ESRI Report on Options for Raising Tax Revenues in Ireland

Covid 19 has seen Government spending increase from €87bn in 2019 to a forecast of €109bn in 2021. Although a significant amount of this increase is temporary, the Irish Fiscal Advisory Council has pointed out that some of this increase in expenditure is permanent. When combined with promises of health reform and an aging population, increased government spending is here to stay. At the same time, the yield from taxation is under pressure with international corporation tax reform and the effect of the move to electric vehicles.

All of this means that an increase in taxes is a certainty. The Economic and Social Research Institute (ESRI) recently published a paper which outlines various options to increase future tax revenues and the economic and social impact of each policy, which makes for worrying reading. As has happened with the financial crash in 2008, it is the perceived *better-off* which will bear the burden of any increases in taxation.

The ESRI report refers to the following:

- Reducing the tax-free thresholds for gift tax/inheritance tax. Limiting business relief/agricultural relief to a cap of €3m and reducing the relief from 90% to 75% or 50%.
- Undertaking a reform of housing taxation which includes removing the CGT exemption on an individual's principal private residence. The report also suggests raising LPT rates.
- The removal of CGT reliefs such as the 10% entrepreneur relief and the 4/7 year exemption which they say could be more effective than an increase in the 33% rate. Consideration should also be given to applying CGT on the transfer of assets on death, a topic which is being considered in the UK and by the Biden Administration in the US.
- Restrict pension tax subsidies such as the €200,000 tax-free lump sum and reduce the limits on what may be contributed to a pension tax-free.
- Self-employed individuals PRSI rates should match employee and employer PRSI contributions.
- An increase of 1% in income tax rates and VAT rates could raise almost €1.7 billion per year.
- Ireland should not increase our corporation tax rate to maintain our competitiveness, a sentiment which has been echoed by the Finance Minister Pascal Donohue. But as we know he is under significant pressure from the OECD to change this stance. The general view is that Ireland will have no choice but to increase our corporation tax rate, following the G7 summit which proposed a minimum 15% worldwide corporation tax rate.

This summary is intended as a general guide. No action should be taken without obtaining professional taxation advice.

If you have any queries, please do not hesitate to contact Purcell McQuillan Tax Partners Ltd on 01 668 2700 or email your usual PMQ contact.