Congress
Pre-Budget Submission

Budget 2019

Investing in our Shared Future

STRONGER TOGETHER
CONGRESS
Irish Congress of Trade Unions

How to Raise New Revenue of €1.325bn

Measure	Revenue
Abolish reduced VAT rate for hospitality sector	€520m
Introduce Net Wealth Tax	€275m
Reforms to Capital Acquisitions Tax and Tax Expenditures	€100m
Raise employers' PRSI to 13.75% on excess of incomes above €100,000	€150m
Raise Excise Tax on Diesel	€165m
Raise Excise Tax on Tobacco	€50m
Raise Online Betting Tax	€50m
Introduce the 7% Vacant Site Levy from 01.01.2019, not 01.01.2020	€15m

New Expenditure €3.125bn

Increase social investment in early years' care and in pre-primary and primary education.

€500m

Increase capital investment in broadband, clean energy, water, school buildings, ports, public transport and motorways.

€200m

Increase social welfare payments, including reform of eligibility thresholds for the Working Family Payment (formerly Family Income Supplement)

€440m

Increase investment in community health, education and training, and in R&D and innovation.

€250m

Funding for provision of social and affordable housing (capital spending - first year funding)

€500m

Increase Overseas Development Aid

€120m

Offset the loss of the transition pension

€25m

Introduce a Just Transition Fund to support workers to a low carbon-neutral economy.

€15m

Implementation of health reforms and to commence implementation of Sláintecare.

€600m

Introduce a Brexit Adjustment Assistance Fund (one-off payment)

€250m

NOTES:

As the €700 million allocation for productive infrastructure and social and affordable housing count as capital spending, they do not count their full amount against the 2019 fiscal space. The cost in 2019 fiscal space is €0.2 billion.

The Brexit Adjustment Assistance Fund is a once-off measure and, as such, would not affect the structural deficit in future years.

As an additional revenue-raising measure, Congress is also proposing that PRSI contributions for Class S contributors should be increased in Budget 2019.

KEY PRIORITIES:
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> *We need more investment than the amount envisaged under the Ireland 2040 Strategy.*

Foreword

The years of austerity did immense damage to Ireland's people and Ireland's economy and infrastructure. Now is the time to reinvest. Congress agrees with the European Commission view outlined in its 2018 country report for Ireland that addressing emerging infrastructural bottlenecks is 'essential' for sustainable and balanced growth in the future.[1]

Repairing public services, overcoming infrastructural shortcomings, addressing the consequences of a growing and ageing population, responding to the impact of new technologies, and responding to the challenges of Brexit and other emerging risks require a substantial increase in productive investment over the coming years. We need more investment than the amount envisaged under the Ireland 2040 Strategy. We will need to invest more in a wide range of areas including in social and affordable housing, in healthcare, in childcare and education, in training and upskilling, in water infrastructure and rural broadband, in clean and renewable energy, in public transport and the motorway network, and in R&D and innovation.

Given the many challenges facing Ireland, it is Congress's clear view that tax cuts are simply not affordable and run counter to the ideal of universal public services. The Government tax cutting agenda is reckless and it should not proceed. Tax cuts would prevent Ireland from achieving the sound and sustainable public finances that are necessary to meet the needs of 21st century Ireland. Tax cuts would also risk over-heating the economy. As recommended by the European Commission, Budget 2019 should '*limit the scope and the number of tax expenditures, and broaden the tax base*,' in particular by abolishing the 9% VAT rate for the hospitality sector, which is no longer justified by any measure.

Congress's pre-budget submission sets out our priorities to ensure that workers and their families receive a fairer share of the economic expansion now taking place and forecast to continue over the short-term, and to ensure that the people who suffered more than most during the crisis years are supported to live a flourishing life of dignity. In particular, we believe that Budget 2019 should prioritise investment in housing, childcare, education, and health and avoid populist tax cuts.

Patricia King,
General Secretary, Congress

1. European Commission: *Country Report - Ireland*, 7.3.2018.

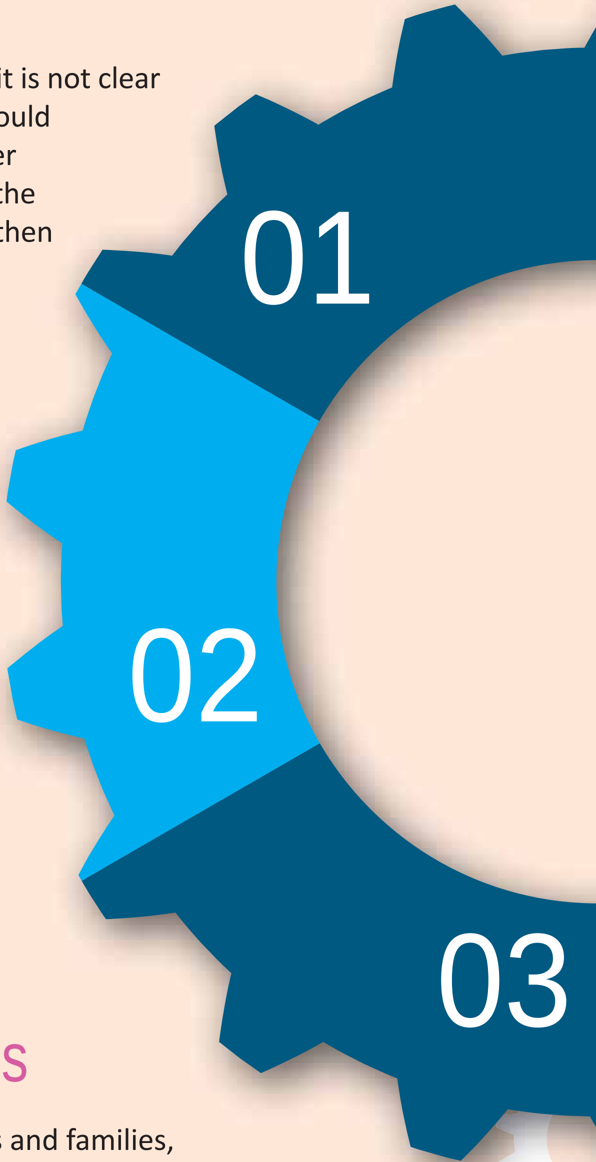
Key Priorities

The Fiscal Context

The Government's proposed increase in public spending in 2019 is inadequate given the current underspend compared to other high-income western European countries, the ongoing crises in health, housing and early years care and education, as well as the growing and ageing population.

The existing plans to cut taxes should not proceed and all of the net fiscal space for 2019 should go towards public spending.

While the concept of a 'Rainy Day Fund' is one that has merit, it is not clear why Ireland should be investing in foreign equity stakes – as would presumably happen – when the same resources could be better deployed boosting the productive capacity of the economy; if the Government is concerned about overheating in the economy, then the appropriate response is to increase taxes, not cut them.



Raise additional revenue

Congress is proposing a number of measures to raise additional revenue of €1.3 billion (Table 3). For example, the abolition of the 'temporary' 9% VAT rate for the hospitality sector – bringing the applicable rate back to 13.5% - could raise €520 million while the reform of capital taxation and the system of tax expenditures (including the introduction of a wealth tax) could raise €375 million.

Support Workers and Families

The Government should prioritise greater support for workers and families, including by boosting the social wage in the form of better collective childcare, education, health, housing and transport services; by aligning the National Minimum Wage with the Living Wage as quickly as possible; and by increasing welfare payments by at least a higher percentage than prices are projected to rise next year, thereby helping to protect people who receive social transfers, including pensions, from poverty and to live in dignity and as equal members of society.

04

Meet the challenges of Brexit now

Brexit poses a major risk for Ireland, particularly to specific regions and sectors. The jobs of between 20,000-40,000 workers could go by 2030 under a 'hard' Brexit outcome while real wages could be up to 3.5% lower for some workers (both compared to a 'no-Brexit' scenario).

Congress is calling for the establishment of a Brexit Adjustment Assistance Fund (BAAF) to support the workers whose jobs are most at risk. This should happen now, not after the UK leaves or half-leaves. The BAAF could be modelled on the European Globalisation Adjustment Fund and the US Trade Adjustment Assistance Programme and initiatives in other European countries that effectively anticipate and manage restructuring and labour market change, including by involving trade unions'.

05

Invest

Overcoming infrastructural deficits, addressing the consequences of demographic change, responding to the impact of new technology, preparing for the risks of Brexit as well as other emerging risks require us to invest much more than is planned under the Ireland 2040 Strategy. This includes greater investment in social and affordable housing, childcare, health, education, training and upskilling, water, broadband, clean and renewable energy, ports, public transport, motorways, R&D and innovation etc.

06

Meet our global commitments

Budget 2019 should mark a substantial increase in Ireland's official Overseas Development Aid allocation, putting us on a path to meeting our commitment to allocate (at least) 0.7% of national income by 2025 (compared to 0.3% in 2018).

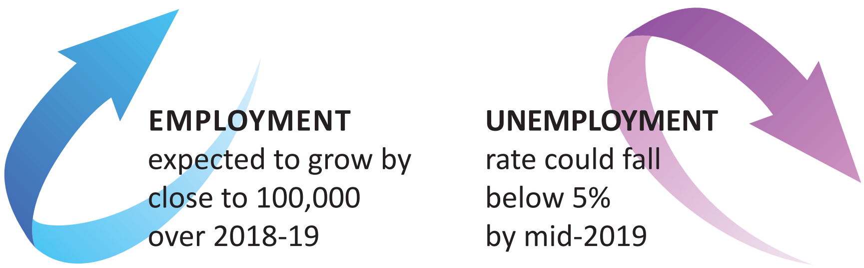
Budget 2019 should also prioritise investment in measures that enable Ireland to meet our commitments to reduce greenhouse gas emissions, to increase renewable energy and to improve energy efficiency.

Since the transition to a low-carbon economy does have consequences for workers, particularly in energy and transport, Congress calls for the establishment of a just transition instrument to enable workers acquire the skills to thrive in a changing industrial context.

Fiscal Context and Congress Position

The short-term outlook for the Irish economy remains very positive. The Nevin Economic Research Institute (NERI) projects that the Irish economy will grow by 5.1% in 2018 and then by 4% in 2019.[2] The NERI suggests that this growth will come on the back of a continuing cyclical upswing in the economy, which should persist into 2019, characterised by increased domestic demand including higher levels of private consumption and strong growth in investment. However, the projection does assume a relatively benign outcome to the Brexit negotiations. Official projections from the Department of Finance are even more positive about the likely growth of the economy in 2018.

The NERI is also forecasting strong employment growth in the remainder of 2018 and in 2019.



As the labour market tightens, we can expect to see increasingly strong growth in average hourly earnings. The NERI is projecting that average hourly earnings will grow by close to 3% in each of 2018 and 2019.

The public finances are improving, but are still marginally in deficit a decade after the start of the financial crisis. The strengthening economy and increasing employment levels will reduce demand for public spending on income supports while generating additional revenue flows for government. The deficit in the public finances is likely to be close to 0.2% of GDP in 2018. The Department of Finance is projecting a general government deficit of €780 million in 2018.[3] The debt-to-GDP ratio continues to fall and the NERI is estimating that it will be below 67% by the end of this year. The Department is currently projecting a government surplus by 2020.

Ireland's level of public spending if measured as a percentage of GDP was the lowest of all 28 EU countries in 2015 at 28.7%. This compares to the Euro area average of 48.5%. If we use the

[2] Nevin Economic Research Institute: *Quarterly Economic Observer*, May 2018.

[3] Department of Finance: *Stability Programme Update*, April 2018.

alternative GNI* indicator developed by the Central Statistics Office we find that Ireland shifts from last position to 17th out of 28 countries with a spending to GNI* ratio of 43.6%.[4]

Congress has repeatedly pointed out that such a low level of spending has significant negative implications for the future provision and quality of public services and infrastructure, and has similarly negative implications for the future sufficiency of welfare payments given the increasing demands of an ageing population.

The 2017 Summer Economic Statement set out an indicative net fiscal space amounting to €3.2 billion in 2019.[5] The Minister for Finance estimates that a balance of close to €1.8 billion of net fiscal space is remaining for Budget 2019.[6] In addition, the 2017 Summer Economic Statement allocates €590 million to tax cuts and €500 million to a rainy day fund.[7] If we treat the rainy day fund as a pre-commitment, then the net fiscal space falls to €1.3 billion (**Table 1**).

Additional public spending is required each year in order to account for 'stand-still' costs related to changing prices and changing demographics such as ageing and population growth. The Irish Fiscal Advisory Council[8] estimate that such costs amount to €1.28 billion in 2019. They note that pre-committed increases in Budget 2018 amounting to €840 million were allocated to 'stand-still' costs, meaning an extra €440 million of net fiscal space is needed just to 'stand-still' in terms of services and income supports. There is an allocation of €950 million for public spending in 2019 meaning that current spending is set to increase by just €510 million over and above the standstill costs.

Table 1: Estimated Net Fiscal Space in 2019 as of mid-June, €bn

	Cost	Net Fiscal Space
Gross Fiscal Space		3.6
Non-indexation	(0.5)	4.1
2017 Summer Economic Statement (SES) Pre-commitments: Demographics, Public capital, Irish Water and Other	0.9	3.2
Post 2017 SES commitments: Public Service Stability Agreement, Budget 2018 Carryover, Budget 2018 Capital Allocations	1.3	1.9
NDP	0.1	1.8
Rainy Day Fund	**0.5**	**1.3**

Source Department of Finance (May, 2018) Response to the Select Committee on Budgetary Oversight in Relation to Voted Expenditure Pre-Commitments for 2019.

Notes: Rounding affects totals. Demographics (0.4), public capital plan (0.2), Irish Water (0.1) and 'Other' refer to expenditure pre-commitments made in the 2017 Summer Economic Statement. Public Service Stability Agreement (0.4), Carryover (0.3) and Multiannual Capital Allocations (0.6) refer to Budget 2018 commitments.

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[4] While the problems associated with using GDP in the Irish context are well understood there are also problems with using GNI*. One reason is that the excess of GDP over GNI* yields some tax revenue for the state and this revenue can then be used to support public spending.

[5] Department of Finance, *Summer Economic Statement*, June 2017.

[6] The Public Service Stability agreement (€400 million) and carryover commitments from Budget 2018 (€300 million) use up close to €700 million of fiscal space. There have also been additional capital commitments costing close to €600 million of fiscal space. In total these commitments have used up €1.4 billion of fiscal space leaving €1.8 billion remaining.

[7] Prior to the Summer Economic Statement there was €600 million being set aside to provide for a 'Margin of Compliance' with the Expenditure Benchmark. Combining this with the Rainy Day Fund allocation means there is €1.1 billion of fiscal space not yet allocated to public spending increases or tax cuts.

[8] Irish Fiscal Advisory Council: *Stand-still Scenario*, May 2018.

Congress's position is that the Government's proposed level of increase in public spending is inadequate when set within the context of the ongoing crises in health, housing and early years care and education. One must also consider the chronically low level of per-pupil funding for education and other areas of pressing need arising from austerity era cutbacks. Ireland has a very low level of per capita public spending compared to that of the other high-income or 'peer' EU countries (see **Table 2**[9]).

Congress, therefore, proposes that all the remaining net fiscal space for 2019 should go towards increased public spending.

The concept of a 'Rainy Day Fund' is one that has merit. However, it is unclear why Ireland should be investing in foreign equity stakes, as would presumably happen with the fund, when we can employ the same resources to boost the productive capacity of the Irish economy. If the Government is concerned about overheating in the economy, then the appropriate response to make is to increase taxes. As stated in the foreword, the existing plans to cut taxes should not proceed.

> *Congress, therefore, proposes that all the remaining net fiscal space for 2019 should go towards increased public spending.*

Table 2: Per capita public spending excluding interest payments in 2016, High-income EU countries, €bn

Rank	Country	Per capita (€)
1	Luxembourg	37,868
2	Denmark	25,257
3	Sweden	23,118
4	Finland	21,457
5	Austria	19,590
6	Belgium	18,898
7	France	18,227
8	Netherlands	17,410
9	Germany	16,298
10	**Ireland**	14,502
11	United Kingdom	14,306
	Population Weighted Average	**17,112**
	Ireland as % of Weighted Average	**84.7**

Source McDonnell, T. and Goldrick-Kelly, P. (2017) *Public Spending: How Ireland compares and Productivity Implications*, NERI in Brief No 53

[9] Ireland had the second lowest per person spend in 2016. Ireland's per person spending was over 15% less than the peer country average. The difference is €2,610 per person, equivalent to €12.3 billion when scaled over the Irish population.

Congress is proposing a number of measures to raise additional revenue. **Reforms to capital taxation and the system of tax expenditures** could raise over €350 million in 2019. **Abolition of the reduced VAT rate for the hospitality sector** could raise over €500 million. This measure alone would provide the resources to build around 2,500 new homes (at a cost of €200,000 per home) or to increase dramatically social investment in early years care and education. In total, Congress is proposing measures to increase annual government revenue by close to €1.3 billion. Most of this additional revenue should go towards increased public spending, with the rest going towards deficit reduction.

This additional spending should prioritise rebuilding our economic and social infrastructure and boost the 'social wage' going to workers in the form of collective childcare, education, health, transport, and housing services.

In aggregate, Congress is proposing that there should be **'new' spending commitments costing a total of €3.1 billion** along with a series of **'new' revenue raising measures yielding €1.3 billion**.[10]

> *We cannot afford not to invest in our shared future.*

In its Summer Economic Statement[11] for 2018, the Government announced an intention to target a deficit of 0.1% of GDP in 2019. In order to achieve this target the Department argues it can only make new expenditure commitments of €0.8 billion.[12] In other words, the Government is choosing not to use €0.9 billion of its available fiscal space in order to reduce the public deficit from 0.4% of GDP to 0.1% of GDP. It is going beyond compliance.[13]

Given the chronic under-spending in Ireland relative to peer high-income countries in Europe, it is Congress's view that if the Government wishes to avoid overheating in the economy then it should do so through raising taxes. Not doing so is a short-sighted political choice. We cannot afford not to invest in our shared future.

[10] The Congress proposals include €0.7 billion for investment in productive infrastructure and in social and affordable housing. Due to the way in which we treat capital formation under the fiscal rules, this will only count €0.2 billion against the 2019 fiscal space. In addition, a proposed 'Brexit Adjustment Assistance Fund' of €0.25 billion is intended as an emergency once-off measure, which would therefore not have an effect on the structural deficit in future years.

[11] Department of Finance, *Summer Economic Statement*, June 2018.

[12] The €800 million is for expenditure increases and/or tax cuts. Increasing taxes means greater scope for increasing expenditure, while tax cuts directly eat into the space allocated for new expenditure.

[13] However, Ireland also has an MTO (Medium Term Objective) of a structural deficit no worse than 0.5% of potential GDP. In the Summer Economic Statement, the Government forecast a structural deficit of 0.7% if it were to use all of the fiscal space. By refraining from use of all the fiscal space, the Department is intending to improve the forecast structural deficit to below 0.5%.

Supporting Workers and Families

The NERI estimates that average hourly earnings will grow by close to 3% in 2018 and 2019. This comes after years of stagnant wages for many workers. The NERI has also found that the average 18-24 year-old worker earned almost one tenth less in real terms in 2016 than in 2008 and that the average 25-34 year old worker saw a real increase of just 1.4% between 2008 and 2016.[14]

It should come as little surprise that nearly two in five (38%) of Irish respondents described '*rising prices, inflation, and the cost of living'* as one of the two most important issues facing Irish people in a recent EU survey.[15] This was eight percentage points above the EU-28 average. Furthermore, another 13% of Irish respondents said their household's '*financial situation'* was one of the two main issues facing them (the EU average was 14%). Thus, simply making ends meet is a major challenge for every second person in Ireland each day.

Improving the Social Wage

The social wage is part of an employee's compensation package. It is a non-wage return to workers and can take the form of transfer payments such as state-provided illness and maternity benefit and public services such as free or below market childcare and health services.

Ireland has a low level of government revenue per person compared to similar high-income, Western European countries. The state simply does not collect sufficient revenue through general taxation and social insurance to ensure the collective services that people in many other European countries can rely on (childcare, education, health, housing and transport),

[14] Nugent, C. : *Wages in Ireland, 2008-2016 – a cohort analysis*, NERI Research inbrief, May 2018, no.56.

[15] European Commission: *Annex to Standard Eurobarometer 88*, December 2017.

particularly during the most challenging times of a person's life such as raising a family, periods out of work, illness or disability.

This is mainly due to much lower employer social security contributions, i.e. Pay-Related Social Insurance (PRSI), than in these other countries. The Government itself has acknowledged that the rate of employer PRSI payable in Ireland is lower than in almost every other EU member state.[16]

The Roadmap for Pensions Reform 2018-2023, published last February, includes a commitment to issue a consultation paper on an appropriate rate-setting/funding approach for the Social Insurance Fund towards the end of this year. Congress will take part fully in this process.

The social wage is a key driver of improved living standards and social security. As the economy continues to expand, and profits rise, workers and their families deserve a better social wage from Budget 2019. We will need to increase significantly social security contributions over the medium-term.

Raising the Minimum Wage

Congress has consistently campaigned to achieve a **Living Wage** as the minimum that all workers should earn.

The Living Wage Technical Group estimated the Living Wage at €11.90 an hour in July, 2018 for a single adult working full-time with no children.[17]

However, the current National Minimum Wage (NMW) of €9.55 an hour is just 80.3% of the 2018 recommended Living Wage.

An increase in the NMW would increase aggregate demand and consumption by increasing disposable income, with positive implications for the Exchequer in terms of increased receipts from VAT and Excise, as well as from income tax, USC and PRSI receipts. An increase in the NMW would also benefit the Exchequer through reduced benefit payments. For example, around €1.2 billion has been spent over 2015-2017 in providing income top-ups through the Working Family Payment (formerly Family Income Support) for low-paid employees with children,[18] while there were 46,900 casual and part-time workers on the Live Register in May, representing over one-fifth of the total Live Register. Furthermore, the Government spent €150 million on Housing Assistance Payment in 2017 and the budget allocation for HAP for 2018 increased to €300 million.[19] These and similar payments (e.g. medical cards for low-paid workers) represent taxpayers effectively subsidising the employers of very low paid workers.

The current *Programme for a Partnership Government* (May 2016) sets out commitments to strengthen the role of the Low Pay Commission in relation to in-work poverty and to review the lower pay of women.

Building on these commitments, Congress believes the Government should align the NMW as soon as possible with the Living Wage.

[16] *Dáil debates*, 6 December 2017

[17] Living Wage Technical Group, July 2018.

[18] Written answer to written question 15649/18, 17 April 2018.

[19] Written answer to written questions 22334/18 and 22335/18, 22 May 2018.

Protecting People from Poverty

According to the most recent CSO *Survey of Income and Living Conditions*, published last December, 1 in 12 persons (8.3%), after social transfers,[20] was living in 'consistent poverty' in 2016.

People experiencing consistent poverty are those:

'At Risk of Poverty' 'at risk of poverty', (i.e. having an equivalised income below 60% of the national median income), *and*

'Enforced Deprivation' experiencing 'enforced deprivation', (i.e. unable to afford basic goods and activities considered the norm in society such as being able to afford to buy a new warm coat in winter or to go out occasionally with family or friends).

Certain groups had even higher levels of consistent poverty. This includes people not at work due to illness or disability; the unemployed; households with one adult and one or more children; people living in households where there was no person at work; and people renting below the market rate or rent-free.

While the consistent poverty rate for 2016 was down from the rates recorded during the worst years of the crisis, it was still above pre-crisis levels.

The Government should increase all welfare payment rates in Budget 2019 by at least a higher percentage than expected price increases next year. This would help to insulate all people who are in receipt of social transfers, and particularly the most vulnerable, from poverty, thereby assisting them to live in dignity and as equal members of society.

> *"The Government should increase all welfare payment rates in Budget 2019 by at least a higher percentage than expected price increases next year."*

The Government should pay the increase from 1 January 2019, not from the end of March, as in 2018.

In addition, the Government should reverse the most regressive cuts imposed during the crisis, especially those affecting young people, lone parents and older people.

For example, while the at risk of poverty rate for unemployed persons is over two and half times the rate for the population as a whole, the Jobseekers Allowance for young people is lower than for people aged 26 and over. Restoring the full adult rate, currently €193, to young people would cost an estimated €94 million in a full financial year.[21] Furthermore, a full (i.e. 100%) the Government should give the Christmas bonus to all social welfare recipients, i.e. long-term and short-term, in Christmas 2018. Finally, the Government should provide resources in order to compensate those adversely affected by the changes to the One Parent Family Payment.

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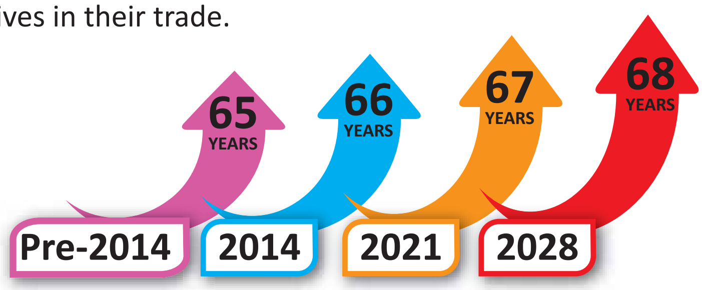
[20] Such as allowances, payments and benefits related to children, families, unemployment, old age, survivors, illness and disability.

[21] Written answer to written questions nos.206-208, 16 May 2018.

Pensions

Congress has strong concerns for workers unfit or financially compelled to continue working beyond 65 years due to increases in the State pension age to 66 in 2014, 67 years in 2021 and to 68 years in 2028. Workers in manual occupations are highly unlikely to be physically capable of extending their working lives in their trade.

INCREASES IN STATE PENSION AGE IN IRELAND



Unlike Ireland, pension policy in some European countries recognise the young age at which manual workers enter employment, compared to college-educated professions, and who are less likely to be physically capable of extending their working lives. For example, in 2014, Germany lowered the pension age by four years, to 63 years, for all workers who had started working straight out of school and had paid social insurance every year since. Congress calls for a lowering of the contributory pension qualifying age for workers who entered employment at a young age and have had a long working life.

The inter-departmental committee examined the issue of the abolition of the Transitional Pension. It concluded that given the small number of workers affected, it would cost around €5 million to raise Job-Seekers Benefit at the age of 65 by an amount sufficient to offset the loss of the Transitional Pension and would cost around €24 million if applied to all social welfare recipients. The Government should make this reform in Budget 2019.

Extension of Social Welfare Benefits to the Self-Employed

Currently the self-employed/Class S pay social insurance contributions at 4% of earnings and are entitled to the state pension subject to the same qualification conditions as other PRSI classes but cannot access a number of other benefits, including Jobseekers, Illness and Carer's Benefit.[22]

The Programme for a Partnership Government commits to introducing a PRSI scheme for the self-employed.[23] The Minister for Employment Affairs and Social Protection has said that the Government's ultimate aim is to extend all of the employment benefits that are available to employees to self-employed people.[24] It estimates that approximately 250,000 Class S contributors would gain access to these schemes, if extended.[25]

[22] People who pay Class S include farmers, professional people, certain company directors, people in business on their own or in partnerships and people with income from investments, rents or maintenance payments. Employees who are also self-employed in a trade or profession pay Class S PRSI on that income as well as their Class A PRSI contribution as an employee.

[23] *Programme for a Partnership Government*, May 2016

[24] Dáil debate, 20 February 2018

[25] Written answer to written question, 22475/18, 22 May 2018

The September 2017 KPMG Actuarial Review of the Social Insurance Fund concluded that the self-employed [already] achieve very good value for money compared with the employed - if the comparison reflects that both employer and employee contributions are payable in respect of an employed person. [26] The Review estimated the cost of extending Jobseeker's, Illness, and Carer's Benefit to Class S, assumed with effect from 1 January 2018, at €118m, rising to over €800m by 2040. It also concluded that 'PRSI paid by self-employed people would need to increase by 78% from 2018 (e.g. from 4% of earnings to just under 7%) where the cost of extending Invalidity, Illness, Jobseekers, and Carer's Benefits over a 20-year period is considered.'

Cost of extending Benefits* over a 20-year period

EMPLOYED	SELF-EMPLOYED
From 1 January, **2018** at **€118m** rising by **2040** to over **€800m**	PRSI needs to increase from **2018** by **78%** e.g. from **4%** of earnings to just under **7%**

* Invalidity, Illness, Jobseekers, and Carer's Benefits extended to Class S.

Budget 2019 should begin the process of increasing PRSI contributions for Class S contributors in order to bring them closer into line with the costs of the benefits they receive and stand to receive under any future extension of benefits to Class S contributors.

Combating Inequality by Supporting Unions

International research from the World Bank[27], the IMF[28] and the OECD[29] amongst others has identified the positive role played by trade unions in reducing income inequality. Even the McKinsey Global Institute sees the link between unions and lower inequality.[30]

In recognition of the role trade unions play in Irish society, the Government implemented a tax relief scheme between 2001 and 2011 in respect of trade union subscriptions. At its peak in 2009, this scheme cost approximately €26.7 million. The scheme was abolished in 2011 though similar schemes concerning business lobbies, professional bodies and the self-employed were kept in place.

Reintroducing this scheme would end the discriminatory treatment of trade union members compared to the treatment of members of professional bodies, of business lobbies, of expenses incurred by the self-employed and even of subscriptions to specialist publications.[31]

The Department of Finance says that it is unclear what specific policy objective would be achieved by reintroducing this measure, unless the state 'wishes to incentivise trade union membership'.[32] Given the findings of international research as regards the role of trade union in combating income inequality, this is a valid reason in itself.

[26] KPMG, *Actuarial Review of the Social Insurance Fund,* 28 September 2017

[27] World Bank: *World Development Report - Jobs*, 2013 (World Bank, Washington).

[28] Jaumotte, F., Osiro-Buiton: *Inequality and Labor Market Institutions*, IMF Staff Discussion Note No. 15/14, June 2015 (Washington, DC, IMF).

[29] Organisation for Economic Cooperation and Development: *In it together – why less inequality benefits all,* 2015 (Paris, OECD).

[30] McKinsey Global Institute: *Poorer than their parents? Flat or falling incomes in advanced economies*, 2016

[31] Oireachtas Committee on Budgetary Oversight discussion on tax relief on trade union subscriptions, 21 March 2018.

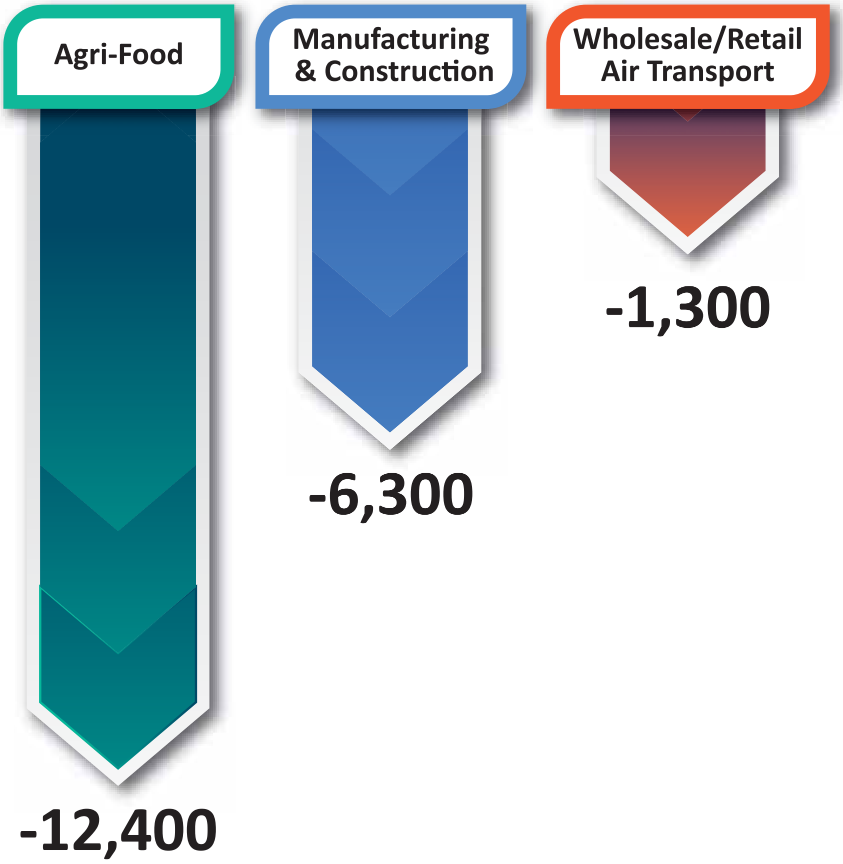
[32] Department of Finance: Report on Tax Expenditures, October 2016

Brexit

The possibility of the UK's exit from the European Union poses major risks to the economy and to specific sectors and regions in particular.

The Copenhagen Economics report, *Strategic Implications for Ireland Arising from Changing EU-UK Trading Relations*, estimates 20,000 potential job losses by 2030 under a 'hard Brexit' World Trade Organisation (WTO) scenario, compared to a no-Brexit scenario. Many of the jobs lost would go in agri-food (-12,400) and in manufacturing and construction (-6,300) along with some in wholesale/retail and air transport (-1,300). Real wages under this scenario would be 8.7% below a non-Brexit baseline level for low-skilled workers and would be 6.5% lower for high-skilled workers.

PROJECTED JOB LOSSES under a "Hard Brexit"



Under a 'soft Brexit' European Economic Area (EEA) scenario, Copenhagen Economics estimates approximately 10,000 jobs would be reallocated by 2030, while real wages would be 3.5% lower for low skilled workers and 2.7% lower for high-skilled workers.

Other studies are even more pessimistic - the Central Bank of Ireland has forecast that under a WTO scenario, there would be 40,000 fewer workers in employment after 10 years, compared to a no-Brexit scenario.

The majority of employment in manufacturing is outside of Dublin with a large share located in the Midlands and Border regions. These are among the regions that have experienced the slowest post-crisis labour market recovery.

The Government has introduced a number of measures in response to Brexit. These include the Action Plans for Jobs, the €300 million Brexit Loan Scheme for Business, the €25 million Brexit Response Loan Scheme for the agri-food sector, the 'Be Prepared' grants for firms, the 'Building Stronger Businesses', and the 'Trade and Investment Strategy'.

While these measures do have the potential to minimise the impact, their purpose is to help firms prepare and find new markets rather than to support workers.

> *The best way to prepare for Brexit ... is to invest.*

Copenhagen Economics recommend that Government skills policies should 'facilitate the necessary sectoral adjustments and help to minimise the costs to the individuals from external shocks.' Similarly, the OECD argues that since Brexit is likely to be accompanied by rising poverty and income inequality levels in the Border region in particular, the Government should 'deploy or reorient targeted social policies accordingly'.

Congress is proposing the establishment of a specific retraining and income protection fund, a Brexit Adjustment Assistance Fund (BAAF), to support workers most at risk. The fund could be modelled on existing instruments such as the European Globalisation Adjustment Fund (EGAF), which funded support to almost 11,000 workers in Ireland between 2007 and 2016 at a total cost of around €75 million, and the US Trade Adjustment Assistance programme, which is similar to the EGAF but which has a stronger emphasis on income protection.

This new instrument should be developed and implemented with the consultation and participation of trade unions as is the norm in other European countries with a good record in anticipating and managing restructuring and labour market change, such as Sectoral Mobility Plans (*Sectorplanen*) in the Netherlands and Education Plans (*Uddannelspesplan*) in Denmark.[33]

Ultimately it remains the case, as Congress argued in our 2017 pre-budget submission, that the best way to prepare for Brexit, particularly if it entails the UK leaving the EU Customs Union and the Single Market, is to invest. Investments in infrastructure, childcare and education are investments in our future and fundamental to long-run economic growth and well-being.

Congress sees the National Development Plan (2018-2027) and the National Planning Framework, which form part of the Ireland 2040 Strategy as a step in the right direction but insufficient to meet the challenges facing Ireland. We therefore reiterate our call on the Government to abandon its tax cutting agenda for Budget 2019 and to prioritise investment.

[33] See European Monitoring Centre on Change

Investment

Investment for More Homes

Hundreds of thousands of people are being affected by the housing and homeless crisis.

10,000 people, including over 3,600 children, are homeless and are living in very unsuitable accommodation such as hotels, bed and breakfasts and emergency accommodation, often without any necessary family supports.

Over 85,000 households are on the official social housing waiting lists, while another 30,000 are in receipt of Housing Assistance Payment (HAP).

Average house prices have risen by over 50% since their low point in the crisis while average rents have risen by 70% since their low point, and are now over 20% above pre-crash levels.

70,000 home mortgages are in arrears with 13,000 more than five years in arrears.

The failure to take this step and invest in public housing provision will ultimately cost the state in terms of more people excluded from society, greater long-term public spending liabilities, as well as making Ireland less attractive to foreign investment.

Budget 2019 should prioritise the increased supply of social and affordable housing, the enhancement of services aimed at supporting homeless people and those at risk of homelessness, the use of vacant homes and sites, and more rapid progress towards a cost-rental system.

Congress calls for a major, local authority-led social housing programme, involving the construction of at least 10,000 new social homes annually, as part of the phased introduction of a cost rental model that provides stable affordable tenure to all who need and want it. Social housing policy must address the twin goals of making affordable and secure rental accommodation available to a significant share of the population, and increasing the stock of homes in well-designed, sustainable neighbourhoods for people on lower incomes.

Budget 2018 proposed to increase the rate of the Vacant Site Levy, due to take effect in 2019, from 3% to 7% of the market valuation of relevant sites with effect from January 2020 in respect of sites included on the local vacant sites registers in 2019. This increase should be brought forward to 2019.

Land and vacant houses should be acquired through **Compulsory Purchase Order (CPOs).** As recommended by the 1974 Kenny Report, local authorities should be able to purchase land for housing at existing use value, plus a maximum of 25%.

There were 183,300 unoccupied homes (excluding holiday homes) across the state in April 2016 (Census 2016).[34] While the number has probably decreased in the intervening two years, there is little doubt that there is a considerable number of vacant homes across the state.

Congress would urge the Government to introduce a **Vacant Property Tax** on homes that have been vacant for a year or more. This tax could be based either on the value of the property or its estimated potential rental income. The rate of tax could be higher in rent pressure zones and raised the longer the home remains vacant. Revenue raised from this measure could be reinvested to provide more social and affordable housing.

Unfortunately, it is not possible to give an estimated yield from such a measure; the Minister for Finance has said that since no distinction is made in the Tax Code between vacant and occupied properties, it is not possible to derive estimates from Revenue statistics of the potential yield through the implementation of a vacant property tax.[35]

Investment for Better Health Services

Ireland's health system faces many challenges, challenges that are compounded by an ageing population. A central objective must be to keep people out of hospital and long-term care, wherever possible, by investing in quality community health care, as well as in health education and early diagnosis.

Congress concurs with the European Commission's argument that our primary and community care services are not yet capable of alleviating the mounting pressure on capacity and costs within hospital care.[36] This is the direct result of years of sustained underinvestment in the service.

[34] Central Statistics Office (20 April 2017), Census of Population 2016 – Profile 1 Housing in Ireland: Vacant Dwellings.

[35] Written answer to written question 35963/17, 26 July 2017.

[36] European Commission: Recommendation for a COUNCIL RECOMMENDATION on the 2018 National Reform Programme of Ireland and delivering a Council opinion on the 2018 Stability Programme of Ireland, 23 May 2018.

Congress recognises the need to immediately start building the service the people of Ireland need and deserve. That will involve funding to address outstanding capacity issues in the service, handle coming demographic changes and expand the scope of the health service to European levels. While the Government's planned funded health reform initiatives within the National Development Plan are welcome, the healthcare crisis in the state requires bolder action. For example, while the Government is committed to providing 2,600 additional beds in the NDP, the Department of Health concluded than over 5,000 additional beds are needed, at minimum.[37]/[38]

With this in mind, Congress calls on the Government to commit an additional €600 million to the health service to allow for additional services and increases to capacity and to commence implementation of the Sláintecare report. This will be used to kick-start the process of transforming our health system by expanding available services, fixing legacy issues within the system and improving healthcare delivery. This would begin to address inequality in the Irish system and shift towards a *substantially public* healthcare system, with benefits accruing for citizens as they save money on private healthcare.[39]/[40] The people of Ireland would also benefit from investment within the system to ensure essential skills and diagnostic capacities are retained in-house, to guarantee service standards and performance.

> *... the healthcare crisis in the state requires bolder action.*

We need to make more rapid progress towards an adequately-funded, publicly-controlled and universally-accessible single-tier health service, as outlined by the Sláintecare report. Health will require major investment over the coming years to deliver this goal and to deal with demographic change.

In its draft country specific recommendations for Ireland, the European Commission is recommending that Ireland take action to increase the cost-effectiveness of the healthcare system. In this regard, Congress urges the Government to specifically address the apparent over-spend in Ireland compared to other high-income western European countries on '*medical products, appliances and equipment*' and on '*health n.e.c.*' as identified by the NERI.[41] This research found that Ireland spends 28% more than the peer countries' average on *medical products, appliances & equipment*, and well over double the average on *health n.e.c.*[42]

[37] Government of Ireland: National Development Plan 2018-2027. 2018.

[38] Department of Health: Health Service Capacity Review 2018 Executive Report, 15 January 2018.

[39] Goldrick-Kelly, P. and Healy, T. (2018) Equality in Irish Healthcare – Time for a New Deal, NERI WP 2018/No 54, (May 2018).

[40] Houses of the Oireachtas Committee on the Future of Healthcare Sláintecare Report (May 2017).

[41] McDonnell, T. and Goldrick-Kelly, P. (2017): Public Spending in the Republic of Ireland: A Descriptive Overview and Growth Implications, NERI WP 2017/No 46, (June 2017).

[42] This latter category would include items such as the formulation, administration, coordination and monitoring of overall health policies, plans, programmes and budgets; preparation and enforcement of legislation and standards for the provision of health services, as well as activities such as the licencing and dissemination of information.

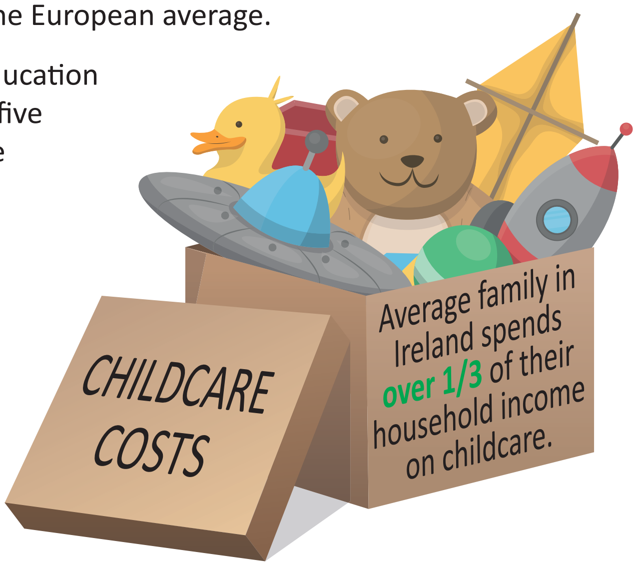
Investment for Better Early Years Care and Education

Human beings make the greatest strides in their development during early childhood and the ability to learn will never again be as great as it is in these years.

Thus, policies that improve early learning have a positive effect on later educational attainment and, consequently, the attendant benefits that this brings.

Irish childcare costs in 2015, relative to wages, were the highest in the EU for lone parents and the second highest for couples while the average family in Ireland spends over one-third of their household income on childcare – twice the European average.

Public investment in early years care and education in Ireland should be increased over the next five years to – at a minimum - the OECD average (i.e. 0.7% of GDP) and - again at minimum - to at least the UNICEF benchmark of 1% of GDP by 2027. Over the longer term, Ireland should aim to match the best performing countries such as Iceland, Sweden and Denmark (all above or near 1.5% of GDP).



The decline in the number of births provides a particular opportunity to increase investment in early years care and education at a cost substantially less than it would have been some years ago. CSO statistics show that the number of births has fallen markedly over recent years. For example, there were 75,700 registered births in 2008 and 62,100 in 2017, a drop of 13,600.[43]

> *The very high cost of childare in Ireland acts as a barrier to paid employment.*

The very high cost of childcare in Ireland acts as a barrier to paid employment, particularly in low-income households, including single parents, thus reducing income among the families that need it most. This has a negative effect on female employment and participation rates and leads to a loss of high quality skills, experience and knowledge within the workforce.

Budget 2019 should expand the public provision of high quality, subsidised early years care and education in Ireland, as recommended by the European Commission in its draft country specific recommendations to Ireland for 2018/2019.

Government policies to ensure more affordable quality early years care and education must also address the problem of poor pay and conditions for early years' workers, including in order to ensure that suitably qualified workers are attracted and remain in this key sector.

[43] CSO, Vital Statistics Yearly Summary, 30 May 2018.

Investment for Better Schools and Colleges

Education affects a child's future opportunities. It lays the groundwork for a self-directed, self-aware life and opens up new perspectives and life choices. An accessible, inclusive education system is a prerequisite for an equal society and is one of the keys to a socially just society. It is also critical for long-run economic prosperity.

Education spending falls short of what is needed to live in today's rapidly changing world and to equip children and young people with the skills for the workplaces of the future.

Research by the NERI has found that public investment in Ireland has been particularly low on a per student basis for education, including in primary education and lower secondary education.

Investment per pupil/student should increase in real terms to at least the average of other high-income western European countries.

Budget 2019 should prioritise increased investment in the DEIS programme and a reduction in the number of young people not in employment, education and training (NEETs). Research consistently indicates that while all students benefit from small class sizes in the early grades, students from disadvantaged and minority backgrounds benefit most and schools in the DEIS programme have not benefited from general class size reductions in recent years.[44]

It should also focus on improving the student support scheme, community education, life-long learning and adult literacy, as well as improving basic digital skills.

It is a very positive development that Ireland has already achieved its Europe 2020 'early school leaving' target - to reduce the percentage of 18-24 year olds with at most a lower secondary education and not in further education and training to 8% - recording a rate of 5.1% in 2017.

However, some other European countries have reached even lower rates - Croatia has achieved a rate of 3.1% and Slovenia a rate of 4.3%. Furthermore, early school leaving rates are higher in DEIS schools and there is a substantial gender gap in Ireland's rate – 3.9% for females and 6.2% for males. The Government should aim to continue to reduce Ireland's early school leaving rate, particularly in DEIS schools, and to eliminate the gender gap in Ireland's rate (by aiming for a reduction in the male rate).

Apprenticeship Fees (i.e. the Annual Student Contribution) attending off-the-job technical training in Institutes of Technology were dramatically increased in Budget 2014 and now amount in some cases to nearly €3,000, imposing a considerable hardship on apprentices. Budget 2019 should re-establish these payments at the level in place prior to the changes announced in Budget 2014. The Government estimates that the cost of not charging the Annual Student Contribution would be €4.2 million in 2018.[45]

[44] Weir, Kavanagh, Kelleher & Moran, 2017, *Addressing Educational Disadvantage – A Review of Evidence from the International Literature and of Strategy in Ireland: An Update since 2005*.

[45] Written answer to written question 23126/18, 29 May 2018.

Pay Issues in the Public Service Stability Agreement

- Congress highlights the issues in section 3 (recruitment and retention) and 4 (new entrants) of the Public Service Stability Agreement 2018 -2020.

- Congress understands that the Public Service Pay Commission's first modular report, relating to recruitment and retention difficulties in the health sector, will be issued by government by the end of July 2018.

- Congress is also engaged in a process, currently underway, addressing new entrant pay equality issues in the public service.

- Therefore, in framing the budget, the Government should ensure that provision is made to fund the various measures arising from the Public Service Stability Agreement.

Global Issues

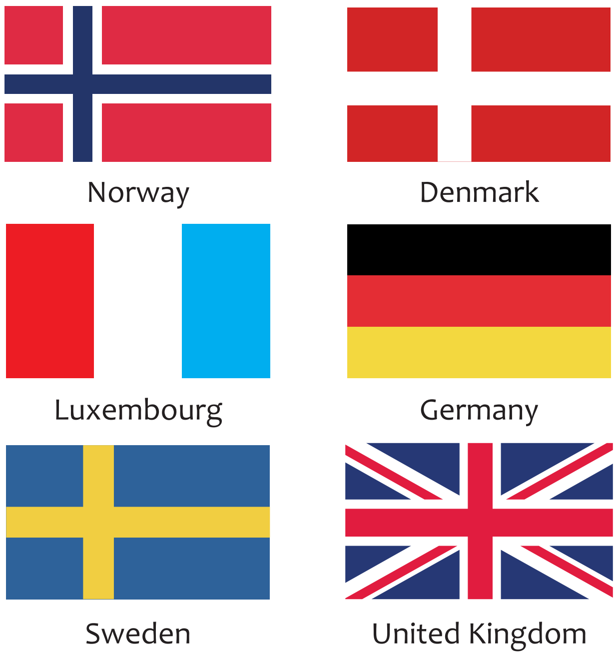
Supporting People in the Global South

Congress believes that Budget 2019 should mark a substantial increase in Ireland's official Overseas Development Aid (ODA) allocation. Ireland's official ODA in 2018 amounts to €700 million, or approximately 0.3% of GNI. The Government's stated intention is to reach the UN target of allocating 0.7% of GNI to official ODA by 2030, the timeframe for the UN Sustainable Development Goals.[46] This is also the proposed timeframe of the Review of the Irish Aid Programme agreed by the Oireachtas Joint Committee on Foreign Affairs and Trade and Defence in February 2018.

Congress strongly believes that Ireland should allocate 0.7% of GNI to official ODA by 2025; countries that have already achieved this target include Norway (1.1%), Luxembourg (1%), Sweden (0.9%), Denmark (0.8%), as well as Germany and the United Kingdom.

It should also aim to achieve the UN target of at least 0.15% of GNI on the Least Developed Countries (LDC), as was achieved between 2011 and 2014.

Irish ODA policy should also give greater priority to the attainment of Sustainable Development Goal 8 – the promotion of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



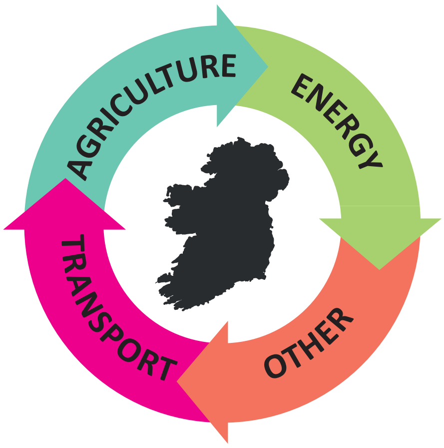
Countries that have already achieved the official ODA Target

[46] Written answer to written question 14714/18, 29 March 2018.

Playing our Part in Tackling Global Warming

As the European Commission has pointed out, investment in clean energy, clean and public transport and water as well as intensified efforts in the field of renewable energy and the circular economy will be essential if Ireland is to successfully transition towards a low-carbon and environmentally resilient economy.[47]

Agriculture, energy and transport together account for nearly three quarters of Ireland's greenhouse gas emissions. Ireland is one of the worst performing countries in Europe in terms of meeting its climate targets. The failure to achieve Ireland's commitments under agreed EU legislation aimed at combating global warming could leave Ireland open to substantial fines amounting to hundreds of millions of euro in the next decade.



Ireland's Greenhouse Emissions

Budget 2019 should prioritise investment in measures to reduce greenhouse gas emissions, to increase renewable energy and to improve energy efficiency.

The transition to a low-carbon economy will have consequences for workers in the energy and transport sectors in particular. Congress calls for the introduction of a just transition upskilling and retraining instrument to support workers acquire the skills necessary to thrive in a changing industrial context.

[47] European Commission: Recommendation for a COUNCIL RECOMMENDATION on the 2018 National Reform Programme of Ireland and delivering a Council opinion on the 2018 Stability Programme of Ireland, 23 May 2018.

Increasing Revenue for European Standards of Public Services

Ireland will not be able to afford European-standards of public services without the revenue base to support them. Now is the time to move Ireland closer to European norms in terms of taxation, social services and universal public services. Government revenue will have to be increased over time to address existing under-spends, to pay for a growing and ageing population, and to meet new challenges and emerging risks.

Ireland will not flourish without a sustainable, sufficient and progressive tax system. It will be necessary to reform the tax code so that every group pays its fair share of taxation. The better-off members of society will need to contribute more and we must avoid the mistakes of the past by resisting calls to undermine the tax base.

Congress accordingly proposes the following tax measures for Budget 2019:

VAT

The time has come for the Government to abolish the 'temporary' VAT reduction - from 13.5% to 9% - for the hospitality sector, introduced as an anti-crisis measure seven years ago.

Whatever the merits of the arguments for reducing the rates during the depth of the crisis and in the aftermath of the April 2010 Icelandic volcanic eruption, the case that this measure is justified now does not hold up.

The Department of Finance has pointed out that:

- The estimated cost of this 'temporary' measure was €2.2 billion over 2011-2016;
- Ireland's rate is among the lowest rates in the EU-28 for hotel accommodation and restaurants;
- Dublin is the 10th most expensive city in the world for hotel accommodation and the fourth most expensive city in the UK and Ireland;

  Dublin is forecast to have a higher occupancy rate than London in 2018 and;
- The growth in 'revenue per available room' (Rev PAR) for Dublin was almost twice that of previously forecast levels – 16% v 9%.[48]

9 reasons why the 9% VAT rate has to go

In July 2011, the Government cut VAT on hotels and restaurants from 13.5% to 9%. This measure was supposed to apply only until the end of 2013. Seven years later, it's still in place. It is well past time that the Government abolished it. Here's why:

1	Business is booming. The number of overseas visitors to Ireland last year (9.9 million) was 26% above the pre-crisis peak (7.8 million in 2008) according to the CSO, and profits were back up at pre-crisis levels by 2015, according to Eurostat.
2	The largest firms are doing best of all. Just 3% of firms accounted for over 40% of turnover (€3.9 billion) in 2015; this includes just 30 large firms who accounted for 12% of turnover (€1.1 billion).
3	The cut isn't passed on to customers. The National Competitiveness Council points out that hotel and restaurant prices in Ireland were 20% above the EU average in 2016, while the Department of Finance points out that of hotel prices major cities surveyed by Trivago in 2016, Dublin was the 10th most expensive in the world.
4	The reduced rate was responsible for just one in eight of all jobs created in this sector between 2011-2016 (i.e. 4,800 of 38,400), according to a 2017 study by Indecon for Failte Ireland.
5	While profits were back up at pre-crisis levels by 2015, in 2017 average total earnings, at €17,600, were still 2.7% below 2008 levels. One in three of all employees in this sector earn the national minimum wage or less, compared to one in ten of all employees in the economy. Employers in this sector continue to refuse to engage with the system of Joint Labour Committees.
6	The initial estimate was that this measure would cost €850 million over its planned 2 ½ year lifetime. In actual fact, the cumulative cost over 2011-2018 is over €3.2 billion, according to the Revenue Commissioners.
7	Ireland's 9% rate is less than half the rate that applies in Northern Ireland and Britain (20%) and well below the EU average rate (15.6%). The Department of Finance points out that Ireland's rate is the 5th lowest for hotels and the 8th lowest for restaurants in the EU-28.
8	It's not cost-effective. A 2014 Deloitte report for Failte Ireland found a 'pass-through' rate of around 50% in all sectors bar accommodation, where the evidence was 'inconclusive'. Studies of similar measures in other countries have found similar low rates of pass-through and lower than expected job creation.
9	It's not an appropriate response to Brexit. Around 60% of visitors from Britain are repeat visitors, 40% visit friends or relatives, and one in 20 are born in Ireland. Are these visitors really influenced by VAT rates?

While employment in *Accommodation and Food services* has increased over recent years, it is the case that this increase began in early 2011, i.e. *before* the 9% rate was introduced. Furthermore, employment numbers in this sector did not really begin to increase until early 2013, i.e. 18 months after the rate was reduced.

As the Minister for Finance has acknowledged, the increase in the number of overseas trips by non-residents to Ireland over recent years may not be due to the 9% rate but 'could be attributed to other factors, such as the general and very strong recovery in the economy and better economic performance in the target markets.'[49]

Recent years have seen a substantial increase in profits in many areas of the hospitality sector, a sector which continues to have some of the lowest paid workers in Ireland, and whose employers continue to refuse to engage with the Joint Labour Committees.

The European Commission has previously criticised the continued retention of this measure while its draft country specific recommendations for 2018/19 recommend that the Government 'limit the scope and the number of tax expenditures'.

[48] Department of Finance: Selected VAT Issues, Tax Strategy Group – TSG -17/06, 25 July 2017.

[49] Written answer to written question 49632/17, 22 November 2017.

Increasing concerns about the risk of the economy overheating in 2019 could obviously be addressed by abolishing this measure, which the March 2018 OECD report on Ireland described as regressive. The OECD expressly did not include its continued retention as a recommended response to Brexit.

Capital Taxation

In excess of €100 million should be raised annually through the reform of capital taxes and tax expenditures. Particular attention should be given to those reliefs at the marginal rate and the suite of reliefs related to inheritance and gift tax (CAT).

A small and recurring net household *Wealth Tax* should be introduced focusing on households with net assets in excess of €1 million. Previous NERI research has described how such a tax could and should be implemented. This would raise €275 million a year.

Employers' PRSI

We can raise €150 million by increasing employers PRSI to 13.75% on the amount of individual incomes in excess of €100,000. This would not affect the marginal tax rate on employee salaries and would concern less than 50,000 employments.

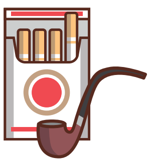
Vacant Site Levy

The Government should bring the introduction of 7% Vacant Site Levy rate forward from January 2020 to January 2019.[50]

On-line Betting Tax

The Government should broaden the tax base by raising the online betting tax sufficient to yield an additional €50 million.

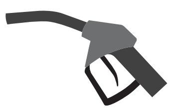
Tobacco



The Government should increase excise on tobacco and tobacco products to yield an additional €50 million.

Environmental Taxation

Diesel-powered private passenger cars are now among the greatest sources of CO^2 emissions in Ireland. Budget 2019 should raise excise duty on diesel. The Government estimates for example that a 5c increase (amounting to a 6.5c increase after VAT) could raise around €165m in a full year.[51]



[50] The Government is unable to provide an estimate of the amounts that could be raised through the implementation of the levy, or to estimate the annual levies that could be raised from the application of different rates – see written answer to written question 35964/2017 of 26 July 2017. However, media reports have suggested that the introduction of the 7% rate could raise €16 million in 2020 – Vacant Site Levy may raise extra €16m for State, *The Irish Independent*, 12 October 2017

[51] Written answer to written question no.19652/18, 8 May 2018.

Table 3: Congress Proposals – New Commitments for Budget 2019, €bn (Indicative)

NEW REVENUE	(€)
TOTAL	1,325m
Abolish reduced VAT rate for hospitality sector	520m
Introduce net Wealth tax	275m
Reforms to Capital Acquisitions Tax and tax expenditures	100m
Raise employers' PRSI to 13.75% *on excess of* incomes above €100,000	150m
Raise on-line betting tax	50m
Raise Excise tax on tobacco	50m
Raise Excise tax on diesel	165m
Introduce the 7% Vacant Site Levy from 1.1.2019 not 1.1.2020	15m

NEW EXPENDITURE	(€)
TOTAL	3,125m
Increase social investment in early years' care and in pre-primary and primary education	500m
Productive Infrastructure (capital spending): Increase capital investment in broadband, clean energy, water, school buildings, ports, public transport and motorways.	200m
Increase social welfare payments, including reform of eligibility thresholds for the Working Family Payment (formerly Family Income Supplement).	440m
Investment in People: Increase investment in community health, education and training, and in R&D and innovation.	250m
Funding for provision of social and affordable housing (**capital spending** - first year funding)	500m
Increase Overseas Development Aid	120m
Offset the loss of the transition pension	25m
Reintroduce tax relief for trade union subscriptions	25m
Introduce a Just Transition Fund to support workers transition to a low-carbon neutral economy	15m
Implementation of health reforms and to commence implementation of Sláintecare	600m
Introduce a Brexit Adjustment Assistance Fund (once-off payment)	250m

NOTES:

As the €700 million allocation for productive infrastructure and social and affordable housing count as capital spending, they do not count their full amount against the 2019 fiscal space. The cost in 2019 fiscal space is €0.2 billion.

The Brexit Adjustment Assistance Fund is a once-off measure and, as such, would not affect the structural deficit in future years.

As an additional revenue-raising measure, Congress is also proposing that PRSI contributions for Class S contributors should be increased in Budget 2019.

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