

# ANTI-AUSTERITY ALLIANCE - PEOPLE BEFORE PROFIT

*Close the Tax Haven  
Redistribute the Wealth  
Transform Society*



PRE-BUDGET  
STATEMENT

2017



## *Anti-Austerity Alliance – People Before Profit Budget 2017 Statement*

# *Close the Tax Haven; Redistribute the Wealth; Transform Society*

**T**he true nature of the Irish economy has been revealed by the EU Commission's ruling on Apple. Coming hot on the heels of the government's fantastical growth figures of 26%, it confirmed that Ireland is now a glorified tax haven in the centre of Europe. When Enda Kenny boasts that Ireland is the best small country in which to do business, he isn't lying. Ireland is now widely recognised as a corporate paradise for multinationals and domestic elites. Even Brazil has recently added Ireland to its list of tax haven rogue nations.

Michael Noonan likes to make his own boast about Ireland having the fastest growing economy in Europe, but workers increasingly realise that the so-called 'recovery' is not meant for them. Instead of distributing wealth, the government regularly pleads poverty in the face of workers' pay claims. In June, the government re-committed itself to the emergency FEMPI legislation – holding down public sector pay on the basis that the state cannot afford any immediate pay hikes. This shows that Fine Gael wants to have it both ways - talking up their role in a successful recovery, but dampening down the expectations of workers and their families.

### ***A failed model***

**T**he explanation for this is the total failure of Irish capitalism. Since the 1950s, successive Irish governments have based their development strategy on attracting foreign multinationals through a combination of low or non-existent corporation tax, lax regulation and holding down wages. This has resulted in a weak domestic private sector, massively under funded public services and a basket case economy – where growth figures have no relationship to the reality of the economy or people's lives.

Another result has been deep inequality. Over the last five years the share of gross income going to the top 10% of earners increased from 34% to 39%. Over the same period, roughly half of the increase in total income (€21 billion) also went to this group. When it comes to wealth, these differences become even greater. Since the 1980s, the top 10% have increased their proportion of net wealth from 42% to 54%, leaving just 5% for the bottom half of the population.

What really matters to people are good jobs with decent wages, affordable living costs like housing and childcare and disposable incomes that allow people to live, instead of just existing. When measured in those terms, the economic recovery is a total mirage. Irish living standards are the fourth lowest in the EU-15 at 12.5% below the average. Disposable incomes are 10% lower than before the crash, meaning that most people either can't make ends meet or live in poverty.



## ***End Ireland's status as a tax haven***

Ireland is a key link in the chain of international tax havens with the Irish Financial Services Centre (IFSC) housing more than 50% of the world's largest investment banks and vulture funds. That Ireland is a tax haven is now acknowledged by everyone except the establishment elites in this country. Everyone knows that Apple is only the tip of the iceberg and more cases will likely be taken by the European Commission. This demonstrates that the tax haven strategy is under pressure. The model worked reasonably well pre-Brexit as the British government was busy protecting its own tax haven in the City of London. But Brexit leaves the Irish ruling class trying to square a difficult circle – funnelling taxes away from their European 'partners' at the same time as retaining full membership of the European Union. The fact that Fine Gael, supported by Fianna Fail and Labour would go to court to refuse €13 billion from Apple's massive cash pile is emblematic of the fact that the state is run in the interests of an international corporate elite.

Ireland's tax haven status must now be ended if we are to build a genuinely just society. This means immediately closing off the 'Double Irish', the 'Knowledge Development Box', the Section 110 mechanism and all the other mechanisms used to avoid tax by major multinationals.

## ***Breaking out of the fiscal space straitjacket***

We also have to break out of the so-called fiscal space. Following the lead of Fianna Fail and Fine Gael, the mainstream media have framed the budget around €1.2 billion of fiscal space instead of facilitating a genuine debate about the over €200 billion produced in the country.

The restriction of the budget debate to the limited fiscal space is designed to preclude any real discussion about economic transformation. We fundamentally reject the idea that there is only a limited fiscal space for everyone to fight over. Instead of pitting the legitimate needs of pensioners against workers, the sick against the unemployed, we want to use the massive resources produced by workers here to give everyone a decent quality of life. The fiscal rules are a codification of neo-liberal economics – which must be rejected if real change is to be delivered.

## ***A socialist alternative***

Rather than merely tinkering at the edges, this pre-budget statement outlines some of the steps that could transform Ireland from a glorified tax haven into a socialist economy working for all. By arguing for a €25 billion investment we are signposting the massive wealth that exists in this society and giving a glimpse of the real possibilities that currently exist to make life better for the majority of the population. AAA-PBP are proud to stand for fundamental socialist transformation, based on ending the economic and political power of the 1%, establishing public ownership of the key sources of

wealth and involving workers and ordinary people in democratic planning to meet their own needs.

Such change is only possible in the context of activity by large sections of the population. The power of mass movements has been demonstrated by the campaign against the water charges, for marriage equality and for repeal of the 8th amendment. The development of these movements and the building of a significant left force can deliver a left government to implement these socialist policies.

## ***Key policy objectives***

To begin the journey towards a socialist society, this budget statement advocates a major redistribution of resources towards lower and middle income earners. Unlike the Social Democrats or Sinn Féin however, we reject the idea that the choice is between better services and minimal tax cuts for struggling families.

By taxing wealth, higher incomes and cutting corporate welfare, AAA-PBP have identified over €15 billion in extra resources that can be used to make life easier for people in the here and now. These include raising at least an additional €4 billion through closing loopholes and increasing rates for corporation tax, implementing a strategy of repudiation of odious debt to save at least €3.22 billion and the introduction of a Millionaire's Tax (€2.92 billion) and a Landlords' Tax (€450 million).

We would also use the close to €9 billion available in NAMA and the Irish Strategic Investment Fund for major capital programmes to stimulate a major rebuilding of Irish society.

These resources would allow the scrapping of water charges, property taxes on family homes and abolition of the Universal Social Charge, introducing a High Income Social Charge (HSC) in its place.

Instead of subsidising private childcare, AAA-PBP advocate the building of a National Childcare Service, investing €2 billion in a public childcare service, free at the point of access. In addition, we would invest more than €1 billion into education and €100 million into reinvigorating the arts. All of this will help to build a progressive education system based around lifelong learning, creativity and self-expression. To end the housing and homelessness crisis, AAA-PBP would spend an extra €4.5 billion in 2017. This would allow the construction of an extra 20,000 local authority builds and acquisition of 30,000 vacant properties, helping to get tens of thousands of families off waiting lists relatively quickly.

As part of moving the state towards a National Health Service we advocate spending nearly €3 billion extra on health care in 2017. This is far in excess of the government's projections, but is needed if we are to end the apartheid system that currently exists. This would allow the provision of badly needed new services, particularly in the area of women's reproductive rights, which have been neglected and denied since the foundation of the state. Abortion, contraception and IVF should all be provided for free in an Irish NHS as they are in many other European countries. To rebuild the capacity of local government, €0.5 billion should be spent on a range of services cut by successive

governments since 2008. To make sure that workers are treated fairly we would end the pay inequality in the public sector and implement full pay restoration to its pre-crisis levels. This will help to put upward pressure on employers in the private sector to pay their workers a living wage. Finally, as part of a strategy of transforming the economy along environmentally sustainable socialist lines, based on public ownership, we would invest €3 billion directly by the state in renewable energy, water infrastructure, forestry and green agri-food.

## ***Summary of budgetary initiatives***

<b><i>Revenue</i></b>	<b><i>€ Millions</i></b>
Increase Corporation Tax by at least €4bn by increasing rates and closing loopholes	4,000
Increase both rates of employers' PRSI by 2% and increase employers' PRSI on employee income over €100,000 to 19.75%	1,373
Increase Capital Gains Tax to 40%	168
Millionaire's Tax: 2% on net assets exceeding a million euros	2,920
Delete the Section 110 clause and other "loopholes" for vulture funds, financial vehicles and REITs	1,000
Increase stamp duty on commercial property to 6%	470
Introduce a Financial Transactions Tax	320
Repudiate odious debt	3,220
A 2% health levy on the profits of pharmaceutical companies	150
Introduce a Landlord's Tax – effectively continuing the property tax on non private principal residences together with €600 on second property and €1,000 on subsequent properties	450
Introduce a new Tax on High Incomes. <ul style="list-style-type: none"> <li>• The first component of the tax would be based on applying the current marginal rates of USC on income over €90,000 as a High Income Social Charge (HSC). This would raise €750m.</li> <li>• In addition, apply the following marginal rates of income tax would apply to income over €100,000, which would raise €1.58bn.</li> <li>• Earnings between €100,000-€140,000 50% marginal rate</li> <li>• Earnings between €140,000-€180,000 55% marginal rate</li> <li>• Earnings between €180,000-€250,000 60% marginal rate</li> <li>• Earnings above €250,000 65% marginal rate</li> </ul>	2,330
Total Revenue / Savings: €16,401m	
Existing Funds for capital expenditure <ul style="list-style-type: none"> <li>• Ireland Strategic Investment Fund: €5,600m</li> <li>• NAMA - cash &amp; foreign property sales: €3,000m</li> </ul>	8,600
	<b>25,001</b>

<b>Expenditure</b>	<b>€ Millions</b>
Abolish Water Charges & Provide Refunds for all who paid	440
Abolish the Local Property Tax	440
Abolish the Universal Social Charge	3,330
Directly Provide an extra 50,000 New Public Homes (Build 20,000 & Acquire 30,000)	4,500
Develop a NCS (National Childcare Service)	2,000
Invest in Public Transport <ul style="list-style-type: none"> <li>• Restore 2008 level of subvention to CIE and increase by 33%: €90m</li> <li>• Capital Investment including increasing spending by €160m on cycling infrastructure and developing rail / light rail infrastructure €680m</li> </ul>	770
Invest in developing an Irish NHS <ul style="list-style-type: none"> <li>• Investment to “stand still”: €300m</li> <li>• Abolish prescription charges for medical card holders: €120m</li> <li>• Restore the Drug Payment Scheme threshold to €132: €6m</li> <li>• Obesity and chronic disease prevention: €100m</li> <li>• New primary care centres: €200m</li> <li>• Increased funding for mental health: €200m</li> <li>• Discretionary Medical Card: €150m</li> <li>• 1,000 new beds in acute hospitals: €300m</li> <li>• 4,000 extra nurses, 500 consultants and 500 GPs: €600m</li> </ul> Expand public home care, respite and residential care services: €270m <ul style="list-style-type: none"> <li>• NHS Capacity Spending: €674m</li> </ul>	2,920
Reverse all the cuts to social welfare & introduce a universal state pension of €250 <ul style="list-style-type: none"> <li>• Reverse the cuts to Jobseeker’s Allowance and for young people: €128.4m</li> <li>• Re-introduce the Telephone Allowance: €114m</li> <li>• Restore the Fuel Allowance by extending the season by 6 weeks: €54m</li> <li>• Increase social welfare rates by €16 a week to restore a basic payment rate of €204: €745m</li> <li>• Restore the basic rate of Child Benefit to €166 and Restore Child Benefit for those aged over 18 still in full-time second level education. Cost: €438.1m</li> </ul>	

<ul style="list-style-type: none"> <li>• Introduce a universal state pension of €250. This would mean an increase of €17 for contributory pensioners and €28 for non-contributory pensioners, which would especially benefit women targeted by Varadkar's attempts to cut pensions for part-time workers: €495m.</li> <li>• Reverse the cuts to One Parent Family payments: €65m</li> <li>• Increase the Back to School Clothing and Footwear Allowance by €50: €14m</li> </ul>	2,054
Invest €500m in to Local Government Fund to restore Local and Community services	500
Invest in Free Education & a Future for Young People <ul style="list-style-type: none"> <li>• Provide free schol books for primary and post-primary students, abolish voluntary contributions &amp; other school costs: €230m</li> <li>• Reverse the cuts to capitation grants to schools: €40m</li> <li>• Reduce the Pupil Teacher Ratio from 1:27 to 1:18: €144m</li> <li>• Reverse the Cuts to Guidance Teachers: €15m</li> <li>• Additional Funds for School Building/Facilities: €100m</li> <li>• Increase Funding for Special Education €100m</li> <li>• Abolish 'Student Contribution Charges' for third-level: €206.56m</li> <li>• Abolish fees for all EU postgraduate students: €70.4m</li> <li>• Reverse the cuts to student grants: The Department of Education estimated this as 'over €100m': Estimate €110m</li> <li>Reverse the cuts to Back to Education Allowance for young people and restore the weekly rate to €204: €8.5m</li> <li>• Scrap the apprenticeship fees, the so-called 'Annual Student Contribution' - €3m</li> </ul>	1,030
Invest in the Arts & Increase Funding for the Irish Language <ul style="list-style-type: none"> <li>• Retain the €50m allocated for commemorations for 2016 to the Department of Arts, Heritage and the Gaeltacht and ring-fence the funding for the Arts Council and Irish Film Board.</li> <li>• Increase arts budget by more than 40%: €90m</li> <li>• Invest additional €10m in support for Irish language and Gaeltacht</li> </ul>	100
Restore Public Sector Pay and scrap pay inequality in public sector <ul style="list-style-type: none"> <li>• Immediate restoration of public sector pay to 2008 levels: €1.4bn</li> <li>• Remove pay inequality which discriminates against recent entrants to public sector: €790m</li> </ul>	2,190

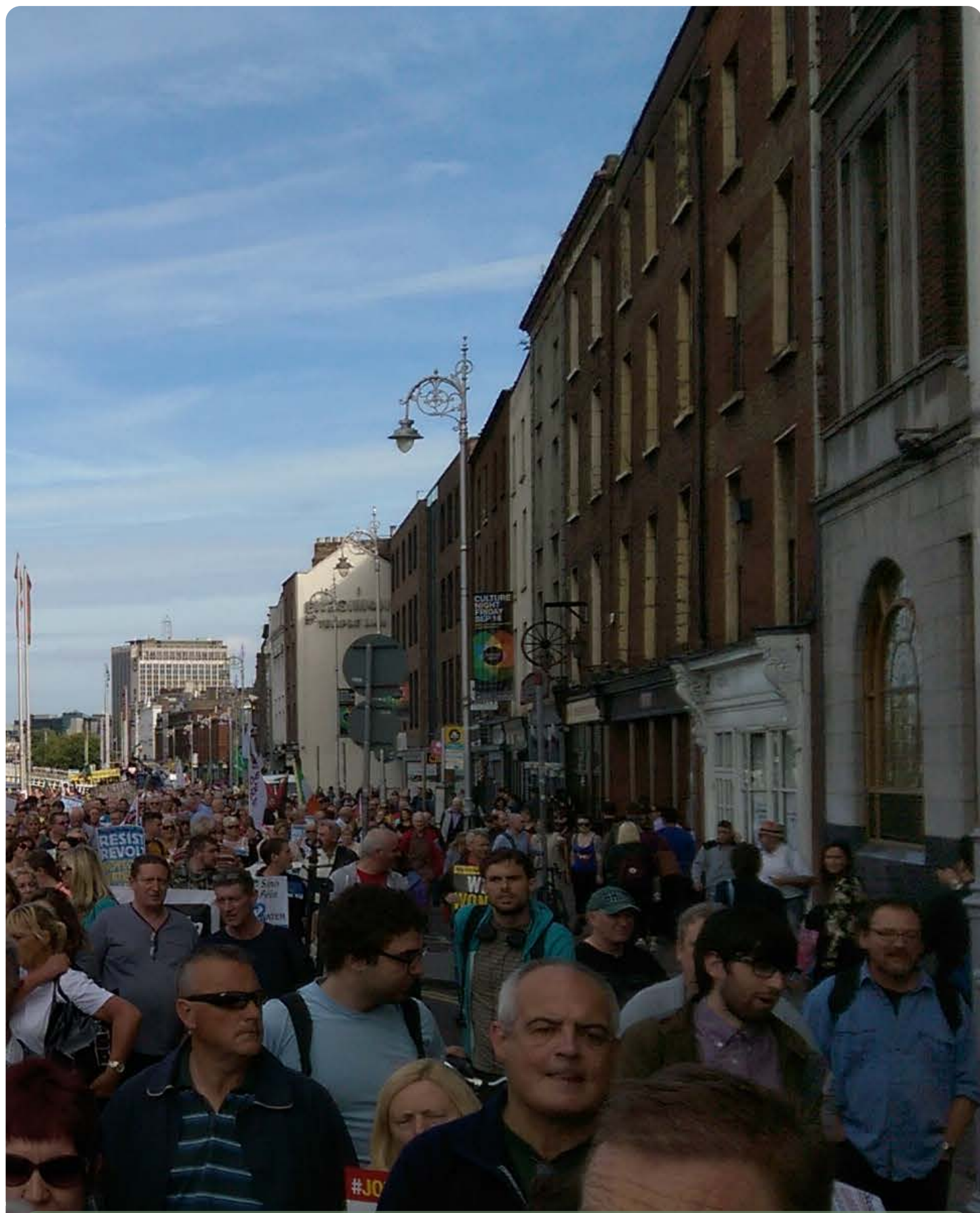


Increase Overseas Development Aid to 0.7% of GNP	900
Invest in Renewable Energy, Water Infrastructure, Forestry & Green Agri-Food	
• Investment in offshore wind and wave energy: €1bn	
• Reforestation programme: €200m	
• Water infrastructure: €400m	
• Public Investment in Research & Development: €1bn	
• Green Agri-Food: €400m	3,000
	<b>24,174</b>

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