

Foreword

We present this Report at a challenging time for Ireland. A time when firm action is needed to strengthen our economy so that it sustains and creates employment and continues to provide resources for those in need. Growth that is sustainable is a key objective – from growth will come jobs and tax revenues – from jobs will come reward and security - and from tax revenues will come the ability to provide services and redistribute resources in our society.

There are many areas of Ireland's tax system that work well. Over the years it has been a key facilitator in redistributing income and a foundation for our ability to attract industry and sustain jobs. So we are starting from a good place. Nonetheless we have found many areas where the system can be restructured and reformed and these are the focus of our recommendations.

In keeping with our Terms of Reference these recommendations have regard to the medium to longer term and, in aggregate, they are compatible with keeping Ireland a low tax economy. We do not advocate an overall increase in the levels of taxation but rather a broader and less volatile base. Indeed one of our overriding concerns is the relatively narrow base of Ireland's current tax system which makes it very susceptible to changes in economic conditions. Even falls in output much less extreme than those experienced in 2009 would, if sustained, generate large budget deficits. Over time these could challenge our ability to provide essential services and, in the extreme, could challenge our fiscal autonomy. A focus on revenue streams that are less likely to collapse during a downturn is necessary and we need such a focus immediately.

Some of our proposals are radical – an annual tax on residential property, domestic water charges, a carbon tax, and removing or limiting most of the tax breaks that are currently available. We believe that it is not possible to keep things as they are. Our recommendations should not be compared with the status quo. Instead we need to ask what are the likely alternatives if they are not adopted. In particular we need to ask where the revenues will come from if not from the new areas of taxation and charges that we recommend.

Our proposals have the general character of making Ireland less vulnerable to economic shocks, encouraging enterprise and innovation, ensuring sustainable water supply and waste treatment, meeting our responsibilities on climate change, supporting the autonomy of local government, encouraging provision for retirement, and improving the fairness of our tax system.

Some recommendations will involve taxing ourselves in ways we have avoided for decades, but they will guarantee greater stability in our tax revenues while having the least negative effect on the ability of our economy to grow and create jobs. They will bring greater certainty to the capacity of the State to support those in need and reduce uncertainty about sudden changes in tax rates and structures.

There will be a natural tendency for all who will be affected – which is almost all of us – to argue that they are a special case and should be exempted. Where such argument is indulged, the inevitable consequence is to increase the burden commensurately on the rest.

It is twenty-five years since Ireland's tax system was last examined in detail. The sixteen month timeframe for completion of our deliberations required us to concentrate on broad reform rather than detailed

design. There will be areas which deserve more detailed examination and analysis sooner rather than later. We therefore recommend examination of Ireland's tax system at more regular intervals in future. This should ensure that we continue to have a system that is responsive to emerging social and economic developments and is always ahead of the curve and never behind the game.

I wish to thank all of the Members of the Commission for their commitment and professionalism since we first met in March 2008. Like any seventeen-person body we have differing views and perspectives. It is to the Members' credit that they were consistently objective in their input and focused only on an outcome that seeks to deliver the optimal taxation system for Ireland.

We could not have completed our work and delivered this Report without the excellent work and sustained dedication of the Commission Secretariat so ably led by Jim Kelly. We are in their debt.

A handwritten signature in black ink, appearing to read 'Frank Daly', written over a horizontal line.

Frank Daly
Chairman