

Irish Congress of Trade Unions

Shifting to Growth & Jobs

Pre-Budget Submission

November 2012



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10 Key Recommendations for Budget 2013

1. Undertake an investment stimulus of €3bn a year for three years to create some 100,000 new jobs overall and boost GDP by 2% per annum.
2. Introduce a new 48% tax rate for individual incomes over €100,000, along with a 1% Wealth Tax. Profitable corporates must contribute more (by restricting write-offs) abolish SARP, tackle tax fugitives and clamp down on evasion and avoidance.
3. Introduce the Financial Transaction Tax - 10 EU countries have already agreed to do. The tax could raise €500 million annually for Ireland.
4. The EU must mutualise Ireland's bank debts, which were run up by private banks.
5. Deal effectively with the Irish Pension crisis with policies that boost pension take-up and phase in the reform of state pensions (raising the age for pension take-up) to allow workers time to adjust and prepare.
6. Extend the period of adjustment to 2017 and reverse the planned ratio of spending cuts to tax rises.
7. Congress supports Labour Market Activation but it must be fair and focused on encouraging people into the workforce and not just a way of managing expenditure cuts. Broaden the apprenticeship system and introduce a Youth Guarantee to help link young people to skills training and the workplace. Increase the effectiveness of monitoring of employment standards to staunch the haemorrhage of tax revenue being lost because of misguided public procurement practices.
8. Effective policies are needed to address poverty traps and fuel poverty. There must be far greater efforts to tackle inequality. The new eligibility criteria for the state pension, for example, impacts most severely on women. The level of cutbacks in disability funding to date – 14% over the past four years has gone too far and must be reversed.
9. There must be no privatisation of major indigenous enterprises to repay the debts of failed Irish banks. Indigenous enterprise should be developed under NewEra and become an engine of the recovery, not eviscerated.
10. The focus on public sector reform has detracted from the necessity to radically reform corporate governance in the private sector, where obsessive secrecy and perverse incentives abounded and the emphasis was on deal making rather than creating value. This must become a priority to stop the mistakes of the past being repeated.



Ireland remains under the Troika programme (of assistance). Fiscal targets are being met but there is no recovery. The IMF now admits that programmes of austerity are bound to fail unless accompanied by measures that support economic growth: *“The first lesson is that fiscal consolidation efforts need to be complemented by measures that support growth: structural issues need to be addressed and monetary conditions need to be as supportive as possible.”*¹

This study is based on the IMF’s analysis of 100 years of public debt deficits.

Portugal reversed its plan for an internal devaluation through wage cuts and instead is increasing taxes.²

Ireland is in the fifth year of recession. Policy is clearly failing. The best solution is to change policy, not try harder. Ireland needs to plot a new direction, under a new economic and social plan.

Congress repeatedly warned that the period of adjustment – in which to reduce the deficit to 3% of GDP - was too short and would inflict damage. Initially, the adjustment period was to be only three years, then it was extended to four and it is now five.

But given the prolonged economic and political crisis in Europe and no prospects of economic growth, we believe it now needs to be extended to at least seven years, to 2017.

As Nobel Prize-winning economist Amartya Sen has observed: “The moral appeal of austerity is deceptively high - *‘if it hurts, it must be doing some good’* - but its economic ineffectiveness has been clear at least since Keynes’s debunking of ‘the remedy of austerity’ in the Great Depression of the 1930s, with unemployment and idle capacity due to a lack of effective demand.”³

“It is also self-defeating in reducing public deficits, because austerity tends to depress economic growth, so reducing a government’s revenue. Much of the Eurozone has been shrinking rather than expanding since the inception of these policies.”

These wrong-headed policies have hit many people hard. **There are 358,000 (-16.7%) less people at work now, than in 2007.**

1 IMF, October 2012, Economic Outlook, Chapter 3, “The Good, the Bad and the Ugly: 100 years of dealing the public debt overhangs.”
2 Eg. Financial Times, 25 September 2012, “Portugal swaps pay cut plan for tax rises”.

3 A. Sen, Guardian 3rd July 2012



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Policy has been counterproductive, with falling incomes, high unemployment and disappearing public services. In addition, we saw net emigration of 35,000, to April 2012.

Table 1. The Collapse in Irish Economic Growth

	2007	2012	Change
GDP	€190bn	€158bn	-16.8%
GNP	€161bn	€126bn	-22%
Domestic Demand	€38.9 Q1	€28.9 Q2	-25.7

Source: CSO, National Income A/Cs

From Table 1 it can be seen that GDP has fallen by almost 17 per cent and GNP has fallen by an even greater amount, since 2007 - a fall of some 22%.

Domestic demand - central to jobs and living standard - was down by a massive 26%, by Spring 2012 and it is still falling. Nominal economic growth figures are at 2004 levels. There are few green shoots, regrettably.

The only target being met is on deficit reduction. Two-thirds of the 'adjustment' of €24bn to end 2012 has been in cuts in public services and only one third has been in increased taxation, largely the less progressive taxes.

It is planned to maintain this imbalance in the adjustment to 2015, even though it is not working.

Congress reiterates that the cuts should be greatly scaled down, with much more raised in taxation.

Cuts hurt the vulnerable most and some €16 billion has already been extracted from the economy in cuts, since the crisis began. This is the equivalent of 13% of GNP. This has had a devastating impact on the more vulnerable sections on society, on domestic demand and confidence.

There will be a carry-forward of agreed savings on the public sector pay bill, under Croke Park. There is room for greater efficiencies, through tighter control and cuts in the cost of public contracts and public procurement.

Both are huge spending programmes, covering consultants, accountant, lawyers and medicines etc.

The balance in the adjustment should be made up of increased taxes on those who are very well off (see Appendix 3). The level of cuts proposed by Government - at the ratio of 2:1 - is much more deflationary on the economy than say, the reverse of that ratio.

We need to transform this vicious circle into a virtuous one, with a plan to create 50,000 net new jobs by end 2014. ⁴ SIPTU has set out a plan to achieve this in a manner which challenges the orthodoxy that has clearly failed over the last five years.

In short, we are setting out a viable new course that is capable of bringing employment, growth and confidence back to Ireland.

⁴ SIPTU, 2012, "Towards a New Course".

Since the early months of 2012, we have seen a shift in opinion among most, but not all economists. The majority now recognise the importance of promoting growth. Even advocates of austerity - including the IMF - now call for a simultaneous growth/stimulus package.

2.1 The European Social Model

The defining characteristic of European society is the European Social Model. Congress recognises that the Irish Government is struggling to maintain what has been a relatively underdeveloped Irish social model (relative to Europe) in very tough times.

Congress supports the position of the European Trade Union Confederation, which has proposed the adoption of a Social Compact for Europe.

We believe the Irish Government should make the introduction of a Social Compact a priority of its EU Presidency in 2013, as a means of countering the dominance of unstable markets and the excessive power of corporations in Europe.

The Social Compact comprises a number of key elements, including:

- Enhancement of the role of the European Central Bank as lender of last resort enabling it to issue Eurobonds.
- Growth and investment programmes adapted to each country.
- Regulation to secure a transparent financial sector at the service of the real economy.
- Introduction of a Financial Transaction Tax.

- A youth employment or Training Guarantee for all young people.
- Measures to improve the quality of jobs and the pursuit of active labour market policies.
- Redistributive and graduated taxation on income and wealth.
 - The end of tax havens, tax evasion, ‘tax competition’, tax fraud, corruption and undeclared work.
- Policies to end the pay gap between women and men – all wage floors should respect Council of Europe standards on fair wages.

There must be greater cooperation and coordination of economic policies and investments that promote a greener economy, in Europe. There must be reform of corporate governance in the private sector, shifting from ‘shareholder value’ to the values of all *stakeholders*: workers, consumers, community and the environment.

It must be part of a clear political and institutional framework that reflects this common destiny, in particular through the creation of Eurobonds, a stronger role for the European Central Bank in managing the crisis, convergence and coordination of tax policies (corporate tax bases and rates of taxation), rapid implementation of the Financial Transaction Tax and a much more determined fight against tax havens.

6 To remain true to the goal laid down in the EU Treaties, of “improved living and working conditions, so as to make possible their harmonisation” this new European governance must also ensure quality employment, fair wages, equal treatment and good social protection.

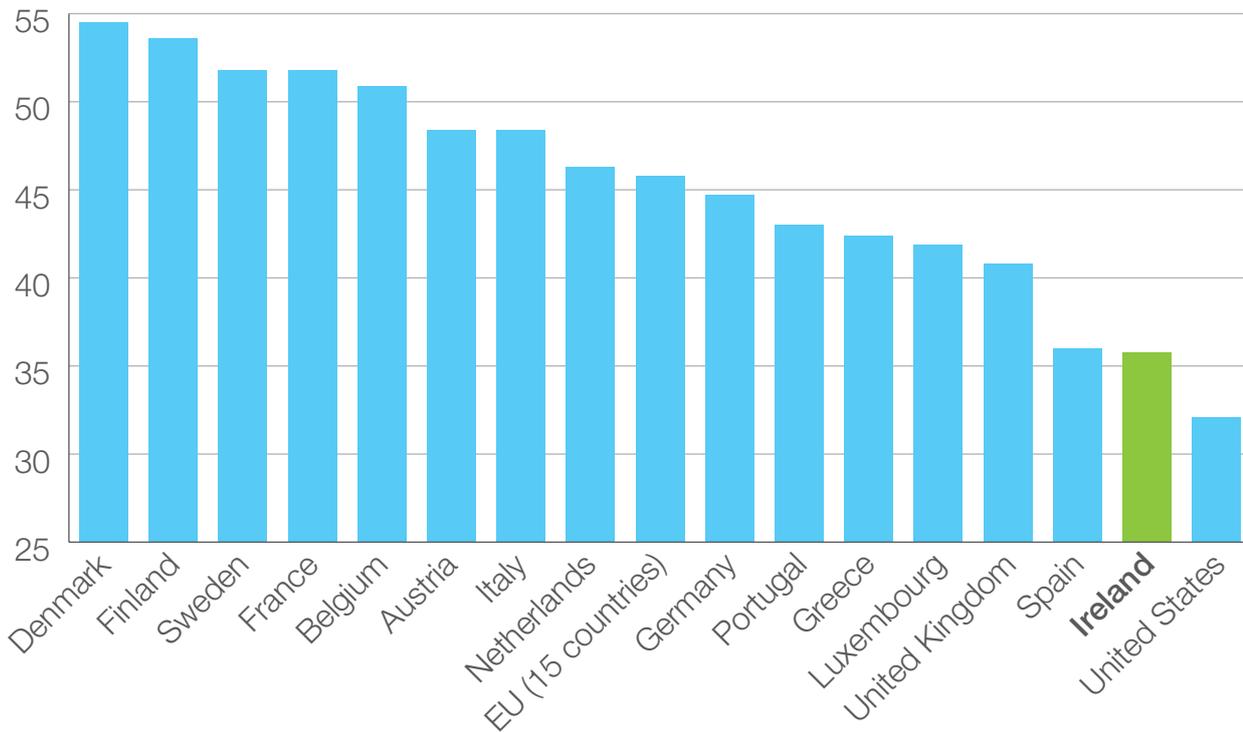
The Decent Work agenda must become a priority across Europe, both as a means of driving recovery and as the basis of a more equitable and sustainable society.

2.2 The Social Model in Ireland

Ireland must move towards the wider EU model in terms of greater revenue from taxation. With low taxes and low public spending relative to other EU states, the quality and capacity of Irish public services will remain below European standards.

As Figure 1 shows, Ireland’s total government revenue is the lowest of the 15 EU countries⁵. In the middle of a deep crisis, this is incomprehensible, other than in terms of ‘small-state’ Tea Party-inspired ideology.

Figure 1. Government Revenue as Percentage of GDP, 2012



Source: Ameco (EU)

⁵ GDP is the correct figure rather than GNP in this context as MNCs are included in the tax base.

The economic crisis has lasted a long five years. There are few green shoots – just exports and the reduction in interest on 10 year bonds. All other economic fundamentals are performing poorly.

The Irish Crash of 2008 was caused by the banking sector which lent far too much to the wrong people and sectors.

The leadership of the European elite at all levels is clearly incapable of bringing stability to the Union and especially to the Euro, which is still under threat.

It is known that when there is a deep recession on top of a major financial crisis, it takes much longer to recover⁶.

The level of austerity is too harsh. The recovery period is too short. The mix of cuts and taxes is exacerbating the crisis.

3.1 Extending the Timeframe for Adjustment

Those who rejected our calls for a longer period of adjustment to reduce the deficit may have genuinely believed that their target could be met and growth restored. The target for the deficit reduction may still be roughly on course - but at what social and economic cost?

It is not good enough to blame the prolonged recession in Europe for our ills. The impact of the huge *adjustment* of cuts in Irish public spending combined with often regressive tax increases (€24bn or equivalent to 19% of 2012 GNP) has devastated domestic demand, employment and confidence.

The cost of higher interest payments on borrowing over a longer period would not impact adversely as they would be more than offset by economic growth.

At an assumed average borrowing rate of 5% an extension of the timeframe to 2017 would cost an additional €430m in 2016, based on static calculations.

However, in the real economy, the impact will be significantly affected by the quality and composition of changes to both government revenue and expenditure through its positive impact on growth in GDP, employment and thus tax revenues.

Congress has proposed an investment stimulus of €10 billion over three years⁷ which would boost the level of GDP by 2%, i.e. by over €3,200m annually.

3.2 Write-Off or Mutualisation of Ireland's Private Bank Debts

Congress demands the mutualisation of Ireland's bank debts which were run up by private banks - borrowing from willing banks in Germany, Britain, France, Belgium and the rest of Europe. The last government foolishly agreed to repay all of these debts, in full, with interest and without knowing how staggering they were. The socialisation of the private sector bank debts by a small economy like Ireland will hang over Irish citizens for generations, unless and until the European Union assists in this mutual problem.

6 Reinhart and Rogoff.

7 Congress, 2012, Delivering Growth and Jobs.

As economist Micheal Hudson has said:
*“Debts that can’t be paid won’t be.
Postponing the day of reckoning imposes
a needlessly destructive interregnum of
austerity in which the financial sector
extracts as much revenue as it can.”*⁸

The solution is some kind of bank debt write-off or mutualisation.

3.3 A Different Adjustment

Congress accepts the reality of next year’s budgetary targets for the deficit. However, it is important that we:

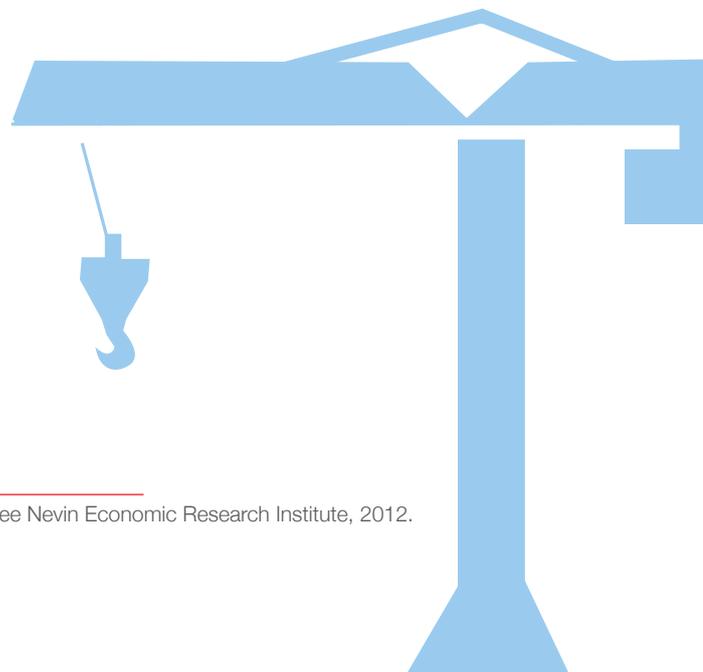
- Limit the devastating impact of fiscal austerity on domestic demand, growth and employment in a far greater way than has been attempted to date.
- Signal a firm intention to gradually reduce the government deficit and debt through prudent fiscal adjustments and growth-enhancing investment.
- Alter the composition of fiscal adjustment over time to move Ireland up closer to European norms of taxation and revenue, to ensure the rich pay a fairer share.

Ireland remains a low-tax economy. Congress is not proposing to move to a high-tax economy. Rather, we propose a balanced and gradual increase in revenue as the economy begins to grow again and as those on high incomes pay their share of adjustment.

The average effective tax rates on high-income individuals could be significantly increased. The effective rate of income tax is less than 20 per cent for 593 high income earners (up to €400,000 a year) who were sheltered by property tax breaks in 2010.

They at least pay a minimum tax under the high income earners’ restriction, which generated €81m in that year 2010 which would otherwise not have been paid by these wealthy people.

It is sometimes claimed that cutting expenditure is a more efficient way of reducing Government deficits than raising taxes. This view is not confirmed by a review of the relevant literature⁹.



⁸ Hudson, M., 2012, in “The Bubble and Beyond,” Islet.

⁹ see Nevin Economic Research Institute, 2012.

The biggest obstacle to creating employment is the depressed state of domestic demand in the Irish economy. It fell by a staggering 25.7% from peak by Q2 of 2012 and is forecast to fall further in 2013¹⁰.

The solution is economic growth, investment and job creation which can generate new revenue and save on public spending by getting people back to work. Domestic demand was a major component of the high growth achieved in the real Celtic Tiger years. In short, exports are important, but they alone are insufficient to generate sustainable growth and jobs in sufficient numbers.

The Government's state-led stimulus plan announced in July 2012 was a good start, and Congress believes that if it is implemented well, it will boost private sector confidence, leading to further growth investment stimulus.

Congress has long warned that recovery would take far longer as this recession came on top of a deep financial crisis. This synchronised recession in Europe, along with problems in the US was made worse with simultaneous deflationary policies in many countries.

Congress has proposed a targeted, frontloaded, strategic investment of an average of €3bn each year over the next three years, in addition to the committed public capital programme; an annual boost worth almost 2% as a share of GDP, to the Irish economy.¹¹

Our plan is much more ambitious than the government's, but the July 2012 announcement was a step in the right direction. In this Budget, we call for more ambition and for focused ideas for investment to be set out.

The investment stimulus proposed is only one part of a long-term strategy to achieve economic recovery, sustainable development and greater equality. Our objective is to deliver much needed strategic infrastructure at a fair cost that, where possible, would be kept off the State's balance sheet. This would expect to generate in the order of 30,000 jobs per annum.

It would begin to offset the deflationary impact of fiscal austerity, which has already taken €24.4bn out of the economy over the past four years to end 2012:

The investment stimulus would:

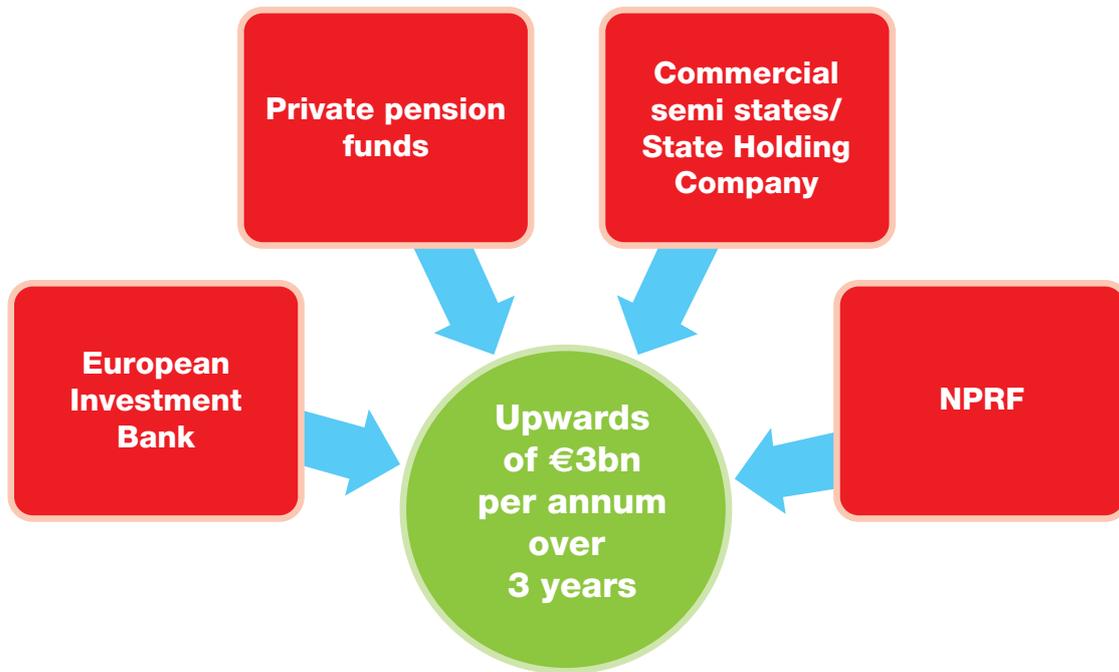
- (a) *Help to restart domestic economic activity;*
- (b) *Meet vital long-term infrastructure needs and reduce the deficit;*
- (c) *Boosting private investors' confidence and give people greater hope;*
- (d) *Reduce long-term, structural unemployment, and;*
- (e) *Boost long-term growth and competitiveness.*

We set out where the funds for such a stimulus could be sourced, from a mix of public, private and European/international sources.

¹⁰ OECD Economic Outlook 2012.

¹¹ Delivering Growth & Jobs, Revised Edition, Summer 2012.

10 **Figure 2: The proposed sources of Funding**



It is Congress' view that Ireland has no choice but to put in place a *sustainable growth strategy*.

The ESRI¹² has claimed that any stimulus programme would be futile, as the openness of the Irish economy would imply high leakage of any fiscal boost and that access to funding would prove too difficult.

Yet compared with other sectors, construction has a relatively low import content at 20%¹³ and while this will vary according to different civil engineering and building projects, the important point is that the rolling out of much needed infrastructure projects can be prioritised according to their import content and labour intensity.

For the ESRI and others, it is simply not good enough to dismiss any attempt to

kickstart the domestic economy by fleeing reference to previous chapters in Ireland's economic history. There are important lessons to be taken from the experiences of the 1950's, 1970's and 1980's, but abandoning any hope of reviving the economy is certainly not one of them.

In *Delivering Growth & Jobs Congress* pointed out that Ireland's investment record over the eleven years until the Crash averaged a very strong 5.7% of GNP pa. This was one of the highest levels of public investment in the world because we were attempting to catch-up with Europe. However, with the exception of our inter-city road network, we are still well-short of the European levels of education, health and telecommunications facilities¹⁴. Ireland's infrastructure has not reached continental European standards.

12 ESRI (Summer, Qterly, 2012).

13 Source: CSO Input- Output tables, 2005.

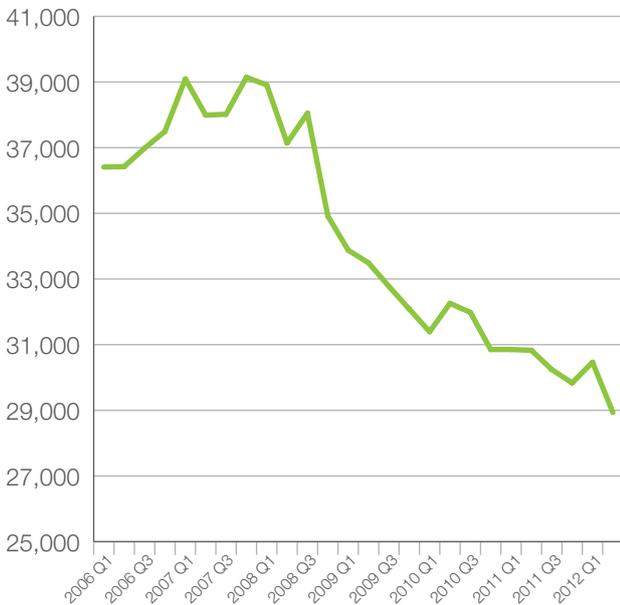
14 See Section 5.2 on Infrastructure in "Ireland's Competiveness Scorecard" 2012, NCC, Dublin.

It is simply not good enough to dismiss any attempt to kickstart the domestic economy

Too many of our children are still being taught in prefabs and public health facilities and public transport linkages, particularly in the west, remain inadequate. We were catching up with Europe, but were stopped short.

Nor is it even the view of business that we attained European levels of public infrastructure from the eleven year investment boost. In a World Economic Forum Study (2011), business executives ranked Ireland a low 24 out of 28 countries for our quality of infrastructure and significantly below the OECD average. The National Competitiveness Council (2011) has said “deficiencies remain.”

Figure 3. Domestic Demand - Still Falling



Source: CSO, National Income Accounts.

With domestic demand now back at the levels of ten years ago in 2003, and still falling, as Figure 2 shows, (aside from a blip in early 2012, due to imports of machinery), jobs should be the number one economic priority.

Figure 4. GDP, GNP & Domestic Demand



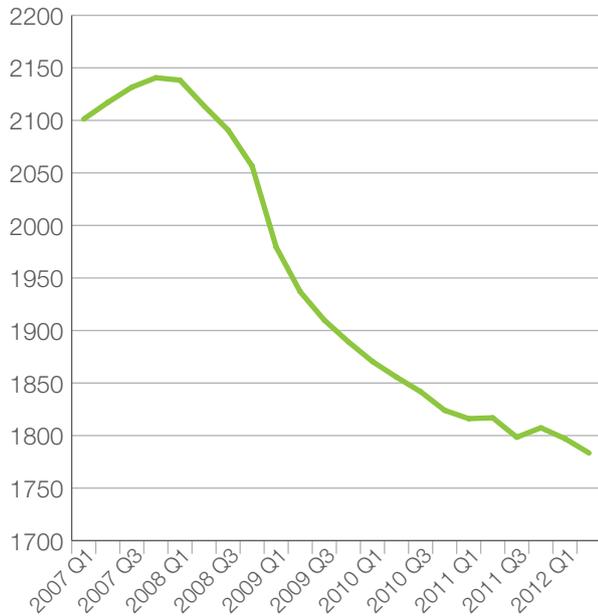
Source: CSO, National Income Accounts.

Figure 4 above shows the fall in GDP, in GNP and particularly in domestic demand since the peak, in 2007/08. All three lines are normally sloping steadily upward in a performing economy.

The Jobs Crisis

The scale of the jobs problem is illustrated by Figure 5. There has been a fall of 358,000 jobs since peak in 2007 to Q2, 2012. This is almost a fall of 17%. This means we have almost one in five less people at work than just five years ago.

Figure 5. Huge Drop in Jobs since 2007

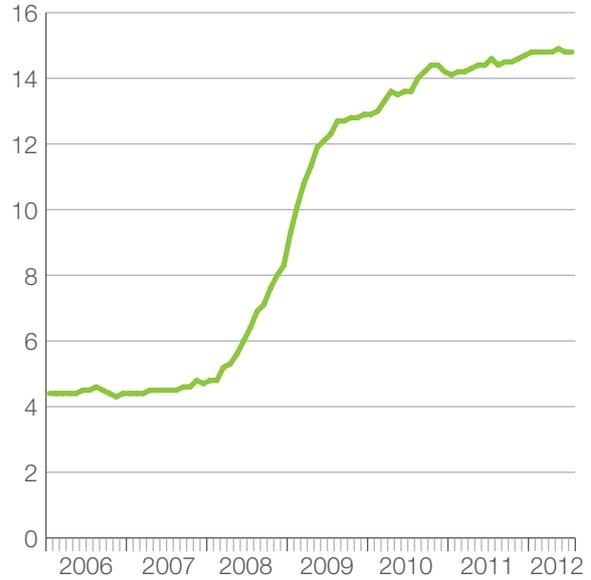


Source: CSO

Figure 6 shows the huge rise in unemployment from just over 4% to nearly 15% in late 2012. And with 87,000 emigrating in 2012 (up to 34,400 net), the official rate is kept down considerably.

According to official data from the CSO when those who are willing to work and who are staying in the home or in education are included in the figures, the rate of unemployment rises to 25%.

Figure 6. Trends in the rate of unemployment.



Source: CSO

5.1 Increasing Revenue through Taxation

Much more revenue can be raised by increasing taxes on unearned income/wealth. This can be done by tackling tax shelters; pursuing tax fugitives with vigour; clamping down hard on the Shadow Economy; imposing a wealth tax; ensuring the largest corporations contribute more, given that the crisis was generated by some of their largest indigenous members, the banks and property speculators.

To date, over three out of every five euros raised in new tax measures since 2009 has been from working people. Just 20% of tax changes have been targeted at the better off.¹⁵

The alternatives to the current failing economic policy are set out in this submission, in SIPTU's *Towards a New Course* and in the Nevin Institute's *Quarterly Economic Observer*.

5.2 Income Tax

The stated position of this government is not to increase income tax. This is not sustainable, nor is it equitable. Income tax is the most progressive tax and needs to rise to increase revenue.

Congress rejects the growing right wing tendency to describe income tax as the job destructive tax, when especially regressive taxes like VAT are promoted as the alternative.

Only 40% of tax revenue raised this year will come from income tax. For example, for every €100 raised in income tax,

citizens will pay an additional €107 in taxes on consumption like VAT.

This elitist ideology is hurting the economy and undermining social cohesion. Further, the economic impact of increased income tax on high incomes would be positive, shifting inert savings to public expenditure.

We are modestly proposing a new top rate of income tax of 48% for individual incomes over €100,000 a year.

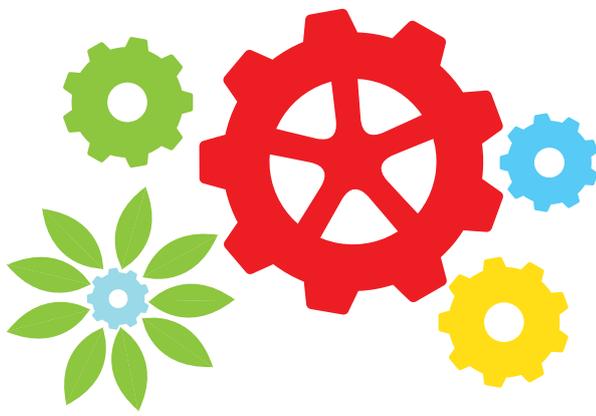
Thus a couple with an income of €210,000 will only pay the rate on the top €10,000. An alternative to a rate of 48% on these incomes of over €100,000 (as government insists it will not raise income taxes) is to put on a Social Solidarity Charge at a similar level.

Further, USC and PRSI should apply to income from all sources. Those on low pay should be protected – they already pay proportionately high direct taxes.

In France, the government introduced a top rate of 75% on very high incomes in July 2012. Even in the UK, where the Tories reduced the top rate, it is still above our own top rate (from 50% to 45%). In Sweden, the rate is 57% and in Belgium it is 50%.

France moved to raise €7.2bn extra from the wealthy and companies in July 2012. The “*contribution exceptionnelle sur la fortune*” is a one-time surcharge on wealthy individuals' assets.

¹⁵ See SIPTU 2012.



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This wealth tax will raise €5.2bn in additional taxes in 2012. Another €898 million will be reaped by ending a payroll-tax holiday. Other steps include surcharges for oil and financial companies, each raising an additional €550 million, and a levy on dividends and stock options.¹⁶ There is an extra 5% tax on big companies.

France is at least ensuring that tax is applied fairly by taxing the wealthy and highly profitable corporations.

On childcare, Irish governments made a policy error. They decided, in line with liberal economic thinking, to give the money directly to parents, instead of investing in childcare infrastructure. Thus Ireland has one of the most expensive models of early childhood care in Europe. Childcare costs impose a significant burden to those families who need to use them.

Furthermore, Benefit in Kind is now charged on workplace creches and this should be removed.

According to recent research (*Durkan & O'Hanlon 2012*) childcare costs amount to 20-25% of income for those aged 24-45.

Thus the taxation of **Child Benefit** is a very difficult issue. Congress has stated that there is a strong case in equity for such a tax, with this state benefit - which is costly - going to the highest earners.

However, we concluded that in the absence of a properly supported and

resourced childcare system in Ireland - local crèches, early education, etc. - along with the fact that the payment is made directly to women, Congress could not support the taxation of Child Benefit and also opposes cutting it.

However, if, as it has been rumoured, those earning over €100,000 a year may be taxed on Child Benefit, Congress would not disagree. The funds should go to fund a properly resourced childcare system in this country.

In the medium term the most sustainable solution may lie in the concept of a refundable tax credit for each child, but this requires further study.

5.3 SARP – Undermining Public Trust in the Tax System.

A key principle of taxation is that all incomes are taxed equally.

The introduction of a two-tier income tax system – the Special Assignee Relief Programme (SARP) - in last year's Budget, undermines this principle. It allows certain high income earners – €75,000 to €500,000 a year - to pay one-third less income tax than all others.

The timing of this tax subsidy for high earners was extraordinary, occurring at a time when:

- a) *Government is attempting to introduce a property tax and /or water charges;*
- b) *we know how tax exemptions (tax shelters) for the very rich contributed to the crisis, and*
- c) *the country is in the midst of its deepest fiscal crisis ever.*

¹⁶ Sarkozy had cut wealth taxes and eliminated the payroll tax on overtime hours. Companies will pay a 30 per cent tax on stock options, up from 14 per cent. Executives receiving the options will be levied at 10 per cent, up from 8 per cent.

It is galling to see tax fugitives maintaining mansions in Ireland in which they purportedly do not live.

Government should not be undermining its own tax system. Establishing a tax scheme to facilitate tax avoidance by certain highly paid foreign executives is divisive and ideological. SARP also contradicts the principle of horizontal equity and narrows the tax base.

Nobody, except corporate apologists in the accounting and legal firms, believes that these people are so valuable that we have to corrupt the tax system to get them to work in Ireland.

The role of accounting firms in this successful lobbying during this crisis is worth examining as an example of how Ireland is governed (see Appendix 1).

In this context, Congress is pleased that the Government, which promised to improve the FOI legislation which enabled the public to view this kind of activity, will implement the FOI reforms in full.¹⁷

In this context, Congress also welcomes reports that the government is to review the secretive and overly influential IFSC Clearing House Group, an insiders' group which has undue influence on many aspects of public policy including taxation, the success of its opposition to the FTT being a case in point.

5.4 The Minimum Income Tax

The minimum income tax for high earners – aimed at those rich people still using avoidance schemes - should be increased to 35% and the threshold reduced to €100,000.

5.5 Tax Fugitives

The Commission on Taxation recommended that where a tax fugitive/exile's main centre of vital interest is in Ireland or if they are assessed on a permanent home test, then they should be obliged to pay tax here.

The 183 day test for tax residency purposes should be reduced to at least 90 days, as obtains in the UK but it should preferably be cut to 45 days. Alternatively, there might be a broader definition of residence to include the persons 'centre of vital interests' or their 'place of abode.'

It is galling to see tax fugitives maintaining mansions in Ireland in which they purportedly do not live.

5.6 Property-Based Tax Subsidies

Congress is deeply disappointed that these tax subsidies are still continuing. They benefited high income earners, investors in non-productive assets and contributed much to the 2008 Crash. Congress has repeatedly called for objective Cost Benefit analyses of all tax breaks to assess whether they generate positive results in terms of jobs, income and value added.

It is disappointing that the report undertaken by the Department of Finance on these tax subsidies¹⁸ appears to be largely subjective, to justify the continuation of these tax subsidies, on somewhat tenuous grounds. (See Appendix 2).

¹⁷ <http://per.gov.ie/2012/07/25/government-committed-to-greater-openness-transparency-and-accountability-howlin/>

¹⁸ <http://taxpolicy.gov.ie/wp-content/uploads/downloads/2012/02/Property-Based-Reliefs-Impact-Assessment.pdf>



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Congress calls on the Department to undertake these studies in future with more academic rigour, setting out its assumptions and prejudices in advance and also the political constraints under which the study is being undertaken.

We believe these property based tax reliefs will not survive proper scrutiny.

5.7 Pensions

The Irish Occupational Pension system is going through a crisis which could mean it will collapse entirely over the next few months. The announcement by a number of very large Defined Benefit (DB) schemes that they intend to wind-up may cause a domino effect as other schemes facing severe difficulties will simply follow suit. The problems faced by occupational pension schemes are due to the European financial crises and the failure of the Irish Pension regulatory system.

These problems have been made worse by the Social Welfare & Pension Act 2012 which has signalled to trustees that neither the regulator nor the government are willing to help schemes to weather the current storm. Revenue and budgetary policy must also take some of the blame for what has happened. In the past in boom years, the Revenue's policy severely weakened schemes by forcing trustees to eliminate so-called 'surpluses' which could have acted as a hedge in the downturn.

Furthermore, the opportunist raiding of the schemes by the Government Pension Levy has undermined predictability, which is crucial for long term pension planning. Trustees, employers and workers are fast losing confidence that pension savings

will be safe. The government appears to believe that these funds do not belong to the people who earned them and paid into them but rather can be levied / raided at any rate the government decides. This has had the effect of undermining confidence at the very time when workers are being asked to accept smaller pensions at greater cost.

When trustees are fixing contribution rates they need to know in the long term how contribution rates will be treated for taxation purposes. Levies, while unfair and unjust, are preferable to taxing contributions because the pain can be passed on to deferred members and pensioners. If it is intended to significantly change the tax treatment of contributions which will fall only on the active members of schemes it will hasten the collapse of the pension system.

Congress again calls for the rebating of the levy for those schemes which invest in Ireland.

The government should not make any decisions on to how it can increase the tax take from pensions – except for those on high pensions i.e. generating pensions above €60,000 (as per the Programme for Government), until they have a clear understanding of whether the whole Irish Pension system has a long-term future.

Confidence in pensions has taken a battering and workers are becoming more and more reluctant to 'save' their money for little or no return. Therefore, it is important to tread very carefully around the issue of pensions in this budget, at his most uncertain time for pension schemes. It is quite possible that in a few years there may be few if any pension contributions

to tax, at all. This will leave the state to provide for a larger number of older people in the future.

Congress believes there should be auto-enrolment in pensions.

The annual earnings limit for the maximum pension contribution should be reduced from €115,000 to €80,000.

State Pensions

Pension reform must take place over a long period to allow workers to adjust. The speed at which our state pension age is to change takes no account of the legitimate expectations of workers, who have paid significant amounts of PRSI over many years. Neither does it allow them time to alter their pension arrangements to cope with up to three years where they are likely to have no work and no income. The current plan is that state pension entitlements will be delayed until age 67 by 2021 and 68 by 2028.

Upon retirement at age 65, it seems that many will have to claim unemployment benefit.

There is little gain in this for the state and it adds to insecurity for older citizens.

Our discussions with IBEC and the CIF lead us to believe that most employers will not retain workers beyond their contract age. This could lead to serious industrial unrest as workers will resist being sacked into poverty.

It is utterly wrong that people who have worked for 40 and 50 years and paid PRSI should be forced onto 'job seekers allowance' at the end of their working life.

Furthermore, the reduction in annual pension entitlements due to longer qualifying periods will impact adversely on many. This cut is particularly unfair to women, particularly those who took time out to mind children.

Thus, workers with an average of 29 annual contributions stand to lose €1,500 each year, for life.

Congress therefore proposes a much longer phasing in of all the new retirement age provisions and associated benefit changes.

5.8 Employees Outstanding Entitlements

The Protection of Employees (Employers' Insolvency) Acts 1984 – 2004, protect certain outstanding entitlements relating to the pay of employees in the event of their employer becoming 'insolvent'.

Currently, the Insolvency Payment Scheme will pay out to an employee if they have been paying full PRSI and if their employer is insolvent (defined as being in liquidation, receivership or legally bankrupt). However in circumstances where the employer simply ceases trading and walks away, the workers have no right to a payment from the Insolvency Scheme. This contrasts with the Redundancy Payment Scheme which operates in a different manner to the Insolvency Payment Scheme, in that on production of a letter from the employer's accountant to the effect that the employer cannot afford to pay redundancy, the Department can pay it. The debt transfers to the Department, who can recover it from the employer. We want the Insolvency Fund to operate

in a manner similar to the Redundancy Payment Scheme i.e.

- 1) that on production of a letter from the employers accountant (or similar authority) the Insolvency Fund can pay out to the employees
- 2) that the Minister can recover the debt from the employer.

5.9 Corporation Tax

Irish policymakers are not engaging in debate on Corporation Tax (CT). As Europe moves towards greater fiscal union, taxation is a major part of such a fiscal accord. Some Irish policymakers adhere to what is essentially a nationalistic ‘beggar thy neighbour’ policy on the low Corporation Tax. Curiously this attitude is held by persons who believe themselves to be ‘enthusiastic Europeans.’

This view is deeply resented by our partner states in Europe.

It is time to negotiate on the issue and not let events determine the ultimate outcome. While Congress agrees that Ireland has been well served by its ‘first mover advantage’ on this tax, it is not the ‘cornerstone’ of industrial policy.

The global ‘race to the bottom’ with regard to taxing corporations is diminishing its effectiveness and impact of our policy.

Ultimately, the beneficiaries are the big multinational corporations that pay less and less tax by playing off sovereign states against each other. It is time that Ireland negotiated with our European partners on tax coordination – not tax harmonisation.

This excerpt from a New York Times report does nothing to enhance Ireland’s reputation:

“Apple was a pioneer of an accounting technique known as the ‘Double Irish With a Dutch Sandwich,’ which reduces taxes by routing profits through Irish subsidiaries and the Netherlands and then to the Caribbean. Today, that tactic is used by hundreds of other corporations – some of which directly imitated Apple’s methods, say accountants at those companies.”¹⁹

Furthermore, those who are opposed to any additional tax contribution from the corporate sector in this time of crisis cite the fact that the proportion of Corporation Tax paid in Ireland is approximately the same as that paid in many other countries. It is argued that our low rate does not detract from revenue.

However, it is the large impact of transfer pricing which artificially boosts Irish CT revenue. As soon as there is a change in the US tax policy, or more countries follow the race to the bottom, we will lose this manufactured advantage. This is a major risk which should be faced up to.

When the Government decided to reduce the rate of CT from 35% in 1996/7, to just 12.5% by 2001, Congress argued that the new rate was too low.

We agreed that it should be reduced to 20%, provided the many exemptions were restricted to bring the nominal and effective rates closer together.

¹⁹ NYT, 28th April 2012.

Some write-offs were eliminated initially but then other tax breaks were added, such as R&D credits, exemptions for start-ups etc. Most deductions against Corporation Tax are eminently justifiable incentives such as wear and tear on plant and machinery²⁰ but some should be eliminated and others reduced.

There should be a review of the CT base: that is, the basis on which the tax is levied. There are too many deductions against the nominal rate of 12.5%, which have the effect of reducing it to zero, in some instances.

In addition, some 60% of Irish companies do not pay any CT because many do not make sufficient profits.²¹

The effective rate of Corporation Tax is, of course, far lower than the nominal rate. Stewart explored the area of effective tax payments and warns that it is complex and dependent on definition and interpretation. Using US data on firms in Ireland, he found that “US firms typically paid an effective rate of tax of between 4.2 and 5.3%”, in the study period, but he also found that some pay even less - as do many Irish firms.²²

There has been an abuse of some published data by apologists for the low tax rate. For example one regularly cited study carried out by a firm of accountants declared there was an effective rate of 8% in France against over 11% here.

On closer examination, the French firms were ‘small companies’ whose nominal rate was only 15%. This is far lower than the normal nominal rate of 33.3% that obtains. In addition the rate of Irish firms was boosted by including investment income.

Such dishonesty in debate does not bring clarity. Regrettably, many media commentators were taken in by this propaganda.

It is time for Ireland to debate this issue in a mature way and to negotiate on the issue with Europe, as it moves to greater fiscal union. The alternative, being pursued today, is essentially to let events determine the ultimate outcome.

5.10 Avoidance: Losses Forward

One area which the Government must examine is the treatment of losses. We need to stop the repayment of many taxes on profits which have been paid already by offsetting today’s losses against earlier profits. This is depleting tax revenue.

Companies have the facility to take a corporate loss back to the previous year of trading; to move losses in a company between trades, while there is also a facility for Terminal Losses which allows a loss to move back for three years when a company ceases. These generate repayments of tax in many cases. This is unacceptable as they are of dubious economic impact, particularly in these straitened times.

Undistributed Reserves can sit on the balance sheet, having contributed only 12.5% to the state, until the directors reach

²⁰ Which encourages investment in modern equipment.

²¹ Most are small proprietors and most take profits out in remuneration, while many others are struggling.

²² Stewart, 2011 see bibliography

age 55. The directors then 'retire' with a lump sum taken out of the reserves (which is individualised for husband and wife at €500,000 each), tax free under CGT rules and does not attract income tax or USC. This is unacceptable.

If the Government cannot find the courage to eliminate this, then it should at least attract Capital Acquisitions Tax or at least a Capital Acquisitions type penalty similar to that on distributable trusts that are left sitting.

The area of deduction of interest must be examined. In previous Budget submissions, Congress suggested a limit on interest paid by companies as a percentage of a company's assets or say EBITDA. This would prevent corporate raiders loading the targeted company with debt, which is then subsidised by the taxpayers, while simultaneously taking out dividends, even when lossmaking. This occurred with Eircom, which was a well-run company when in state ownership.

The practice of allowing interest charged but not paid as a deduction against tax should be terminated forthwith. This practice is common. The interest is allowed for tax purposes, despite the fact it has not been paid, and in cases will not be paid. This generates a larger loss, which can be sent back against a profitable year in a terminal situation. It is totally wrong that the Irish taxpayer rewards the owners of a corporate entity with a repayment of tax.

It should be noted that none of the above affects foreign companies as, in general, they make profits, pay their banks and distribute their reserves back home!

In the current budgetary situation, it is imperative and incumbent that Government closes the many loopholes still are being exploited to reduce the effective rate of CT by the owners of profitable companies.

Finally, Congress is concerned about many of the tax write offs around so-called R&D. The total R&D tax credit subsidy was a massive €800m between 2004 and 2009. We suspect that there may be some dubious practices and many of the R&D tax credits should be terminated if they do not give good value to this country.

These tax subsidies must be reviewed and subject to a proper, professional cost-benefit analysis. We object to the raiding of the depleted Social Insurance Fund by allowing companies to offset PRSI against R&D. We welcome the cost benefit analysis promised by the Government but insist that it is carried professionally, perhaps by international consultants.



An effective way to assist in reducing the deficit is a wealth tax

TAXES ON UNEARNED INCOME

5.11 Capital Gain Tax (CGT)

Capital Gains should be taxed as income, with lower discounted rates for long-term gains.

After many years of campaigning by Congress, economic events forced the Government to address these unfair taxes on gains and inheritances and savings. Tax on work had been far higher than tax on unearned income, although some progress has been made.

In the past taxes on gains were progressive, being as high as 60% on short term assets and at 40/30% for years until they were cut in 1997 to 20%, with development land being taxed at 50%. The recent increase from 20% to 30% is welcome.

If the **Kenny Report** recommendations on re-zoned land are not introduced, the rate on this land should be increased to 60%. Specific protections might be required in cases of people living in inherited property, where these beneficiaries are on low incomes.

However, the capital gains inequity, which must now be addressed, is the 90% reduction in CGT liability on the transfer of businesses or farms to a child. This is far too high an exemption especially in an economy with so many out of work and so many others struggling to make ends meet.

This deduction from tax, favouring those born with a golden spoon in their mouth, means that viable businesses which might be sold on to real entrepreneurs, instead pass, untaxed to those who may let them fail.

5.12 Inheritance or Capital Acquisitions Tax (CAT)

Similarly, it is not the job of the state to facilitate the adult children of the wealthy in retaining inherited businesses. However, to facilitate transfers to the able, the tax deduction should be reduced from the extraordinarily high 90% to 30%, with an extended period for payment.

The threshold for inheritance (CAT) from parents to children has been reduced progressively from a peak of €542,544 in 2009 to €250,000. This is most welcome. Congress would like further progressive changes in this tax, like rate increases and tightening up on Family Trusts. There was a progressivity in this tax with rates rising on slices of assets from nil to 40%. In the crisis, there is a strong case for a nil rate on assets up to say €100,000, 20% on the next €25,000 and so on rising to 40% on those assets over say, €225,000.

5.13 A Wealth Tax

Ireland has had a fiscal crisis for five years. It will last for many more. An effective way to assist in reducing the deficit is a wealth tax, as many other countries have.

Congress believes there should be an annual 1% tax on wealth above €2 million, this being defined as the current value of all assets, including the excess of €1m in the value of private houses.

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France legislated to raise €7.2bn extra from the wealthy and companies in July 2012. Wealth taxes are imposed on fortunes over €1.3m and as it is progressive those with over €4 million will pay more than double what they had expected to pay on their wealth. In Norway, 17% of the adult population pay a 1.1% wealth tax on assets exceeding NOK 750,000 (€100,000).²³

OTHER TAXES

5.14 Royalties on Mineral Resources

Congress has long argued that the 12.5% oil, gas and other mineral royalty tax on production above a certain threshold, should be reintroduced.

This should be in addition to the existing Corporation Tax regime. It is inadequate because, in the event of a very large oil gas or mineral find, those resources - owned by the people of Ireland - will be untaxed.

What is taxed today are only the profits on the business of extraction. All developmental losses from other exploration costs can be offset against these taxable profits, reducing them dramatically, sometimes to zero. There are too many exemptions under the current CT regime which can and are manipulated by the accounting profession to reduce this tax to negligible rates.

²³ Denk, Oliver, 2012, "Tax Reform in Norway," OECD. It is not applied at the same rate across all asset classes, with reductions for housing and pensions exempt. Denk is critical of preferential treatment of some asset classes.

Production taxes are much more difficult to manipulate. That is why oil and gas companies do not like them.

If a major oil or gas field is found off the coast of Ireland – increasingly likely with rising prices and innovative technology - this resource of the Irish people will be given away without appropriate compensation.

5.15 The Property Tax

The Property Tax will be introduced in this Budget. This new Property Tax must be fair and progressive. The fiasco that was the introduction of the household charge is a salutary lesson for policymakers.

Congress wants this tax to be introduced in tandem with the key provisions of the Kenny Report of 1974. Instead of a landowner or farmer selling land which has been re-zoned by the public authority for development at a massive premium, he or she must sell it to the state or local authority. They then gain a substantial premium of 25%. If the state makes more from resale to a developer, the gain will be used for community services like water, roads, schools.²⁴

Political legitimacy for a new property tax in Ireland rests on two factors:

- a) *In a progressive and fair manner it must target the varying degrees of housing wealth that exist across this country. The tax should be low on small houses and progressive thereafter.*
- b) *The property tax liability must factor in a household's ability to pay. Failure to address these two main issues risks low degrees of compliance and*

²⁴ <http://www.scribd.com/doc/24244062/The-Kenny-Report>

threatens to undermine other revenue raising measures introduced by the Government.

There should be a mechanism which could adjust the property tax liability to factor in household income, including an adjustment for dependents.

There must also be equitable relief to buyers who paid stamp duty between 2004 and 2007.

Another approach would be a Site Valuation Tax (SVT) which would be levied on all land zoned for development – including residential sites and land banks held by property speculators.

5.16 Financial Transaction Tax (FTT)²⁵

We support the introduction of a Financial Transaction Tax (FTT) which could raise €500 million a year in Ireland. The Crash of 2008 was largely caused by banker greed. Ireland's bank collapses were, proportionately, the largest in the world.

Recent events in the UK with the Libor and HSBC scandals demonstrate the *culture of entitlement* is still alive and well in banking. All of Ireland's banks would have failed without vast state subsidies.

It is unacceptable that this government should hide behind the British in opposing the FTT in Europe after the pain inflicted on citizens by our banks. The FTT would impose a tiny tax on transactions and deter speculation. The Government should cease

to cover for the bankers, drop its uncritical attitude to the IFSC and finally act in our citizens' interests.

5.17 Car Taxes

With the move to lower emission cars and other vehicles by manufacturers, it may be time to revert to imposing higher taxes on expensive cars, especially large SUV-type vehicles.

5.18 Public Transport & Fuel Taxes

The cost of fuel for public transport operators is now at a prohibitive level. A scheme did exist where a rebate could be claimed, but it was abolished as a result of an EU Directive.

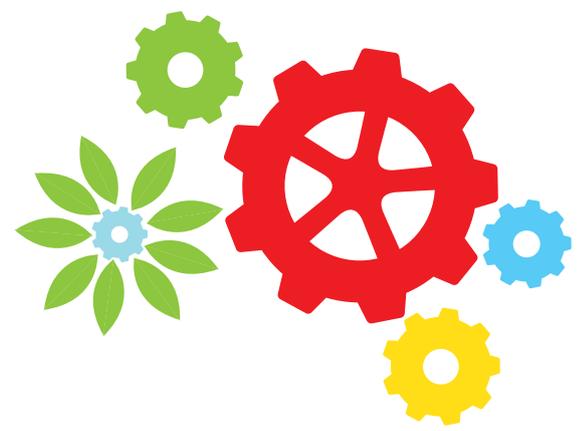
Yet the UK has in place a scheme known as the Bus Service Operators Grant which refunds some of the Fuel Duty incurred by operators of registered local bus services. The duty and the rebate payable per litre for diesel, biodiesel, bioethanol and unleaded petrol is 34.57p per litre, with rebates of 18.88p per kilo for natural gas used as a road fuel and fuels other than natural gas, in 2012.

Congress proposes that a scheme similar to that operating in the UK be examined as part of the budgetary process to assist public transport.

5.19 Tax Administration & Tax Cheats

It is galling for tax compliant workers to see billionaires sending the bill for extravagant wedding cakes to their company for payment. These revelations demand a tough approach to the Irish

²⁵ For more detail see Financial Transaction Tax: A Fair and Substantial Contribution from the Financial Sector, Congress October 2012.



corporate and self-employed 'enterprise' sector. We are in a deep crisis and this must be stamped out.

In this crisis, zero tolerance should be shown by Revenue to tax cheats and even small payments 'in cash'.

To this end, there should be many more audits of the self-employed and of companies with tracing back of invoices to small suppliers, particularly in the hard hit construction industry. The recession has encouraged the growth of the Black Economy and compliant taxpayers - usually the better employers - are at a disadvantage.

Our income tax system allows some self-employed persons to pay less income tax than they should. The PAYE allowance tacitly redresses the imbalance, somewhat, between employees and those on Schedule D. It must not be cut.

Audits by Revenue not only have the capacity to raise vast sums of underpaid taxes every year, they also give confidence to compliant tax payers that the system is as fair as it can be. That is not the feeling in Ireland. There should be far more audits of taxation of self-employed farmers, incorporated entities and of partnerships, particularly law firms.

The EU has been soft on the Swiss tax evaders and far too tolerant on the tax havens within the broad geographical area of the EU. The rich or High Net Worth Individuals (HNWIs) as they prefer to be called, reside in tax havens like Monaco, Andorra and Jersey, and commute easily into the EU to make their money and take it 'home' to be lightly taxed or untaxed. This new, super rich elite pay no tax

anywhere. They have no loyalty to place or person. They should be marginalised. But first they should be taxed.

The Irish government should take a much stronger position on offshore tax havens. Tax havens cause poverty.

The Tax Justice Network²⁶ says: "Tax havens offer not only low or zero taxes, but something more. What they do is to provide facilities for people or entities to get around the rules, laws and regulations of other jurisdictions, using secrecy as their prime tool."

It argues that this "corrupted international infrastructure, allowing élites to escape tax and regulation, is also widely used by criminals and terrorists. As a result, tax havens are heightening inequality and poverty, corroding democracy, distorting markets, undermining financial and other regulation and curbing economic growth, accelerating capital flight from poor countries, and promoting corruption and crime around the world."

Recent IMF research²⁷ shows major discrepancies between portfolio assets and liabilities in selected offshore centres. The data shows portfolio assets held by foreigners in Luxembourg to be worth US\$1.5 trillion at the end of 2008, while portfolio investment liabilities reported by the government stood at US\$2.5 trillion - a US\$1 trillion, or 40% difference.

The Cayman Islands reports \$750 billion in portfolio assets but \$2.2 trillion in liabilities.

26 Tax Justice Network, 2012 http://www.taxjustice.net/cms/front_content.php?idcatart=2&lang=1

27 15 March 2012, David Bain http://www.taxjustice.net/cms/upload/pdf/IMF_100315_Trillions.pdf

“The fact that many undeclared funds in offshore accounts are held in cash deposits, not in portfolio investments, means the sum is likely to be much higher.”

The IMF believes the sum of the external assets and liabilities of what it calls small international financial centres – only a part of the offshore picture and excluding offshore centres such as Switzerland and the City of London – is \$18 trillion.

The Government must also take tough action on evasion through offshore accounts in Switzerland and other states. The UK did a deal with Switzerland which is similar to one done by Germany in August 2011 which allows evaders to escape, but which was to bring in around £5bn (a little less than 4 per cent of the UK’s 2011 fiscal deficit). The Swiss banks will pay the taxes anonymously and in bulk. Thus the tax evaders will largely escape.

Europe needs to act if faith in the tax system and thus in the democratic system is not to be further undermined.

It is totally unacceptable in a deep fiscal crisis that the Government and public bodies award any contracts to offshore companies which avoid paying tax on tax funded public services, whether these be for by Dublin City to offshore company Greyhound Waste or the HSE, to its offshore based corporatised advisors.

Congress calls on the Government - through the Department of Public Expenditure & Reform (DPER) - to eliminate such contracts forthwith and to end the hire of any of the accounting and legal firms which establish major tax avoidance schemes.

We also call on the DPER to expand on its 2011 paper - *Enterprise Supports* - to comprehensively quantify all the billions of euro in direct and indirect public subsidies to the Irish and foreign enterprise sector in Ireland.

Government should be the primary agent for the promotion and practice of ethical business.

The Department must set up a unit to supervise all public contracts to ensure the law is being adhered to on safety, tax compliance and reduce leakage from the Irish economy.

5.20 Procurement

Congress has been made aware of cases where there is significant loss of tax revenue through a misguided approach to public procurement. This is most prevalent in construction and areas of facilities management such as cleaning and security. What is happening is that tendering is so tight that only those companies willing to ignore labour standards, such as Registered Employment Agreements, will get contracts. Compliance monitoring is not adequate to prevent this. So what happens in many cases is that the work goes outside the State. In the process workers are disadvantaged, reputable employers cannot survive and the Exchequer loses revenue. What starts out as an effort to get better value from the State becomes a self-defeating ordinance. The only way to counter this is to involve employers and unions in a joint team effort with the National Employments Rights Body to ensure labour standards compliance. Such cooperation was envisaged when the Body was first established.

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Congress welcomed the government commitment regarding no further cuts to social welfare rates. This is important for the many dependent on social welfare and in maintaining domestic demand, which has collapsed since 2007.

The EU-Social Inclusion Living Conditions (SILC) survey of 2010 published in March 2012 found that the disposable income of poorest households fell by 18.6% in a single year, while the income of the richest rose by 4.1%.

It is unacceptable that the top 10% of the Irish population has nearly 14 times more disposable income than the poorest 10% receive (28.5% compared to 2.06%). This gap was eight times more back in 1980.

It is regrettable that government policy is partly to blame for driving the widening gap. This Budget must be framed in such a way as to ascertain its impact on the vulnerable. Poverty proofing is essential. All budgetary measures must now be subject to an equality audit, where a full distributional analysis is undertaken to identify how different groups in society are likely to be affected.

6.1 The Assault on Secondary Social Welfare Benefits

In the 2002 Budget, Charlie McCreevy took €635m out of the Social Fund **(which had a surplus of €1.4bn)** at the end of 2001

This money belonged to Irish workers, as did the €30bn in the National Pension Reserve Fund, most of which has been wasted on propping up the private banks.

Congress is greatly disturbed by the reduction in secondary social welfare benefits. While it is understandable that the gap between revenue and public spending must be reduced, the 'adjustment' focus on cuts as opposed to taxation means reductions in public services.

The cuts in dental treatment provision - specifically paid for by workers' and employers' PRSI - has hit working class people hardest. Many are now avoiding preventative treatment as they are uncertain of the cost. The reductions in free preventative care treatments must be reversed as a priority. If the government will not do this in Budget 2013, it should announce that it will be a priority when the recovery comes. This is a small part of defending Social Europe.

As its contribution to cut public spending further, the IMF has suggested cutting some universal social benefits. The case for ending universal benefits can be made intellectually, but the strongest defence is that such payments reinforce social solidarity. The importance of social solidarity in these trying times cannot be underestimated. It is therefore vital that a number of universal social benefits for all be maintained even in trying times. Higher income taxes on high incomes can make up shortfalls. In particular, Congress calls for the retention of free travel for old age pensioners who have legitimate expectations that what they paid for will be there for them later.

Means-testing is expensive and the cost of its application to what are currently universal benefits must be factored in too.

6.2 Activation, Work & Welfare

Congress supports the Nordic 'flexisecurity' model of robust social protection and strong active labour market policies to promote employment.

The most recent evidence from NESC indicates that Ireland's social welfare system is not particularly generous to workers who become unemployed.

One way of improving activation outcomes would be to restore some of the benefits which formerly accrued to social welfare recipients. This constitutes an intangible incentive to work. The process of increasing the differential between jobseekers benefit and allowances payment should begin with this Budget, by increasing jobseekers' benefit payment levels by a modest amount.

Activation should be seen to be fair and directed at encouraging people into the workforce rather than as a way of managing expenditure cuts. Proper activation requires an intense level of quality service. A number of vague proposals have been aired regarding contracting some of this work to private sector agencies. Any such proposal should have to clearly demonstrate how this would improve outcomes for unemployed people.

In addition, academic evidence from countries such as Australia shows some companies engaged in 'cherry picking', where some clients receive priority treatment, or the converse practice of 'parking' where the agency pays a covert subsidy to an employer to place more other clients in a succession of low paid jobs.

There is a need to develop the proposed **Youth Guarantee** being proposed by the EU and the European Trade Union Confederation.

However we need to ensure that programmes or initiatives offered under such a guarantee are of a high quality. This must not be a case of just re badging existing initiatives, as was the case with the social guarantee of the early 1980s.

We need to learn from the experience of other countries. Countries with well-developed **apprenticeship systems** have a significantly lower rate of youth unemployment. We must broaden the apprenticeship system to include many other occupations in the catering, hospitality, commerce and logistics sectors. A greater emphasis on building a young person's link with the workplace is desirable.

New and more diverse apprenticeships will help to counter the problem of the under achievement of young males in the education system. This will in turn go some way towards meeting the problem of NEETS (not in employment education or training). The design of any revised system should be based on an evaluation of what works best in the existing further education sector. This is best achieved by evaluating the completion rates in various programmes (full certificate as percentage of starters) and progression rates of participants in the sector studied.

Long term unemployment has reached 60% of total unemployment. Older, lower skilled males, many of them former construction workers, form the main cohort. The failure to address the specific

requirements of this group will have significant social consequences.

Congress has long argued that in parallel to providing a stimulus for capital and infrastructural works, a local labour market clause must be included in all state procurement and tendering to ensure that taxpayer investments help get those currently out of work back into real employment.

We believe that there is an appetite among employers to discuss a broadening of the apprenticeship system. In order to have the maximum employment effect any such initiative should be supported by a new policy on social clauses that would ensure successful bidders for state contracts meet demanding targets for employing quotas of apprentices and long term unemployed.

6.3 A Higher Rate of PRSI for Abusive Employers

Some employers are manipulating working time, generating under-employment and using the social insurance fund to support their efforts. According to the Nevin Economic Research Institute, Ireland's rate of underemployment is the third highest in the EU.

Precarious contracts of employment - for periods as low as two hours a week - are causing workers to fall back on jobseekers payments and or family income supplement. This was never the intention behind the introduction of reduced employer's PRSI. Bad employers should not be subsidised by the state. This concocted pattern of short time working has had the effect of subsidising bad employment practices and precarious

work. Recent research by Mandate trade union shows over a quarter of its membership has contracts of less than 19 hours a week. In addition, the pattern of availability demanded by employers make it impossible for workers to increase their earnings by getting another job.

This puts an increased strain on the social welfare system. The study also shows that many workers who work part time do so involuntarily and would work more hours if they could.

Insurance works on the basis of sharing risks and pricing risks. People who undertake risky activities such as smoking or driving high powered sports vehicles understand this. Congress believes there should be a higher rate of employers PRSI for companies where precarious contracts are commonplace.

There should be clear legislation introduced to define employment and self-employment and so help eliminate bogus 'self-employment.'

6.4 Index of Precarity

An index of *precarity* should be devised – based perhaps on median length of a weekly work contract, compared to the total number of hours of opening. This would discourage employer behaviour which supports precarious contracts while allowing the social insurance fund to continue its support of those enterprises hit by periodic downturns and short time working.

6.5 Poverty traps

It is important to tackle poverty traps, such as the loss of medical card entitlement for low-income earners, as they discourage people from taking up work.

6.6 Fuel Poverty

Compensation should be introduced to help mitigate the problem of fuel poverty and broaden fuel allowance coverage to households in receipt of Family Income Supplement.

Equality

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Greater workplace equality could aid our economic recovery and help ensure that we create a more sustainable growth model in the years to come. Those societies that prioritise equality across all spheres of social and economic life are more stable, less prone to crisis and more economically efficient, the Nordic countries being a fine example.

During the property and credit boom all the evidence suggests that Ireland became a more unequal place. And the evidence now is that the austerity drive has aggravated that inequality. Budget 2013 therefore should ensure that any measures taken are assessed for their impact on different groups so as to ensure further inequality is not created. The cuts to home helps were wrong and should be reversed immediately. Also as we own the banks, in the conflict between customers and the banks' need to be recapitalised, a balance must be struck. Thus variable interest rates must be fair.

The new Equality & Human Rights Commission (EHRC) is potentially an important step for equality and human rights in Ireland. True independence requires that it has the human and financial resources to fully carry out its extended mandate. Therefore the EHRC should be provided with an adequate budget so it is free to undertake its activities, subject to appropriate accountability to the parliament and to state's independent auditor.

7.1 Health

The Public Health Service should be maintained in order to fulfil the State's obligation to provide healthcare for those who need it. The HSE has recorded

500,000 new recipients of medical cards since 2011. Conservative estimates suggest that 38% of the Irish population is now dependant on the State for its medical care needs. In the context of the proposed budget cut of €750m for health in 2013, it will simply not be possible to provide healthcare services to those that need it. This cohort of citizens does not have the option of attending a private hospital or private medical facility or indeed a GP. They simply cannot afford it. Therefore the current eligibility criteria for medical cards will have to be protected, and the State must protect the health budget to allow citizens the basic human right of access to healthcare, when, and if, they need it.

7.2 Taxes & Pensions

The new eligibility criteria for state pensions work against equality. They impact most adversely on women.

Findings from the gender analysis of Budget 2011 showed that the impact of changes to the system of taxation disproportionately affected women and the big winners were earners over approximately €75k, whose income increased as a result of the changes.

Significantly, more men are concentrated in the higher income deciles which means they benefited disproportionately by this measure. In contrast, the changes had a disproportionately negative impact on women. Such findings point to the need for an equality statement with each budget which would note the distributional impact of measures across gender and other grounds.

The need for such measures is also illustrated by the European Commission's latest annual report on gender equality which shows that improving equality between women and men is essential to the EU's response to the current economic crisis.

The report looks at progress over the past year in tackling the remaining gaps between women and men in employment, the economy and society in general. While some progress has been made in increasing the number of women in top jobs in business and in narrowing the gender pay gap, major challenges remain. EU countries need to get more women into the labour market if they are to meet the EU's overall objective of 75% employment rate for all adults by 2020. Studies have shown that gender diversity pays off and companies with higher percentages of women on corporate boards perform better than those with all-male boards.

7.3 Disability & Human Rights

Congress is very concerned about the level of cutbacks in Disability funding to date -14% over the past four years - and the inevitable negative impact this is having on our ability to maintain quality essential services.

Although it started from a low base, there was significant investment by the State in the development of services to meet the needs of people with intellectual disabilities over the period 2000 to 2008, during which a best practice approach to quality service provision was adopted. The substantial cuts in funding over recent years has meant an unravelling of much of this good work. The measure of any society is

how well it looks after its most vulnerable citizens. Congress demands that there be no further cuts in disability funding in the forthcoming budget.

It is also important to protect the income supports and services that people with disabilities need and publish an implementation plan for the National Disability Strategy.

Congress is also of the view that we must continue with the reform programme set out in the Government's mental health policy, *A Vision for Change* and adhere to the promised ring fencing of €35 million annually from the health budget to develop community services.



ODA

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Ireland must continue to make progress towards the UN target of spending 0.7% of national income on overseas aid by 2015. It is in Ireland's interest to strengthen the foundations of a stable and sustainable international economic order, by investing in overseas aid. Ireland can contribute to building a new global community and build partnerships that will benefit us now and into the future.



The decision to privatise valuable state assets to pay off private banks' debts or to fund a jobs initiative is a grave mistake, especially when asset prices are very low.

The supposed superiority of 'the private sector' has been totally undermined by the need to nationalise a vast section of it – at enormous cost – just to save it from itself.

The record of privatisation in Ireland is bad. The Eircom debacle greatly delayed the roll out of fast, universal broadband. As a consequence of privatisation, this strategic company was asset-stripped to such an extent by private equity firms that it collapsed in March 2012. Never again should critical infrastructural firms be privatised in Ireland where they can be asset stripped by the 'investors' who cut investment programmes and divert the proceeds to dividends and other cash payments for themselves. But it seems the lessons of this debacle still go unlearned and privatisation of some of our best indigenous firms is contemplated by the powers that be.

9.1 Good reasons to oppose privatisation

First, it is the wages of the lowest paid which are targeted to generate profits in the privatised utilities.

Secondly, the myth of the alleged superiority of the private sector has been suspect for a long time, but the collapse of the whole Irish banking sector, the Quinn Group and many huge speculator firms, shows, unequivocally that a large part of the Irish private sector model is very inefficient.

Former commercial state-owned banks like ACC bank, ICCC Bank, Irish Life Assurance Company, mutuals such as TSB and the building societies were privatised and have had to be rescued by the taxpayer (or supported by new foreign parent companies). They were clearly better run in public or mutual ownership.

Thirdly, selling off of what are major indigenous firm ignores the important area of 'strategic industrial policy.'

Every small open economy needs a number of decent indigenous firms of scale. While small open economies need a mix of foreign and indigenous firms, Ireland has perhaps too high a dependence on foreign firms.

The failure of such a large segment of indigenous private firms may prove to some that Irish capitalism is an abject failure. However, with reform, transparency and new forms of governance including wider representation on their boards, indigenous firms of scale can grow again, in addition to the state firms and the other surviving Irish firms, like CRH and the former coops, food companies, etc.

Fourthly, the banking system is so important to a modern economy that at least one of the nationalised banks must be retained in state ownership. Even Goldman Sachs top executive, Jim O'Neill called for the UK to retain one bank in public control²⁸.

Finally, state owned commercial firms are among the largest, most profitable and well run firms in this country. It is the logic of the madhouse that dictates they should be sold off to repay the huge gambling debts of private Irish banks.

²⁸ Jim O'Neill tells Newsnight "that Britain might need a state-backed bank", 11 July, 2012.

Reforming Corporate Governance

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The debate on public sector reform distracts from a more important issue at the heart of the collapse of 2008 –the utter failure to reform private sector governance. Central to the collapse were the perverse incentives for top executives that saw them rewarded for bad behaviour, plus the pre-eminence afforded ‘shareholder value’ in Irish company law.

Company laws governing private or public limited companies must be radically reformed with a shift from the narrow interests of shareholders to the broader stakeholder model. The recent Libor bank scandal in the UK and the extraordinary remuneration of bank bosses has clearly demonstrated that there is little connection between shareholders and senior executives in private companies in reality.

Irish company law is deeply flawed, giving all ‘power’ to shareholders who are diffused and largely impotent. Workers, suppliers and consumers are more or less ignored under company law. A shift to the very successful German model of co-determination is one option that should be considered.



APPENDIX 1: UNDUE INFLUENCE?

Congress is the largest civil society organisation in Ireland. In this republic, we have almost 600,000 members. But we were taken aback at reports highlighting the ease of access to the Department of Finance by the elite accounting firms who seemed to write the legislation.²⁹ The professional firms are paid by and represent big business. It has ready access to government at all times, but it seems its *influence* is disproportionate.

Colm Keena of the Irish Times said while it is not surprising that “global financial advice firms such as Deloitte and KPMG would lobby government on behalf of their multinational clients”, it is “surprising that the contact is so close that the firms are involved in submitting draft legislation” to the Department.

Conor O’Brien from KPMG emailed the Department of Finance saying the Bill had been met with disappointment. “It is hard to understand the cap (of a staggering €500,000 a year) unless you believe that we want the important people to come here but not the really, really important people,” he claimed.

His KPMG Tax Partner, John Bradley said “I’m acutely aware of the political concerns surrounding this legislation” but there is a fair amount of disappointment among the multinational clients. However, he confidently asserted that “I believe this can be addressed with a few Committee Stage amendments.”

²⁹ Irish Times, 23 April 2012, Colm Keena “Accounting firms played key role in foreign executives’ tax break scheme” and also by Keena on the same day, “Multinationals benefit as their financial advisers pile pressure on governments.”

As a major civil society organisation in Ireland, Congress is deeply perturbed by the deep reach and level of access and deep influence by accounting firms, paid by powerful multinational corporations to lobby. Irish public servants have a good record of maintaining the public interest, but in the modern world, deep pockets appear to have disproportionate reach in wielding such influence for multinational corporate interests the taxation system.

The Big Four accounting firms have too much power, dominance in their fields and influence in our country, as in many other countries. They dominate the accounting professional bodies, the Institute of Taxation in Ireland and the business media often with commissioned “reports”. KPMG was the accountant to AIB, the largest Irish bank which collapsed³⁰, even though its audited accounts showed large profits, when it was, in fact, making huge losses. It replacing PWC in 2001 after the Rusnak scandal broke. KPMG also verified the accounts of Fingleton’s and Walsh’s fiefdom, Irish Nationwide, which had no basis in reality.

PWC was auditor to Bank of Ireland during the boom. It was paid a staggering €100.6m between 2000 and 2009 and utterly failed to see that the bank was going bust.

³⁰ Aside from Defpa, which fortunately was taken over by Hypo Real, saving the Irish taxpayer a vast sum in bailout funds. As the German taxpayer has had to rescue Defpa, which had been an Irish bank to just prior to its collapse, many Germans are deeply resentful of its governance and regulation.

Ernst and Young were auditors to Anglo, and besides failing to see that the bank was going bust it failed “to see” the €7.5bn in loans to it from Irish Life and Permanent. E&Y also “audited” the accounts of EBS. It failed “to see” the €87m loan to Seanie Fitzpatrick. Deloitte replaced E&Y at Anglo. It was also the auditor to Bloxam stockbrokers which recently went bust. Ernst and Young were also the auditors to Lehman Brothers, they failed to notice illegal payments by Chiquita Brands International, and other scandals like Olympus in Japan, which they audited.

The AIB auditors, PriceWaterhouseCoopers now have a contract to provide Internal Audit Services to NAMA, a state body. KPMG, auditors for the Bank of Ireland, are Audit Co-ordinator (Loan Valuation and Associated Services) to NAMA.

The Big Four accounting firms are key players in devising major tax avoidance schemes which costs the ordinary taxpayer millions and which benefit billionaire corporations and millionaire individuals. In previous Budget submissions, Congress has said that any firm found to be behind a tax avoidance scheme of scale should be precluded from any state contracts for several years³¹.

The dominance of the Big Four accountancy bodies and their influence in government is of serious concern to those who think capitalism should be run by its own rules. How these secretive firms handle their many conflicts of interest between the parts of their businesses is

deeply questionable. Just as they escaped sanctions or fines for their audits of the six Irish banks which failed, at enormous cost to the citizens, and especially to our members who work in many of their firms, their suppliers and customers.

It is unacceptable that all these professional firms, which were key facilitators in the ultimate collapse of the Irish banks, are still being awarded by state agencies with contracts worth millions each year since the collapse. One example tells all.

A lead article on the front page of the Irish Times³² quoted a High Court judge who said that “some professionals were feasting on carcasses of firms”. Judge McGovern condemned the level of fees charged by Ernst and Young. The fees were €647,882 for five months work.

The revelations in October 2012³³ through FOI of the incredible influence of IFSC Clearing House Group, the group of financial insiders chaired by the Secretary General of the Taoiseach’s Department tells us a lot about the distorted workings of our democracy. This group of bankers and their paid advisors has been successful in winning many tax breaks and light regulation for financial services. It even persuaded the Irish Government to reject the EU move to incorporate the Financial Transactions Tax, putting Ireland at odds to most of the Eurozone countries at the very time when Ireland needs allies as we seek debt relief.

31 In the light of scandals it is remarkable that this has not been done. The fact that “public sector reform” dominates debate shows the power of the economic elite to set the political agenda.

32 Irish Times, 27 July 2012. “Some professionals feasting on carcasses of firms, judge says”.

33 Eg Irish Times, 8 Oct 2012. “IFSC lobby group powerful in shaping policy.”

APPENDIX 2: A POOR ATTEMPT AT JUSTIFYING PROPERTY TAX BREAKS

The Property Based Tax Subsidies are continuing. The Department of Finance attempted a cost benefit study of these tax subsidies – “Property Based Tax Reliefs Impact Assessment”. Regrettably, it appears to be a largely subjective approach to justify the continuation of these tax subsidies. Congress is disappointed because these tax subsidies benefited high income earners, investors in non-productive assets and contributed much to the Crash of 2008 in the Irish economy and are costly. Congress has sought Cost Benefit analyses for many years of all tax breaks to assess whether they generate positive results in job, income and value added. This attempt appears not to be as objective as it should be.

The report argued that the tax take would be reduced because of the high earners’ restriction already claws back some tax, economic activity is down and if owner occupiers were excluded, which is not unreasonable. A net figure for a tax yield of €60m in 2011 with immediate termination is also given.

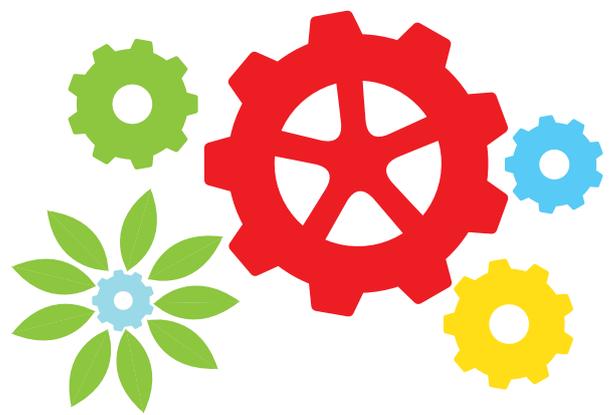
The authors seemed to be won over by submissions which argued that many properties were not generating income themselves but were sheltering rental income from other properties and so were persuaded that the termination would have a severe impact on these property investors and in turn, it could hit the exchequer with what it called “downstream exchequer costs”. They appear to have

been persuaded by beneficiaries like the CIF and private hospital promoters that the subsidies should be left in place. The report tenuously argued that, as the tax breaks “increased economic activity”, (which was deadweight, unwanted and ultimately destructive) and “additional employment creation,” the subsidies should be continued.

The report claimed that the tax breaks fulfilled public policy on a) regeneration and b) healthcare. However the report ignored the fact that the tax breaks originally intended for urban regeneration grew out of control, became diffused, created deadweight (which is partially conceded) and cost up to €5bn gross in tax foregone revenue. It ignored the fact that these public subsidies boosted private (sic) medicine and boosted Ireland’s two tier health system.

It found that “despite the potential gain to the State from a termination of reliefs, long term and immediate costs would occur including possibly in terms of *reputational effects* which may impact on fiscal and other economic instruments of the State.”

However, Ireland’s reputation as a place to do business has already been damaged because of the action of the banks, the accounting firms, the business elite, the policy elite, the Financial Regulator and other fiscal policies, during the boom. It is unlikely that any more damage can be done to Ireland’s reputation by terminating one of the key neo-liberal policies - tax subsidies to property investors which contributed to our downfall.



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This appears to be an Orwellian approach rather than a real analysis. This report follows on from an earlier Dept of Finance “survey” of the *beneficiaries* of the BES Schemes, which not surprisingly, found that they like the subsidies and thus it concluded that the scheme was worthwhile.³⁴ While the report does admit it was undertaken in response to lobbyists, (p13) it erred on the side of accommodating them. The reports from the Tax Strategy Group, in contrast, while taking time to publication, are generally evidence-based.

APPENDIX 3: COSTING THE TAX BREAKS

Areas where taxes can and should be raised in Budget 2013

Income Taxes

High Income Earners

Congress has suggested many detailed reforms to personal tax deductions over the years. Our proposals centred on equity. These have included curbing pension allowances for high income earners, a ceiling on artist's exemptions, patent royalties and we fought to win an end to the bloodstock industry exemption. Many have Congress' tax reforms have been implemented. All remaining incentives should now be reformed equitably to raise much need cash. These changes could raise tens of millions.

A New Top Rate of Tax of 48% on High Earners

Tax to be raised from increase in income tax rate to 48% for individuals earning over €100,000:-

Revenue: €365m

(Based on PQ 18 Sept 2012)

An increase of 1% on USC on High Earners above €100,000

Versions could be alternatives to the above top rate increase.

Revenue: €67m

(Based on PQ 18 Sept 2012)

³⁴ Survey the beneficiaries of Business Expansion Scheme (BES) and Seed Capital Scheme (SCS), 2007. Dept Finance.

End Tax Breaks for High Earning Foreign Executives (SARP)

Gain from ending High Income Foreign Executives (SARP). Low yield but restores horizontal equity to the income tax system.

Revenue: €5m

(Per Budget 2012, page B5))

Reduce the Threshold for High Earners to €100,000

Gain from reducing threshold for high earners to €100k and raising tax from 30% to 35%

Revenue: €5m

(Estimate based on Dept of Finance study of this tax restriction)

Income Tax on Exiles or Tax Fugitives

Tighten up residence restriction and as they are high net worth individuals ie rich the yield is high.

Revenue: €20-30m

(Own estimate)

Increased Taxes on High Earners Pensions

The maximum pension contribution should be reduced from €115,000 to €80,000

Revenue Yield €85-96m

(Based on a Dept Finance TSG paper 11/23 where a reduction from €100,000 to €100,000 gives €30m a year)

Gain from Higher PRSI on Abusive Employers

These are the bosses who call workers in at minimum notice and when things are slack tell them that they can go home. If the government rewards job creating employers with all kinds of tax breaks including lower PRSI, then it should at

least penalise exploiters, if only to level the playing field for decent employers

Yield €150m

(Based up the total PRSI yield from employers at €5bn in 2010, we take only 3% of total as our estimate of the proportion who are abusive to their employees for these to get this estimate).

Curb Tax Breaks for Corporates

This this crisis was caused by a section of the indigenous corporate sector – the banks and speculators. Corporate Ireland has paid not one additional cent to help Ireland in the recovery. Only the poor and middle earners had paid in cuts and tax rises. The corporate sector, including the banks have massive losses to set against future profits for years to come and some will try to offset them against previous profits on which tax was paid. This must be curbed as our tax base will be eroded as there should be no state-sponsored subsidy for reckless trading.

The effective rate profit tax paid by the corporate sector is around 4-6% depending on profitability and the year. Congress recognises that Ireland is the often the beneficiary of transfer pricing, the Dutch Sandwich and other artificial tax planning manoeuvres, but the corporate sector must contribute more and we propose restricting allowances and write offs to increase effective corporate tax revenue by 2% over a period of a few years.

Potential Revenue in 2013: €500-600m

(Estimate based on €4bn tax paid in 2012 by the sector where the effective rate is 4 or 5 per cent

Financial Transaction Tax

The FTT tax is being implemented in ten EU states, with Ireland following the UK in opting out. Congress believes Ireland will implement it shortly as part of a quid pro quo on relief on bank debt in a show of solidarity in Europe.

Yield €400-600m

(Estimate based on ESRI / CB report, EU Commission Report, Congress report and Tax Injustice from TASC, but not on the evasive answer to a PQ on 9th of October 2012)

Royalties on Mineral Resources

12.5% in addition to the higher corporate tax rate. The Kinsale gasfield on which we did get a royalty originally is close to depletion, but the Corrib gas field is near ready. Ireland has Europe's biggest lead zinc mines in Tara and Liseen and other deposits too.

Yield in 2013 €20-40m

(Own estimate)

Eliminate All Property Tax Breaks

The legacy tax breaks cost the rest of us taxpayers €447.8m in 2009. Assuming the figure is reduced it will still yield a substantial sum in 2013.

Yield €350-400m

(based on PQ of 18 Sept 2012 and estimates on Revenue Statistical Report 2010)

Unearned Income and Wealth

Capital Gains Tax

The rate of Capital Gains Tax is now at 30%, whereas the marginal rate of income tax is 41%. We propose raising the rate of CGT by 5% to 35% in the Budget. We also propose that a proportion of the gains on the disposal of private residences in value of over €1m be subject to CGT and that the normal principle private residence exemption cannot be availed of more than once every 3 years.

Yield €100m

(Based on various PQs including 18th Sept 2012)

Capital Acquisition Tax

Capital Acquisition Tax was increased in last few Budgets. It had been eviscerated for many years before. A reversion to several progressive rates based on rising thresholds (abolished in 1999) should be re-introduced. Also the 90% deduction on inheriting a business or farm should be reduced to 20%.

Potential Revenue: €120-160m

(Estimates based on PQs of 4 October 2012 and 18 Sept 2012)

DIRT Tax

A rise to 35% would raise more revenue.

Potential Revenue: €95m

(PQ 18 Sept 2012)

Wealth Tax

A wealth tax of 1% on those with wealth of over €2m for the next 3 years. Wealth would be defined as current value of all net assets, including private homes in excess of €1m value.

Potential Revenue: €50-80m

(Estimates based on CSO data of household wealth)

Gambling Taxes

An increase in gambling tax online, on course, etc of 1-2%.

Potential Revenue: €20-30m

(Based on PQ 18 Sept)

Excise Taxes

A modest increase in carbon tax from €20 to €25 a tonne would raise around €110m and 25c on cigarettes would raise €41m.

Revenue €150m

Clampdown on Tax Evasion and Avoidance

Ireland's elite has a long history of tax evasion. Audits are very good at exposing webs of evasion. There is still much evasion and this crisis is the time to really crackdown, but the staff at revenue was cut by 10% between 2007 and 2011 and has probably fallen further since.

Potential Revenue: €300m -€400m

(Own estimate)

Shift the First days of Illness Cover from Taxpayer to Employers

This is not revenue raising but a Budget cut or more accurately a shift as proposed by Dept. of Social Protection.

Potential Revenue: €100-200m

(Estimate based on Accounts of the Social Insurance Fund 2010 at between 10 and 20 per cent of the illness benefit)

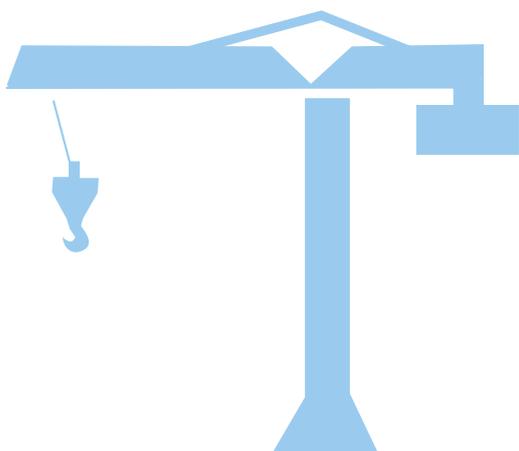
Total Possible Tax Revenue €2.9bn to €3.5bn

Conclusion

This is a menu with the potential to raise additional tax revenue of between €2,902 and €3,573bn in Budget 2013. The Troika and Government want an Adjustment of tax cuts and taxes totalling €3.5bn, made up of taxes of €1bn (of which around 0.5bn is already factored in from last year) and cuts of around €2bn. Congress suggests a less detrimental and more progressive way is to raise over €2bn in taxes.

These reforms would make the tax system more progressive, generate greater levels of income in the future and render the bulk of proposed cuts unnecessary.

This revenue is raised largely from high income earners especially those who pay lower effective rates than many taxpayers. It is from unearned wealth and gains still taxed at lower effective rates than incomes, in spite of good progress in recent years and from corporate incomes, which thus far have been exempted from helping out in the crisis.



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