



## Minutes

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**Subject:** Minutes of Fourth Meeting of Commission on Taxation and Welfare

**Date:** 9 July 2021

**Time:** 9:20am – 4pm

**Venue:** WebEx video conference and NECC.

In attendance:

**Commission Members:** Professor Niamh Moloney (Chair), Marie Bradley, Philip Brennan, Rowena Dwyer, Aoife Ní Lochlainn, John-Mark McCafferty, Tom McDonnell, Fergal O’Brien, Barra Roantree, Anne Vaughan

**Webex:** Sandra Clarke, Rena Maycock, Dr William Hynes, Philip Kermode

**Secretariat:** Colm O’Reardon, Gary Hynds, Sinéad Ryan, Deirdre Ní Alluráin and Aine Griffin in person and Mairéad Ross, Oisín Tarrant, Hugh Cronin, Lynda O’Keeffe, Aideen Foley, Joe Balfe, Lara Mullen, Colin O’Connor on Webex.

### 1. Welcome and Introductions

The Chair, Niamh Moloney, opened the meeting and briefly outlined the agenda.

### 2. Address by Minister for Social Protection, Ms Heather Humphreys

The Minister for Social Protection, Heather Humphreys, welcomed the work that the Commission will engage in over the coming year. Minister Humphreys spoke about the role of the social welfare system, its evolution over the years, and its closer links with the world of work and in turn the tax system in recent times. She spoke about many of the challenges facing the social welfare system, including reconciling differences and removing complexities, intergenerational fairness and building on lessons learned from Covid-19 experience.

### 3. Address by Minister for Finance, Mr Paschal Donohue

The Minister for Finance, Paschal Donohue, welcomed the opportunity to engage with the Commission and emphasised the importance of the Commission’s work. Minister Donohue

structured his address around six key areas; these included the need for citizens to be increasingly aware of the reciprocity involved in paying tax or PRSI and the need to sustainably fund future changes. The Minister reflected on changing work patterns and the increased mobility of workers, noting that income tax rates and Irish competitiveness in the area will increasingly come into focus. His comments also addressed the appropriate pace of change in the green transition as well as other areas of the tax base and how Ireland compares to other comparable nations. The address also referred to corporation tax, noting that the international landscape may change. The Chair thanked both Ministers for their time and contribution to the work of the Commission.

She opened the floor to the Commission for the main policy discussion.

#### **4. Supporting economic activity.**

A Secretariat paper “Supporting Economic Activity - Supporting SMEs and Entrepreneurship” was circulated in advance of the meeting to facilitate discussion by the Commission.

Topics emerging from this discussion included:

- Sectoral variation of indigenous SMEs and whether a one size fits all approach to measures in this area is appropriate.
- How existing tax rules may affect entrepreneurial decisions, including the complexity and efficacy of existing tax reliefs in the SME sector.
- Consideration of the overarching objectives of any policy measures in this area.
- How digital disruption may affect the SME sector.
- Firm level productivity was also discussed, including spill over effects.

#### **5. Housing**

Secretariat papers titled “Introductory paper on housing” and “Site Value Tax” were circulated in advance of the meeting to facilitate discussion by the Commission.

Topics emerging from this discussion included:

- Consideration of the objectives of tax and welfare for short term issues like housing supply and longer-term issues around capital stock, land and property as a revenue resource.
- The distinction between productive land use and under-developed land.
- Economic efficiency and mobility.
- Affordability and equity.

#### **6. Encouraging Employment.**

A Secretariat paper “How the taxation and welfare systems interact to facilitate employment” was circulated in advance of the meeting to facilitate discussion by the Commission.

Topics emerging from this discussion included:

- The scope of further analysis that could usefully expand focus to all benefits (including secondary benefits, housing and childcare).
- Further consideration of what metrics can usefully communicate the interaction of the taxation and welfare systems.

- Recognition of how people's preferences about labour supply are changing (working days in the week, or extending periods of employment later in life).

## **7. Environmental Reform**

A Secretariat paper titled “Introduction to Environmental Taxes” was circulated to members prior to the meeting for discussion by the Commission.

Topics emerging from this discussion included:

- The trade-off between revenue sustainability and environmental sustainability i.e. how will we address the shortfalls in revenues associated with meeting our climate goals.
- Finding the appropriate balance between fiscal incentives or penalties when addressing firm and individual level behaviours.
- Issues around ensuring progressivity and a fair transition were highlighted.
- The need to perhaps look further than just carbon neutrality toward air, water and waste pollution, as well as the circular economy.

## **8. Terms of Reference and Work Programme.**

The Secretary gave a presentation on a proposed work programme for the September to December period and for a proposed approach to a public consultation. There was broad agreement in relation to the proposed work programme and it was agreed that a paper will be circulated in relation to stakeholder engagement ahead of the next meeting.

## **9. AOB**

None.

## 10. Specific Action Points

Colour Code:

Completed

In progress

Ongoing/Repeated Action

Not Started

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ID	Action	Lead	Deadline	Status
Ref#	Brief summary of action point	Secretariat, Chair with Secretariat, DFIN, Other	Meeting X, May-21, Other	Completed, In progress, Not started, Other
COTW01	Commission Membership to return signed principles and procedures document	Commission	18 June 2021	In progress
COTW02	Decision Time training session	Commission	9 June 2021	Completed
COTW03	Issue papers for meeting 2.	Secretariat	9 June 2021 (with Chair) 11 June 2021 (with Commission)	Completed
COTW04	Devising detailed project plan	Secretariat	TBD	In progress
COTW05	Respond to follow up requests from meeting 2	Secretariat	25 June 2021	Completed
COTW06	Circulate Minister Heather Humphrey's speech to Commission members	Secretariat	23 July 2021	In progress
COTW07	Draft outline of public consultation and circulate same to Secretariat	Secretariat	10 September 2021	In progress
COTW08	Prepare paper on high level design principles of a taxation and welfare system	Secretariat	10 September 2021	In progress