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Chapter 1 - General Questions

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

Please elaborate below::

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

Please elaborate below::

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::

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::

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? :

As Ireland is uniquely positioned on the edge of the Atlantic, there exists a fantastic opportunity to become a global leader in renewable energy in the form of wind, tide, as well as solar. The taxation system must take advantage of that by establishing a system that subsidises the establishment of community-led renewable energy projects and incentivises individual households to fit solar panels to generate clean energy that can be sold back to the national grid.
Moreover, urbanisation is on the rise in Ireland, with over two-thirds of our population living in urban areas. As we become a more urbanised, densely populated society, this creates an opportunity to achieve a significant modal shift from private car use to sustainable forms of travel in walking, cycling, and public transport. However, this can only be achieved if firstly safe, quality, and high frequency of infrastructure is provided for these forms of travel. And secondly, if the taxation system makes walking, cycling, and public transport use appealing and cost-efficient for all users.
Annual increases of the carbon tax, the NOx levy, road-pricing, and congestion charges for cities, matched with large subsidies for cycling schemes and public transport is the means to help achieve a radical modal shift in our transport patterns. Our taxation and welfare structure discourage the take-up and continued use of private vehicle use in these urban areas in favour of healthier and more sustainable forms of travel.

b) mitigating the risks? :

The transition to a low carbon economy will be achieved through a series of measures such as increasing the carbon tax every year. While this will incentivise the public to move towards more sustainable modes of travel and heating, it risks putting fuel-poverty households in even greater deprivation. In that regard, the welfare system must step in to alleviate further distress and harm.

Taxation generated from carbon tax must provide these households with a green transition fuel allowance to ensure that they can heat and insulate their homes in a sustainable manner. This green transition fuel allowance could be modelled on the current fuel allowance but only be applicable to the purchase of carbon-light and healthy fuels such as dried kiln wood or the fitting of heat pumps and insulation.

c) in meeting Ireland's emissions targets?:

Taxation will play a major role in meeting our emissions targets by deterring carbon-intensive practices while incentivising healthy, sustainable actions. For example, the decarbonisation of our transport sector must involve the introduction of taxes to deter fossil-fuel private vehicle use such as road pricing, increasing the NOx levy, and congestion charges, while incentivising sustainable modes of travel such as walking, cycling, and public transport through the form of subsidies on the purchase of bicycles, e-bikes, and the use of public transport. For those most disadvantaged and reliant on public transport, the welfare system must accommodate them in the transition to sustainable forms of travel.
Ireland's food system and agriculture sector is responsible for over a third of our national emissions. In that regard, the taxation system must be structured in a way that incentivises farmers away from carbon intensive forms of farming such as dairy or cattle and towards sustainable, healthy farming practices. Taxation can also play a role in shaping consumer preferences. The commission must examine the feasibility of implementing taxes on carbon-intensive food products such as red meat while hypothecating this revenue to be directed in subsiding healthier and environmentally friendly food products.

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

Yes

If yes, please specify::

The Irish government continues to subsidise the fossil fuel industry, with latest research showing that it provides over €2 billion in fossil fuel subsidies a year; the vast majority of which are indirect supports to the industry. This is clearly counter-productive to our climate action plan in phasing out fossil fuels and moving towards sustainable forms of energy generation such as wind and solar.
Data shows that removing these subsidies could reduce economy-wide carbon dioxide emissions by 20 per cent by 2030 compared to a business-as-usual scenario. If we are to achieve our climate targets of reducing greenhouse gas emissions by 51% by 2030 and achieving a climate neutral economy by 2050, it is imperative that we structure our taxation system to deter and phase out fossil fuel usage in favour of clean forms of energy as soon as possible.

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

These measures are wholly justified given our climate action targets are legally binding and we are in the midst of a climate emergency, with Ireland experiencing an increasingly number of extreme weather events due to global warming that threatens the physical and mental health of the public.

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::

To better ensure long-term fiscal sustainability, the commission must explore innovative means of raising taxation such as supporting the increase of the EU-led aviation tax and introducing a tax on the use of private jets within Ireland as studies show that the carbon emissions of the richest 1% and 10% of people are set to be 30 and 9 times, respectively, the 1.5°C limit in 2030. In addition, the transition to electric vehicles will require the taxation of fossil fuel powered private vehicles. Once this transition takes place, the commission must examine the possibility of taxing electric vehicles to ensure long-term fiscal sustainability.

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::

Unhealthy behaviours such as smoking, drinking excess alcohol and unhealthy diets are key drivers of poor health outcomes and have significant consequences for individuals, the HSE, the economy and society.

Non-communicable diseases, such as cardiovascular diseases and cancer and diabetes, are the greatest contributors to morbidity and mortality in Ireland. Unhealthy behaviours such as poor diet, smoking, and excess alcohol consumption are major risk factors for these conditions. Indeed, Health in Ireland Key Trends 2021, noted that "lifestyle factors such as smoking, drinking, levels of physical activity and obesity continue to be issues which have the potential to jeopardise many of the health gains achieved in recent years" (Department of Health 2021: 1)

A range of social, economic, and environmental factors mean that unhealthy behaviours often cluster in lower socio-economic groups, fuelling significant health inequalities. There are stark differences in health outcomes between people from different socio-economic groups – for example, a significant disparity in childhood obesity is apparent between disadvantaged and other schools and this disparity is widening, particularly in older primary school children (COSI 2020). Given the magnitude of these inequalities, much more needs to be done within the taxation and welfare systems to improve the health of those with the worst health outcomes.

Currently, taxation and welfare systems do not do enough to support good public health outcomes. Fiscal policies are important tools to correct harmful market failures. While they have a long history of being used to influence behaviour with a view to improving health in some areas (for example,

measures to cut smoking), there is much more that can be done, particularly in the areas related to obesity and food poverty. Indeed, the use of economic tools to address food affordability and purchase incentives is one of the policy interventions recommended to promote healthy diets and reduce obesity that was outlined in the World Cancer Research Fund International's NOURISHING framework.

While individuals exercise some choice in how they behave, much of people's health-related behaviour and the resulting risk of ill health is also strongly shaped by the physical, economic, digital, social, and commercial environments in which they live. When it comes to the consumption HFSS food and drink, tobacco, and alcohol these environments can lead to significant harm to health. The taxation and welfare systems can reduce these harms, by reshaping these environments and counteracting negative influences, creating a better balance of available options.

The use of taxation and welfare policies to improve public health outcomes is a more recent development in public health but not one without success. However, while governments across the world have long taxed tobacco and alcohol, this has mainly been seen as a way of raising revenue.

But well-designed taxation and welfare policies aimed at promoting health can be introduced and can be successful. While many sections of the Public Health (Alcohol) Act 2018 have still not been commenced, the section on Minimum Unit Pricing is recognised as important to reducing alcohol related health harms in the future when commenced. Similarly, the amount of sugar purchased by households through soft drinks fell by 10% in the year following the introduction of the UK Soft Drinks Industry Levy, and it resulted in an impressive 28.8% sugar reduction per 100ml in sugar sweetened drinks (The Irish evaluation of the Sugar Sweetened Drinks Tax is not yet completed).

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

Please specify::

Taxation and welfare systems have the potential to
• correct harmful market failures and
• create environments in which people find it easier to make healthy choices.

Relying on individual responsibility alone is not enough to change individual behaviours in favour of good public health; there needs to be a stronger focus on creating environments that support people to make healthier choices. There is scope for a bolder approach to using taxation and welfare policies to improve health. This is critical in creating a more supportive environment for people to change unhealthy behaviours, for services to address mounting health challenges at a population level, and for the government to tackle widening health inequalities.

While raising revenue is often the primary goal of taxation, using taxes to change behaviour and support the goal of good public health is becoming a well-established policy option. In recent years, governments around the world have demonstrated an interest in applying taxes to a broader range of unhealthy products to discourage behaviours that go on to pose a risk to individual health. For example:
• In Ireland, a Sugar Sweetened Drinks tax was introduced in 2018 alongside the SDIL in the UK
• In 2011, Hungary put a tax on packaged foods and drinks that contain high levels of sugar and salt in certain product categories, including soft drinks, sweets, salty snacks, condiments, and fruit jams.
• In 2013, Mexico passed an 8 percent tax on foods including snacks, sweets, nut butters, cereal-based prepared products — all "non-essential" foods.

Strong support for fiscal policies is based on the rationale that modifying the price of a product can alter its consumption. In most countries, taxes linked to health-harming commodities have been introduced with the aim of influencing specific choices people make, in order to promote healthy behaviours and reduce any detrimental impacts on health. The long history of taxation on tobacco, for example, has demonstrated clear impact on consumption levels and health outcomes, indicating that fiscal policies have potential for changing behaviour.

Taxes are not meant to be a solution in isolation, but part of a larger portfolio of policy measures (restrictions on advertising of unhealthy products, healthy food policies in public spaces and other interventions must be implemented (e.g., healthy food subsidies) to mitigate perceived unintended effects.

While taxation can raise prices to discourage unhealthy behaviours or encourage reformulation, subsidies can also be used to reduce prices or offer incentives for healthy behaviours. Government can offer direct subsidies or indirect subsidies to achieve their aims. Subsidies are used less widely.

The Commission on Taxation and Welfare must consider the combination of policies available to implement and move away from isolated, single actions towards cross-government and cross-sector approaches. For example, consideration of a tax on sugar would be more successful when introduced alongside other interventions such as subsidisation of healthier alternatives (e.g., fruit and vegetables).

Specific Actions that should be taken, or examined to better promote the goal of good public health:

1. Obesity & Food

A Sugar Tax

"The evidence suggests, therefore, that we need a measure that places the onus on businesses and not on individuals; that is mandatory and not voluntary; and that covers a wide range of products. This led us to a tax similar to the SDIL, but covering a wider range of products." – National Food Strategy

In the recently published UK National Food Strategy the first recommendation is that the UK Government should introduce a £3/kg tax on sugar and a £6/kg tax on salt sold for use in processed foods or in restaurants and catering businesses. The tax would apply to all sugar and other ingredients used for sweetening (such as syrups and fruit extracts, but not raw fruit) at a rate of £3/kg. This is approximately the same rate as the current Soft Drinks Industry Levy (SDIL), which the sugar tax would replace. It would apply at a rate of £6/kg to all salt sold for use in food manufacturing. It is recommended

that imports of processed food should also be taxed according to sugar and salt content when they enter the UK. Importers should be required to register for the tax, report the amount of added sugar or salt contained in their product, and pay the tax on that sugar or salt at the same rate as charged domestically. The Strategy notes that this tax would have two main effects: incentivising businesses to reformulate their products and driving up the cost of those products which are not reformulated. In terms of price rises, these would be driven mostly by the tax on sugar, which would lead to price increases of 15–25% in desserts, biscuits, confectionery and juice.

Drawing on this recommendation, and the accompanying work by the UK Institute for Fiscal Studies, work should begin immediately on a similar proposal here. This would also be in line with Actions 1.8 and 1.10 of A Healthy Weight for Ireland, Obesity Policy and Action Plan 2016-2025 (Develop proposals on the rollout of evidence-based fiscal measures to support healthy eating and lifestyles; Review the evidence, including the effectiveness of implementation, for fiscal measures on products that are high in fat, sugar and salt to reduce their consumption.)

2. Tobacco and e-cigarettes

Increasing tobacco taxation is proven to be the most cost-effective measure to reduce tobacco use and improve public health outcomes for individuals and communities. In that regard, the government should continue to raise tobacco tax on all forms of tobacco products, but match the high costs for smokers with increased welfare support in the form of significantly greater funding for tobacco cessation services, particularly targeted programs around maternity hospitals, mental health facilities, socioeconomic disadvantaged communities, and migrant groups.

Moreover, the taxation system must adapt to the growing use of Roll-Your Own (RYO) cigarettes which have been growing in popularity in recent years, particularly among younger smokers who are price sensitive. As such, as tobacco tax is increased annually, it is critical that there is an equivalent increase on RYO, coupled with the adoption of a taxation policy that acknowledges the substitution impact, adjusting tax rates accordingly to remove incentives to switch to a cheaper alternative. The taxation system must counter the switch to RYO by pricing out and deterring initiation among adolescents for the benefit of public health.

Finally, the Commission should review and shape e-cigarette taxation in a manner that deters non-smoker youth users but does not price out adult smokers who may be using these devices a means to quit smoking.

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::

Ownership of developing proposals for a new tax or subsidy should not be the sole prerogative of specific Departments (eg Public Health - Department of Health). While there will be expertise of the impacts and evidence within the Department, often this ownership can act as a barrier to progress (eg no new sugar taxes or fiscal measures to reduce consumption of unhealthy foods can be considered by the Department of Finance until the DoH reviews the sugar sweetened drinks tax).