

ITI proposes 30-reforms for consideration by the Commission on Taxation

An early pre-Budget report and provide necessary tax expertise for legislators

1 September, 2008: An early pre-Budget report, the provision of independent tax advice for legislators and enhanced tax incentives for R&D investment. These are among the 30 proposed reforms (see Note for Editors) contained in the Irish Taxation Institute's (ITI) submission to the Government appointed Commission on Taxation.

ITI President, Joan O'Connor said that the purpose of its proposed reforms is to achieve a more competitive tax system which is also simpler, fairer to administer and thus more effective.

Outlining ITI's proposals to enhance economic growth, Ms O'Connor said our current system for promoting enterprise requires a re-think.

Ms O'Connor said: "Neighbouring countries have caught-up and in some cases surpassed the tax benefits Ireland offers businesses. Our economy is constantly evolving and our tax incentives must do likewise. We are not nearly as effective as we could be in attracting R&D investment from abroad or in encouraging indigenous R&D activity. If we wish to achieve our stated objective of winning more global knowledge-based businesses, then a re-think on tax incentives is a must. Enhancements in this area should focus on a greater awareness of the R&D credit and a widening of the definition of R&D – it does not always happen in a laboratory! By virtue of the level of credit, the lack of refund for start-ups and the administrative complexity, the credit is just not attractive enough to compete with other jurisdictions. Coupled with shortcomings in the tax relief available for investment in know-how, the grounds for reform become very clear."

Calling for reform to how tax law is legislated, Ms O'Connor said: "The current process for formulating tax legislation is deficient. The timeframe is terribly short and leaves very little opportunity for real scrutiny by any of the parties involved be they Oireachtas members, business or practitioner representatives or taxpayers. The effect is that good policy intention can end up as poor law. From a taxpayer's perspective, the lateness of the Budget itself means tax credit certificates are issuing 2-3 months after the beginning of the following tax year."

The process for implementing tax policy needs to be improved. In recommending the introduction of an early pre-Budget report, Ms O'Connor explained that the benefits would be two-fold: "Firstly it would set out the policy framework for the coming year and, secondly, would allow for important practicalities like changes to tax rates, allowances and thresholds for the following tax year to be initiated from an earlier date. An early pre-Budget Report would facilitate earlier, more informed and effective consultation with interested parties on the policy changes flagged within it. This would enhance the parliamentary process for considering policy changes and encourage greater scrutiny. This process could be substantially aided by making independent tax technical expertise available to legislators."

ENDS

Further info:

Note for Editors

Summary of ITI'S 30-reform proposals for consideration by the Commission on Taxation

Simplicity

1. Implement a systematic approach to the simplification of the tax administration system.
2. ITI recommends that the goal is a 25% reduction in the net burden of tax administration over the next 4 years.
3. Simplify tax returns e.g. introduce a 2 page income tax return and a plain English rewrite campaign.
4. Apply the principles of self assessment more fully to taxes such as DWT and RCT.
5. Adopt specific simplification measures for small and new businesses.
6. Reform the CGT pay and file regime.
7. Inflation-proof tax thresholds and introduce a disposals limit for CGT rather than the existing exemption on gains.
8. Seek a VAT general reverse charge provision for B2B transactions.
9. Work to further extend ROS but not to introduce mandatory e-filing.

Fairness

10. Appoint an Independent Tax Ombudsman / Revenue Adjudicator to provide a ready avenue of appeal on matters of Revenue practice.
11. Urgently review the Irish Tax Appeals System.
12. Regularly review interest rates on underpaid and overpaid tax and keep them aligned with bank rates and with each other.
13. Introduce a new board structure for Revenue and separate the offices of Chairman and Chief Executive of the Revenue Commissioners. Introduce a significant number of non-executive directors to the governing board of the Revenue Commissioners.
14. Establish a scheme to compensate taxpayers for unnecessary loss or hardship caused by Revenue actions/inaction.
15. Review the Revenue Customer Service Agreement to ensure it meets best practice set out by the OECD in their "Taxpayers Charter"9.

Reform of certain taxes

16. Simplify PRSI and Levies.
17. RCT – realign the rate and apply a fixed penalty regime to administrative errors.

Consultation

18. Establish a multi-stakeholder tax policy forum once the Commission on Taxation has completed its work.
19. Introduce post implementation review of tax law.

Parliamentary process

20. Introduce a Pre-Budget Report.

21. Advance the Budget date to ensure that tax credits are processed prior to the year end.
22. Establish a Parliamentary Joint Committee dealing only with taxation.
23. Introduce a separate technical Finance Bill.
24. Make independent tax expertise available to TDs and Senators.
25. Introduce a separate Taxes Management Act.

Enterprise

26. The multi-stakeholder tax policy forum we referred to establishing at Proposal 17 above should be mandated to review whether our tax policy is “Fit for Purpose” in the current economic climate and should make recommendations to Government for change, where necessary. The policy group should also specifically review the application of our anti-avoidance regime.
27. A system of certification and continuous review should be applied to tax incentives.
28. Encourage employee participation in share schemes and pension schemes
29. In relation to Section 811A:
 - Section (1A) 811A10 should be deleted and the 4 year time limit reinstated
 - Section (1C) 811A11 should be deleted so that the Appeal Commissioners continue to opine on the same basis for all taxpayers in relation to Section 811.
29. Consider reform of:
 - Double taxation relief regime
 - Taxation of foreign dividends
 - Our knowledge based incentives
 - Our treaty network and alternatives thereto

Carbon taxes

30. ITI suggests that there are four important principles to be followed in the introduction of a carbon tax:
 - Any carbon tax should be revenue neutral.
 - It should be set at a level that takes account of the level in other countries maintaining competitiveness is essential. The levels which apply in the UK are particularly important to us and we could usefully look to their experience as they have had taxes, levies and incentives in place for some years.
 - It should not apply to entities in the EU emissions trading system (ETS), as this would lead to double taxation.
 - It should operate in such a way that administrative and compliance costs are minimised.