You Vision, Our Future

A Submission to the Public Consultation

of the Commission on Taxation & Welfare

Submitted on behalf of Sinn Féin

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Introduction

The tax and welfare systems are in many ways the bedrock of our society – generating revenue, protecting incomes, reducing poverty and inequality, empowering workers and families, boosting sustainable development and common prosperity.

Of course, faltering tax and welfare systems can undermine, even reverse, these policy objectives.

The taxation system is a fundamental lever with which the State can generate revenue to finance investment in public services, infrastructure, skills, and the social welfare system. It also plays a critical role in encouraging or discouraging certain behaviours and forms of economic activity.

The welfare system helps workers and families withstand income shocks, reduces poverty and inequality, improves productivity, and supports the elderly and vulnerable. A strong welfare system empowers workers, families, citizens with disabilities, and the elderly to prosper, builds resilient communities, and establishes a floor under which no one should fall.

Our current systems can and should work better.

Many problems that predated the pandemic have been deepened by it. Others have arisen. All must be addressed as the pandemic subsides. Many can be tackled and solved through reforms to the taxation and welfare systems.

In what follows, Sinn Féin will convey principles and areas of focus that we believe should guide the work of the *Commission on Taxation and Welfare*, and guide future governments in the building of a more resilient, more equal, and fairer society.

1. Taxation

Sinn Féin supports a fiscal policy that taxes fairly, reduces inequality, improves the efficiency, quality, and capacity of public services, promotes positive behavioural change and supports sustainable economic development.

The taxation system should aim to ensure that those who have the most pay the most and lessen dependency on regressive 'indirect' taxes that target consumption that forms a disproportionate portion of low and middle incomes. Reforms must also seek to end the waste of excessive and often regressive tax breaks, loopholes and subsidies abused by wealthy individuals and corporations.

Taxation on income, wealth and consumption are essential pillars of our public services and finances. We must ensure that taxation and revenue raised is appropriately balanced between each pillar to ensure equity and sustainability.

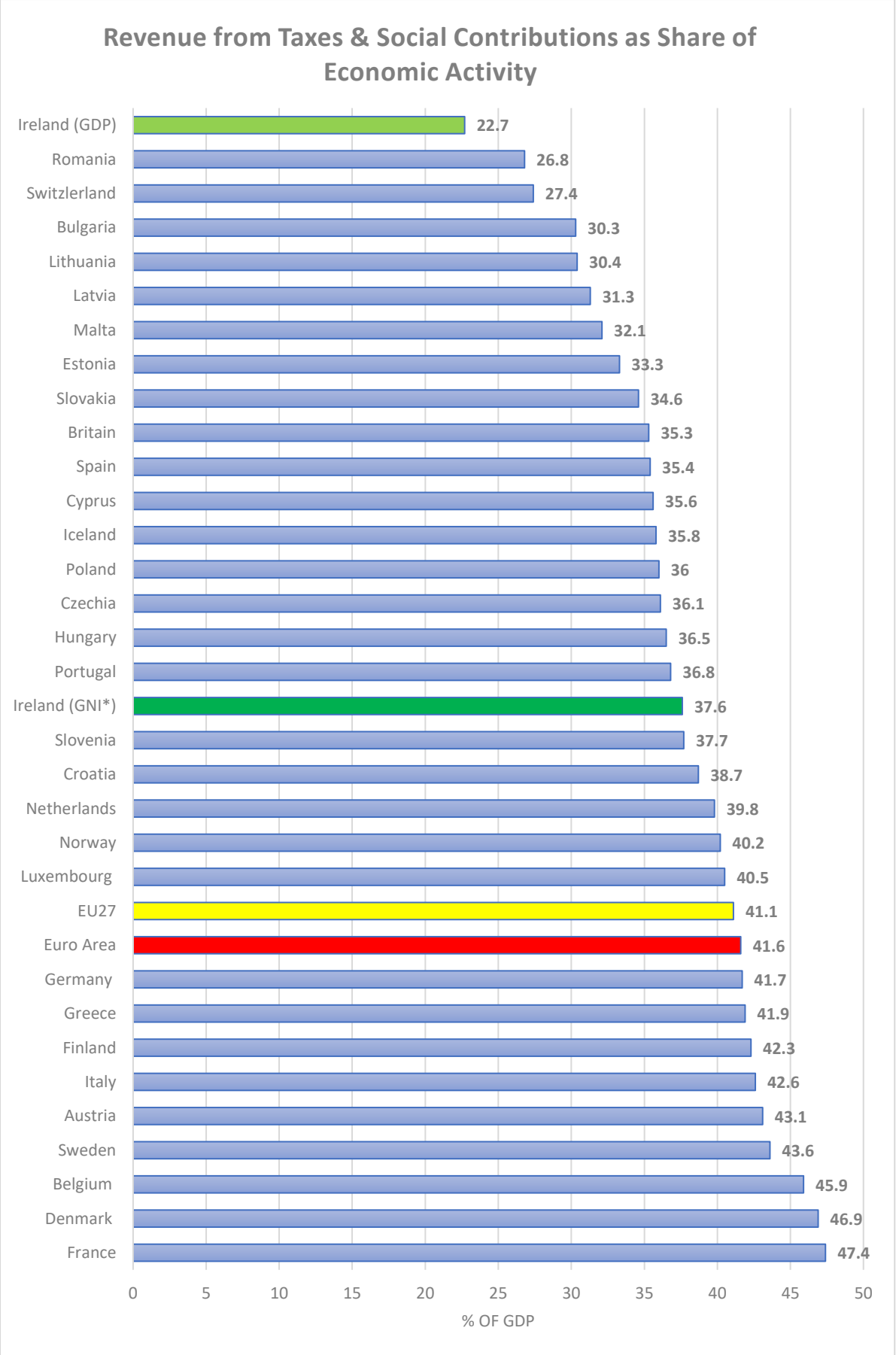
For example, revenue from consumption taxes (through VAT and Excise), which are regressive unless targeted at luxury goods and services, are above the European average, while the tax yield from employers' social contributions and certain forms of capital are relatively low by international standards.[1]

As we emerge from the pandemic, our taxation system and revenue raised must be stable and sufficient to support and finance a more active and responsive State. At present, revenue raised through taxation and social contributions is equivalent to 22.7 as a

[1] McDonnell, T., '*How heavy is the weight of tax in the Republic of Ireland – Some high-level facts*', Research InBrief No. 79, Nevin Economic Research Institute, November 2021, How heavy is the weight of tax in the Republic of Ireland – Some high-level facts | NERI (nerinstitute.net)

percentage of GDP and 37.6 as a percentage of modified gross national income. This compares to an EU average of 41.1 percent.

The need to improve public services, strengthen our social insurance system, reduce inequality, and support economic development into the future demands reforms to our taxation system. This must be done on an equitable and sustainable basis. This submission is not exhaustive.



Source: Eurostat, CSO and own workings

1.1: Income & Social Insurance

Income Tax & USC

Taxes on income are levied through income tax and the Universal Social Charge (USC).

In 2021 income taxes of €26.7 billion were raised for the Exchequer, representing approximately 39 percent of all tax revenue for the year. This comprises revenue raised from both income tax and USC.[2]

The total income tax yield for the years 2011 to 2021 are provided below, both in nominal terms and as a percentage of total tax revenue:

Income Tax (including USC) Yield

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
€bn	13.8	15.2	15.8	17.2	18.4	19.2	20.0	21.2	22.9	22.7	25.4
% Tax	40.5	41.4	41.7	41.6	40.3	40.0	39.4	38.2	38.7	39.7	40.0

Both income tax and USC are levied on a progressive basis, with higher levels of income subject to higher rates of tax under both.

However, the base on which both taxes are levied is different. Income tax allows for joint assessment for most married couples, allowing for a reduction in the overall tax liability as compared to separate and individual assessment. A range of tax credits are also available, reducing the overall income tax liability of taxpayers.

In contrast, USC is levied on an individual basis, applying to broader categories of income (such as pension contributions) with a lesser amount of income exempt.

[2] Department of Finance, '*Fiscal Monitor – Incorporating the Exchequer Statement*', January 2022, gov.ie - Fiscal Monitor December 2021 (www.gov.ie)

The 2022 rates and bands of income tax are as follows:

- 20 percent rate on income within the standard rate band, and
- 40 percent on income in excess of the standard rate band.

Personal Income Tax Rates (effective 1st January 2022)		
	20 percent	**40 percent**
Single Person	€36,800	Balance
Married couple / Civil partnership (one income)	€45,800	Balance
Married couple / Civil partnership (two incomes)*	€73,600	Balance
One parent family	€40,800	Balance
**€45,800 with an increase of €27,800 maximum*		

The current rates and bands of USC are as follows:

Universal Social Charge Rates (effective 1st January 2022)	
%	Income
Exempt	≤ €13,000*
0.5	€0 - €12,012
2	€12,013 - €21,295
4.5	€21,296 - €70,044
8	€70,045 - €100,000
8	≥ €100,000 (PAYE)
11	≥ €100,000 (self-employed)
*Incomes of €13,000 or less are exempt from USC	

Between 2009 and 2014 a number of changes were made to the income tax system to in the aftermath of the financial crisis and during the subsequent recession. This including reductions in tax credits and bands and the introduction of the Universal Social Charge.

Since 2015, changes have been made to reduce income tax with the benefits disproportionately benefitting those at the top of the income distribution.

The Programme for Government included several commitments with regards to personal income taxation, including the indexation of credits and bands relative to earnings.

Balance must be struck between allocating resources to tax measures that disproportionately benefit the better-off or to public services and targeted measures that benefit all in society while reducing inequality.

As we emerge from the pandemic and consider how best the tax system can support economic activity, employment, income security and public services, attention must be paid to ensure sufficient resources are available to meet these objectives.

The rising cost of living and already higher taxation of low and middle-incomes relative to the taxation of wealth and capital assets justifies focussing changes to the income tax system on those most able to contribute more.

Since 2013, the effective tax rate of high-income earners has steadily fallen. For example, the effective tax rate on an individual income of €120,000 has fallen from 42.9 to 40.4 percent.

While it is crucial that changes to the income tax system do not stifle employment and job creation, changes are unavoidable if an objective of public policy is to improve public service provision, reduce poverty and inequality, and create a better society.

This could be achieved through progressive measures such as removing the personal, employee and earned income tax credits from individual taxpayers with income in excess of €100,000 on a tapered basis.

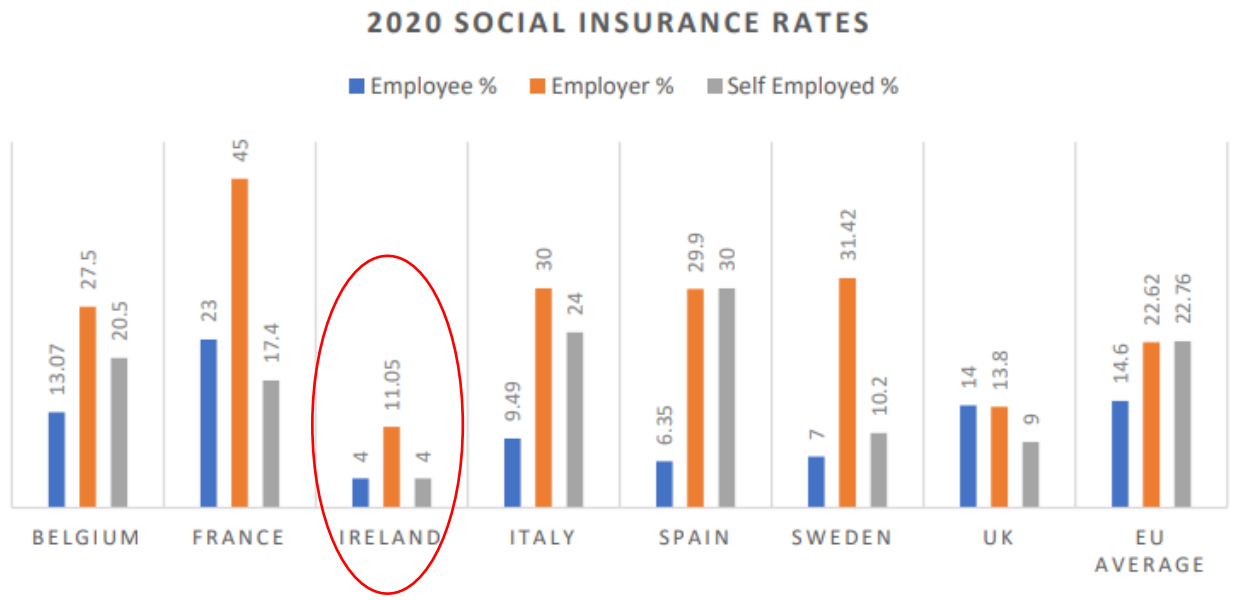
Similarly, extra revenue could be raised by introducing a new rate of tax on individual incomes above, for example, €140,000 – a measure that would be more progressive and that would ensure greater revenue to fund recurring expenditure.

Social Contributions

Social contributions through PRSI raised over €10 billion in 2019, levied on the earnings of employees and the self-employed.

While the implicit tax rate paid by employees on labour income, at 24.3 percent, is higher than the EU average of 21.1 percent. In contrast, the implicit tax rate on labour income for employers stands at only 9.2 percent compared to the EU average of 17 percent.

This is reflected in the relatively low rate of employers' social contributions when compared to rates among European peers, standing at less than half the European average.



Source: Tax Strategy Group Papers 2022, 'Pay Related Social Insurance Setting Options'

This trend extends across all categories of PRSI relative to the EU average.

To ensure an adequate and sustainable social insurance system, consideration must be given to a gradual increasing of employers' social contributions towards those of our European peers.

1.2: Tax Expenditures & Subsidies

In addition to considering targeted tax increases as a means to increase and stabilise the tax base, a comprehensive examination of reliefs and exemptions that apply to taxes should be pursued.

The definition of a tax expenditure in the Irish context is derived from the OECD and describes tax expenditures as transfers of public resources that are achieved by:

a) Reducing tax obligations with respect to a benchmark rather than by direct expenditure; and
b) Provisions of tax legislation that reduce or postpone revenue for a comparatively narrow population of taxpayers relative to the tax base.

Between October 2020 and September 2021, 180 tax expenditures were in use in the State. While data on 13 of these 180 tax expenditures, and their cost, is not available, the total cost or tax foregone of the remaining 167 amounted to €7.14 billion.[3]

To put this in context, the estimated total cost of these tax expenditures is equivalent to 10.4 percent of tax collected by the Exchequer in 2021 (excluding social insurance contributions).

Alternatively, if viewed as expenditure, total tax expenditures are equivalent to 10.3 percent of total core current expenditure for 2022 - more than the core expenditure allocations for the Department of Children, Equality, Disability Integration & Youth, Department of

[3] Department of Finance, '*Report on Tax Expenditures 2021: Incorporating Outcomes of Certain Tax Expenditures & Tax Related Reviews Completed since October 2020*', Budget 2022, gov.ie - Taxation Measures (www.gov.ie)

Transport and Department of Further and Higher Education, Research, Innovation & Science combined.

Tax expenditures can be justified on the grounds of incentivising certain activity or in pursuit of certain policy objectives, with many expenditures achieving desirable outcomes. However, the basis on which certain expenditures can be justified is unclear, with many not subject to adequate oversight and regressive in design and distributive impact.

While the assessment and oversight of tax expenditure has been reformed and improved in recent years, it remains less robust and frequent than direct expenditure – a discrepancy that should be corrected in the years ahead.

While the need to put in place a more structured assessment of tax expenditure as a regular aspect of the budgetary process, there is an immediate need to assess the distributive impact, policy outcomes and cost of specific tax expenditures.

While a comprehensive and structured assessment of the policy rationale and success of tax expenditures, together with their cost and distributive impact, should be put in place as suggested above, there are specific reforms which the Commission and Government should consider in the near and medium-term, some of which are outlined below.

Restricting Tax Subsidies for Gold-Plated Pensions

According to the available though incomplete figures provided by the Department of Finance, reliefs on pension contributions amount to more than €1.7 billion annually.

These reliefs are many, including tax relief at the marginal rate for employee pension contributions, the exemption of employers' contributions from employee BIK, the Standard

Fund Threshold of €2 million and the tax-free lump sum that can be drawn from a pension pot on retirement.

While a policy objective of incentivising pension saving prior to and adequate pension provision in retirement could be justified, the current design of certain tax expenditures are inequitable, disproportionately benefiting high-income and high-wealth individuals at great cost.

For example, at present individuals can enjoy tax relief at the marginal rate for pension contributions subject to an age-dependent percentage limit and a total earnings limit of €110,000.

Together these limits determine the maximum annual contribution that is exempt from tax at the marginal rate – so that for a 32-year-old that limit is €22,000 (20 percent of total earnings to a maximum of €110,000) while for a 61-year-old that limit is €44,000 (40 percent of total earnings to a maximum of €110,000). These earnings would otherwise be subject to tax in the standard manner.

While a full analysis of this tax relief, as currently designed, is not yet possible, statistics published by Revenue for 2019 provide an insight into its distributional impact and use.[4]

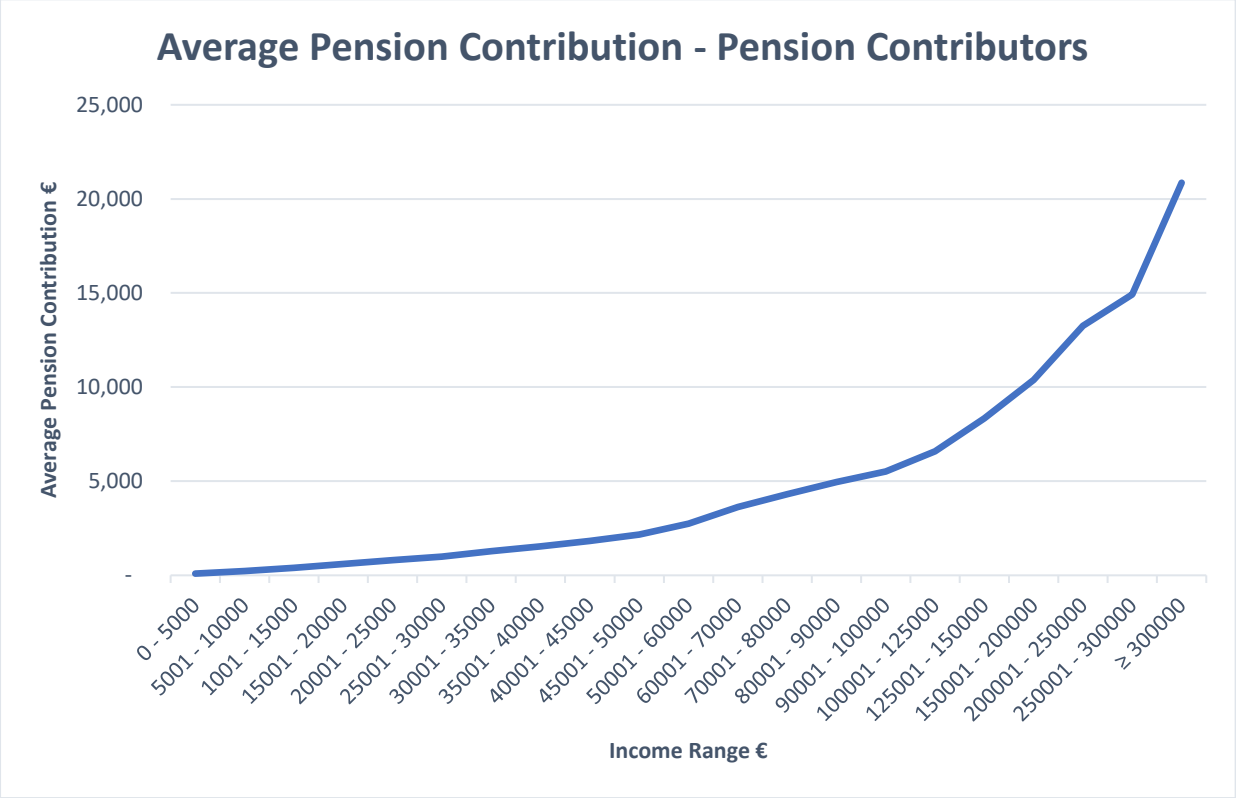
In 2019, pension deductions by employees and employers totalled €2.5 billion and €2 billion respectively, including contributions to Occupational Pensions/Retirement Benefit Schemes, Additional Voluntary Contributions, Personal Retirement Savings Accounts and Retirement

[4] McGrane, D., O'Rourke, P., '*Statistics and Insights from the First Year of Real-Time Payroll Reporting (PAYE Modernisation)*', Revenue, June 2020, Statistics and Insights from the First Year of Real-Time Payroll Reporting (PAYE Modernisation) (revenue.ie)

Annuity Contracts. According to Revenue statistics, only 30 percent of employees are making pension contributions every month through employers' payrolls.

Those with higher incomes make greater pension contributions, with the average pension contribution of those earning more than €300,000 exceeding the earnings limit.

In fact, in 2019 4,200 individuals each earning more than €300,000 in 2019 made combined pension contributions of €87.6 million, much of which would be eligible for tax relief. Given the cost of this tax expenditure in its current design, it is impossible to justify why resources should be so heavily allocated towards high-income and high-wealth individuals.



Tax relief on pension contributions could be made less by restricting subsidies through a reduction in the annual earnings limit from €110,000, providing additional revenue to, for example, strengthen other pillars of the pension system.

Similarly, tax subsidies for gold-plated pensions could be restricted through a reduction in the Standard Fund Threshold (currently set at €2 million). This is the generally applicable maximum tax-relieved pension fund for an individual.

Again, these changes should be considered together with a broader range of options in the context of ensuring that any pension tax subsidies are appropriately targeted and progressive.

Special Assignee Relief Programme

The Special Assignee Relief Programme provides a generous tax break to high income-employees of multinational companies that have been assigned to the State.

Under the operation of the tax relief, qualifying individuals can claim full income tax relief on 30 percent of income above a threshold of €75,000 up to a maximum of €1 million – providing a maximum tax liability reduction of €111,000.

The Programme includes, among other benefits, tax-free employer benefit-in-kind of €5,000 per child in school fees.

The cost of the relief was €38.2 million in 2019, with 50 millionaires benefitting from the Scheme.

Exchequer Cost of SARP (€ million)

2012	2013	2014	2015	2016	2017	2018	2019
0.1	1.9	5.9	9.5	18.1	28.1	42.4	38.2

While the justification often put forward for maintaining this relief and its current design is with reference to job creation and retention, it should be noted that the figures recorded by Revenue with respect to the increase in the number of employees and number of

employees retained are self-declared by the employers of employees availing of the scheme.

It is reasonable to expect that in the event an employee saw their disposable income reduce as a result of the expiration or restriction of SARP, a multinational employer would respond through higher employee compensation. Furthermore, the figures provided by employers to Revenue simply record the number of employees in receipt of SARP, rather than providing a counterfactual should the relief be discontinued or reduced.

While there are economic arguments put forward in defence of the scheme, they, and the basis on which they are made are not robust. On the grounds of fairness, cost and limited resources, its continuation is difficult to justify, as has been argued by Dr. Micheál Collins before the Budgetary Oversight Committee.[5]

[5] Collins, M., '*Remarks to the Oireachtas Select Committee on Budgetary Oversight on the topic of Tax Expenditures*', 24 June 2021, 2021-06-24_opening-statement-dr-micheal-collins-assistant-professor-school-of-social-policy-social-work-and-social-justice-university-college-dublin_en.pdf (oireachtas.ie)

1.3: Wealth, Capital and Land

On the surface, revenue from capital taxes is relatively high compared to European peers, but this is in large part due to elevated corporation tax receipts which, for the first time, are on a par with VAT as the second highest revenue stream in 2021. The sustainability and concentration of corporation tax receipts is a risk to the stability of the tax base and the funding of public services.

In contrast, the level of tax revenue generated from other sources of wealth and capital are below the EU average as a percentage of economic activity. As has been widely noted, taxation falls disproportionately on individual income when compared to individual wealth and capital.

Consideration should be given to reforming the taxation of capital, wealth and land to pursue policy objectives that generate additional revenue, reduce inequality and deter harmful behaviours.

Tax reform should reward the work of low and middle-income earners, not further enhance the wealth of those at the top. The tax paid by the wealthiest in our society on gains and dividends is often less than that paid by ordinary workers on their wages. This undertaxed wealth is then passed on between generations, deepening inequalities in our society.

Consideration should be given to reforming Capital Gains Tax so that the income derived from gains by the wealthiest in our society are taxed no less than the higher rate of tax paid by ordinary workers on their income. This would discourage economically wasteful efforts to convert labour income into capital income to avoid tax.

Similarly, reforms with respect to the taxation of inheritances and gifts received should also be considered with a view to increasing revenue while pursuing the policy objective of reducing social inequality, which risks being exacerbated as a result of the housing crisis and legacy of the pandemic.

The Group A threshold of Capital Acquisition Tax, below which no tax is due, has increased since 2012 from €225,000 to €335,000 – a regressive measure given CAT is a tax primarily paid by a small section of the population receiving large gifts or inheritance. Consideration should be given to both increasing the rate of Capital Acquisition Tax and reducing thresholds.

Overall, wealth is highly unequally distributed, with 50 percent of total household wealth held by the top 10 percent of households in 2018.[6] The trend in wealth ownership in recent decades has been defined by the wealthiest in society hoarding an ever-greater share of wealth and capital assets. Moreover, since the late 1970s an increasing share of national income and the fruits of economic growth have gathered in the hands of wealth-owners who enjoy returns on their assets, rather than those who rely solely on a wage for their income. A progressive wealth tax should be introduced, with consideration given to its design and implementation. The Local Property Tax is regressive, with little regard for ability to pay in its application and should be removed.

Taxation of land and capital must also be considered in the context of a deepening housing crisis, exacerbated by the hoarding of land and scourge of housing vacancy and dereliction.

[6] Horan, D., Lydon, R., McIndoe-Calder, T., '*Household wealth: what is it, who has it, and why it matters*', Research Technical Paper, Vol. 2020 (7), Central Bank of Ireland, RTP HFCS August 2020 (centralbank.ie)

A Vacant Property Tax should be introduced with consideration given to reform the proposed Residential Zoned Land Tax in order to more punitively tax land hoarding.

1.4: Housing

The legacy of the financial crisis and sustained Government policy failure have created and deepened a housing crisis that is harming living standards, increasing at-risk-of-poverty rates and undermining aspirations of home ownership for many citizens.

The taxation system plays a crucial role in the housing system, with interventions through taxation targeting specific sectors of the market. These interventions can trigger consequences in another area of the market. Many tax policies have a distortive impact on the housing market - increasing rental and property prices, worsening supply and affordability issues.

For example, a range of taxation measures were introduced between 2013 and 2016 to confer an advantageous tax status on corporate entities operating in the property market.

This includes the establishment of Real Estate Investment Trusts, the Irish Residential Estate Funds and Section 110 vehicles.

The policy rationale given for the introduction of these tax regimes was to attract international capital into the domestic property market in response to fiscal crisis and property crash, and as a means to stimulate supply.

Successive governments have allowed vulture funds and international investors, encouraged through a generous tax regime, to buy up assets and price struggling renters and aspiring home buyers out of the market. This low-tax regime has distorted the housing system while facilitating the transfer of wealth out of Ireland.

For example, under the REIT regime, corporate entities are subject to neither corporation tax nor capital gains tax on the disposal of an asset, with a similar tax structure in place for

IREFs. The tax benefits conferred on these corporate entities in comparison to individual home buyers and domestic landlords are significant. For example, as a percentage of pre-tax profits, Dividend Withholding Tax paid by IREFs in 2019 stood at 9.1 percent in 2019 and 5.7 percent in 2018.

In addition, the exemption provided to both REITs and IREFs with respect to Capital Gains Tax allows all gains accrued on disposal of an asset to be reinvested within the property market – an advantage denied to other agents within the housing system.

These tax advantages have facilitated and encouraged the purchase of both new and existing residential stock by corporate entities in open competition with struggling home buyers while providing such entities with price-setting power in particular localities to the detriment of renters.

It had previously been warned that there is "*a risk that at sufficient scale an institutional investor or group of investors could, over time, develop monopolistic or oligopolistic pricing power*" with institutional investment tending "*to supply apartments at the premium end of the market, unsuitable for people on average incomes*", leading to "*socio-economic polarisation in some urban areas*".[7]

These risks are now, in our view, becoming a reality, with such corporate entities now entering acquiring new and even existing stock which is then leased back to local authorities in the provision of social housing.

[7] Department of Finance, '*Institutional Investment in the Housing Market*', February 2019, gov.ie - Institutional Investment in the Housing Market (www.gov.ie)

The financialisation of the housing market has been turbo-charged by these tax policies, with governments in other jurisdictions committing to restrict the tax advantages enjoyed by corporate entities in their housing markets.[8]

A comprehensive and urgent review of corporate entities within the domestic property market, including REITs and IREFs, should take place with an end to the significant tax advantages and profits which they enjoy. This should take place in the context of a wider review of the tax environment within the rental market more broadly, with an aim to increasing genuinely affordable rental supply. This should include a review of corporation tax, capital gains tax, dividend withholding taxes and stamp duty.

The stamp duty regime with respect to residential property should also be reviewed and reformed, reflecting the purchasing power of different actors within the sector and the impact of each on the market as a whole.

The rate of stamp duty on residential property currently stands at 1 percent on values up to €1 million and 2 percent on any excess above that, with a 10 percent rate applicable to the bulk purchase of houses with a number of unjustifiable exceptions (apartment units, units leased to local authorities).

Consideration should be given to making the residential stamp duty system more progressive with higher rates of stamp duty applicable to larger transactions of greater value, in addition to the introduction of a stamp duty surcharge with respect to non-residents and foreign money.

[8] Liberal Party of Canada, '*Forward for Everyone*', August 2021, page 14, Forward. For Everyone. (liberal.ca)

The domestic housing market is also characterised by a range of other tax reliefs and exemptions that demand immediate review with respect to their impact on affordability and supply.

For example, there is good reason to believe that the capital gains tax relief afforded to the disposal of rental and residential properties acquired between 7 December 2011 and 31 December 2014, under Section 604A of the Taxes Consolidation Act 1997, has led to a significant reduction in private rental accommodation by incentivising the sale of rental property by the end of 2021.[9]

It is crucial therefore that all tax incentives and reliefs in the housing market be comprehensively assessed prior to introduction and reviewed during their operation to avoid consequences that worsen affordability and supply for low and middle-income buyers and renters.

Successive governments have introduced a range of measures that increase demand in a market that lacks affordable supply, thereby contributing to further house price inflation. For example, the recent introduction of the Shared Equity Loan Scheme has proceeded despite repeated warnings from experts and stakeholders that it will contribute towards greater price inflation and evidence that similar schemes introduced elsewhere have increased prices more than their subsidy value with little effect on supply in those areas where housing demand is most acute.[10]

[9] Revenue, '*Statistics on the Relief on Disposal of Certain Land or Buildings (Section 604A)*', May 2021, Relief on disposal of certain land or buildings (Section 604A) (revenue.ie)
[10] Built Environment Committee, '*Meeting Housing Demand*', 1st Report of Session 2021-22, House of Lords, January 2022, Meeting housing demand (parliament.uk)

In addition, the Help to Buy Scheme, which provides a refund of income tax and Deposit Interest Retention Tax paid in the previous four years to first-time buyers taking out a mortgage for the purchase of new or self-builds was introduced as a temporary demand-side measure in 2016 at an initial estimated value of €40 million. Its cost will have risen to an estimated €175 million by end-2021 with a cumulative cost of €645 million since its introduction.

Revenue statistics show that more than half of properties claimed through the scheme were for properties valued at more than €300,000 with more than 41 percent of claimants already possessing the requisite minimum deposit of 10 percent.[11] A demand-side measure in the midst of a chronic housing shortage, applied without any assessment of financial need, has contributed towards house price inflation and is regressive in its design.

Targeted and temporary tax measures should be introduced to support renters through, for example, a refundable tax credit equivalent to a portion of a tenant's rental costs with appropriate caps in place, in the context of a legislative ban on rent increases.

In addition, a wider review of the tax environment surrounding residential property construction should be undertaken to assess the relationship between taxation, construction costs and affordability, with policy options to enhance the delivery of genuinely affordable accommodation.

[11] Revenue, '*Help to Buy (HTB) Statistics 2020*', March 2021, Help to Buy (HTB) incentive annual statistics (revenue.ie)

1.5: Environment & Public Health

Environmental Taxation

The sheer scale of human and economic activity is dangerously impacting the climate, biodiversity and other planetary systems such as the water and nitrogen cycles. These changes and the threats they pose are incontrovertible, requiring a global response. We have a moral duty to contribute to this global effort.

Taxation together with fiscal and regulatory measures can contribute towards the decarbonisation of the domestic economy, restoration of biodiversity, a just transition and the creation of green technologies and jobs.

The OECD defines a tax subsidy as a Government action which confers an advantage on producers or consumers in order to reduce their costs in the course of their activity through tax expenditures, rebates, reduced rates or direct subsidy payments. Between 2000 and 2019, revenue foregone on fossil fuel subsidies, both direct and indirect, increased from €1.4 billion to €2.4 billion[12]. For example, the excise exemption provided to jet kerosene resulted in €634 million in revenue foregone in 2019.

All tax expenditures and subsidies directed towards the consumption or production of fossil fuels should be examined as part of a broader and more frequent examination of the tax expenditure system, as discussed above, with particular focus paid towards regressive subsidies and progressive measures to phase them out.

A just transition must be at the centre of climate and environmental policy. It is widely accepted that climate breakdown and biodiversity loss has arisen from economic activity

[12] Central Statistics Office, '*Fossil Fuel Subsidies 2019*', March 2021,

that disproportionately benefits the wealthiest in society. Extreme wealth has the largest carbon footprint. Environmental policy should reflect this reality.

It is widely acknowledged that carbon taxes, without sufficient and affordable alternatives, are regressive, disproportionately impacting low-income, lone-parent and rural households. Environmental policy should focus therefore on supply-side investments to enable a pivot and transition to a low-carbon economy. Further increases in carbon tax should not take place in the absence of affordable alternatives.

Public Health

Taxation policy plays a crucial role in supporting public health and complementing health expenditure.

Taxing tobacco, alcohol and sugar-sweetened drinks, when designed and implemented properly, can reduce consumption and so the development of chronic diseases such as diabetes and cardiovascular diseases.

At present, a range of public health-related taxes are levied, such as general excise on alcohol and tobacco products and the Sugar Sweetened Drink Tax. To maximise the effectiveness of these tax measures and achieve their policy aims, strengthening their administration is crucial, together with controlling the illicit trade of the products against which they are levied.

In addition, close examination is necessary of the tax treatment of products and services that are essential to collective public health. That includes examining options to reduce VAT levied against goods such as sanitary products and medical equipment.

1.6: Supporting Enterprise & Economic Activity

The domestic tax regime, particularly in relation to corporation tax, is a core element of the State's economic policy and has succeeded in attracting foreign direct investment over the past decades.

Foreign Direct Investment will continue to be a crucial element of Ireland's economy, North and South.

On 8 October 2021 the OECD Inclusive Framework agreed a two-pillar solution to challenges arising from an increasingly globalised and digitalised economy.[13]

The two-pillar package of measures included in the Inclusive Framework seeks to address these challenges and would bring the most significant changes to the international tax system for more than a century – taxing the largest and most profitable companies where the users and customers of their products and services are located and establishing a floor on tax competition through the introduction of a global minimum corporate tax rate.

Under Pillar One, the outdated principle of taxing a company based solely on the location of its head office will be replaced by taxing a company based also on the location of its users and customers. This would be achieved by offering market jurisdictions new taxing rights over multinational enterprises, whereby a specified amount of a company's profits would be allocated to market jurisdictions for tax purposes, with the scope and quantum predicated on the turnover and profitability of the multinational enterprise and the revenue that enterprise derives from a given jurisdiction, respectively.

[13] OECD/G20 Base Erosion and Profit Shifting Project, '*Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy*', 8 October 2021, Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – 8 October 2021 (oecd.org)

Companies in scope of the Pillar One solution would be multinational enterprises with global turnover in excess of €20 billion and profitability above 10 percent with the threshold of €20 billion halved no more than 8 years after the agreement comes into operation, subject to its successful implementation. For in-scope companies, 25 percent of residual profits - defined as profit above 10 percent - will be allocated to market jurisdictions.

Pillar One will have immediate implications for domestic tax and fiscal policy, with its most immediate consequence a reduction in corporation tax receipts subject to its successful implementation. This reduction is estimated by the Department of Finance to be €2 billion annually by 2025.[14]

Pillar Two establishes a floor for tax competition through the introduction of a global minimum corporate tax rate of 15 percent applied to multinational enterprises with revenue exceeding €750 million as determined under BEPS Action 13.

The OECD international tax proposals present a radical departure from current tax landscape which, depending on the final form in which they may be implemented, pose significant questions of Ireland's wider industrial strategy.

While the design of Pillars One and Two, such as their accommodation of certain tax incentives for research and development, pose immediate challenges, their broader implications underline the need for an industrial policy that meets objectives other than tax competitiveness.

[14] Department of Finance, *Summer Economic Statement*, July 2020, page 10, gov.ie - Summer Economic Statement 2021 (www.gov.ie)

This need is not precipitated by the OECD proposals but predates them – with the competitiveness of the Irish economy threatened by other factors such as housing and infrastructure, research and development and education.

While Foreign Direct Investment has been a key pillar of the State's industrial strategy for decades, the use of corporation tax as a means of attracting investment has been accompanied by the failure of successive governments to adequately address or invest in other factors just as crucial.

Key pillars that must form part of a wider industrial strategy so as to maintain the competitiveness of the Irish economy include:

- Investment in Research and Development,
- Provision of Affordable and Secure Housing,
- Provision of Affordable Childcare,
- Investment in Education and Life-Long Learning.

A continued failure to address these pillars in conjunction with changes in the international tax landscape would further damage the long-run competitiveness of the economy.

For example, in research and development the State languishes behind its peers with Government Budget Allocations for Research and Development (GBARD) standing at 0.39 and 0.30 percent relative to GNI* and GDP respectively, with the EU15 average standing at 0.64 percent. Gross expenditure (public and private) in 2019 as a percentage of GDP stood at 1.88, again below the EU average.[15]

[15] Department of Enterprise, Trade and Employment, '*The Research and Development Budget 2019-2022: Government Budget Allocations for R&D*', June 2021, gov.ie - The R&D Budget 2019-2020 (www.gov.ie)

As before, maintaining a clear, competitive, sustainable, and stable taxation policy with respect to Foreign Direct Investment in a changing global tax environment is of course crucial to the future prospects of the Irish economy.

That includes ensuring that the tax system no longer facilitates avoidance strategies and aggressive tax planning, which has done so much to harm the reputation of the State internationally and the interests of citizens.

As has been noted elsewhere, the activities of highly productive foreign firms disproportionately influence measures of productivity and wage growth in the domestic economy, with foreign-controlled enterprises enjoying significantly higher rates of GVA per person employed and wage growth than domestic firms.[16]

While these firms, the jobs they provide and spillover effects they produce are welcome, this poses a significant risk to the Irish economy in terms of living standards, economic development, and the sustainability of the tax base, with foreign-controlled multinationals already contributing a disproportionate amount of corporation tax receipts.

While a new industrial strategy must include policy levers beyond taxation, as referenced above, the tax regime can and should be adapted to promote indigenous enterprise and small and medium-sized enterprises to be productive, to innovate and to compete internationally.

[16] Goldrick-Kelly, P., MacFlynn, P., '*Productivity on the Island on Ireland – A tale of three economies*', Nevin Economic Research Institute, October 2018, productivity_on_the_island_of_ireland_a_tale_of_three_economies.pdf (nerinstitute.net)

Such changes could involve, for example, alterations to the Research and Development Tax Regime to better support indigenous enterprise.

Revenue statistics continually show that the R&D tax credit regime is availed of primarily by large and foreign-controlled enterprises. For example, in 2019 only 28 percent of the total cost of the R&D tax credit was due to claims made by small and medium-size enterprises.[17]

Sinn Féin had proposed changes to the R&D tax credit regime through a simplification of the application process for SMEs in addition to an increase in the rate to 30 percent for SMEs offset by a reduction in the rate for large corporates to 20 percent. These changes were announced under Section 25 of the Finance Act 2019 but have, disappointingly, yet to be given effect.

Further changes to the tax system should be considered that would boost the research, development and innovation activities of indigenous enterprise, whose success is crucial to sustainably boost innovation, productivity, wage growth and ultimately living standards.

[17] Revenue, '*Research and Development Tax Credit Statistics*', April 2021, Research and Development Tax Credit statistics (revenue.ie)

Section 2: Welfare

At some stage in all our lives, we will all come to depend on our social protection system for income support; whether that's at a joyous time like the birth of a child, or at difficult times such as illness or the loss of employment.

However, our current welfare system is not fit for purpose. Sinn Féin have consistently called for a social welfare system which is adequate to support those who need it.

We welcome the terms set out for the Commission regarding ensuring a system which does not create poverty traps. However, Sinn Féin believe these efforts must go further; remodelling the social welfare system to be one which not only protects against poverty, but that can support a quality standard of living for those who access it.

This involves addressing several systemic issues around the Social Protection system in its current form; tackling rate inadequacy that exists across both Social Assistance and Social Insurance payments and establishing a standing Social Welfare Commission which monitors and recommends necessary changes, to ensure that social welfare rates meet the Minimum Essential Standard of Living (MESL).

As well as this, there are a range of concerns regarding the way in which our social welfare system functions on an operational level. These concerns relate to the way in which welfare schemes particularly affect specific groups within our society, including pensioners, family carers, people with disabilities, and lone parents.

These issues can and should be rectified as part of the State's vision for securing a welfare system that works for everyone. In this submission, Sinn Féin outline our proposals on

addressing key social welfare matters for the Taxation and Welfare Commission's consideration. This submission is not exhaustive.

2.1: Social Welfare Inadequacy

The importance of social welfare supports, specifically for workers who have been laid off, recently became evident for a large portion of the population, due to the COVID-19 pandemic. Hundreds of thousands of people, many who had never been unemployed in their life, lost their jobs overnight and were faced with a sharp drop in their income.

The crisis realised the need for a quality income protection scheme that would allow them to maintain their quality of life, for a temporary emergency period until they could get back to work. Supports were put in place which acted as a safety net to ensure workers and their families were protected. The financial supports which were provided reflected previous income and prevented an income 'cliff-edge' for many.

However, the pandemic also exposed the inadequacy of our social welfare system and the need for reform to existing schemes. There are significant failures around how social welfare rates are set and the adequacy of those payments in supporting people when they need it.

Social welfare supports, including social assistance and income protection payments, are currently inadequate with many capped at a rate which is below the poverty line. We want a social welfare system which is effective in supporting workers and families. Experts in this area, St Vincent de Paul, note the danger of inadequate social welfare in that it can trap people in poverty and lead to greater social, health and economic costs in the future[18].

It is estimated that €1 in every €20 collected by the State through taxes, social insurance and other charges ends up being allocated 'to make up for the way that poverty damages people's

[18] SVP Benchmarking Social Welfare Rates: Submission to the Department of Employment Affairs and Social Protection. April 2019.

lives'[19]. Considering this, if the social welfare system in Ireland was set up to ensure households have adequate levels of income to meet needs, there would be considerably less expenditure on other poverty-related costs each year.

Experiences such as losing employment or accessing illness-related payments are stressful enough without the added worry of social welfare payments which are insufficient to cover bills, pay rent or mortgages and meet household costs. As it stands, Ireland's system of social welfare poses additional strains for those who are experiencing or at risk of poverty, due to rate inadequacy and the absence of a comprehensive structure for replacement rates and tapering the withdrawal of payments.

It is important that we update and improve our welfare system to ensure it is efficient and effective for those who need it.

Within this in mind, Sinn Féin recommend three key reforms to the social welfare system:

1. Ensure rates for Social Assistance payments which meet a Minimum Essential Standard of Living (MESL);
2. Transition Social Insurance payments from a flat rate to percentage of former earnings; and
3. Establish a Social Welfare Commission to advise on and review social welfare rates on an ongoing basis.

[19] SVP, The Hidden Cost of Poverty in Ireland, June 2020 - https://www.svp.ie/getattachment/869467cb-2d60-4fe2-b612-a8c6e4357cdc/The-Hidden-Cost-of-Poverty.aspx

2.2: Social Assistance Payments

Sinn Féin reiterate calls for increasing social assistance rates to meet the MESL, with a view to maintaining this as a floor with regard to adequacy. We believe that social assistance payments, which are typically subject to means-testing, must be based on ensuring a quality standard of living.

This recommendation draws from longstanding work in the field by the Vincentian Partnership for Social Justice (VPSJ), which has carried out extensive research to establish minimum income needs for different household types. The MESL is calculated by identifying the goods and services required by a household to meet their minimum needs. Varying across different household types, the MESL factors in household make-up and location to produce an actual weekly cost of living for families across Ireland[20].

The VPSJ's 2021 assessment of social welfare income adequacy studied 214 household test cases, across urban and rural settings and household types. The analysis found that, in 147 of 214 cases the income supports from social welfare were inadequate to meet minimum needs[21]. Further to this, 78 cases demonstrated 'deep income inadequacy', where social welfare provides for less than 90% of need; that 36% of cases presented significant inadequacy in terms of social welfare rates is of serious concern.

An example of variances in household types, the 2021 assessment also found that deep income inadequacy is concentrated in households with older children (aged 12 and over) and one adult-headed households, i.e. lone parent households and single working-age adult

[20] Minimum Income Standard Calculator - http://misc.ie/home
[21] https://www.budgeting.ie/download/pdf/mesl_2021_annual_update.pdf

households[22]. This is also reflective of findings in previous years, demonstrating the long-term poverty risk that inadequate social assistance rates pose. Households solely dependent on social welfare payments are most at risk of income inadequacy[23] because of rates being determined insufficiently.

Social assistance payments such as Jobseeker's Allowance are currently means-tested and have a maximum rate of €208 per week. This highest rate of €208 was announced in Budget 2022 and took effect from January 2022; the first increase in core rates for three years[24]. Yet, if we consider that VPSJ's 2021 projection of the weekly MESL expenditure for a single adult who is living alone to be set at €251.82, the highest rate of Jobseeker's Allowance falls short in meeting this by a significant €48.82 per week[25].

Therefore, even at the highest possible rate, the payment rates for social welfare schemes do not consider varying costs experienced by households across our society. The concentration of deep income inadequacy is due to the current structures of the social welfare system. Existing rates of social assistance payments do not adequately support even a MESL, which should act as a baseline for setting welfare rates.

Budget increases for Social Protection have included what has become known as 'a fiver for all', with a €5 increase across all weekly social welfare payments. These increases typically

[22] Vincentian Partnership for Social Justice (VPSJ) MESL 2021: Annual Update. 2021 - https://www.budgeting.ie/download/pdf/mesl_2021_annual_update.pdf
[23] SVP Benchmarking Social Welfare Rates: Submission to the Department of Employment Affairs and Social Protection. April 2019.
[24] Department for Social Protection, Minister Heather Humphreys announces new social welfare increases to come into effect this week. January 2022 - https://www.gov.ie/en/press-release/9e4bf-minister-heather-humphreys-announces-new-social-welfare-increases-to-come-into-effect-this-week/
[25] Vincentian Partnership for Social Justice (VPSJ) MESL 2021: Annual Update. 2021 - https://www.budgeting.ie/download/pdf/mesl_2021_annual_update.pdf

go to those on the top rate of payments, while those on reduced rates or qualified adults only see proportional increases – typically between €2 and €3.

The VPSJ argue that the way in which current rates are set or increased point to systemic issues in the accepted equivalence scales which inform the social welfare rates of payment[26]. For example, current welfare equivalence scales underestimate the cost of one adult-headed households when calculating rates of means-tested welfare payments.

The VPSJ project that a one-parent family with two primary and secondary level children has a weekly MESL expenditure of €456.21, but a net social welfare income of just €373.87[27]. This means that the current system for determining social assistance is flawed and must be replaced with a comprehensive model to ensure social welfare supports in Ireland are fit for purpose.

Arbitrarily increasing social assistance rates by €5 each annual Budget is not enough to address this issue. A fiver for 'all' is not what social protection should be about. Uninformed increases to welfare rates fail to target those that may need increases in their payment most; they fail to protect recipients from poverty, and they fail to ensure that those relying on social welfare receive an amount which allows them to meet a decent standard of living.

We should not be leaving those who rely on social welfare support hoping for an increase at Budget time. Instead, they should already be receiving an amount that is adequate, protects them from poverty and allows them to meet their needs.

[26] Vincentian Partnership for Social Justice (VPSJ) Submission to DEASP: MESL Pre-Budget 2021. July 2020 - https://www.budgeting.ie/download/pdf/vpsj_mesl_pre-budget_submission_2021.pdf
[27] Vincentian Partnership for Social Justice (VPSJ) MESL 2021: Annual Update. 2021 - https://www.budgeting.ie/download/pdf/mesl_2021_annual_update.pdf

Grounded in lived experience, a MESL provides an evidence-based benchmark for social welfare payments. Our calls for providing income adequacy across social welfare supports also align with recent research and policy development in this area, including SVP[28] and the European Anti-Poverty Network (EAPN)[29], who have campaigned for social assistance payment rates which are underpinned by a MESL. Backed by expertise and research, Sinn Féin recommend the Commission consider the need for social assistance rates which reflect the real cost of living, and which support an adequate minimum income for Irish households.

2.3: Social Insurance Payments

We have seen many people require urgent financial support because of Covid-19. The pandemic led to huge levels of unemployment across a range of sectors. The introduction of the Pandemic Unemployment Payment (PUP) emphasised the need for income protection benefits which are designed to support those who face a sharp decline in income on losing their job.

The PUP was set at a maximum rate of €350 per week. As of January 2021, some 184,000 people who previously earned over €400 per week were in receipt of the maximum PUP rate of €350[30]. While this is below the income many workers availing of it are used to, these rates

[28] SVP, Stories of Struggle. 2018 - https://www.svp.ie/social-justice/publications-submissions/publications/stories-of-struggle-2018.aspx
[29] European Anti-Poverty Network (EAPN), Providing adequate welfare supports for a life with dignity. 2019 - https://www.eapn.ie/how-the-activities-of-banks-impact-on-the-lives-of-ordinary-people/
[30] Department of Social Protection, Update on Payments Awarded for Covid-19 Pandemic Unemployment Payment and Enhanced Illness Benefit, Appendices - County Breakdowns and other details. 11 January 2020 - https://www.gov.ie/en/press-release/38143-update-on-payments-awarded-for-covid-19-pandemic-unemployment-payment-and-enhanced-illness-benefit/

are substantially higher than the highest weekly rate of Jobseekers Benefit (then €203[31]) that people would normally be entitled to if they were laid off in ordinary circumstances.

Sinn Féin believe people should not face an income 'cliff-edge' because of losing their job. Providing people with an income that will allow people to get back on their feet, without imposing additional worries, financial stress or increasing personal debt should be the norm and not just during a pandemic.

Jobseeker's Benefit is a social insurance payment, which is available based on PRSI contributions linked to employment. Yet, under our current Jobseeker's Benefit provision of €208 per week, a person earning €500 per week who loses their job has less than half of their income protected. This does not even include young Jobseekers, who can only access the rate of €208 if they meet very specific criteria. This means that most jobseekers aged 18-24 receive a much-reduced maximum rate of €117.70 per week, which is vastly inadequate and discriminatory.

To prevent severe falls in household income resulting from unexpected unemployment, Sinn Féin recommend that a system of Jobseekers' Benefit should be paid at a rate based on a percentage of former income, with a reasonable maximum cap on payment rates.

As well as this, introducing more gradual tapering regarding the withdrawal of payments over time would help to stagger the effects of loss of income. Linked with our calls, the National Economic & Social Council also recommends greater tapering for the withdrawal of social welfare payments, to prevent a cliff-edge when household income is reduced. They argue

[31] The maximum rate of Jobseekers Benefit was raised from €203 per week to €208 in January 2022, as announced in Budget 2022.

that this approach reduces poverty and unemployment traps and eases the transition to work[32].

In addition, Ireland's system of social welfare provision is mediocre when compared with other countries. The replacement rate is the amount of in-work income that is replaced by social insurance and other social welfare benefits when a person becomes unemployed - i.e., the percentage of previous earnings which is covered by social insurance mechanisms, such as Jobseekers Benefit or Illness Benefit.

As it stands, our replacement rates do not compare well against other developed countries; in 2019 Denmark[33], Sweden[34] and Spain[35] had initial replacement rates of 90%, 80% and 70% respectively, while this State had replacement rates of just 53% of the average wage.

The Government have finally indicated that they intend to link Jobseeker's Benefits payments to prior earnings but have yet to indicate how these changes may be implemented[36]. The way in which these changes to rates of social insurance payments are approached matter, and workers should be able to rely on welfare supports which help them to pay the bills should they lose their job or fall ill.

[32] National and Economic Social Council (NESC) The Future of the Irish Social Welfare System: Participation and Protection No 151. November 2020 - 151_Future_Social_Welfare.pdf (nesc.ie)

[33] The OECD Tax-Benefit Model for Denmark 2019 - http://www.oecd.org/els/soc/TaxBEN-Denmark-2019.pdf

[34] The OECD Tax-Benefit Model for Sweden 2019http://www.oecd.org/els/soc/TaxBEN-Sweden-2019.pdf

[35] The OECD Tax-Benefit Model for Spain 2019 http://www.oecd.org/els/soc/TaxBEN-Spain-2019.pdf

[36] Independent.ie, Jobseekers' benefit to be linked to previous pay – among welfare reforms revealed by minister. 30 December 2021 - https://www.independent.ie/irish-news/jobseekers-benefit-to-be-linked-to-previous-pay-among-welfare-reforms-revealed-by-minister-41193922.html

Sinn Féin recommend that the Commission pursue the examination of the introduction of social insurance payments which are based on a percentage of prior-earnings, up to a reasonable cap, and which involve a gradual tapering of replacement rates over time.

2.4: Establishment of a Social Welfare Commission

Sinn Féin has put forward the idea of establishing a Social Welfare Commission for several years. We have introduced legislation on this on two occasions and included the proposal in our Alternative Budget 2021[37].

Setting rates at a MESL would be significant in raising social welfare rates to an adequate baseline. However, household costs fluctuate each year, and we are seeing continuous increases to the cost of living[38]. Therefore, MESL rates will vary over time and likely increase year on year.

A Social Welfare Adequacy Commission would make recommendations to Government annually ahead of the Budget, to ensure social welfare rates are incrementally increased to a point where they become adequate and then continuously provide a minimum essential standard of living and protection from poverty.

The Commission would have three key objectives:

- Reduce poverty.
- Ensure a decent standard of living for vulnerable households; and
- Take the political football out of setting social welfare rates.

[37] Sinn Féin, Building Better Social Protection For All, Alternative Budget 2021. October 2021 - https://www.sinnfein.ie/contents/62016
[38] Sinn Féin, Tackling the Cost of Living Crisis. November 2021 - https://www.sinnfein.ie/contents/62450

Currently, the setting of social welfare rates is arbitrarily determined by the Government with no definitive focus on the role social welfare system plays in addressing poverty, or the need for social welfare rates to meet the cost of living for all household types and individuals. It is for this reason that a dedicated Commission focused on advising on social welfare rates is required, to ensure our welfare system can function effectively for those who need it.

A Social Welfare Commission would recommend rates with the aim of ensuring that everyone in receipt of a social welfare payment, whether they are out of work due to illness, parenting alone, have a disability, or in retirement receive an amount that protects them from poverty and affords them a decent standard of living.

The objective would be to ensure that any future changes to rates are evidence-based and targeted at protecting those that need it most. By ensuring continued monitoring of the adequacy of social welfare rates, the Commission would help lift households out of poverty. This would see a major transformation in society overall.

While the main role of a Social Welfare Commission would be to report annually on the adequacy of social welfare rates and recommend any necessary changes, it should also have the power to recommend that any Government Department undertake a poverty impact assessment of a specific measure before it is introduced. This measure has been welcomed by organisations such as the EAPN[39].

Sinn Féin believe that the establishment of a Social Welfare Commission would be hugely significant for those who rely on social welfare supports from the State. Its establishment

[39] Submission from EAPN Ireland Policy Group on the Social Welfare Commission Bill 2020.

would signal a move away from the annual political football in the setting of social welfare rates. Further to this, a Commission could support efforts to support the needs of specific groups and those who currently experience the highest levels of poverty, deprivation, and marginalisation. These are expanded below.

2.5: Considering specific needs within the Welfare System

The very least any social welfare system should do is protect those who rely on it from poverty. Ours does not. Sinn Féin reiterates several points regarding key social welfare issues which we have repeatedly called for in our Alternative Budgets, manifesto, and Social Protection policies.

Recognising the additional costs and financial challenges facing Family Carers, Lone Parents and people with disabilities is essential to building a system that supports everyone. While our recommendations made regarding rate adequacy and establishing a Social Welfare Commission would go a long way in addressing these disproportionate impacts, care must be taken to ensure we build a better social welfare system for all.

Sinn Féin recommend that the Taxation and Welfare Commission pay special attention to the way in which the current social welfare system can more effectively support specific groups within our society.

2.5 (i): State Pension

Sinn Féin urge the Commission to support the right to retire on a state pension at 65 years while allowing those who want to continue to work beyond 65 to do so. We believe the State Pension (Transition) should be re-introduced.

After a lifetime of work, people should be able to choose between retiring at 65 on their State Pension or continuing to work.

Voters clearly rejected pension age hikes in General Election 2020 and the Pensions Commission was established to further review the State Pension and other pension-related matters.

The Report of the Commission on Pensions[40] sets out four possible packages of reforms to ensure the long term financial sustainability of our pension system. All of the packages close the projected shortfalls in the Social Insurance Fund right out to 2070. Two of the four packages do not increase the pension age. This demonstrates very clearly that our proposals on pension age are affordable in the long term.

As discussed earlier in our submission, our rates of employers' PRSI are significantly lower than our European peers and should be very gradually brought into line with them. The need for this to happen is now widely accepted.

The Report of the Pensions Commission makes several welcome recommendations particularly regarding establishing a State Pension for Long-Term Carers.

Sinn Féin reiterate our call to ensure that workers can retire at 65 should they choose to and call on the Commission to consider the various implications that increasing the State Pension age would have. These include: the issue of those working in labour-intensive jobs which generally cannot be maintained in older age and an absence of legislation which prevents employers requiring employees to retire at 65.

[40] Department of Social Protection, Report of the Commission on Pensions. October 2021 - https://www.gov.ie/en/publication/6cb6d-report-of-the-commission-on-pensions/

2.5 (ii): Family Carers

Family Carers do highly skilled, often exhausting work in caring for a loved one. They feel completely abandoned and ignored by successive governments, who have been failing for years to give them the support and recognition they deserve.

Sinn Féin have made clear the need for adequate welfare supports for Family Carers, as set out in our Charter for Family Carers[41] launched in 2021. Despite the crucial work Family Carers carry out, many Carers involved in full-time care do not qualify for a social welfare support, such as Carer's Allowance or Carer's Benefit.

We recommend further relaxing the means test for those applying for Carer's Allowance, so more Carers can receive support instead of being shut out by an overly rigid income threshold. This would also result in higher payments for current recipients on reduced payments.

We also proposed that the Departments of Social Protection, Finance and Justice work together to collect the data and conduct the work necessary to address barriers in areas such as the treatment of capital in means assessments and the uncertainty, complexity and costs for families associated with Special Needs Trusts planning. We proposed that these Departments should issue a report and put forward immediate solutions to progress the alignment of the capital disregard for Carer's Allowance with that of the Disability Allowance. The Commission should consider and make recommendations on these issues.

Further to this, many Family Carers, often women, have fallen in to a 'pension gap'. This is where they do not qualify for the Contributory State Pension due to years away from the

[41] Sinn Féin, A Charter for Family Carers. April 2021 - https://www.sinnfein.ie/contents/60511

workforce or qualify only for the Non-Contributory Pension, which is means-tested and a reduced rate of the State Pension.

This gap has caused huge financial difficulties for Family Carers in their old age. It is also hurtful and insulting to suggest that the hard work of long-term Carers does not warrant a State Pension. The Report of the Pensions Commission made very welcome recommendations regarding securing a State Pension for Long-Term Carers.

It must now be ensured that any approach to the State Pension supports and rewards and recognises the work of Family Carers. Sinn Féin recommend a new pension for Long-Term Carers be made available from the age of 65, in line with our calls regarding the standard State Pension.

2.5 (iii): People with Disabilities

Sinn Féin recommend the provision of social welfare supports which recognise the Cost of Disability experienced by people, including reforms to means testing for Disability Allowance and the Blind Pension.

In a report published in 2021, the European Disability Forum's Human Rights Report found that 38.1% of people with disabilities in Ireland are at risk of poverty and social exclusion, the fifth worst in the EU[42]. This is not news to anybody living with a disability and now is the time to act.

The Government recently published their long-awaited report on the Cost of Disability, which found that people with disabilities experience 'a spectrum of costs', which varies

[42] European Disability Forum, European Human Rights Report 2020: Poverty and Social Exclusion - https://www.edf-feph.org/publica-tions/european-human-rights-report/

depending on age, the severity of disability, as well as the nature of the disability and household type[43].

However, despite commitments to addressing the Cost of Disability in the Programme for Government[44], the Department for Social Protection have yet to outline any material ways in which they intend to address these challenges. Leading disability organisations have called for an action plan ahead of Budget 2023, to address the real issues of poverty and social exclusion experienced by people with disabilities[45].

It is important that the Cost of Disability is acknowledged and built into welfare supports; including addressing the significant limitations of current means-testing requirements on welfare supports for disability.

From engagement with people with disabilities and representative organisations, we know that these requirements currently curb the ability of many people with disabilities to work and maintain their welfare support.

2.5 (iv): Lone Parents

Sinn Féin recommend that action is taken to ensure that welfare supports are designed to adequately support one parent households and protect them from poverty, which they currently do not.

[43] Department of Social Protection, Government publishes the Cost of Disability Research Report, December 2021 - https://www.gov.ie/en/press-release/b013c-government-publishes-the-cost-of-disability-research-report/

[44] Houses of the Oireachtas, Programme for Government, Dáil Éireann Debate. 18 May 2021 - https://www.oireachtas.ie/en/debates/question/2021-05-18/146/

[45] Disability Federation, Cost of Disability Report - Publication is welcome but Action Plan now required. 8 December 2021 - https://www.disability-federation.ie/news/press-releases/2021/12/08/cost-of-disability-report-publication-is-welcome-b/

The effect of adequate social welfare payments for lone parents and their families are reflected in poverty rates. The 2020 Survey on Income & Living Conditions (SILC) found that individuals living in lone-parent households had the highest consistent poverty rate at 21.6%[46] - a rise on a rate of 17.1% in 2019[47]. Echoing this finding, One Family Ireland note that lone parents in Ireland have the second highest rate of income poverty, persistent poverty, and severe deprivation among all EU-15 countries[48].

Research by the VPSJ found that deep income inadequacy is concentrated in one-adult households with older children (aged 12 and over)[49]; this demonstrates that social welfare payments to these households fall short in their current form.

As outlined, accepted equivalence scales which inform the social welfare rates of payment underestimate the cost of one adult-headed households when calculating rates of many welfare payments. We recommend that the flawed system of scale be addressed as part of reforms to the adequacy of social welfare payment rates.

Furthermore, research shows that the payment of child maintenance plays a role in reducing poverty. Currently, there is no set procedure in place for the collection of child maintenance. The pursuit of child maintenance is left firmly up to the custodial parent with no assistance from the State. From our discussions with lone parents and lone parent organisations we know that seeking child maintenance is costly, complex, time consuming and can be extremely stressful for lone parents – so much so, that it deters lone parents

[46] Central Statistics Office (CSO) Survey on Income and Living Conditions (SILC) 2020. December 2021 - https://www.cso.ie/en/releasesandpublications/ep/p-silc/surveyonincomeandlivingconditionssilc2020/
[47] Central Statistics Office (CSO) Survey on Income and Living Conditions (SILC) 2019. October 2020 - https://www.cso.ie/en/releasesandpublications/ep/p-silc/surveyonincomeandlivingconditionssilc2019/introductionandsummaryofmainresults/
[48] One Family, Facts and Figures - https://onefamily.ie/media-policy/facts-figure
[49] Vincentian Partnership for Social Justice (VPSJ) MESL 2021: Annual Update. 2021 - https://www.budgeting.ie/download/pdf/mesl_2021_annual_update.pdf

from seeking it. We also know that securing maintenance and actually receiving it are two very different things. There is no excuse for us not to have a proper Child Maintenance Service, like that in place in the North of Ireland.

Sinn Féin recommend the establishment of a child-centred Child Maintenance Service through which lone parents are assisted and supported throughout the entire process, and where Child Maintenance is treated as a means to help lift children out of poverty and not as a source of household income.

Conclusion

As we emerge from the Covid 19 pandemic, we have an opportunity to transform our tax and welfare systems to build a more resilient, more equal, and fairer society.

We must stabilise the tax base and increase revenue to fund a more responsive and active State. We can achieve this through reforming tax policy to encourage investment that serves the public good rather than undermining it.

Reform of the social protection system must take place to ensure income adequacy, to safeguard pension provision and reduce poverty.

Empowering workers and families to prosper as we enter a new age.

As the *Commission of Taxation and Welfare* considers the future of the taxation and welfare systems, reforms that reduce inequality, combat poverty, and serve sustainable economic development must be at the centre.