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EAPN IRELAND (European Anti-Poverty Network Ireland)

Chapter 1 - General Questions

1 What elements of the taxation and welfare systems do you feel are working well?

Please elaborate below::

We welcome increases to core welfare payments as part of budget 2022. The Minimum Essential Standard of living research recognises that welfare rates have moved somewhat towards adequacy for certain households however other households, such as lone parent, long term unemployed, households with older children also still remain in deep income inadequacy.

We recognise that the Family benefits available within Irelands welfare system have a positive effect in assisting with poverty reduction.

We welcomed the increase of PUP from 203 per week to 350 Euros.

2 What elements of the taxation and welfare systems do you feel are not working well?

Please elaborate below::

The current methodology for setting social welfare rates is at the discretion of decisions made within the Department of Social Protection as part of the annual budgetary process. It is inconsistent in its application, with no definitive focus on the role social welfare system plays in addressing poverty, or the need for social welfare rates to meet the Minimum Essential Standard of Living for all household types and individuals. While social welfare rates were increased as part of budget 2022, we are aware that the budgetary process regularly fails to provide an increase in core social welfare rates. The current process of setting social welfare rates provides no indication or reference point regarding the extent social welfare payments will be maintained or increased in the future.

We believe further rigorous poverty proofing needs to occur around the introduction of current and new tax measures. This is particularly true for the carbon tax and the impact it may have on households living in consistent poverty and experiencing energy poverty. Our taxation system should not negatively impact those in society that are most in need of support.

It has been consistently highlighted within previous EU Country Reports on Ireland, that we have a disproportionate over reliance on the presence of multinationals for our taxation intake. The report for 2020 recognises the need for "broadening the tax base and reducing the reliance on volatile corporate taxes
would buttress the long-term sustainability of
public finances."

3 Good quality public services, welfare provision and infrastructure are financed mainly from taxation and PRSI. What are the features that you think our taxation and welfare systems should have in order to meet these needs?

Please specify::

See answer to Q2

4 In your view, what main reforms are necessary so that the Irish taxation and welfare systems can embrace the opportunities and meet the challenges that Ireland may face over the next 10-15 years?

Please outline your views::

Broadening the tax base to ensure the long-term sustainability of our public services and in recognition of our aging population, helping to reduce the dependency of the exchequer on the presence of multinationals (our GDP Growth is also over dependent upon the presence of a small number of multinationals)

In order for Ireland to meet its anti poverty commitments it is important that social welfare payments move towards adequacy as benchmarked against the Minimum Essential Standards of Living. This is in line within recommended areas for reform within the Social Welfare system as per NESC report no 151 (November 2020) p11 "ensuring income adequacy and alleviating poverty". The same NESC report also recognises that "the Vincentian Partnership has meticulously calculated a minimum essential standard of living (MESL) for different household types, which provides a tangible benchmark to measure the adequacy of social welfare supports." P124

Chapter 2 - Fiscal Sustainability

1 What reforms to the taxation and welfare systems should be considered to ensure the system is sustainable and resilient and that there are sufficient resources available to meet the costs of public services in the medium and longer term?

Please specify taxation reforms you consider important::

Please specify welfare reforms you consider important::

2 Rate each issue below in terms of strategic importance to the taxation and welfare system over the next 10-15 years (1 being least important and 5 being most important):

importance options - Achieving good public health outcomes for our people:
5

importance options - Addressing the climate crisis:
5

importance options - Adequate social transfers and benefits:
5

importance options - Growing employment:
4

importance options - Sustainability of public finances:
5

importance options - Sustained economic growth:
3

3 Given approaching demographic pressures and future uncertainties, future funding of public services is a critical issue. In order to meet these challenges, what is the appropriate balance between the taxation of a) earned income, b) consumption e.g. VAT and c) wealth e.g. capital acquisitions tax?

Please outline your views::

Chapter 3 - Promoting Employment

1 What reforms to the taxation and welfare system should be considered to ensure that taxation and welfare work in tandem to support economic activity and promote employment while also supporting those most vulnerable in an equitable way?

Please outline what reforms should be considered::

There needs to be the progressive realisation of benchmarking social welfare rates to adequacy. There is a school of thought that income adequacy as it relates to social welfare operates as a disincentive to work. We reject this notion, which is at odds with research that indicates that those who are able to engage in employment will do so, based upon the long-term financial benefits of employment and the social benefits it offers. The 2001 Report of the Social Welfare Benchmarking and Indexation Group states that replacement rates above 70% can have a negative impact on employment participation. However, this finding was further explored within the ESRI Making Work Pay report 2015 which concludes the 70% replacement rate should not be interpreted in this context, emphasising the complexity and diversity of reasons
people take up employment , “that dynamic gains over the longer term in employment, and nonfinancial rewards from working life are two such reasons. “
The report also finds that almost 80 percent of unemployed individuals have a replacement rate of less than 70 percent and that majority those who are facing high or very high replacement rates are in fact in employment. The narrative around social welfare investment needs to change and as this money is redirected and invested into some of the most disadvantaged areas and communities in Ireland that already lack meaningful economic investment and sustained economic activity.

Employment activation does not support economic activity or growth if it does not focus on the quality of work, for example secure hours and decent working conditions, including a living wage. There is also a need for employment activation to focus on those distant from the labour market and marginalised groups as per the new Pathways to Work Strategy 2025. The Programme for Government has pledged to introduce a Living Wage in the lifetime of this Government, we believe this is an essential part of supporting economic activity and promoting employment, mitigating the cost of poverty. We are also calling on the welfare reform to recognise the role social welfare has in addressing poverty, and recognise the economic contribution social welfare payments make, often in disadvantaged areas, that lack meaningful economic investment.

2 Does Ireland's taxation and welfare system strike the right balance between maintaining the incentive to increase earnings and alleviating some of the risks of low income (poverty and deprivation)?

No

Please explain your view::

The Minimum Essential Standard Research by Vincentian Partnership for Social Justice (www.budgeting.ie) highlights the difficulties faced by households face in meeting the cost of living when earning minimum wage.

The MESL research also highlights that particular households in receipt of social welfare remain in deep inadequacy, including single parent households, and households with older children,

The statement "incentive to increase earnings" could be interpreted as implying that adequacy in social welfare is an disincentive to work, this is at odds with research which consistently shows that the vast majority of households that can work will work, research also highlights the long term personal benefits and financial security that employment offers that are overlooked within the narrative. (See question 1)

3 Are income supports equitable in terms of how they treat people of working age?

No

How is this balanced with the requirement to meet differing needs?:

EAPN Ireland has consistently highlighted the discrepancy for young people on Job seekers who are on half of the core rate.

It must be recognised that particular groups are more likely to live in poverty, Including single parent households, people with disabilities, long term unemployed, those renting in the private rented sector. (SILC CSO). These groups are also more likely to experience deep income inadequacy.

The PUP payment highlighted the inequity of current social welfare rates. EAPN Ireland has highlighted the discrepancies between the levels of social welfare received prior to COVID 19 and the higher level of payment available via the Pandemic Unemployment Payment. The PUP payment, initially set at €203 per week in line with the level of other working age welfare payments, was revised to €350 per week.

4 What changes to the social insurance system should be considered to ensure sustainability into the medium to longer term? (Please note the recommendations of the Pensions Commission and NESC Report 151 on the future of the Irish social welfare system)

Please specify changes to be considered?:

Chapter 4 - Climate

1 As Ireland moves to a low carbon economy, what should be the role of the taxation and welfare system in:

a) taking advantage of opportunities? :

The Programme for Government states that the Commission of Taxation and Welfare is being established to consider how best the taxation and welfare systems can support economic activity and promote increased employment and prosperity. The commission must also examine the role of the welfare system in addressing poverty and inequality as part of Irelands move to a low carbon economy and the role of taxation in the future provision of public services and supports. People in low income households are most likely to rely on public services and are less likely to have the means to access services via the private market.
It is important to note that increased employment does not necessarily means increased prosperity, unless employment ensures regular consistent working hours and a living wage at a minimum (The current 2021/2022 living wage as set by the Living Wage Technical group is 12.90 Euro per hour)
The previous EU semester process and Country report for Ireland 2020, highlighted the the over inflated reliance of Ireland's GDP growth on multinational activity as well as the uneven distribution of Ireland's economic activity outside the urban centres of Dublin and Cork. There needs to be honest appraisal of what economic growth and prosperity means for everyone in Ireland, how can a move to a low carbon economy be inclusive of everyone? This cannot occur as part of a "Just Transition" without acknowledging the need to address poverty and inequality as part of and the work of the welfare and taxation commission.

The Welfare system in Ireland provides an opportunity for to address poverty and assist in Ireland meeting its antipoverty commitments. The social welfare system in Ireland and provides a safety net to all people in Ireland should they fall on hard times or find themselves unable to work. Poverty costs the exchequer. The main estimate approach finds that the annual public service cost of poverty to Ireland is almost €4.5bn. Using a more conservative set of costing assumptions the low estimate determines a cost of €3bn per annum.(SVP The Hidden Cost of Poverty)

The taxation system in Ireland provides an opportunity to invest in services and supports that will address poverty and inequality and also enable Ireland to move towards a low carbon economy whilst also meeting the needs of communities most impacted by the our move to a low income economy. Addressing the emergency issue of Climate change can actively be a process that addresses inequality and social exclusion. This approach has been applied in Scotland where a Just Transition is seen as an opportunity for a Fairer and Greener Scotland. The Just Transition Commission in Scotland believes climate action can be a driver for positive social change and an increase in population well-being. This includes plans for a Just Transition where high-emitting industrial sectors of the Scottish economy have clear milestones up to 2045, a focus on real income for different groups and geographical areas, distributional measures of income and poverty indicators. This commission also recommends that all public funding for climate action should be conditional on Fair Work terms. The Scottish approach to a Just Transition provides the Irish Government of a template for what can be achieved when the ambition to address climate change is combined with aims to achieve a fairer most just society for the betterment of everyone. It is possible for Ireland to meet its climate change commitments without further perpetrating inequality and social exclusion. The move to a low carbon economy provides an opportunity to address these very problems.

b) mitigating the risks? :

c) in meeting Ireland's emissions targets?:

2 Are there existing taxation and welfare measures that are counter-productive to Ireland's climate change commitments?

Yes

If yes, please specify::

Irelands climate change commitments will not be met unless there is an inclusive approach based on equality, which ensures that those who can least afford to pay are not most burdened with measures seeking to assist Irelands climate change commitments. We believe that all taxation and welfare measures must be poverty proofed. Currently carbon taxation has a detrimental impact on low income families dealing with rising energy costs, and often renting in energy inefficient accommodation within the private rental accommodation. It is reported annually that some poverty impact assessments are undertaken to inform the annual Budget process however we do not believe the social protection budgets are sufficiently poverty-proofed. A Just Transition must ensure that the anti-poverty commitments that Ireland has signed unto (including the Roadmap for Social Inclusion, the European Pillar of Social Rights and Global Sustainable Development Goals) and climate change commitments are addressed in tandem and complimentary each other to ensure that nobody is left behind.

To what extent are these justified in the Irish context and are any reforms necessary?:

Environmental taxation has a significant part to pay in meeting Irelands climate change targets and in the spirit of a Just Transition, also Irelands anti poverty commitments, however the main focus on this taxation must be on industries and corporations, in line with the principle of "polluters pay", that are most detrimental to the environment and the capacity for Ireland to meet its climate change commitments.
Climate change measures and taxations must recognise the burden placed upon low income households and be used to support communities and households to ensure Irelands climate change commitments met via the process of a Just Transition.

3 What changes should be made to the taxation system to ensure longer term fiscal sustainability given the expected impact of the continued decarbonisation of the Irish economy, in particular the impact of reducing tax revenues from energy, carbon and motor taxes?

Please detail the changes::

Chapter 5 - Housing

1 Taking into account previous taxation related interventions in the housing market, what role do you think the taxation and welfare systems have to play in contributing to the long-term supply of housing?

Please outline your views::

2 Should the taxation system have a role in supporting or promoting any specific form of housing tenure (e.g. home ownership, rental), or should it remain neutral?

Yes, taxation should have a role

Please elaborate further::

The taxation system must first and foremost focus on the households that are most in need, this includes low income households and housing for people with disabilities and housing for older people, to enable people to remain active within their communities and prevent premature admission to nursing home care

There is a strong need for taxation to focus on housing tenure that is not based upon market rates formed by a speculative property market. Research has shown that there is a direct link between families renting in the private rental sector and homelessness. In the past 12 months we have seen an increase in house prices in Ireland of 13% nationally alongside scarcity of housing supply. We also see that year-on-year rents grew by 4.5% in the first quarter of 2021. (https://www.rtb.ie/news/rtb-publishes-quarterly-rent-index-for-january-to-march-period-of-2021)

The taxation system must focus on tenure that provides housing with access to a differential rent. Differential rent setting has been prevalent within the provision of housing by Approved Housing Bodies and Local Authorities, however the current over reliance on the private market for housing means access to a differential rent is severely limited for those in need. The Government should take advantage of the strong history and legislative background

in Ireland (Housing Act 1966 Housing Act 1988)which assists the direct build stated funded housing for households in need of housing assistance.

It is worth noting that along with the European Pillar for Social Rights which recognise the States responsibility to provide shelter and housing supports to those in need, Ireland is also a signatory to the European Declaration on Combatting Homelessness, . This declaration represents the Irish Governments agreement to implement a number of measures to address homelessness and housing needs, including access to permanent housing and the provision of support services to the
homeless; as well as support for housing policy measures through adequate funding and, when appropriate, make use of EU funding as a means of addressing homelessness in Ireland.

3 What in your view is the role that taxation should play in housing affordability?

Please outline your views::

As above, the affordability of housing in Ireland is strongly linked to a speculative market and supply, this meaning access to home ownership currently excludes even those on moderate and average incomes.

Government interventions via the exchequer are an essential part of ensuring provision of affordability of housing however the overinflated reliance on the private market has contributed to the current housing and homelessness market. It must be ensured that any role taxation should play in housing affordability should not have negative impacts. Recently questions have been raised regarding the central role private landlords and private developers will play as part of the Housing for All strategy and the Land Development Agency Act. There are also ongoing concerns regarding the possibility of further increases to house prices due to the Shared Equity Scheme within the Affordable Housing Act. This perspective is backed up by research conducted by UK Controller and Auditor General regarding the impact of a similar scheme on the UK housing market and how it has led to an increase in profits for private developers. This brings us back to the need for extensive and thorough poverty impact assessments on Government policy, legislation and initiatives.

4 Following the introduction and recent amendments to the Local Property Tax (LPT) and the commitment in Housing for All to introduce a new taxation measure to activate vacant land for residential purposes, do you consider there is a role for a Site Value Tax in Ireland?

Yes, Site Value Tax has a role

Please elaborate further::

The introduction of a Site Value Tax is part of the process of broadening the tax base and increasing revenue to the exchequer. The current property tax focuses on residential property only however a site value tax enables the Government to collect revenue for commercial land and property that is under-used and under-utilised. It is taxation on "inaction" via land that is not utilised in a productive manner and does not contribute in some form to wider society. It can also helps to prevent land hoarding for the purposes of cashing in on the inevitable and cyclical boom and bust of property speculation. It may also assist in making land further available for the development of public services and supports such as social housing, schools and hospitals.

Chapter 6 - Supporting Economic Activity

1 How can Ireland maintain a clear, competitive, sustainable, and stable taxation policy with regard to its attractiveness to Foreign Direct Investment (FDI) in light of the rapidly changing global environment?

Please outline your views::

2 How can the taxation environment support indigenous enterprise, particularly small and medium sized enterprises (SMEs) to be productive, to innovate and be competitive internationally?

Please specify::

3 With regard to starting, scaling or growing a business in Ireland:

a) what features of the current taxation system work well?:

b) what features do not work well and how can these be improved?:

Chapter 7 - Tax Expenditures

1 How do you think the process of reviewing taxation measures and taxation expenditures is currently functioning?

Please outline your views::

How well defined do you think the benchmark taxation system is in Ireland?:

2 How do you think the process of taxation expenditure review could be improved?

Please specify::

3 Please give examples of taxation expenditures that you believe run counter to public policy/are badly designed?

Please specify::

Please explain your rationale? :

4 Please provide examples of taxation expenditures that you believe work well, either in Ireland or internationally?

Please specify::

Chapter 8 - Public Health

1 How well do the taxation and welfare systems support good public health outcomes, addressing health challenges including but not limited to those caused by or related to tobacco and alcohol use, obesity, poverty and/or environmental issues?

Please outline your views::

In 2020 EAPN Ireland published its research Report Giving Health Inequality a Voice. This report brought together individuals from communities experiencing disadvantage and inequality, including health inequalities, to learn from the experiences within these communities around accessing appropriate services and supports in relation to physical and mental health needs. The research highlighted the barriers faced by people experiencing poverty and those in marginalised groups, including Travellers, migrant communities, socio-economically disadvantaged, and rural communities, when accessing health services. The report emphasises how the social determinants of health, that is the conditions into which people are born, grow, work, live, and age, and the wider set of factors shaping the conditions of daily life, have on the health and wellbeing outcomes of the general population. The report showed that for those in disadvantages communities, health inequalities are fuelled by gaps in the provision of the services and supports that constitute the social determinants of health, ensuring a shorter life expectancy and a higher propensity to experience serious disease such as cancer within specific communities. An ESRI analysis of EU SILC 2013 data found that 4% of the population had an unmet health need with 59% citing the cost of care as the reason they did not access the care they needed. This research found that women, Travellers, lower income groups and people with poorer health status were most likely to have an unmet need for health care. Low income households are more likely to rely on access to public health services and less likely to have disposable income to access private health insurance, therefore are less likely to experience positive health outcomes.

2 What changes would you like to see to better promote the goal of good public health?

Please specify::

The end of a two tired public health service which is an anomaly in western Europe and perpetrates inequality. Ireland has some of the longest waiting lists for public health services in Europe. (https://healthpowerhouse.com/media/EHCI-2018/EHCI-2018-report.pdf P15). EAPN Ireland has consistently called for the full implementation of Sláintecare however adequate funding and resources must be provided in order to achieve this.

Chapter 9 - Administration

1 How can modernisation of the taxation and/or welfare administrations evolve to best meet customer needs in a satisfactory manner while respecting data rights and ensuring secure and reliable tax collection?

Please outline your views::

A hybrid model of taxation and welfare administration must be considered. The digitalisation of Government services must recognise the groups that are most likely to experience digital inequality. The benefits of in-person interaction and supports, the capacity for nuance and common sense, represented by personal interactions, must not be disregarded but instead integrated in the modernisation of taxation and welfare administrations. It must be ensured that the modernisation of welfare administrations, while necessary, does not add to social exclusion and perpetrate inaccessibility of social welfare supports which are a necessary part of addressing poverty and social exclusion in Ireland.

What do you see as the implications of modernisation for taxpayers either positive or negative?:

2 What improvements in service quality and delivery could be achieved by integrating (elements of) the taxation and welfare administrations?

Please specify::

Are there any risks arising from such integration? :

Chapter 10 - Submit Your Ideas

1 Taking into account the Terms of Reference, submit any other thoughts, ideas or feedback on taxation and welfare in Ireland:

Please outline your views::

Irish taxation levels are well below the EU average. EAPN Ireland, as part of the Better Europe Alliance, has called for taxation levels in Ireland to be incrementally brought closer to the EU average. We see that Irish taxation levels as a % of GDP is about 20%, whereas the EU 27 it is around 40%. We acknowledge there are discussions on the use of GDP in Ireland compared to GNI however it cannot be ignored that a gap of 50% exists when using GDP as a barometer. (https://op.europa.eu/en/publication-detail/-/publication/d5b94e4e-d4f1-11eb-895a-01aa75ed71a1/language-en p15-17)

We believe that social welfare payments have an essential part to play in helping Ireland meeting its anti poverty commitments including reducing consistent poverty to 2% or less by 2025, however this will not be achieved without adequacy of social welfare payments as benchmarked against MESL,

in order to lift people above the poverty line. The Social Welfare system and social welfare policy must be designed to be as accessible as possible to those in society that are most marginalised.