A WEALTH TAX FOR IRELAND

THE SINN FÉIN PROPOSAL

INTRODUCTION

Across Europe countries struggling to reduce deficits and raise revenue for investment in public services and job creation are turning to wealth taxes.

France, Sweden, Norway, Finland and Iceland are just some of the countries that successfully operate wealth taxes. In France the socialist government has recently strengthened its existing wealth tax legislation. In Spain the Conservative government has reintroduced its wealth tax.

In Germany the leading opposition party, the SDP, have drafted wealth tax legislation and promised to introduce it if successful in this September's general election. In Britain the Liberal Democrats are currently advocating the introduction of such a tax.

During the 1990s and 2000s light touch financial regulation was complemented by light touch tax regimes. Equitable and sustainable tax systems which had been put in place in many countries from the 1950 onwards were dismantled in parallel with the dismantling of the robust regulation of banks and financial services.

Today people widely accept that the dismantling of banking and financial services regulation was one of the causes of the global economic crisis of 2008 and was a mistake. There is also a growing recognition that the light touch tax regimes of the 1990s and 2000s left governments with unsustainable tax bases and are continuing to hamper governments in dealing with large deficits and requirements for investment in jobs and services.

Sinn Féin has consistently argued against light touch banking and financial regulation and against light touch tax regimes.

Our recent alternative budgets have strongly advocated progressive reform of the state's tax system. We want a tax system that is fair and that generates sufficient revenue to provide world class public services and on-going investment in sustainable economic growth.

A key element of our progressive tax reform proposals is a Wealth Tax. This guide and the accompanying Wealth Tax Bill 2012 contained in the appendix detail the model of wealth tax advocated by Sinn Féin. The introduction of such a tax would play a positive and progressive role not only in reforming our broken tax system but in the social and economic recovery of the state.

Is mise,

Pearse Doherty TD

IRELAND'S LAST WEALTH TAX

The state operated a wealth tax from 1975 However while the initial legislation was quite strong, the Fine Gael Labour government of the day bowed to pressure and included a large number of exemptions in the final act. As a result the yield was low. The legislation was repealed in 1978.

The ESRI study produced a detailed research paper into the design and operation of the wealth tax in 1985. The report said that, "Opponents of the Wealth Tax argued that it had detrimental effects especially on investment, but there is no convincing evidence to support this contention."

However the study also concluded that the cost of administering the tax was "exceptionally high". The most effective way to avoid this key concern of the ESRI report is to make any wealth tax self-assessed.

SINN FÉIN'S WEALTH TAX PROPOSAL – THE BASICS

- Sinn Féin's wealth tax proposal is based on aspects of the taxes currently in operation in France and Sweden
- A 1% tax on net assets in excess of €1,000,000
- The tax is self-assessed, valued on 1st March of a given year and paid on or by October 31st of that year
- The tax applies to individuals, couples (married, civil-partners or cohabiting), families (including dependent and non-dependent children), non-trading private companies and non-charitable trusts
- All debts and liabilities held on the assessment date are factored into the calculation
- A range of exemptions are also included the full detail of which are below
- The tax does not apply to business assets, investments or shares in private companies
- Safeguards for those who are asset rich but income poor are provided

WHERE YOU LIVE

- Where the taxable unit is domiciled or ordinarily resident in the state for tax purposes the tax applies to their global assets including all cash and non-cash assets. This means in the case of a person whose permanent residence is Ireland or who has be resident in Ireland for tax purposes of more than three years the wealth tax will apply to their domestic and global assets.
- Where the taxable unit is not domiciled or ordinarily resident in the state the tax applies to their assets located in the state only including all cash and non-cash assets. This means in the case of a person who has been resident for tax purposes for three years or less the wealth tax only applies to their assets in the state.

WHAT ASSETS ARE INCLUDED?

- All income and savings
- Stocks and shares and all other financial products in public companies
- Shares in private non-trading companies
- Land
- Buildings
- Second and subsequent homes including holiday homes
- Personal possessions including art, cars, boats, planes, jewellery, gold

WHAT ASSETS ARE EXCLUDED?

- The first 20% of the family home and the ordinary contents of the home
- All business assets including land, buildings machinery that are used for generating and sustaining employment
- Shares in private trading companies
- Working farm land, livestock and bloodstock
- Pension funds
- Funds from personal injury claims
- Certain pictures, prints, books, manuscripts works of art, jewels, scientific collections, gardens, trees or other land that have a national, scientific , historic or artistic value, that are kept permanently in the state and that are available for public viewing
- Property held by charities
- Social welfare payments

WHAT DEDUCTIONS CAN BE MADE?

- 20% of the value of the family home
- Mortgage liabilities
- Non-professional debts
- Credit card balances
- Bank overdrafts
- Outstanding non-professional invoices
- Outstanding tax liabilities
- The capital value of outstanding divorce settlements

INABILITY TO PAY

- Where a taxable unit can demonstrate an inability to pay their liability by the due date the Revenue Commission can agree a deferred payment
- In some cases a taxable units wealth will consist solely or predominantly of the family home. In such cases if the Revenue Commissioners is satisfied that (a) the person has demonstrated an inability to pay and (b) where at least 90% of the value of their liability consists of the family home, the tax liability can be waived.

PENALTIES

- The Revenue Commission may impose a fine of up to 100% of a taxable units liability where full or part liability is being evaded or avoided
- The Revenue Commissioners may apply an interest rate of 0.032 per cent per day for late payment of the tax
- The Revenue Commissions may impose a fine of up to 10% of a taxable units liability for failure to comply with any aspect of the wealth tax law
- An addition penalty of up to 10% per day can also be applied on a taxable unit for continued failure to comply with the legislation after a court judgement has been secured against them
- Further penalties can also apply for fraudulently or negligently supplying incorrect returns or statements or obstructing the work of the Revenue Commissioners

DEALING WITH EVASION OR AVOIDANCE

- In addition to the significant penalties that could accrue if a taxable unit evades or avoids their liability, there is also a wide ranging power given to the Revenue Commissioner in determining whether applications for exemptions are being sought for legitimate or illegitimate purposes. In those cases where the Revenue Commissioners believe that the application for an exemption is being sought on property for the express purpose of evading or avoiding liability to the Wealth Tax, the Commissioners may refuse to grant the exemption.

WORKING OUT YOUR TAX

- Maureen is a widow and has a house valued at €500,000. She has annual net income of €60,000. The business her husband left her is valued at €600,000, including turnover and property. Maureen on paper has a worth of €1.16million in any given year, but the wealth tax excludes her business and 20% of her family home. This means that Maureen's wealth for the purposes of this tax amounts to €460,000 and therefore she is not affected by the wealth tax.

- Ciaran's house is worth €1.3million. He inherited the house and has no mortgage. His salary and savings in account are €200,000. Ciaran has an investment portfolio of €400,000. He has a pension pot of €500,000 and cash savings of €75,000. The wealth tax excludes €260,000 (20%) of Ciaran's house and his pension pot. This leaves Ciaran with a net wealth of approx. €1.715million. The 1% tax is levied on the €715,000, which means Ciaran pays a wealth tax of €7,150.

HOW MUCH WEALTH IS THERE IN THE STATE?

- The government does not collect detailed data on personal wealth, although the CSO plans to collate such data from 2014 onwards. However a number of other sources provide us with an indication of the level of personal wealth held in the state.

- The Central Bank Quarterly Accounts for Ireland released August 2012 states that the household net worth in Quarter 1 2012 was €447.9 billion. The Central Statistics Office Institutional Sector Accounts published November 2012 also give details on the financial assets and liabilities of households.

- The Capgemini 2012 World Wealth Report states that Ireland "saw a 16.8% rise in its High Net Worth Individual population [individuals with net assets in excess of $1million].

HOW MUCH WOULD SINN FÉIN'S WEALTH TAX RAISE?

- In a Dáil debate in 2011, Minister for Finance Michael Noonan estimated that a French-type wealth tax implemented here would raise between €400million and €500million in a full tax year. Since then the French government has strengthened the legislation underpinning their wealth tax and expect the annual yield to double.
- Based on data from the Central Bank, the CSO and Capgemini World Wealth Report, Sinn Féin has estimated that a wealth tax could bring in up to 0.5% of GDP or €800million in a full tax year.

WHO ELSE SUPPORTS A WEALTH TAX?

- The Irish Congress of Trade Unions
- The Nevin Economic Research Institute
- TASC
- Claiming Our Future
- The Community Platform