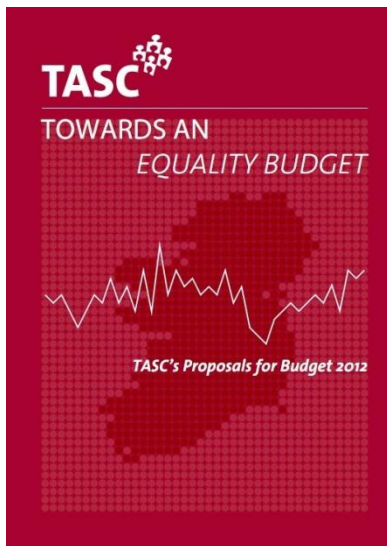


Nov 2011

Towards an Equality Budget

Proposals for Budget 2012



TASC is an independent, progressive think-tank.

TASC's evidence-based proposals for Budget 2012 can be found on www.tascnet.ie

Distribution Matters

TASC examined Budget 2011 and found evidence that people on lower income levels lost significantly more proportionally of their incomes compared to people on higher incomes.

TASC also found that single people with children lost around five per cent of their income from changes to tax and benefits, whereas other households lost less than three per cent from the same Budget measures.

Women are disproportionately represented in those groups. As a result, women were more badly affected by Budget 2011 than men.

That's why every Budget should include a full analysis of how it changes the distribution of income, including a gender analysis

Economic Recovery

The narrow focus on government finances rather than the health of the whole economy led to decisions in previous budgets that have damaged the economy and society. The deficit in the public finances can only be successfully managed as part of a strategy to support jobs and increase demand in the economy.

Reduce the Deficit

The IMF calculates Ireland's structural deficit at 6.8 per cent of GDP (€10.7 billion). Austerity measures to date have been counter-productive because they have excessively contracted the economy. For example, the €6 billion in measures in the last Budget only reduced the structural deficit by 1.4 per cent of GDP (€2.2 billion) according to IMF figures.

Support Jobs

Increased employment will mean more tax revenue and less welfare spending, so job creation is essential to lower the deficit.

Protect Low-Income Groups

IMF papers have recognised the role of inequality in causing the global crisis. Using tax and benefits to increase the spending (economic demand) of low-income households will lead to job creation.

Preserving Public Spending

Save €2 billion from restructuring Anglo IOUs

TASC proposes no overall cuts to public spending, with the reinvestment of any savings back into welfare and frontline services. However, €2 billion of public spending can be saved every year from 2012 to 2023 by restructuring the 'promissory notes' for Anglo Irish bank. This action would not be prevented by the EU-IMF agreement.

Investing in Recovery

Invest €1.2 billion in education, skills and training

TASC proposes taking €1.2 billion from the National Pension Reserve Fund annually for four years and investing in people, in the form of education, skills and training that will build the foundations for a long-term, sustainable recovery based on innovation.

Tax Measures to Support Economic Recovery

Target €3 billion in tax measures to support recovery

TASC proposes €3 billion in tax measures, guided by the international evidence on how best to avoid dampening economic activity, deter non-productive investments (like property investments which so damaged the economy) and restore balance and stability to the Irish tax system.

See overleaf for more details.

TASC's tax proposals for Budget 2012

| Area | Proposal | Yield (Cost) 2012 |
|----------------------------|---|-------------------|
| Immovable Property | | € millions |
| 1a. | <i>Residential Property Tax: 0.30% tax on residential property (with deferred payment for low income earners)</i> | 1,050 |
| 1b. | <i>Abolish €200 levy on rented properties; second homes and holiday homes; cut residential stamp duty to 0.03%</i> | (200) |
| 2. | <i>Abolish property based 'Legacy Reliefs' on non-residential property. Any unused capital allowances carried forward beyond 2012 to be lost.</i> | 450 |
| 3. | <i>Cut the level at which individuals and companies can claim interest repayments against tax for residential rental properties from 75% to 40%</i> | 350+ |
| Subtotal | | 1,650+ |
| Capital/Wealth | | € millions |
| 4. | <i>CGT and CAT Extension: Extend the USC to all gifts and inheritances and also to all capital gains, whether liable to Capital Gains Tax or not. The charge would be levied on the gross amount.</i> | 200 |
| 5. | <i>CAT Tax Free Thresholds: Reduce the threshold for Category A to €250,000 and reduce threshold to €25,000 for all other categories</i> | 75 |
| 6. | <i>CAT Reliefs: Limit business and agricultural reliefs for CAT by reducing the level of discount on market value before tax is calculated from 90% to 60% and introducing a €3 million ceiling on the qualifying amount. Merge into single relief.</i> | 94 |
| 7. | <i>CAT Reliefs: Eliminate the exemption to CAT of the residual value of Approved Retirement Funds</i> | 25 |
| 8. | <i>CGT Exemption: Cut exemption for disposal of site to child from 100% to 50%</i> | 19 |
| Subtotal | | 413+ |
| Pension Reform | | € millions |
| 9. | <i>Reduce income tax relief on pension contributions to the standard income tax rate</i> | 500 |
| 10. | <i>Reduce tax exemption for lump-sum pension payments to level of average industrial wage. The balance should be taxed at marginal rate of income tax and be subject to USC</i> | 65 |
| 11. | <i>Increase the rate of imputed withdrawal on ARFs with assets (value of fund) over €1,500,000 as follows: €1,500,001 and €3,000,000 – imputed withdrawal of 7.5% €3,000,001 and €5,000,000 – imputed withdrawal of 10% Over €5,000,001 – imputed withdrawal of 12.5%</i> | 25+ |
| Subtotal | | 590+ |
| Consumption | | € millions |
| 12. | <i>Environmental: Increase the existing carbon tax rate to €22 per tonne of CO₂ and make commencement order on coal and turf, with compensating measures such as fuel allowance.</i> | 176 |
| 13. | <i>Environmental: Implementation of €200 car park tax originally introduced in Budget 2009 but never enacted</i> | 10 |
| 14. | <i>Excises: Increase the excise on petrol by +2 cent per litre [summarizing] Increase the excise on beer and cider by +5 cent per pint Increase the excise on spirits by +5 cent per half glass Increase the excise on wine by +75c per bottle Increase the excise on cigarettes by +10 cent per packet</i> | 138 |
| 15. | <i>Health Promotion: Introduction of 20% tax on sweets and sugar-sweetened drinks to partially fund health promotion measures</i> | Offsetting |
| Subtotal | | 324 |
| Additional Measures | | € millions |
| 16. | <i>The 'number of days' test for determining the tax residence of an Irish citizen should be reduced from 183/280 days to 90/183 days</i> | Unknown |
| 17. | <i>Increase the domicile levy from €200,000 to €400,000</i> | Unknown |
| 18. | <i>Abolish selected other minor tax reliefs and exemptions</i> | 25+ |
| Subtotal | | 25+ |
| | | € millions |
| TOTAL | | 3,002 + |