finance Minister declaring that it would be used to attempt to address their burgeoning deficit. With the top 1% of the Irish populatation owning 20% of the state's wealth, we believe a wealth tax would bring fairness to the tax system, would be a sizeable revenue-raising measure, would support economic growth (raising revenue for the economy from those who can afford it as opposed to lessening the purchasing power and quality of life of those who can't afford extra taxes and spending cuts) and would also address social inequalities.

To quantify a value for such our wealth tax, we have worked with a team of economists and used data ranging from the CSO's Institutional Sector Accounts, previous data from National Irish Bank's 'The Emerald Isle – The Wealth of Modern Ireland' report 2008, the HEAP (Hierarchy of Earnings, Attributes and Privilege) report 2009 from TASC, and Bank of Ireland's 'Wealth of the Nation' report 2007, to comparative data from countries where a wealth tax currently exists. The latter approach involved looking at wealth taxes and what they raise as a percentage of GDP. This alternates from 0.2% of GDP in France to 1.3% in Switzerland. The continuing collapse in property prices (though this is offset by the rise in 'financial' assets) and the further development of our policy on a wealth tax, involved additional work for us this year to quantify the potential value of this tax.

Our calculations culminated in a potential revenue raising figure, for a 1% wealth tax in Ireland including our provisos, of approximately €1 billion in a full year. This is our estimate and we are now calling on the Department of Finance to examine the tax again. It allows for Ireland's high GDP (including growth forecasts), and growing wealth. It works on the assumption of a wealth tax delivering 0.6% of GDP return for the Exchequer, which is at the lower end of the scale, though our 1% rate is at the higher end of the rates charged by other countries. The community platform recently endorsed this policy and came to the same financial conclusion as Sinn Féin, though working independently.

The arguments against taxing the wealthy based on 'capital flight' scenarios don't stand up to scrutiny. Sinn Féin envisages a wealth tax being based on global assets - such as the French wealth tax (the ISF), so 'flight' doesn't matter.

Appendix 2 - The impact of our stimulus plan on public finances and deficit reduction

For our proposal we are working on the assumption that the majority of the €7 billion is being spent on public investment, which has the highest impact of all. This type of investment creates the largest number of immediate new jobs, as well as creating long-term enhancement to productivity, which tends to attract even more job-creating investment. To factor in the number of 'shovel-ready' projects for the state, we are spreading the €7 billion over 3.5 years. Next year, we believe at least €2 billion could be injected into ready-to-go infrastructure projects such as increased school build and regeneration projects. Each department then has a full 12 months to prepare additional infrastructure projects for 2012, when an additional €2 billion will be applied. 2013 would see another €2 billion with the remaining €1 billion spent in the first half of 2014.

Net impact of €1 billion over a 6-year timeframe
Economist Philip Lane's estimates for the impact of a €1 billion rise in government investment show a total improvement in the economy after 4 years of €4.44 billion and €2.19 billion in total after 6.

Year 1 = 1.24
Year 2 = 1.61
Year 3 = 1.13
Year 4 = 0.46
Year 5 = -0.54
Year 6 = -1.71
Total= €2.19 billion
(Philip Lane, Professor of International Macroeconomics, Trinity College)

This is a severe underestimate, particularly taking into account the IMF's stimulus assessments, which indicate far higher figures returned to the economy in similar timelines and don't allow for Lane's later 'negative' factors of rising inflation and 'crowding out'. Crucially, he leaves aside any long-term benefits from the investment, which is wrong as new roads, schools, education investment, railways, broadband, etc all have an investment value way beyond the immediate years (the highest being education, which lasts a working lifetime). However, for the sake of not being called over-optimistic, we are going with his figures as the change in output arising from government investment over 6 years.

The Department of Finance states that its official analysis of the sensitivity of government finances is 0.6 (Stability and Growth Update). Again this is a severe underestimate (British Treasury has 0.75). The 'sensitivity' includes both tax revenues and government outlays. So, from an initial government investment of €1 billion the level of output increases by €2.19 billion over six years. The government finances reflect that by 0.6% of that total.

€1 billion x 2.19 x 0.6 = €1.31 billion

Therefore, any amount of government investment would lead to a net improvement in government finances, not a net cost. This is based on the reckonings of the Department of Finance itself and an economist that they recognise as credible.

Return for €7 billion investment over 3.5 years

Sinn Féin believes that the €7 billion injection up to 2014 would ultimately lead to a reduction of the deficit to well within the 3% SGP by at least 2016. The following spread sheet, using the Lane model and provided to us by our economist team proves this:

	Multiplier effect	Cumulative GDP (b)	Gov. finances (0.6%)
Year 0 (2011) €2 billion invest			
Year 1 (2012) €2 billion invest	1.24	2.48	1.49
Year 3 (2013) €2 billion invest	1.61	5.7	3.42
Year 4 (2014) €1 billion invest	1.13	7.96	4.78
Year 5 (2015)	0.46	7.64	4.58
Year 6 (2016)	-0.54	3.71	2.23

By this spread, in 2016 the state would have an additional €16.5 billion at its disposal to write down the deficit and continue to stimulate the economy. By Lane's assumptions of negative impact in subsequent years, the state might have to continue with some form of stimulus in later years, but even by his figures at that point the deficit would be reduced to virtually 0, allowing the state to invest more.

Our €4.6 billion adjustment in 2011, added to this five-year reduction of €16.5 billion, would also mean that in addition, the servicing of debt would be removed. The money the new taxes would bring in would continue to flow to the Exchequer. Our plan has the potential to reduce the deficit earlier, between the increased funds from an overhaul of the tax system and the financial return of the stimulus, but we are allowing for negative impact from a myriad of factors from stimulus leakage to increased borrowing costs. 2016 is our conservative and prudent estimate. Our plan is not overly ambitious; it is based on the economic thinking of an economist that the government agrees with – there are more optimistic ways to calculate the stimulus, even from the IMF. But even this plan would allow for the costs of the bank bailout to begin to be tackled in addition to the budget deficit.

Appendix 3 – Taxation

The total tax-to-GDP ratio in Ireland is 29.3%, among the lowest in the EU (average is 39.3%).

Taxes in a crisis can be deflationary – except when they are on high-income earners. Brian Lenihan's oft-quoted statistic on most tax being paid by high-income earners is misleading. His comment may be true of income tax but not of taxes generally. For every €100 paid in income tax, a further €147 is paid by everyone, including children, on spending taxes. The progressivity of income tax in this state is dulled greatly by tax reliefs, by soft treatment of tax fugitives and by the fact that there are over 130 tax exemptions and reliefs to help individuals and businesses avoid paying tax altogether. High-income earners now pay an effective rate of only 20.3% (ICTU).

Income Tax, PRSI & Income Levy Rates

» Sinn Féin is opposed to a 'flat rate' social contribution as proposed by ESRI

The current system of Income Tax, incorporating PAYE, PRSI, & Levies, needs to be streamlined and simplified. The previous budget indicated that a universal social contribution would be introduced. We support the introduction of a single payment if it replaces the multiplicity of thresholds, bands, exemptions and rates that prevail at the moment. These all add to the administrative burden on the state and particularly employers.

We are, however, opposed to a flat rate social contribution. Flat taxes are regressive and have no place in a fair and equitable tax system – they involve everyone paying the same regardless of ability to pay. The proposal from the ESRI would involve gains for the highest paid, who are currently subjected to higher health and income levies, and would hit low-income workers who are currently exempt from levies.

The whole purpose of the minimum wage is that we have a threshold of decency and the type of universal charge that is being advocated will unravel that. Sinn Féin believes that those earning so little should not be taxed in this manner as their contribution to the state is already captured through the myriad of stealth and indirect taxes that prevail.

Future tax adjustments

Tax Credits & Tax Bands

The current system of Tax Credits and Bands requires change and needs to take more account of social objectives and the current economic situation. The partial individualisation of Tax Bands should be abolished. The rationale for introducing individualisation – getting more stay-at-home parents out to work - no longer holds in the current climate, with almost half a million people unemployed and so many families now reliant on a single earner.

Equally, the current system of Tax Credits takes no account of the number of dependants in the family home. It is now conceivable that a married couple with one income (possibly with several children, with one spouse looking for work, entitled to very little benefits) is paying considerably more Income Tax than a married couple who are both working (possibly with one or no children). The tax code needs to be more equitable, based on an ability to pay and the current system of individualisation of tax bands does not do this.

Sinn Féin proposes the following:

» The Married Couple Tax Band (currently €72,800 where both work) should be available to all couples, irrespective of whether one spouse is working or not. (This would allow the Home Carer Tax Credit to be abolished.)
» A Tax Credit per child (in the home, in school or Under 18 not working, living in the family home) or dependant (who is cared for in the home) of €200 per individual be introduced.

New taxes

Sinn Féin also advocates the introduction of a Europe-wide Tobin Tax (financial transactions tax) to compensate for the level of assistance given to the EU's financial institutions in the recent crisis.

Appendix 4 - Note on the NPRF

The National Pensions Reserve Fund Commission – which controls and manages the Fund – publishes a report on the performance of the NPRF at the end of each quarter on the Commission's website www.nprf.ie. The most recent such report, to 30 June 2010, valued the Fund at €24.1 billion. The value of the discretionary portfolio (investments made under the Fund's investment policy and for which the Commission is responsible) was €17.3 billion as of 30 June 2010. The value of the 'investments' in Bank of Ireland and Allied Irish Banks plc, made by the Fund at the direction of the Minister for Finance, was €6.8 billion at the same date. This latter figure does not include €491 million in cash received by the NPRF in return for the cancellation of the warrants issued by Bank of Ireland in conjunction with the preference stock.

The government is currently using the NPRF as a money pot for its banking policy.

We are calling for a once-off transfer from the fund of €7 billion. A stimulus package would have such a positive effect on the economy as to begin to deal with the debt being incurred by the government for the banking bailout without having to directly pump NPRF funds into the banks.

Appendix 5 – Non-Tax sources of revenue

In this climate, the state should be trying to generate non-tax revenue, as this creates an opportunity to responsibly lessen the overall tax burden. Sinn Féin believes the state should:

» Establish a State oil, gas and mineral exploration company that would actively participate and invest in exploration and which, alongside a proper revenue and royalties structure, would ensure that resultant finds benefit the Irish people by providing additional revenue for the Exchequer.
» Establish a publicly-owned company to develop Irish renewable energy resources for the benefit of the nation.
» Oppose the privatisation of the ESB, Bord Gáis or other public sector companies. Many of these companies are actually contributing annually to the Exchequer.

In addition, Sinn Féin believes the huge giveaway of Ireland's offshore resources must be revisited. The party has called for the state to take a 50% shareholding in these resources. In the interim, we believe taxes on profits from the companies currently sourcing these resources should be levied at 48% and a royalty of 7.5% should be applied. We are unable to include figures for these proposals as the government has been unable to provide them.

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