



COMMUNITY PLATFORM
CHALLENGING POVERTY & INEQUALITY

Progressive Tax Reform Campaign



Campaign for a viable alternative to cuts

Campaign Summary

The Government is planning €3 billion adjustments (mostly spending cuts) in Budget 2011. Cutting vital public services, taxing low paid workers, cutting social welfare and capital investment are being presented as the only options to reduce the budget deficit. The Community Platform rejects this notion and presents real alternatives in the form of tax reform that will both address the budget deficit and stimulate economic recovery.

Not only is the current tax system failing to generate sufficient revenue to provide and sustain high quality services and infrastructure, it is also grossly unfair as low and average income earners are subsidising high earners through the system of tax breaks that disproportionately benefit the most well off.

The Minister for Finance has very real choices in Budget 2011. He can choose to protect the most well off or take action to begin to develop a just, equitable and sustainable tax system.

The Community Platform is calling on the Minister for Finance to:

1. Reduce tax breaks for the wealthy to EU levels
2. Introduce a Wealth Tax for high earners with assets worth more than €1million
3. End Tax Exile loopholes by making citizenship the basis for taxation for high earners
4. Apply PRSI and income levies to all income, regardless of source

The truth about tax

The low taxation regime is not working

There is a deeply ingrained belief in Ireland that a low taxation regime is needed to encourage entrepreneurship, investment, employment and wealth creation. However, countries with higher taxation regimes outperform Ireland in terms of economic competitiveness, the quality of public services, enterprise supports and have lower levels of poverty and inequality.

Another common myth is that high earners pay disproportionately high levels of tax. In fact, high income earners pay less in tax than is popularly believed, largely as a result of generous tax breaks to reduce their tax bills.

Ireland spends over 3 times the EU norm on various tax expenditures

Ireland spends over 3 times the EU norm on various tax expenditures (commonly known as tax breaks/reliefs). In 2009 the State lost €7.4 billion on tax expenditures. The Commission on Taxation identified over 100 tax expenditures costing over €8 billion.

If we want the quality of our public services and economic investment to be at European levels we need to move to European levels of taxation over the medium-term. Here the Community Platform shows how we can start to make that transition without harming economic growth.

Moral and economic reasons for protecting the disposable income of the low paid

Contrary to general commentary, low paid workers are not untaxed – in fact due to the nature of the tax system, they can pay proportionately more tax than high earners. While many may be outside the income tax net they are liable for the income levy and pay more than double the proportion of their income on VAT than higher earners.

Protecting those who are more likely to consume must be a priority during an economic crisis.

Low paid workers spend almost all of their income – because they have to - thus stimulating the economy. High income earners on the other hand don't have to spend all their money, instead choosing to save much of it. Protecting those who are more likely to consume must be a priority during an economic crisis.

Any cut to the incomes of low earners would lead to an immediate reduction in spending which in turn reduces tax revenue and economic growth. Cutting high incomes, however, has little impact on economic activity.

Action needed

Budget 2011 gives the Minister for Finance the power to introduce the changes the Community Platform proposes. It is crucial that to inform the Minister, the Government and all other political representatives just how important these proposals are. See the Community Platform website www.communityplatform.ie for full details of how you can lobby for change.

1. Reduce tax breaks to EU levels

Tax breaks (officially known as tax expenditures) allow an individual to legally reduce their tax liability. They cost the economy billions in lost tax revenue a year. In many cases we don't know the full cost of these tax breaks, how many people benefit from them or what impact they have on the economy. These are just a few of the tax breaks and tax avoidance schemes that high income groups can use to reduce their tax liabilities.

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| Remaining property tax reliefs | €430m |
| Mortgage Interest Relief for landlords | €285m |
| Tax relief for pension contributions above €40,000 per year | €500m |

The overwhelming majority of tax breaks benefit high income groups. An ESRI study, for example, showed that 80% of the benefit of pension contributions goes to the top 20% of earners, while the Commission on Taxation found that these same earners benefitted by nearly €300 million a year in mortgage interest relief. A three to four year programme of phasing the number and cost of tax breaks down to EU levels would save an estimated €1.5 billion a year.

The Community Platform is calling for a phased-in reduction in tax breaks for the wealthy to EU levels

2. Introduce a Wealth Tax for high earners with assets greater than €1 million

A tax on property should include all assets (equities, bonds, commercial lettings, foreign assets, etc.) and should not be limited to family homes. For lower and middle income earners, the family home generally represents the greatest proportion of property owned. However, 33% of financial property and assets are owned by the top 1% of households. Many other countries have taxes on high wealth or assets (France, Switzerland, and Norway, with Spain introducing the tax shortly). Initially, only those earning over €100,000 should be eligible. Liabilities (e.g. mortgages) and productive assets such as farms and businesses should not be liable to the tax. On the basis of other European countries' experiences, this could raise between €500 million and €1 billion in tax revenue when fully operational.

The Community Platform is calling for the introduction of a Wealth Tax for high earners with assets worth more than €1 million.

3. All citizens to be taxed in Ireland

High earning Irish citizens can limit their tax liabilities to €200,000 per annum by limiting the number of days they reside in Ireland and using tax havens to avoid taxes on their income. According to the Revenue Commissioners the number of people claiming non-resident tax in the state was approx 6,000 in 2007. This list includes some of Ireland's wealthiest people.

This massive tax avoidance can be removed by making *citizenship*, rather than *residence*, the basis for taxation, regardless of where the income is earned. Citizens paying tax in legitimate tax jurisdictions (UK, other European countries) would not be affected. Only high income earners (above €250,000) using tax havens would be targeted.

*The Community Platform is calling for an end to tax exile loopholes by making **citizenship** the basis for taxation for high earners*

4. Apply PRSI and Income Levies to all income, regardless of source

A substantial amount of income is exempt from PRSI and income levies (i.e. PRSI contributions, Health Contribution Levy, and Income Levy). This costs the government hundreds of millions of euro annually:

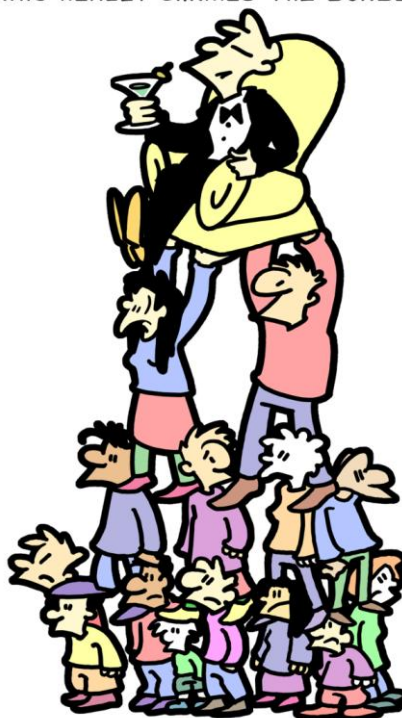
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| Exemption of capital gains and inheritances / gifts | €290m |
| Exemption of rental and dividend income | €89m |
| Ceiling on PRSI contributions | €120m |
| PRSI exemption on share options | €29m |

Income from capital, investments and rents should be treated the same as PAYE income – and should be subjected to all the PRSI and income levies. This would raise substantial income for the government and create a more progressive tax and social insurance system.

The Community Platform is calling for the removal of the income ceiling on PRSI payments and to make all income eligible for PRSI and other levies

IRELAND'S TAX SYSTEM

WHO REALLY CARRIES THE BURDEN?



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Membership of the Community Platform

- ATD 4th World
- Age Action Ireland
- Community Action Network
- Community Workers' Co-operative
- Cairde
- European Anti-Poverty Network Ireland
- Focus Ireland
- Gay and Lesbian Equality Network
- Immigrant Council of Ireland
- Irish Association of Older People
- Irish National Organisation of the Unemployed
- Irish Penal Reform Trust
- Irish Refugee Council
- Irish Rural Link
- Irish Traveller Movement
- Migrant Rights Centre Ireland
- National Adult Literacy Agency
- National Traveller Women's Forum
- National Women's Council of Ireland
- Older Women's Network
- OPEN
- Pavee Point
- Rape Crisis Network Ireland
- Safe Ireland
- Simon Communities of Ireland
- Threshold
- Voluntary Drug Treatment Network
- Vincentian Partnership for Justice
- Women's Aid