

## Taxation

**Table 8.1: The Changing Nature of Ireland's Tax Revenue (€m)**

	2007	2010	2015	2020	2022
Direct Taxes	26,087	19,569	27,863	37,293	56,710
Indirect Taxes	25,854	18,076	22,486	23,726	31,669
Capital Taxes	432	245	401	505	615
Social Contributions	10,723	9,511	12,221	15,429	20,100
<b>Total Taxation</b>	<b>63,096</b>	<b>47,401</b>	<b>62,971</b>	<b>76,953</b>	<b>109,094</b>
% GDP	32.0%	28.3%	23.9%	20.5%	21.5%
% GNP	37.4%	34.0%	31.2%	27.2%	30.1%
% GNI	37.0%	33.7%	31.0%	27.1%	30.0%
% GNI*	38.1%	36.7%	38.8%	37.9%	39.9%
% GNDI	37.6%	34.3%	31.5%	27.5%	30.4%

**Source:** CSO online database (GFA03, NA001 and NA009).

**Note:** Total taxation expressed as a percentage of published CSO national income figures at current prices. GNDI is Gross National Disposable Income and represents the total income available to the nation for either consumption or saving.

**Table 8.2: Ireland's Tax Gap, 2021-2024**

	2021	2022	2023	2024
<b>Tax-take € per capita</b>				
Budget 2024 projection <sup>#</sup>	17,449	19,147	19,827	20,639
<i>Social Justice Ireland</i> target	20,461	22,958	24,612	25,822
Difference	€3,013	€3,811	€4,784	€5,183
<b>Overall Tax-take €m</b>				
Budget 2024 projection <sup>#</sup>	88,547	99,259	104,721	110,758
<i>Social Justice Ireland</i> target	103,836	119,013	129,988	137,472
<b>Tax Gap</b>	<b>15,288</b>	<b>19,754</b>	<b>25,267</b>	<b>26,714</b>

**Source:** Social Justice Ireland (2024): Social Justice Matter: 2024 guide to a fairer Irish society: Dublin

**Note:** Calculated from Department of Finance (2023a: 51), CSO population data and ESRI population projections (Morgenroth, 2018:48). The Tax Gap is calculated as the difference between the Department of Finance projected tax take and that which would be collected if total tax receipts were equal to the Social Justice Ireland target. <sup>#</sup> The tax take has been adjusted to remove the windfall corporation taxation revenues as identified by the Irish Fiscal Council (2023: 44); targets are calculated post its removal.

## Taxation

### *Adequacy of Ireland's Total Tax-Take*

The need for a wider tax base is a lesson painfully learnt by Ireland during the 2008-2011 economic crisis. A disastrous combination of a naïve housing policy, a failed regulatory system, and foolish fiscal policy and economic planning caused a collapse in exchequer revenues. It is only through a strategic and determined effort to reform Ireland's taxation system that these mistakes can be avoided in the future.

The narrowness of the Irish tax base resulted in almost 25 per cent of tax revenues disappearing, plunging the exchequer and the country into a series of fiscal policy crises. As shown in Table 8.1, tax revenues collapsed from over €63bn in 2007 to a low of €47.4bn in 2010; it has since increased exceeding 2007 levels in 2016 and reaching almost €77bn in 2020 and €109bn two years later. This recovery, while both significant and remarkable, has also been fuelled by short-term windfall revenue from a small number of multi-national companies. The Fiscal Advisory Council estimate that between €11bn-€12bn of annual corporation tax revenue in the period 2022-2026 can be considered 'excess'.<sup>1</sup>

#### *How much should Ireland collect in taxation?*

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.

We have proposed 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. 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 nominal GNI\*.***

Table 8.2 compares our target to the Budget 2024 expectations of the Department of Finance. 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.

As part of our calculations, we have adjusted the expected Department of Finance tax take to remove an estimate of the short-term excess corporate tax revenue the state is currently receiving; revenues which are likely to go elsewhere as the broader OECD and EU reforms of corporate taxation regimes advances. We use the figures calculated and projected by the Irish Fiscal Advisory Council.

#### **Policy Priorities**

- Move towards increasing the total tax-take so that sufficient revenue is collected to provide redistribution and public services at average-European levels.
- Adopt policies to simplify the taxation system.
- Poverty proof budget tax changes to ensure they do not widen rich poor gap.
- Reform tax expenditures and monitor the cost and benefits of all current and new tax expenditures.

<sup>1</sup><https://www.fiscalcouncil.ie/fiscal-assessment-report-june-2023-2/>