

27th May 2008

Dear Sirs,

As a taxpayer and citizen of Ireland living entirely here from birth, I would like to make the following submissions in relation to different aspects of our taxation system, each aimed at "increasing the fairness of the tax system"

1. Motor Taxation

Motor Taxation should be abolished and the lost revenue recouped by the state with increased duty on motor fuel. This would "further lower carbon emissions" by giving a direct incentive to people to use their cars less.

It would also be much fairer than the present flat tax system: those who drive more would pay more, while those who drive less would pay less. May I point out that the tax take on motor fuels in Ireland is considerably lower than in our nearest neighbour, giving good scope for increases in motor fuels taxation.

Presently, the motorist pays a flat tax unrelated to the mileage driven; this actually encourages more driving to spread the cost of the fixed tax paid.

2. Dividend Withholding Tax (DWT)

Resident taxpayers receiving Irish Dividends are subject to 20% DWT. Individuals on low incomes, whose sole income derives from Irish Dividends, are penalised because they not permitted to apply for refund of the tax overpaid, until well after the relevant tax year. This should be contrasted with the treatment of PAYE taxpayers who are refunded overpaid tax in their next pay cheque, in addition to the generous PAYE tax credit (€1830 in 2008)

I strongly suggest that the system is changed to allow those on modest incomes (e.g. those at or near the average industrial wage) to receive their dividends gross i.e. without deduction of any DWT.

3. Deposit Interest Retention Tax (DIRT)

Similar conditions apply to DIRT as to DWT mentioned above. An additional restriction with DIRT is that tax overpaid cannot be refunded to the taxpayer. Where DIRT deducted exceeds the taxpayers liability in a given tax year, no refund can be given nor can the excess be set against a liability for any other tax year. This seems to be fundamentally unfair; if the income is taxable surely the tax arising should be treated as any other tax: paid where it is due and refunded to the extent that it is overpaid?

For equity in the taxation system and to facilitate the savings habit, I feel this anomaly should be addressed.

4. Time limit on Income Tax overpaid

Currently a taxpayer can only be refunded income tax overpaid in the previous four tax years. Low-income taxpayers, not in a position to employ professional tax advisors, are the most likely to be disadvantaged by the current four-year limit. Quite correctly, the Revenue Commissioners can demand payment of any taxes underpaid without any time limit. Natural justice implies that both the Taxpayer and the State should be treated equally in this regard. Any reasonably claimed overpayment of tax should be repayable without any time limit.

5. Inflation indexation of assets for Capital Gains Tax (CGT)

For any disposals of assets made on or after 1st January 2003, Indexation relief only applies for the period of ownership of the asset up to 31st December 2002 i.e. assets bought and sold from 1st January 2003 have no uplift in their base cost to allow for inflation. By its very nature, investment tends to be medium to long term; therefore it is fair to take inflation into consideration in calculating the taxable gain. Inflation indexation is an important factor encouraging a more beneficial long-term approach to investment and should be re-instated.

6. Treatment of Shares in Lieu for Capital Gains Tax (CGT)

A taxpayer, who opts to receive shares in lieu of dividends payable by a company, is subject to income tax as if a cash payment had been made. This discourages shareholders from taking their dividends as shares and leaves companies with less retained income for investment.

Formerly, no income tax was payable but, CGT was deferred until the disposal of the asset. This was a fairer treatment; the taxpayer did not receive any immediate benefit and did not pay any tax until the asset was sold, when previous gains were crystallised.

7. Stamp duty on property

Irish stamp duty rates range up to 9%. This is just too high in a country whose people have a strong aspiration to buy their own homes and where the constitution protects the right of individuals to own private property.

High stamp duty rates restrict the free purchase and sale of property: Buyers don't want to buy at the seller's price knowing that they will have to pay a further 9% on top of the purchase price.

The high stamp duty rates also discourage much needed investment by those who purchase a property with a view to renovation and subsequent resale. This type of investment could make a valuable contribution to our current and future housing stock needs.

By way of contrast, the top rate of stamp duty in the UK is 3% and considered high in that country.

8. Artists' exemption on Income Tax

Artists and writers etc are not subject to income tax on earnings in relation to an original work of art. This well-meaning exemption was meant to assist struggling artists in less affluent times to become established.

However, an unintended consequence of the artists' exemption is that, individuals earning six or seven figure amounts annually pay less tax than those on minimum wage. This is grossly unfair to ordinary taxpayers who pay tax on every cent.

The Artists' exemption should be limited exclusively to those artists whose total incomes are at or near the average industrial wage. When their incomes rise above this level, they should pay tax on all their income, just like any other taxpayer.

9. PAYE Tax Credit

The PAYE tax credit (€1830 in 2008) is applied to Schedule E earnings and was originally introduced at a time when PAYE workers were perceived to be at a disadvantage to Self Employed Taxpayers paying under schedule D.

Since then, Self Employed Taxpayers have been subject to Preliminary Tax requiring them to pay either 100% of their previous years tax or 90% of their current years tax by 31st October in the current tax year.

As the tax treatment of Self Employed Taxpayers has markedly deteriorated, I suggest that it is no longer equitable or justifiable to maintain the PAYE Allowance. In the interests of fairness, the PAYE Allowance should either be abolished or an equal allowance given to all taxpayers.

10. Local Government

Ireland has over 30 local authorities, which seems far too many for a small country. I feel that most, if not all, local authority functions could be performed more efficiently by central Government. National policies, uniformly administered would be more beneficial than the present fragmented approach e.g. consistent speed limits on our roads, uniform recycling methods and integrated planning regulations.

At the very least, it seems logical that many of the smaller local authorities could be amalgamated into larger entities. Efficient use of taxpayers' resources and effective services to the public should be the key considerations here.

As the commission will publish the submissions it receives, I have not included my name or contact details. I am a private individual and taxpayer not connected to any organisation or interest grouping and only wish to see our systems of taxation improved in regard to fairness and environmental awareness.

Thank you for your patience in reading my submissions as outlined above; which I hope, will be considered on their own merits regardless of my anonymity.

Dublin Taxpayer