

Election 2016 Briefing

TAXATION



Policy Objective : To collect sufficient money to ensure the full participation in society for all, through a fair tax system in which people and organisations pay according to ability.

The present situation

Ireland, with a tax take of 31.1% of GDP (in 2014), is defined as a low-tax economy by Eurostat. This is part of the reason why our services and infrastructure do not measure up to European standards. If we wish to have access to European-average levels of services and social infrastructure here in Ireland, it stands to reason that our government must therefore collect European-average levels of taxation.

Any decision to raise or reduce Ireland's overall taxation revenue should be linked to demands on government resources. Over the course of the next Government, Ireland needs to develop a just taxation system that can:

Fund investment in infrastructure

- Investment in infrastructure is never cut; only postponed. Even before capital investment was slashed in the last number of years, Ireland lagged well behind most of Western Europe. Significant investment is now required to bridge this gap, particularly in areas such as social housing, transport, water and broadband connectivity.

Respond to changing demographics

- Ireland is an ageing society. This presents such challenges as funding future pensions, and providing health and other types of care for our elderly.

Invest adequately in our youth

- In recognition of the fact that we have one of the youngest populations in Europe, increased investment in childcare and education is required in the coming years.

Fund local government and public services

- Our public services need reliable income flows in order to carry out their day-to-day operations and conduct long-term planning.

Meet our environmental obligations

- Per capita, Ireland has one of the largest carbon footprints in the world. If managed correctly, improving the sustainability of our economy and society as a whole can be a trigger for, rather than a drain on, economic growth. However, significant investment is required.

Fund the national debt

- Our obligations as a debtor nation are well-documented. Over the coming years, we must raise enough revenue to repay our creditors, whilst funding current spending and capital investment.

What policies are required in the Programme for Government?

Taxation plays a key role in shaping Irish society through funding important public services, supporting economic activity and redistributing resources to enhance fairness.

Higher taxation does not have to mean increased income tax. There are other, fairer, ways to broaden the tax base and increase the tax take.

In this regard, policy-makers should take a long-term view, instead of focusing on short-term popularity or electoral gain. A key focus should be on taxing people and organisations based on the value of what is subtracted from national resources and the common good, rather than taxing what is earned by useful work and enterprise, or on value added to society.

Roughly half of Ireland's tax revenue comes from income tax and VAT. The need for a wide tax base is a lesson painfully learned during the past number of years. At the outset of the recession, the narrowness of Ireland's tax base resulted in almost 25% of tax revenues disappearing almost overnight.

Over the next few years, policy should focus on **increasing Ireland's overall tax-take from all sources to 34.9% of GDP**, a figure defined by Eurostat as 'low-tax'. Ireland is a low-tax economy and can remain so, but **not at the expense of being able to provide adequate services and infrastructure**.

10 things Government can do

1. **Broaden the tax base, and increase the overall tax take**, moving towards a total tax take of 34.9% of GDP. The next government should move to shift the burden away from income taxes and consumption taxes.
2. **Introduce refundable tax credits** which would mean all subsequent increases in the level of tax credits would be of equal value to all workers.
3. **Remove the minimum wage from the tax net**.
4. **Replace the Local Property Tax with a Site Value Tax** which would be fairer, and would encourage more efficient use of land.
5. **Poverty-proof all Budgets** to ensure that tax changes do not further widen the gap between those on low incomes and the better off.
6. Adopt policies which allow **taxation on wealth** to be increased.
7. **Implement a minimum effective Corporation Tax rate of 6%**. As well as limiting the ability of large corporations to avoid tax, it would be a fairer recognition from the corporate sector that it benefits from state investment in education, transport and other infrastructure.
8. **Standard rate discretionary tax reliefs and expenditures**. Such reliefs are an unjust feature of the current system, as studies have shown that the bulk of the benefits accrue to higher earners.
9. **Enhance international cooperation**, including supporting the introduction of a Financial Transactions Tax (FTT). This would be a progressive tax, designed only to target those profiting from speculation.
10. **Simplify the taxation system**.