

### What is the purpose of taxation policy?

To collect sufficient taxes to ensure full participation in society for all, through a fair tax system in which those who have more pay more, while those who have less pay less.

### The present situation



### Taxation policy overview

- Ireland must broaden its tax base and increase overall tax revenue to support its social and economic goals. This includes not only providing for current needs but also planning for and financing the future demands. With Ireland's older population projected to reach 1.9 million and a dependency ratio rising to 70.8% by 2057, there will be fewer than 2 working-age individuals for every dependent. A national debate is needed to discuss the desired levels of services, infrastructure, and social supports and how these will be sustainably financed.
- Decisions to raise or reduce overall taxation revenue should be linked to demands on resources now and into the future, including funding local government, repairing and modernising our water infrastructure, paying for the health and pension needs of an ageing population, addressing the various crises Ireland faces, particularly in housing, and funding necessary environmental initiatives.
- Suggestions that higher levels of taxation will damage Ireland's competitiveness relative to other countries is not supported by international studies of competitiveness. Ireland's overall tax take has remained notably below the EU average in recent years. Compared to Ireland almost all other leading competitive economies collect a notably greater proportion of national income in taxation.

### Fairness in Taxation

- The latest year for which data is available suggests that tax reliefs (or tax expenditures) amounted to €17.2 billion per annum. For 2025, Government has budgeted a tax package of €1.4 billion. This revenue, which could be phased out, restructured, or delivered more appropriately as direct expenditure, is often foregone by Government every year.
- These tax expenditures are most often availed of by the better-off in society. Recent Budgets and Finance Bills have introduced new tax breaks targeted at high-earning multinational executives and research and development schemes, as well as extended tax breaks for film production and the refurbishment of older buildings in urban areas. However, there has been limited accompanying documentation evaluating the cost, distributive impacts, or appropriateness of these proposals.

### Corporations

- As part of the broader discussion on tax fairness, it is important to consider the role of multinational corporations (MNCs) in Ireland's tax system. In 2022, 60% of all corporation tax came from the top 10 corporate taxpayers, with over 40% coming from the top three contributors. This concentration raises concerns of corporation tax about the sustainability and fairness of relying on a small group of firms for such a significant portion of tax revenue.

# Things a new Government can do

## Taxation policy overview

- The next Government should increase the total tax-take so that sufficient revenue is collected to provide redistribution and fund public services at European-average levels.
- *Social Justice Ireland* proposes a new tax take target set on a per-capita basis; an approach which minimises some of the distortionary effects that have emerged in recent years. **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 nominal GNI\***. In 2024, this would equate to €25,822 per capita - €5,183 more than Budget 2024 target excluding windfall gains. This increase is necessary to fund the essential public services and social infrastructure required to sustain the living standards of Irish citizens.
- It is also important to adopt policies which further shift the burden of taxation from income tax to eco-taxes on the consumption of fuel and fertilisers, waste taxes and a land rent tax. In doing this, government should minimise any negative impact on people with low incomes.

## Income Tax

- Income Tax Credits should be made refundable as part of the process of addressing the working poor and making the income tax system fairer.
- Increase PRSI by 2.5% by 2030 to address anticipated future shortfalls in the social insurance fund, particularly in light of Ireland's ageing population. This can be done by increasing all PRSI rates by 0.5% a year for the next five years.
- Accept that where reductions in income taxes are being implemented, they should favour fair options which do not skew the benefits towards higher earners.

## Land Taxes

- Government should restore the 80% windfall tax on the profits generated from land re-zoning and introduce Site Value Tax in place of the current Local Property Tax. This is in line with the Commission on Taxation and Welfare's suggestion to adopt 'Land

Value Tax' on all property not subject to the current Local Property Tax. We welcome this recommendation and encourage its implementation, it would replace an outdated commercial rates system, bring greater fairness and efficiency to land use at a time where Ireland is experiencing an accommodation crisis and represent an overdue step towards a full Site Value Tax.

## Environmental Taxes

- Taxation has a role to play in helping Ireland meet our environmental targets. It should be the goal of policy to incentivise good environmental behaviour and disincentivise the kinds of actions that work against us meeting our environmental targets.
- Ireland's Carbon Tax is currently €56 per tonne of CO<sub>2</sub> emitted. The next Government must commit to continued increases until it reaches €100 per tonne by 2030. Taxation policy should also seek to curb the use of private cars, airline flights and single-use plastics.

## A Minimum Effective Rate of Corporation Tax

- The issue of corporate tax contributions is principally one of fairness. We welcome the OECD BEPS Pillar 2 proposals being adopted for large firms and suggest that next government should adopt policies to ensure that the 15% minimum effective corporate tax rate for large firms is successfully implemented and minimise the opportunities for firms to use tax expenditures to reduce this.
- The next government should extend this measure to all corporate taxpayers over the next few years.

## A Fairer Tax System

- The Government should make all discretionary tax reliefs/expenditures only available at the standard 20% rate.
- Government must ensure that individualisation in the income tax system is done in a fair and equitable manner.
- The next Government should poverty-proof all budget tax packages to ensure that tax changes do not further widen the gap between those with low incomes and the better off.