

## Opening Remarks by Marc Mac Sharry TD to Joint Oireachtas Committee on Finance June 28<sup>th</sup> 2018.

### Fair Taxation of Working Families with Children – A Discussion Paper.

Good Afternoon Chairman, Members and thank you for the opportunity to address you.

#### Introduction

As a case example the introduction of a Child Tax Credit/Allowance of up to €1,654 p.a. for each child up to a maximum of 4 even where a worker does not have any Tax Liability as is the case for many low income workers. Such a proposal if implemented would be very progressive. A minimum wage worker with three children, now earning €18,958 from working 39 hours per week would receive a Tax Credit/Allowance of €4,962 which would in turn increase his/her net income by 26% to €23,920. An identical family with a Gross income of €70,000 would only gain 10%.

I set about compiling this analysis based on the experience of dealing with many families depending on social welfare and many more that are depending on low income employment. Through the years it has become clear that many issues exist which must be addressed in order to eliminate discriminatory quirks in both our welfare and taxation systems while incentivising work and providing the necessary supports to families whether working or not.

#### Background

As you will be aware In Ireland wages and our Taxation System do not differentiate between workers with or without children. This is in contrast to the Welfare System where there is an increase paid for every qualified child in addition to a personal payment and an increase for a qualified adult dependent if applicable.

The costs associated with raising children was acknowledged as significantly impacting on the ability for a worker to bear the burden of taxation as far back as 1799, when a tax on income was first introduced. Any working parent of a child was consequently entitled to relief. The method varied through the years but working families with children continued to pay less than those without children up until 1986 when the then child allowance was abolished. As things stand our Taxation System provides a tax credit for an adult dependent but gives little or no recognition to children or the associated costs of raising a family.

Our Welfare System on the other hand provides €1,654 additional support per year per child for no less than 27 different welfare schemes together with likely qualification for a number of other benefits such as medical card, housing support among others

This paper outlines some of the many anomalies that exist in both our Tax & Welfare Systems. The detailed analysis shows clearly for example, that a low income worker, such as a worker on the minimum wage, is better off to choose not to work, claim Job Seekers Allowance/Benefit if he or she has a number of children. Clearly such a situation is unsustainable.

One such example,

Family	Job Seekers Allowance	Child Qualifying Pmt.	Total
<b>Married Couple with 3 Children On Job seekers Allowance With secondary benefits Med card etc.</b>	<b>€17,129</b>	<b>€4,962 (3 x 1,654)</b>	<b>€22,091</b>
<b>Family</b>	<b>Earned Income</b>	<b>Child Tax Credit / allwe</b>	<b>Total</b>
<b>Total</b>			
<b>Married Couple with 3 Children One income working 39hrs per week</b>	<b>€18,958</b>	<b>€0.00</b>	<b>€18,958</b>

The research outlines much of the detail in relation to existing welfare supports, anomalies therein relative to working families and the clear need for tangible action to address the problem in a way which is fair and supportive to those often referred to as the low and middle income worker.

On reflection of the contents of this paper my conclusion is to propose to introduce a Child Tax Credit / Allowance thus ensuring our Taxation System treats children in the same way as our Welfare System. For the purposes of preparing a paper I pitched the child tax allowance / credit at the same level as the child social welfare qualifying payment however to seek to do so at that level in one or a small number of years given the enormous cost would be reckless at more than 1bn per year. However it is worth considering that if we accept the principle of the need to introduce such a child tax credit/ allowance what we could build it towards in time. The research carried out by my team and I included a detailed analysis of the cost of such a Child Tax Credit / Allowance with the use of excellent support by way of data provision from the Department of Employment Affairs and Social Protection which I would like to acknowledge. Our estimate is that 638 thousand children under 18 will benefit at a total cost with a Credit/Allowance of €1,654 per child at €1,055 million per annum.

A start might be a government committing to €100-150 million per annum to such a measure which subject to sustainable resources could be built to mirror the child qualifying social welfare allowance over a period of 2-4 administrations.

### **Conclusion.**

Working families are the bedrock of our Nation. The removal of existing anomalies and the provision of adequate support through the reform and reorganisation of parts of our Taxation and Welfare Systems are now essential. The status quo cannot be allowed to continue. Following research it is my considered opinion that this group in Irish Society should be given a level of priority together with tax rates and bands in terms of tax changes over the next period through the introduction of the proposed Child Tax Credit / Allowance.

As the language of surplus begins to replace that of deficit and the emergence of growing fiscal space the time is right to consider the implementation of such measures. I very much hope that this paper can act as a catalyst to commence a meaningful discussion and lead to the necessary and overdue acknowledgement of working families with children in our society.

Thank you again for your invitation. I hope that you can concur with the merit of this proposal and advise the Departments of Finance, Public Expenditure and Employment Affairs and Social Protection of your support for the adoption in principle of the need to incentivise work while supporting those who cant with an appropriate child tax credit/ allowance.