



Introduction

The Irish National Organisation of the Unemployed (INOUE) welcomes this opportunity to make a submission to the Commission on Taxation.

The INOUE welcomed the shared overall goal in 'Towards 2016' which seeks, amongst other things, to:

- Nurture the complementary relationship between social policy and economic prosperity;
- Re-invent and reposition Ireland's social policies; and
- Deepen capabilities, achieve higher social and economic participation rates and more successfully handling diversity, including immigration.

To this end, the INOUE believes that reform in taxation should not only play a key role in driving the economy forward and encouraging people to take up employment but also in policies to promote social inclusion and address poverty.

This will require a broader tax base to fund improved quality and quantity of public services, including childcare/eldercare, health, education etc. Therefore, we wish to see a maximised tax take from existing taxes in the general context of broadening of the current tax base. However, to encourage employment-generating economic activity increasing taxation should avoid direct taxes on employment.

Submission

This submission is structured under the Commission's Terms of Reference though most of the points could be applied across them all and with regard to the overall system in the pursuit social and economic inclusion. To that end the INOUE believes that the concept and practice of poverty proofing should be a guiding principle for the work of the Commission on Taxation.

1: "Consider how best the tax system can support economic activity and promote increased employment and prosperity while providing the resources necessary to meet the cost of public services and other Government outlays in the medium and longer term"

- The focus on keeping the tax base low should not be at the expense of public services and their appropriate provision. It is incumbent on the State to seek new and innovative ways of designing and delivering services that meet the needs of a more dynamic economy and supports the inclusion and participation of everyone living and working in Ireland. Ireland has set itself a goal “a vibrant, knowledge-based economy and stimulating enterprise and productivity” (T16). To achieve this goal and in particular to do so in a truly inclusive manner requires a considerable increase in education and training provision if current and future labour forces are to be able to fill the employment opportunities flowing from such a goal. It would be foolish of Ireland to think it can pursue a knowledge-based economy drive without such investment: the revenue must be found now if future revenue streams from income tax and related economic activities are to be secured.

- The INOU believes that a review of refundable tax credits should be undertaken to support families in low paid employment. For example, Family Income Supplement (FIS) could be converted to a refundable tax credit. This would effectively provide a minimum income guarantee to working families. The FIS scheme has suffered historically from low take-up rates, by transferring the scheme from the social welfare system into the tax system, the supplement would be delivered automatically, without the need to make a specific application through the social welfare system. Initially this could be done on a revenue neutral basis by maintaining the current income guidelines.

2: “Consider how best the tax system can encourage long term savings to meet the needs of retirement”

- In the interests of social and economic equity, the INOU has great concerns with this approach to retirement and pension provision. The National Women’s Council of Ireland recently published an interesting piece of research that highlights the gender inequities of such an approach. Effectively the gender pay gap is carried over into private pension provision so that any approach that focuses on private savings as a means of addressing future pension concerns will perpetuate this inequality. This gender dynamic is further compounded as women’s labour market participation is more likely than men’s to be fragmented given child rearing and other caring responsibilities which women undertake more often than men.

- From an anti-poverty perspective this approach is also problematic and runs the very considerable risk of poverty experienced during a person’s younger years will be carried over into their older years.

- The INOU believes that the NWCI’s recommendation of a universal pension is highly commendable and that a taxation stream to fund such an approach should be found in the interests of social and economic equity.

- At present the tax relief on pensions is not standard rated and so the relief benefits the better off: 80% of this relief goes to 20% of the recipients. The INOU believes this should be addressed and the savings forthcoming used in the provision of an improved universal State payment.

3: "Examine the balance achieved between taxes collected on income, capital and spending"

- There is a not inconsiderable challenge here in terms of the relationship between these three areas and their implications for social and economic equity. Low taxes on work related income is important to support people to move from welfare to work. However, VAT and tax collected on spending can also have a considerable impact on poverty and socio-economic exclusion. In particular at a time when inflation is rising. And though the better off may spend more overall disproportionately such taxes hit the less well and people otherwise outside the tax system: both as a proportion of their income and their capacity to, for example, shop around.

- The tax system should facilitate substantial income redistribution – it is crucial therefore that tax reform is not at the expense of the low paid in favour of those on higher incomes or with greater wealth. It has been argued that setting capital taxes at a higher rate is counterproductive as all it encourages is non-declaration. However, in the interests of social and economic equity this situation should be re-visited and if maintained then channelled into activities that are productive.

4: "Review all tax expenditures with a view to assessing the economic and social benefits they deliver and to recommend the discontinuation of those that are unjustifiable on cost/benefit grounds"

- The INOU welcomes this angle to the Commission's work and believes that all tax breaks must be annually assessed as to their ongoing economic and social benefit to the overall common good. If they are seen to contribute to economic development and job creation in a cost-effective manner, then they should continue for a further year. Comparisons with grants from business development agencies should be made to evaluate their usefulness.

- Discretionary tax reliefs should be subjected to a systematic evaluation, and that if they are to be retained, they are restructured to ensure that every taxpayer availing of them benefits to an equal degree. The lack of standard rating on existing reliefs means they disproportionately benefit the better off.



- It is also important that the income forgone through inequitable tax reliefs is recouped through their abolition and the savings achieved used to provide improved public services. Such an approach is more equitable as the less well off do not have the option of purchasing services in the private market that the better off invariably enjoy.

5: "Consider options for the future financing of local governments"

- This is a challenging area to address as many tax payers perceived themselves as being taxed twice: once by Central government and then by Local government. At present local government is sourcing local revenue through increased charges for services provided and the privatisation of service delivery e.g. waste management. Is this tax revenue by another route?
- At a time of slowing down in the economy some commentators question the over reliance on the business sector to generate income for local government. And in particular its implications for encouraging new enterprises to emerge and generate economic activity and employment. However, it is important that any widening of the Local government's tax base is targeted at those who can afford to pay. There is little point in keeping tax on work low and then recouping the income forgone through an increasing number of charges that raises the cost of living inexorably.

6: "Investigate fiscal measures to protect and enhance the environment including the introduction of a carbon tax"

- The introduction of a carbon tax is inevitable at a time of increasing awareness of the impact of economic and related activities on the climate and the potential negative impact of climate change on future social and economic developments. However, it is important that any developments in this area are poverty proofed and that alternative and constructive strategies are devised to support disadvantaged communities and others to reduce their carbon footprint.

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Submission