

Fantasy Budget 2009

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Wealth Tax

In September 2008 TASC commissioned a survey which found that ‘80% of adults are concerned about high levels of wealth inequality in the Republic.’ (RTE, 2008). This is an interesting statistic and certainly an obvious starting point for taxation development. With the current government facing extreme public criticism the proposal here is to play to this key public issue. ‘The top 1% of the Irish population enjoys around €1 billion worth of assets and owns 20% of the nation’s wealth.’ (TASC, 2008). This seems to be the very definition of inequality, but what to do?

A wealth tax could be levied on Irish tax residents who have gross wealth exceeding €200000; with wealth being defined as ‘the difference between assets and debt.’ (Wolff, 1996). That is individuals with gross wealth exceeding €200,000 will be taxed according to a percentage rating system. The assets to be taken into account include liquid assets (cash, deposits, savings and bonds), shares, investment real estate, cars (excluding immediate, primary used cars), and corporate stocks. The base amount was selected as the average disposable income is €776.10 per week (€40357.20 per year) according to the CSO (2005). Thus any individual in possession of that level of wealth would be classed in general terms as ‘wealthy’. This tax will be applicable to all tax payers. Artists will be exempt from income tax as normal but will be subject to this wealth tax if they possess wealth exceeding €200,000. The tax will be imposed at different percentages for different wealth levels. These figures have been established by examining wealth rates in Greece, Germany, India and other countries. These rates have also been reached by examining the proposed US wealth tax by Wolff (1996).

<u>Wealth Levels in €</u>	<u>Tax Rate %</u>
200,000-299,999	.05
300,000-399,999	.10
400,000-499,999	.15
500,000-599,999	.20
600,000-699,999	.25
700,000+	.30

Using examples the possibilities that this tax creates are vast. ‘By the end of next year it is said assets values will amount to €654bn.’ (Hennessy, 2009). This may be a reduction on the previous year but it is still a rather large figure in terms of taxation possibilities. In addition to this ‘by the end of 2010 Goodbody Stockbrokers estimates the value of the housing stock will stand at €342bn.’ (Hennessy, 2009). Despite the recession the return from this tax seems extensive. Cecelia Ahearn ‘was one of the newest entrants on the latest Sunday Times Young Rich Lists with a personal fortune of €7mn.’

(Walsh, 2008). Under this wealth tax her fortune would be liable despite the fact she has avoided tax on much of her income as an artist. Coolmore's top breeders Galileo, Montjeu and Danehill Dancer earn €150,000, €125,000 and €115,000 respectively per visit. 'All 3 are fully booked with mares for the current breeding season.' (Reilly, 2009). Each horse can mate with up to 65 mares per season. These examples provide an example of the level of wealth being accumulated that is open to taxation despite the recessionary climate.

There will be resistance to any tax but the benefits appear to outweigh the resistance. Obviously the monetary gain mentioned is beneficial as it provides much needed funds. Pat Rabbitte stated that a wealth tax could be used 'to fund vital areas such as health and transport services. (O'Brien, 2003). As just a simple example if the estimated value of assets by the end of this year is taken and the base percentage applied the government are looking at upwards of €327,000,000

This tax also has the ability to induce a level of equity as desired by the general public. It has been widely remarked that a wealth tax 'would be a gain for equity: because wealth inequality is tied to unequal political power.' (Wolff, 1996). A wealth tax would also be beneficial 'by taxing those more able to pay taxes.' (Wolff, 1996). The government has faced fierce opposition for its college fees suggestion and cutting child benefits. It appears to the public as though the most vulnerable are being targeted. By introducing a wealth tax the less well off are not the prime targets. 'In the interests of equity it is justifiable to tax current wealth in addition to income.' (Wolff, 1996). Another obvious benefit then is that artists exempt from tax on so much of their income are still being engaged fairly in tax on their wealth. And with wealth being so concentrated, as mentioned earlier, there is likely to be less resistance than support.

The Introduction of Taxation on National Lottery Tickets

'In 2008 the National Lottery had total sales of €840.1 million.' (National Lottery, 2008). According to the National Lottery (2008) there were 3,675 National Lottery agents all over Ireland which processed over 272 million individual transactions last year. Despite these impressive sales figures it is interesting to note that there is no tax currently applied to the purchase of National Lottery tickets.

Currently the minimum price of a standard lottery ticket is €3. This being two panels with no 'plus draw' included. This price is tax free. If a tax of 5c per panel played was introduced the minimum purchase price of a lottery ticket would be €3.10 of which 10c would be Government revenue. This is a modest taxation proposal when the amount of tickets sold each year is considered.

The lottery is not a necessity good, it is of the players own accord that they engage in this form of gambling. Thus by placing a tax on this good equality is not questioned as no particular group is singled out for taxation. It also seems unlikely that players would not be especially deterred from playing by the addition of a mere 5c to the price. Especially when you consider that Lottery winnings will continue to be exempt from taxation.

All Irish lump sum winnings are tax free. However in America and other countries winnings are subject to taxation. 'Gambling winnings are fully taxable and must be reported on your tax return.' (IRS, 2009). In 2008, €455 million was won by Lottery players according to National Lottery (2008). By continuing to not tax Irish Lottery winnings and instead impose a tax on the actual Lottery ticket players are less likely to be deterred from playing. This is due to the apparent logic that it is better to pay a 5c tax per line of the lottery than a portion of the large jackpots mentioned.

This taxation has the potential to create massive much needed revenue benefiting the government and the Irish economy. This is especially evident when you consider that 'an estimated 2 million people, some two thirds of all adults, now participate in a lotto game regularly with 1.4 million of these people playing during a typical week. (Carroll, 2008).

This is an example of how much revenue the government could gain from the introduction of this taxation based on 2008 sales figures;

Lotto Transactions	Government Tax	Government Gain
272,000,000	.05c	€13,600,000

The Introduction of a 50% Tax on Prices in Fast Food Outlets

Irish lifestyles have seen major changes in the last decade; people have turned away from homemade meals to the convenience of fast food outlets as 'dash board dining' has come to prominence. However, such meals are packed with saturated fats and calories. This has contributed greatly to obesity levels in Ireland increasing. Obesity in turn is directly associated with a number of serious conditions such as heart disease, diabetes, high blood pressure and stroke. 'Approximately 10,000 people die each year from cardiovascular disease (CVD) - including coronary heart disease (CHD), stroke and other circulatory diseases. (IHF, 2009). In terms of diabetes in 2005 it was estimated that '141,063 adults in the Republic of Ireland (4.7%) had diabetes (diagnosed or undiagnosed).' (INISPHO, 2006). Certainly it seems apparent that this is a serious issue for the Irish government. What then should be done?

The introduction of a tax on fast food outlets throughout Ireland could assist the government in tackling this issue. This tax could be compared to a tax on health risk items such as cigarettes. It has the potential to represent similar benefits in the sense of deterring usage. From examination of just two of the most popular fast food outlets in Ireland the spread of these chains is apparent. McDonalds report to having 74 McDonalds chains (McDonalds, 2009). With Abrakebabra owning 54 chains throughout Ireland (Abrakebabra, 2009). This indicates there is a large quantity of fast food restaurants in Ireland, and this is without examining the number of Supermac's, Burger Kings, KFCs, Independents and others also operating in the fast food sector. In addition to there being a large number of these outlets they also serve a large quantity of consumers. Irish owned Supermac's reports to serving 'approximately 16.8 million customers each year' (Supermac's, 2009).

In terms of taxation the government could introduce a 50% price increase on all food sold in the fast food sector in Ireland. To put this into context Supermac's are advertising on their website a 'burger meal deal for €3.95' (Supermac's, 2009). If a 50 % tax increase was to be introduced this would increase the price by just € 1.975. By applying this example and observing the amount of fast food customers it appears obvious that there is a vast opportunity in terms of tax revenue here. For demonstration purposes presume every one of Supermac's 16.8 million consumers purchased a euro deal burger, with the introduction of this tax the burger deal would increase to €2 with a potential €16.8 million in taxes.

Introducing the 50% tax on fast food outlets throughout the fast food sector in Ireland would see no price gap in the market; which in general terms would promote access to better quality food. In this way this is not a disproportionate tax.

Additionally the introduction of this new tax would benefit Ireland's economy also. Over time it would help ease the burden of the ever increasing obesity levels in Ireland. '38% of the population is overweight and 23% obese.' (RTE, 2009). This tax has the potential to assist in the reduction of these levels. Thus reducing the strain placed on the health care system and public funds. Potentially society's eating habits could change. Adopting this tax would represent fast food being no longer classed as a necessity but rather a luxury item, thus potentially reducing the amount consumed.

This tax could be collected in the same manner as VAT since it is being added to prices in the same manner. Fast food outlets would be defined as convenience restaurants where food is cooked in bulk to be reheated later, with little healthy variety added to the menu beyond 'meat sweet' meals. Franchised restaurants like McDonalds will be used as a benchmark example.

Building Height Tax

Ireland's selling point in the tourism sector is its natural beauty and scenery. The architecture of Irish buildings is changing from horizontal to vertical, and this scenery is being altered. Most Irish people would object to a high rise building being built in their town because of how these buildings can alter a place negatively, due to their scale, the view changes and the sense of attachment to that place being eroded. Certainly this is evident in the case of a proposed development in Lucan at present. Shelbourne Development Ltd has proposed the development of 973 units up to six storeys high in a residential area. The public reaction to this is typical, in that 'even before full documentation for a major new development on Griffeen Avenue is available there have been objections from community representatives who claim the area is not suitable for high rise buildings.' (Echo, 2009). Overshadowing and overlooking of surrounding smaller buildings is often another factor of objections to high rise buildings.

There are also advantages to high rise buildings. There would be far more public spaces in towns if construction continued upwards. These high rise buildings create jobs in construction, jobs when developed and attract investment.

The majority of people would argue the former. High rise buildings would impact on Ireland's landscape. Taxing of high rise buildings would then be an appropriate method in dealing with this issue. A tax imposed on buildings considered to be an eyesore to occupants of its surroundings could be the way forward. 'Washington's height restriction has preserved the city's modest scale, preventing the Manhattanization of the downtown business district. It has promoted an understated vision.' (Grunwald, 2006). But Ireland can induce these benefits without an actual restriction through this taxation.

Rural land has been regarded highly in Ireland for numerous and protected for the beauty and agricultural prospects it creates. 'The quality of the rural environment helps distinguish town from country.' (An Taisce, 2009). For this reason, high rise buildings ethically should not be built in rural areas but it is legal to do so thus taxing high rise buildings that are classed as imposing a negative visual effect on surroundings would be beneficial both financially and in trying to preserve the Irish scenery. It could be instigated at 0.5% of the market value. Given that it is this market value that is damaging the environmental view. The tax would then be payable every year as the environmental damage these buildings do is long term and it does not cease to exist.

The deterrent this tax provides to constructing these environmentally unfriendly structures is an obvious advantage of this tax. But in the event of this tax failing to prevent height development it provides additional revenue.

The tax would be adjusted for buildings that add to the surroundings that are of great importance. The high-rise landmark buildings should have public functions; this is traditionally how it's been in Dublin for buildings such as the Four Courts, Croke Park, Landsdowne Road, Christ Church, the Spire and the Guinness Headquarters. Buildings such as the Guinness Headquarters are of a long run benefit to Ireland. Buildings like such would be taxed less aggressively. Architects and planners need

to be motivated to build buildings that contribute to the surroundings rather than take from it. Thus taxing high rise buildings that are an eyesore and inappropriately sited could be the answer.

Budget Review

As an overview to these budget proposals it is important to note that the key underlying theme here was to provide equality in terms of taxation. There will presumably always be opposition to taxation proposals. Certainly the recent college fees fiasco has represented this. But this is the key area of opposition that these taxations attempt to avoid- disproportion. These proposals tax citizens equally and avoid placing additional taxation on the vulnerable in society. In fact these proposals aim to target those who are more capable of withstanding taxation; the wealthier members of society and those purchasing luxury items such as the Lottery.

Another common theme of these proposals is that they do not just operate as taxation initiatives; they also seek to promote certain levels of behaviour. These behaviours include eating habit alterations and environmental protection. By taxing in the present these initiatives seek to promote societal changes in the long run.

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