

## Press Release

### **New tax measures proposed by Commission should be offset by reduction in Income Tax**

- **Commission right to advocate low tax rate policy**
- **Commission proposals should be implemented as an overall package and on a phased basis**
- **Overall tax burden should not increase and focus in the next Budget should shift to public expenditure cuts**

**Issued Monday 7 September, 2009.** Responding to the publication today of the Report of the Commission on Taxation, Olivia Lynch, incoming President of the Irish Taxation Institute, said "There are some very unpalatable measures proposed by the Commission including the taxation of children's benefit, the imposition of a recurring tax on residential property, the effects of a carbon tax and the introduction of water charges. These measures must not be implemented by Government in isolation. Government must honour the Commission's overarching recommendation that its proposals must be implemented as an overall package and that any additional taxes faced by individuals and families arising from individual recommendations must be compensated for by a reduction in income taxes" said Olivia Lynch, incoming President of the Irish Taxation Institute.

Olivia Lynch believes the Commission on Taxation has got it right in advocating a low tax rate policy for the future, saying "The Commission has rightly kept its focus on a long term strategy for our tax system and advocated a low tax rate policy to ensure that Ireland recovers its economic strength. We welcome the Commission's overall assertion that its proposals should not lead to any increase in the overall tax burden. The Irish Taxation Institute believes we have already reached a tipping point in Ireland beyond which additional taxes on income would not be sustainable and we now need to restore our international competitiveness" said Olivia Lynch. "While we recognise that there is a pressing need to raise additional revenue in the next Budget, we believe the focus must now switch to cutting public expenditure." Ms Lynch said that the Institute strongly supports the Commission's analysis regarding the importance to our international competitiveness to keep the marginal rates of tax low and to incentivise entrepreneurship.

The Institute also strongly welcomed the Commission's endorsement of our 12.5% corporate tax rate and its focus on ensuring Ireland maintains its international competitiveness to attract inward investment. "The proposal to zero-rate stamp duty on share transactions and the enhancement to key reliefs such as the credit for research and development are critical in assisting Ireland to attract and retain mobile investment" said Ms Lynch. "Our focus must be on job retention and creation and some of the Commission's recommendations do need to be considered in light of these imperatives including proposals to restrict reliefs available on the transfer of family businesses. We also must move with caution if we are to implement some of the Commission's

recommendations regarding the basis of taxation of individuals to ensure that Ireland remains attractive as a location for mobile skills and talent.” Ms Lynch said.

“The Institute welcomes the additional protections provided to taxpayers contained in the Commission’s recommendations including a more commercial approach to interest on underpaid tax and a low cost appeals mechanism available to all taxpayers. This is vital in the context of new taxes such as the property tax that will affect all taxpayers and not just those within self assessment” Ms Lynch said. The Institute also pointed out that the Commission has rightly said its proposals should be implemented over a number of years and not in a knee jerk manner. “Taxpayers, business and the Revenue administration must be given sufficient time to prepare for and understand any further changes to their tax liabilities and obligations”.

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