CLAIMING OUR FUTURE
a progressive movement for an equal, sustainable and thriving Ireland

Civil society groups highlight alternative ‘Plan B’ Budget choices that are fairer, boost economy & meet deficit targets

The civil society movement, Claiming Our Future, is calling on the Government to implement alternative policies to the proposals for the upcoming Budget. Claiming Our Future has identified a ‘Plan B’ menu of revenue raising options and stimulus investment proposals available to the government.

Claiming Our Future has identified, from Pre-Budget submissions from social justice groups, economic think tanks and trade unions[1], a total of €6.9bn which could potentially be raised from various forms of taxation on wealth and corporations and removing reliefs that benefit higher income earners. This is almost double the €3.5bn the government is proposing to raise taxes and cut spending in the Budget. Analysis of these submissions outlined in the tables below shows therefore, that the Government, could, if it made the choice, avoid any cuts to spending on public and community/voluntary services and welfare in the upcoming budget.

Some of the options identified to raise revenue from wealth and higher incomes include: up to €660 million from taxing wealth (wealth tax plus raising capital gains and capital acquisitions tax), up to €1bn from raising income taxes (such as an increase of 1.5% on the effective tax rate of the top 20% of tax cases) and extending the USC of 3% to incomes in excess of €100,000, up to €557million from abolishing tax reliefs on property and up to €1.4bn from abolishing and standardising various pension reliefs. The analysis of the Pre-Budget proposals reveals that all the organisations are calling for a different ratio of spending cuts to revenue raising than the government is proposing. The organisations call for increased emphasis on revenue raising focused on higher income earners and wealth. The organisations also call for a stimulus investment in infrastructure ranging from €1bn to €3bn. €1bn of investment would have the potential to create 10,000 jobs. Plan B is based on the economic framework of taxing higher incomes and wealth and thus maintain spending on public services, and a jobs stimulus investment to create much needed employment. These alternative Budget proposals will be more equal and support domestic demand, central to getting us out of the recession, by protecting low and middle income earners and communities. Social investment will save social costs and create a more sustainable future.

The current approach is deeply unfair as it is hardest on those on middle and lower incomes. The unemployment crisis combined with reports on the extent of food poverty and those in mortgage stress and unable to meet their bills shows that too many are already suffering. The current austerity programme is also destroying our health, education, welfare, transport, social care, community, youth and voluntary services - the social and economic fabric of our nation.

Claiming Our Future is calling on the public to take action by signing the petition on our website – www.claimingourfuture.ie - which calls on the Government to implement Plan B in Budget 2013– which would place the burden of adjustment on the sections of society who can afford to pay more - rather than inflicting unbearable pain on lower and middle income sections of our society.

The reality is that the Government can decide on what balance of expenditure cuts and tax it implements, along with what areas this takes place in. Furthermore, the Troika is primarily concerned with the deficit reduction and not the specific policy choices that achieve that. They are up to the discretion of the Government. Austerity is self defeating in a recession like our current one. Cutting spending on welfare, public services and the wages of public sector workers and raising taxes on lower and middle income households takes further money out of the economy and thus reduces further domestic demand and growth and puts more people out of work –thus requiring higher spending on welfare. We are in a vicious downward spiral that requires an alternative policy

[1] These include TASC, NERI, ICTU, Social Justice Ireland and UNITE

approach. For more information contact Siobhan O Donoghue or Rory Hearne at planB@claimingourfuture.ie, check out www.claimingourfuture.ie or contact

Table 1. Claiming Our Future Summary of principal taxation proposals in pre-budget submissions by TASC, NERI, ICTU, UNITE and Social Justice Ireland, November 2012

Tax Area	Proposal	Revenue Raised €m	Proposed by	*Range: Min – Max €m*
Taxing Wealth				
Wealth tax	Wealth tax.	200	NERI	***200 - 400***
	Wealth Tax	400	UNITE	
Capital Gains Tax (CGT) and Capital Acquisitions Tax (CAT)	CGT increase to 40% , CAT increased from 30% to 40%	100	NERI	***220 - 260***
	Raising the rate of CGT by 5% to 35% & other CGT measures	100	ICTU	
	Capital Acquisition Tax	120-160	ICTU	
Income tax on higher income earners				
Increases in income taxes for high earners	Increase of 1.5% on the effective tax rate of the top 20% of tax cases (with average earnings of 100,000)	650	NERI	***1,015***
	New Top Rate of Tax of 48% for individuals earning over €100,000	365	ICTU	
Extend USC to all income above 100,000	Extend the additional USC of 3% to all income earners, affecting the portion of salaries above €100,000	71	TASC	***204 - 225***
	USC levy of 3% on all income in excess of €100,000	50	Social Justice Ireland	
	An increase of 1% on USC on High Earners above €100,000	67	ICTU	
	Extend USC to capital income (capital gains, inheritances, gifts, etc.)	154	UNITE	
Tax reliefs:				
Property	Reduce the level at which persons and companies may claim interest repayments against tax for residential rental properties from 75% to 40%	157	TASC & UNITE	***397 - 557***
	Eliminate All Property Tax Breaks	350-400	ICTU	
	End Property tax relief legacies	240	UNITE	
Pensions	Confine tax relief to the standard rate of 20% in respect of pension contributions	560	TASC	***1,234 - 1,402***
	Reduce the tax exemption for lump sum pension payments	200	TASC	
	Standardise tax-break for all pension contributions to 20%	700	Social Justice Ireland	
	Reduce Tax Relief to Pensions Valued at €60,000	389	Proposal at Cabinet Sub-Committee	
	Reduce annual earnings limit for maximum allowable pension contributions from €115,000 to €75,000	113	Department of Finance Estimate	
	Maximum pension contribution should be reduced from €115,000 to €80,000	85 - 96	ICTU	

Others	Reduce Relief for Capital Acquisitions Tax End Tax Breaks for High Earning Foreign Executives Remove Commission on Taxation identified tax breaks that benefit mostly the better off (except child benefit)	115 5 100	TASC ICTU Social Justice Ireland	***220***
Income Tax on Exiles or Tax Fugitives	Tighten up residence restriction and as they are high net worth individuals	20-30	ICTU	***20-30***
Corporation Tax				
	Corporation Tax reforms Curb Tax Breaks for Corporates, increase effective corporate tax revenue by 2% over a period of a few years. Levy of 2.5% be introduced on corporate profits	50 500-600 750	NERI ICTU Social Justice Ireland	***550 -800***
Tax evasion & avoidance	Clampdown on Tax Evasion and Avoidance	300 -400	ICTU	***300-400***
Property Tax				
	Site Value Tax 0.35 % tax on residential property with an 'ability to pay' deferred payment SVT with waivers SVT on sale of principal private residences	300 756 340 150	NERI TASC Social Justice Ireland Fine Gael (pre-election)	***450 - 906***
Social Insurance				
Employers PRSI	Third band of employer's PRSI contributions at 15% charged on the portion of salaries above €100,000 Gain from Higher PRSI on Abusive Employers(Based up the total PRSI yield from employers at €5bn in 2010, we take only 3% of total as our estimate of the proportion who are abusive to their employees for these to get this estimate). Shift the First days of Illness Cover to Employers Withdraw Temporary Reduction of Low-Rate Employers' PRSI	78 150 100 183	TASC ICTU ICTU UNITE	***511***
	Extend PRSI to capital income (capital gains, inheritances, gifts, etc.)	88	UNITE	***88***
DIRT Tax	A rise to 35%	95	ICTU	***95***
Financial Transaction Tax	This estimate is based on income after 2013 – not included for 2013.	500	ICTU	***500***
TOTAL	**Minimum: 5,504** **Maximum: 6,909**			
TOTAL *(excluding recurrent household property taxes)*	**Minimum: 5,204** **Maximum: 6,153**			
TOTAL *(excluding recurrent*	**Minimum: 4,704** **Maximum: 5,403**			

household property taxes and increase in the corporate tax rate)	

NOTE: there may some overlap in the revenue estimates – in particular, pension tax reliefs where reducing the tax relief on the overall pension pot might impact on the separate estimate for reduction in the annual maximum allowable pension contribution. This would, however, be marginal.

Table 2. Ratio (and percentage of total adjustment) of Tax increases to spending cuts in proposed Budget adjustments

	Expenditure Cuts	Taxation Increases
Government's Plan A	2 (66%)	1 (33%)
NERI	1 (15%)	5.7 (85%)
TASC	1 (20%)	4 (80%)
ICTU	1 (33%)	2 (66%)
SJI	1 (33%)	2 (66%)

Table 3. Stimulus investment proposals in pre-budget submissions by TASC, NERI, ICTU, UNITE and Social Justice Ireland, November 2012

Amount € per annum	Sources	Infrastructure Areas	Organisation Proposing
3bn	NPRF, commercial/semi state (5bn), EIB (5bn), private sources/pensions (5bn)	Water, broadband, energy, early child hood, retrofitting	NERI
3bn	Private pension funds, Commercial semi states/State Holding Company, NPRF		ICTU
2.3bn	2.5bn from NPRF 1bn from New National Recovery Solidarity Bond EIB -3.5bn	Primary care, retrofitting, schools, childhood, education, water	SJI
1.25bn	National Pension Reserve Fund	Broadband, education and training schemes targeted at the long-term unemployed	TASC
1 bn	Gov cash reserves	Would result in €388m in deficit reduction (increased revenue / lower unemployment costs	UNITE

Notes: It is estimated that €1bn investment in infrastructure can create at least 10,000 jobs.
TASC and NERI also propose to maintain capital spending of €550 million in contrast to the expected Budget cut of this amount. Also Social Justice Ireland proposed a part-time jobs opportunity programme at a cost of €50m to provide 50,000 places.