

Irish Taxation Institute Budget Submission

- **Irish Taxation Institute calls for a reduction in employers PRSI**
- **Income levies should be phased out**
- **Tax increases should be matched euro for euro with reductions in public expenditure**
- **There is a tipping point for taxation beyond which the entrepreneurial drive to earn further profits is eroded – Government must factor this into their decisions about direct tax increases**

Issued Tuesday 31st March, 2009. In its pre-Budget submission to the Minister for Finance, the Irish Taxation Institute outlined a five point plan which it believes would bring clarity, simplicity and stimulus to the economy. The main points of the plan are as follows:

1. Jobs - reduction in employers' PRSI costs, double tax deduction on staff costs, simplify and broaden the scope of BES and Seed Capital Schemes

ITI believes jobs are the key to our economic recovery and anything we can do to stimulate the jobs market will add greatly to tax revenue. To stem the rate of job losses, ITI proposes that Government assist employers by reducing employers' PRSI and introducing a double tax deduction on staff costs.

ITI also believes the Business Expansion Scheme (BES) and Seed Capital Scheme have the potential to support the maintenance and creation of jobs, but they have become over complicated in recent years and should be simplified and broadened in their scope.

2. Don't exceed the tipping point in the marginal rate of tax and levies

ITI also warned Government on the danger of exceeding the tipping point in the marginal rate of tax and levies for all taxpayers beyond which the entrepreneurial drive to earn further profits or the employee's drive to improve productivity will be eroded. ITI strongly urges Government to factor this into their decisions about direct tax increases.

3. Match increases with reductions in public spending, euro for euro

ITI recommends a clear 3 year policy programme that delivers a stable tax system, supports job protection and promotes economic recovery. To the extent that taxes are increased to address the exchequer deficit, these increases should be matched, euro for euro, with reductions in public spending.

4. Simple, sustainable tax system

ITI also advocates a simple sustainable basis for taxing individuals for 2010 and future years. Levies should be abolished and combined into income taxes – this includes income levies, car park levies, second home levies, health levies. ITI recognises that seeking to raise funds through income tax changes half way through the tax year is administratively difficult and therefore a temporary levy increase for 2009 only may be unavoidable, but ITI strongly urges that this is rectified in Budget 2010.

5. No changes to the tax measures for pensions

ITI advises against any further changes to the current tax measures that encourage taxpayers to provide for their pensions. Now is not the time to remove any assistance to taxpayers to fund their own pensions, thereby reducing the future burden on the State.

Speaking about its Budget submission, Mark Redmond, Chief Executive of the Irish Taxation Institute said “We fully recognise that Government needs to raise a significant amount of money to start clawing back the alarming deficit that has built up so rapidly. Our overriding message to Government is that a focus on maintaining jobs combined with simplicity, evidence of stimulus and a strategic long term plan for recovery are the things that will resonate best with all sectors, employees, public or private sector, employers and social partners, and will get everybody aligned in support of the changes required.”

- Ends -

For further information contact:

James Reilly

Head of Marketing

Irish Taxation Institute

Tel: 01 6631706 or 087 9572786