

## ***“A tax system that puts people first”***

Albert Einstein once said *“the hardest thing in the world to understand is the income tax.”* Today's findings clearly show that little has changed since Einstein's time.

Over half of Ireland's 2 million PAYE taxpayers are confused about their taxes. That is the clear message coming from today's survey. In bottom line terms, this confusion means that over 1 million people may and most likely are losing out financially.

51% of us don't know that we can save ourselves money on everyday expenses through tax reliefs. Half of us are not claiming tax relief on medical costs, with even more (55%) losing out on savings for bin charges.

Based on the most recent figures, a conservative estimate suggests that as much as €50million per annum is unclaimed by PAYE taxpayers on medical costs. This is a startling amount of money forgone.

Many of us are struggling to understand the content of basic tax information forms. One third of PAYE taxpayers do not understand their payslip. 37% of those questioned this week do not understand their tax certificates while over 700,000 PAYE taxpayers (35%) do not understand all the tax information on their P60.

Interestingly, two in five (42%) of PAYE taxpayers leave their tax affairs to their employer, yet a similar number (43%) are not sure if they are getting all their entitlements.

This depth of feeling towards what is in effect our own money is not sustainable and taxpayers themselves are telling us as much today.

88% of those questioned are not afraid to engage with Revenue about tax, but the vast majority (72%) want a voice, not the Internet, to help answer their queries.

## **Backdrop**

Lowering the level of taxes in Ireland since 1997 has had a hugely positive impact on all our lives. Radical reforms, particularly the slashing of corporation tax, has resulted in more jobs and in turn, more revenue for public service investment.

So lowering taxes has and will continue to help. But low rates alone don't make a good tax system. Reforming the structure of our tax system will.

The vast majority (75%) believe our standard rate of tax is fair. But when asked to consider individual taxes like VRT or stamp duty, people take an altogether different view.

The great majority believe taxes like VRT (75%), stamp duty on houses (70%) and stamp duty on credit/debit cards (75%) are unfair. The scale of this response merits consideration.

For many of our 2 million PAYE taxpayers, the sheer complexity of the system is too much to handle. People are confused by the language of tax. It's hard to draw any other conclusion based on today's findings.

The principle of a good tax system is threefold – it should be simple, efficient and fair. This should be the guiding principle of all tax policies. On all three fronts, we are currently failing. Without corrective action now, we are storing up major problems for the future, particularly with our population projected to grow to 5.3 million people by 2020.

## **Solution**

So how do we turn things around? The tax system is collectively owned and therefore solutions to current problems must be collectively addressed.

We believe there are basic actions that can be taken to make our tax system one that puts people first, with three in particular.

1. Educate: any good business is judged by how it engages with its customers, big and small alike. The relationship with taxpayers should be no different.

Improvements, like Revenue online have made a difference but it is clear again today that taxpayers feel removed from the process. As today's results show, web based communication does not serve all taxpayers.

We believe an easy to follow tax guide should be sent to every PAYE taxpayer in the country. This must be done in an imaginative, impactful way. Revenue has everyone's details, so contacting each and every taxpayer is doable. We in the ITI are prepared to help in making this happen. Furthermore, this information could form the basis of a partnership with schools and Colleges, helping to educate the taxpayers of tomorrow.

2. Represent: there is no dedicated voice for the ordinary taxpayer. Taxpayers are entitled to expect that their rights are independently protected. They are also entitled to a swift, cost-free administrative appeals mechanism if they feel their rights are being infringed. We believe that an independent individual/entity with responsibility for the protection of taxpayers' rights should be established. 89% of those surveyed this week agree. This role would include acting as an advocate for individual taxpayers who feel disadvantaged unfairly by the system. It would also include evaluation of the fairness and efficiency of our tax administration at a systemic level with appropriate reporting and recommendation to the Oireachtas. Such an office has the potential to bring real value to our tax system – and it is worth stressing that it is our system, collectively owned.
  
3. Reform: The sheer complexity of the tax system is now having a real impact, not only on average taxpayers, but also too on our competitiveness. We need to simplify tax, make it less burdensome and remove the guesswork. Low taxes have been a central part of our economic success, but reducing the complexity of tax is hugely relevant. To this end, we welcome the Government's initiative to examine the tax and other regulatory burdens on small and medium businesses. But we can't rest there.

Has the ordinary taxpayer been forgotten? Revenue has rightly focussed its efforts in recent times on rooting out outdated practices that have only served to undermine the tax system.

Tackling tax evasion and investigating major tax defaulters has been necessary, but all the while the ordinary taxpayer has been neglected at a time when the number of PAYE taxpayers continues to rise.

What tax simplification should be trying to achieve is a reduction in the compliance costs of paying tax rather than a reduction in the tax bill itself.

We want people to be able to understand what taxes they are being asked to pay. We want those who have to fill in self-assessment forms to be able to do so easily. Indeed, we want fewer people to have to fill in forms, full stop. We want those receiving tax credits to know whether or not they are being paid the right amount.

Reform of this nature is quite an ambition. Making tax simple is a complicated process.

That is why we feel the time has come to establish an independent Tax Reform Commission to examine the whole tax administration structure and produce a programme of reform. Such a Commission, involving all the stakeholders could be the catalyst for much needed improvements.

## **Conclusion**

We have improved as a nation remarkably in recent times, with tax policies central in achieving these improvements. But as today's survey shows, we must do much more.

The onus is on those in positions of responsibility to respond to what taxpayers are clearly signalling. By having the openness to accept that improvements are needed and a willingness to change, we can then start to have a tax system that truly does put people first.

ENDS

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*Mark Redmond is Chief Executive of the Irish Taxation Institute (ITI).*  
*For an easy guide to understanding your taxes, visit [www.taxireland.ie](http://www.taxireland.ie)*