Response ID ANON-U45Z-ZZNP-A

Submitted to Your Vision, Our Future
Submitted on 2022-01-14 19:00:45

About You

1 What is your name?

Name:
Michael Casey

2 What is your email address?

Email:
michael.casey@iua.ie

3 I am responding as:

A representative of an organisation

4 If you are responding on behalf of an organisation, please enter your organisation name here:

Organisation:
Irish Universities Association

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::

Introduction
The Irish Universities Association is the representative body for Irish Universities and its members include:-
• Dublin City University
• Maynooth University
• National University of Ireland Galway
• Trinity College Dublin
• Technological University Dublin
• University College Cork
• University College Dublin
• University of Limerick

This submission, on behalf of our members, addresses the central role that we believe that higher education will play in supporting economic activity, employment and prosperity and in doing so help to ensure that future taxation revenues will support the cost of public services. It also sets out some proposals with regard to how the higher education sector in Ireland can be supported by the Commission for Taxation and Welfare.

Context & Role of Higher Education
The pressures facing public finances over the coming decades are well documented and include:-
• A rapidly aging population
• Loss of tax revenues due to the low carbon transition
• The impact of global tax reform
• Changes impacting the workforce including digitalisation and automation
• Growing demand for improved public services

Sustained economic growth and the creation of high-skilled, highly paid and knowledge intensive employment is fundamentally important to ensuring that future tax revenues can help to keep pace with the increasing demand on public finances. Such high-skilled, high-paid jobs, centered on talent and innovation can ensure our future economic development and competitiveness is secure and resilient.

Our higher education system is fundamental to providing the talent pipeline for a knowledge intensive and high skills economy and in delivering the research and innovation to underpin economic development. It will also have a key role to play in reskilling and upskilling employees throughout their working life in an era which is likely to be defined by rapidly changing and evolving workplaces. In light of the erosion of the corporation tax rate as a key competitive advantage for Ireland in attracting FDI, talent and a highly skilled and educated workforce will be of paramount importance.

It is well recognized however that our higher education system is grossly underfunded and addressing this funding issue is essential to our future prosperity and growth. Adequate public funding supporting a high-quality higher education system should create a virtuous circle with increased investment leading to an increased return to the Exchequer through taxation as evidenced by a review of the economic impact of the university sector in Ireland undertaken by Indecon International Economic Consultants in 2019. That review demonstrated that the net gain to the Exchequer arising from the earnings premium over their lifetime net of all costs incurred by the Exchequer averages €62k for a graduate and €126k for a PhD holder. The net return

to the State in increased taxes for a single year cohort in university education was €1.6 billion and the then 7 universities represented by the IUA made an overall annual €9 billion contribution to the economy, a very significant return for the State's investment of approximately €1 billion.

Supporting and Incentivising Philanthropy

It is likely that the required investment in our higher education sector to underpin the future talent and innovation needs for Ireland will not be met solely from the Exchequer. Non-Exchequer sources of income are already a fundamental component of the funding model for our universities with in excess of 50% of total income now sourced from non-Exchequer sources for the majority of our universities. We believe that the taxation system can support the university sector in further expanding income from philanthropy in particular and would ask that detailed consideration be given to strengthening incentives for philanthropic donations to higher education institutions and the broader not for profit (NFP) sector.

Ireland's NFP sector relies heavily on direct public funding with a 2018 BDO Report on 'The Impact of the 2013 Change In The Tax Treatment of Charitable Donations' noting that 77% of NFP revenue in Ireland was being derived from the public sector in comparison to an international average of 31%. A significant step-change in philanthropic donations, therefore, could indirectly ease pressures on public finances and the taxation system can support this by overhauling the current tax incentives for donations and large-scale philanthropic giving in particular.

There is an extensive research base to support the view that, although tax incentives are not a primary motive for individual donors, they are considered to have a greater effect on wealthier donors in particular and do encourage donors to donate larger amounts. This is borne out in the 2017 Report by the Charities Aid Foundation which reported that '…. while tax incentives are not the only reason people give, they may encourage people to give more' and also the 2018 Report of the Worldwide Initiatives for Grantmakers Support which notes that tax incentives are '…. seen as having a greater affect on wealthier donors, who are more likely to donate larger amounts'. Research by the Observatoire de la Foundation de France further notes in reference to France and the UK 'countries with more generous tax breaks than elsewhere, the proportion of the donor population is only average, while average donation amounts are the highest in Europe.'

The 2013 changes to the tax treatment of donations has not had the desired effect of stimulating or increasing the level of philanthropic giving in Ireland and therefore further changes are now required. The existing S.848 (A) donations scheme in Ireland could be strengthened by providing a direct tax incentive to the donor by way of tax deduction or tax credit. However, to effect real change, a separate scheme for major gift philanthropy, as recommended by the Forum on Philanthropy and Fundraising in 2011, now needs to be introduced. Such a scheme should provide direct tax incentives to donors and should review the restrictions and cap on donations to encourage large scale giving whilst preventing the potential for abuse. In order to limit the fiscal cost of such a scheme the major gift scheme could be restricted to particular government approved sectors such as higher education.

As a further incentive to bequests, consideration should be given to a scheme similar to that which applies in the UK whereby a preferential inheritance tax rate is applied in situations where in excess of 10% of the deceased net estate is left to charity.

Purpose Built Student Accommodation

In addition to supports to philanthropic giving, we are also seeking the introduction of specific tax measures in support of purpose built student accommodation.

Given the current issues with regard to the supply of housing in general and of particular interest to the IUA, Purpose Built Student Accommodation (PBSA) specifically, again we believe that the taxation system could assist in overcoming the challenges in the short-term through targeted and time limited taxation incentives and reliefs. Universities operating PBSA do so on a long-term cost recovery basis whilst trying to ensure that rents remain affordable to students. The current cost of construction and excessive construction inflation has effectively meant that it is currently not viable for universities to build PBSA. Targeted tax incentives aimed at reducing the overall cost of construction could assist in this regard.

Research & Development Tax Credit

Given the importance of research & development to future economic development and the R&D tax credit to our overall tax offering we believe that there is a need to significantly increase the existing €100k or 15% limit on qualifying outsourced expenditure to third level institutions.

Conclusion

The higher education sector can play a key role in the future prosperity of the country by providing the talent pipeline of graduates for high skilled, highly paid, knowledge intensive jobs and the research & innovation that will drive economic growth. These in turn will be the bedrock of future taxation revenues. The taxation system however can equally be a key enabler in supporting the higher education sector in achieving this via specific targeted incentives such as those outlined above.