DÁIL ÉIREANN

AN ROGHCHOISTE UM AIRGEADAS, CAITEACHAS POIBLÍ AGUS ATHCHÓIRIÚ, AGUS AN TAOISEACH

SELECT COMMITTEE ON FINANCE, PUBLIC EXPENDITURE AND REFORM, AND TAOISEACH

Dé Luain, 16 Samhain 2020

Monday, 16 November 2020

Tháinig an Romhchoiste le chéile ag 11 a.m.

The Select Committee met at 11 a.m.

Comhaltaí a bhí i láthair/Members present:

Teachtaí Dála/Deputies	
Mick Barry,	
Pearse Doherty,	
Paschal Donohoe (Minister for Finance),	
Bernard J. Durkan,	
Mairéad Farrell,	
Steven Matthews,	
Jim O'Callaghan,	
Neale Richmond,	
Peadar Tóibín.	

I láthair/In attendance: Deputies Richard Boyd Barrett, Seán Canney, Verona Murphy, Ged Nash and Denis Naughten.

Teachta/Deputy John McGuinness sa Chathaoir/in the Chair.

Business of Select Committee

Chairman: I ask members to turn off their mobile phones. For the purpose of the Official Report, I have been requested to identify members when they are called to speak. I welcome the members present and the Minister and his officials.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official either by name or in such a way as to make him or her identifiable.

Parliamentary privilege is considered to apply to the utterances of members participating online in a committee meeting when their participation is from within the parliamentary precincts. For this purpose the parliamentary precincts are considered to be the accommodation assigned to Members in Leinster House, any other location in Leinster House or Leinster House 2000 or the Convention Centre Dublin on days on which the relevant House sits there. I ask members to note that they may participate remotely in proceedings held in public only from the locations listed above as privilege for their utterances only applies when participating from these locations.

It is also important to note that in order to participate in a division, the committee member must be physically present in the room.

Members are reminded that due to Covid-19 restrictions, each session must conclude within two hours and that no extension of time is possible.

We are dealing with the Finance Bill. A number of temporary Chairmen will take us through the next few days, and I ask the committee for its co-operation in getting through the Bill as quickly and as efficiently as we can while at the same time giving it the appropriate and necessary scrutiny.

Any member acting in substitution for another member of the committee should formally notify the clerk. Divisions will be taken as they arise. Members attending this meeting should be aware that, pursuant to Standing Order 106(3), they may move their amendments but cannot participate in voting on those amendments. We will refer to the brief as we go along. The suspension of the meeting will be at 1 p.m.

Deputy Pearse Doherty: I seek guidance. The meeting will suspend at 1 p.m. What will happen if we are in the middle of a vote? If we are coming up to 1 p.m. will the vote be deferred to the second session? I suggest that is what we do.

Chairman: I imagine that is what will happen. If our time is at an end at 1 p.m. and there is a vote then we will have to-----

Deputy Pearse Doherty: The vote will take 20 minutes.

Chairman: Yes. We have a plan for the next few days but we may adjust that plan as we find things working and how we will proceed.

Finance Bill 2020: Committee Stage

The following Order was passed by the Dáil on 12 November 2020:

"That in the case of the Finance Bill 2020 and notwithstanding anything in Standing Orders, it shall be in order for the Committee on

Finance, Public Expenditure and Reform, and Taoiseach, notwithstanding the fact that consideration of a section or sections has commenced, to postpone further consideration of such section or sections until another section or sections or schedule shall have been disposed of."

Some sections of the Bill will, therefore, be debated out of sequence in the following proceedings.

Sections 1 and 2 agreed to.

NEW SECTION

Chairman: Amendment No. 1 in the name of Deputy Doherty has been ruled out of order.

Amendment No. 1 not moved.

SECTION 3

Question proposed: "That section 3 stand part of the Bill."

Deputy Pearse Doherty: This section deals with the pandemic unemployment payment and the payment that was paid prior to early August, which was known as the pandemic unemployment payment. What the Minister is attempting to do in part of this section is to turn back the clock and make taxable a payment that was not taxable under the legal basis of the Finance Act 2018. It was clear this type of payment, paid out under section 202 of the Social Welfare Consolidation Act 2005, is a non-taxable payment. What the Minister is attempting to do in the Finance Bill is to rewind the clock and make taxable a payment to people who lost their jobs during the pandemic. There are serious issues in relation to this, particularly on the principle of retrospective taxation. Regardless of whatever the Minister's or the Government's personal intentions, the legal basis for this payment that was paid out, and that amounted to hundreds of millions of euro at the time, was section 202 of the Social Welfare Consolidation Act and, therefore, as a result was not taxable according to section 30 of the Finance Act 2018. It is completely wrong that the Finance Bill will be looking to retrospectively tax this payment now.

Deputy Ged Nash: I agree with Deputy Doherty. The status of the pandemic unemployment payment and the legal basis for it should not have attracted taxation and we should not be using the Bill to address this problem that the Minister, as he sees it, has identified. I wholeheartedly support Deputy Doherty's contention in this regard.

Minister for Finance (Deputy Paschal Donohoe): I thank the Chairman. There are a number of amendments that are in order for dealing with this section. I am sure we will have the opportunity to debate a number of different elements that have been put forward.

I want to make clear from the very start the intention of the Government that these payments

would be taxed and treated in the same way as we tax other equivalent social welfare payments. I point members of the committee to the Dáil answer I gave on 17 April on this matter. The sitting on 17 April was one of the early sittings of the Dáil after the pandemic unemployment payment had been introduced. It was one of the first opportunities for me to take questions in the Dáil on the matter. For the purpose of getting the debate on this section under way I want to read into the record of the committee some of the lines and statements I made at that point. I proposed to take a set of questions together because they related to tax treatment of the Covid-19 pandemic unemployment payment and the wage subsidy scheme. I stated that disbursements made under both the pandemic unemployment payment and the temporary wage subsidy scheme were in the nature of income supports and shared the characteristics of income. I also stated that on first principles, therefore, they were liable to income tax and that other income earners in receipt of comparable normal wages were taxable on those wages. I stated that in the interests of equity, the payments made under both schemes were, therefore, subject to income tax. I also stated: "In the case of the PUP, the taxation position follows the general taxation rule for social welfare payments and [is therefore also] exempt from USC and PRSI. This will be the case [for] former PAYE worker[s] or [those who were] previously self-employed."

When the PUP was introduced, that it was taxable income was always made clear. The grounds for that claim rest on a number of points: it is a regular payment; it is not means tested; and it confers a monetary benefit on those who need and deserve it. Furthermore, we are treating this payment in the same way as comparable payments under our social welfare code, in particular jobseeker's payments. This is why that income is and was taxable and why this section is in the Bill.

Chairman: I will put the question on the section.

Deputy Pearse Doherty: No. Let us deal with this. Regardless of the Minister's intention, will he clarify whether the payments that were made between 13 March and 5 August, which was before they were put on a statutory basis, were paid out, as has been repeatedly said by him and others, under section 202 of the Social Welfare Consolidation Act 2005? Is that the legal basis on which those hundreds of millions of euro were paid? I believe the answer is "Yes". Therefore, is it not clear from the table in section 13 of the Finance Bill that payments under section 202 of the 2005 Act are exempt from income tax? Let us differentiate between the Minister for Finance's position as stated on the Dáil record and the actual legal position of the State as stated by the Houses of the Oireachtas, namely, that these were payments that were non-taxable. The Houses should not now be asked to rewind the clock and make them taxable.

Deputy Paschal Donohoe: These payments were paid out under section 202 of the Act because of the need to make them quickly and to associate them with a relevant clause in social welfare legislation. The Department of Social Protection has confirmed to me - indeed, the Minister for Social Protection, Deputy Humphreys, answered questions on this matter in the Dáil on 29 July - that its understanding is that a potential tax liability arises from these payments. The payments were made in association with that section, but because they are regular and not means tested, it was always the case that they would be taxable.

Deputy Pearse Doherty: Section 202 does not mention means-tested or regular payments. The Government's argument is that, because the payments are regular and not means tested, they are not deemed as urgent needs payments. However, I welcome the Minister's clarification that the legal basis for paying out these hundreds of millions of euro was section 202 of the 2005 Act. I am not dismissing what he or the Minister, Deputy Humphreys, have said - theirs are the views of the Ministers of relevant Departments - but what have the Houses of the Oireachtas

said is the legal basis for the payments? The legal basis is clear, in that they were made under section 202 of the 2005 Act, which section 13 of the Finance Act 2018 made tax exempt payments. Whatever about the Minister's intentions at the time, they were tax-exempt payments.

This is a very serious issue and is much wider than the Minister wanting to tax payments – I do not understand why – that were made to people who lost their jobs during the pandemic and to do so in a way that is unconventional. In debates on previous Finance Bills, I have stated that there should not be retrospective taxation. The only time that any parliament throughout the world should consider the principle of retrospective taxation is in very unique circumstances involving tax avoidance. There is no doubt about this case, though. Harken the views of the Ministers and consider the legal basis. We are being asked in this section to apply retrospective taxation. Payments made to people who lost their jobs in the pandemic were tax-free in law. We are now being asked to rewind the clock, change the application of those payments and amend section 13 of the 2018 Act to make them taxable. This is a threshold that nobody in this House should be willing to cross, particularly to cross to tax payments for people who lost their jobs during a pandemic. This is a wider issue and a move we should not be countenancing.

Deputy Mick Barry: On the issue of the taxation of pandemic unemployment payments, I would like to add my voice to the points that have been raised by Deputy Doherty. The payments were introduced under section 202 of the Social Welfare Consolidation Act, which makes it clear that payments made under that section are to be exempt from taxation yet the Minister is asking us to agree to retrospectively tax those payments. We are not being asked to retrospectively tax a billionaire corporation that has been involved in tax avoidance but to retrospectively tax men and women who lost their jobs in the pandemic and who, in many cases, had their incomes drastically reduced. People were penalised in terms of their weekly income reducing from €600 or €700 to €350 and they are now to be penalised a second time by way of the application of tax on that income retrospectively. That is wrong. I do not believe this committee should give a green light to that proposal.

I would also like to ask a question, which the Minister might be in a position to answer, if not to the dot and comma, at least, in broad brush strokes. Roughly speaking, what sums of money are we talking about here? What is the estimate on the part of the Department of the amount of tax that will be clawed back (a) by taxing the pandemic unemployment payment and (b) by taxing the wage subsidy scheme payments?

Deputy Peadar Tóibín: I want to ask similar questions. Has the Government done any work on what will be the tax take of this particular initiative? Has it done any work with regard to the level of income reduction that has been experienced by people who have been forced onto these particular payments? Is it not incredible that the Government would force people out of work, force significant reductions in incomes on those people and then seek to charge them tax as a result of that? What message does that send out?

Deputy Paschal Donohoe: I thank the Deputies for their questions. I will deal with each of the points in turn, beginning with the points made by Deputy Tóibín. As the pandemic unemployment payment was introduced at €350 in the first instance it offered a very high degree of income support to those workers who had lost their jobs through no fault of their own. The only reason they were losing their jobs was because of the arrival of a pandemic onto our shores. The setting of that payment at €350 offered a very high level of income support. In the cases of many workers, their income was broadly protected versus their after tax income. We are, of course, familiar with the fact that some workers may even have seen an increase in their income when compared with their post-tax income, which happened because we had to bring

in an exceptional payment at a high level in the emergency circumstances that we were in. It is going to take some time to determine the overall income effects of the PUP. That information will be available from the Central Statistics Office, CSO, but it is very unlikely, however, to be a story of dramatic income reduction, given the high level of the PUP at that point, at €350, for everybody.

Moving on to deal with the point regarding the issue of taxation in this regard, and what the claim could be, I do not have available what we expect to be any significant tax take as a result of this situation, but my officials will share that information with me during the morning, if it is available. It is worthwhile, however, to talk about this matter in the way that the House would. I refer to looking at the effect on an individual and what kinds of sums of money we are talking about in this context. I will use the example of someone being on the PUP for 12 months to illustrate the sums of money that would be involved for that person. In this case, however, that would be a significant fraction of the figures I am going to talk about, because we are dealing with the tax liability that was due over a specific period of time. If a citizen were on the PUP for a full year, that would mean that his or her taxable income during that period would be €18,200. The only tax that person would pay would be income tax, because he or she would not pay the universal social charge, USC, or employees' PRSI. The total tax due from that person on the PUP across a 12-month period, therefore, would be the income tax of €340. In addition, for the period in question, from March to August, the amount concerned is a fraction of that.

The effective tax rate, therefore, that would be due on the PUP is 2.88%, and that worker would have the default ability to pay off that €340 over a period of four years, which would mean that the tax he or she would be paying per week would be €1.26 in that four-year period. Deputy Doherty is of course correct because we are debating principles here, but while we are debating the principles it is also appropriate to frame those principles in respect of the total amount of tax that would be due in respect of that person from the application of the taxation code in the way which I have described. It is €500, if a person is on the PUP for a full year, and he or she has the ability to pay off that amount over a four-year period. Those are the figures we are talking about, therefore. In respect of the comments from Deputies Toíbín and Barry, if figures are shared with me during the morning regarding what amount of tax would be available to the country as a result, I will of course share that information with the committee.

To deal with Deputy Toíbín's main contention, in respect of creating a narrative of dramatic and savage income reduction, not that he is in his question but I refer to if one were to create such a narrative, it is not consistent with the reality of the introduction of the PUP of €350 being taxed in the way which I have described. Turning to the points made by Deputies Barry and Doherty, I have acknowledged, because it is the case, and Deputy Doherty asked me this question and has done so in the past as well, the heading under which this payment was made available through social welfare legislation. Just because the payment was made available under section 202 of that legislation, however, does not mean that it is an urgent needs payment. It is not an urgent needs payment. It is not means tested and it is not *ad hoc*. We are repeating, and have repeated, this payment since it was introduced. As such, it is very different, even in nature, to the other social welfare payments listed under section 126 of the tax Act on which we must base this as well.

Moving on to deal with the other claim being made regarding this action being retrospective, it is not retrospective. It is being collected in the same way as taxation on any other social welfare payment would have been collected. In fact, it will be collected over a longer time period because of the emergency circumstances that we were in. It is not just a view of the Minister,

either myself or Minister Humphreys. At that point we were making that statement cognisant of what the legislation is and cognisant of the need to ensure equity of tax treatment between the PUP and other jobseeker's payments, the other income supports, that were available at that point in time. It is not retrospective. Just because it was made under section 202 does not mean it was an urgent needs payment. While we are debating matters of principle here, and I am addressing the principle questions that are put to me, it is important also to be aware of the actual sums of money that are at debate here.

Deputy Richard Boyd Barrett: I am aware that over the four-year period and for the reasons set out by the Minister present, the tax liability of the people who availed of the PUP is probably not huge, as he has described it but I still think it is unfair. Frankly, it is meanspirited because the Minister has not taken into account that the people who were on PUP are the people largely who have economically suffered the most as a result of the pandemic. They are people who would otherwise have been earning. They are people who may have got into arrears in their rent or mortgages, or accumulated debts because they lost work. The Minister has stressed, in fact three times, that this was a very significant income support. Yes, but it was still an income drop for huge numbers. He said some people got more than they would have previously. For the very significant number of people who got it, this was a drop in their income and they were the people who were particularly hit by the pandemic. Think about taxi drivers, arts workers and bar workers. These are people who, even now, are suffering more than those who can work from home, who have not been significantly impacted and whose financial situation has not changed.

Let us look at the stuff that came out from the Central Bank at the weekend about the fact that household net wealth has increased during the last period so some people are doing quite well in the pandemic because their income has remained the same and they have been able to save but there is a very significant group of people who, to a greater or lesser extent, have lost out significantly because of the pandemic. To just load this on top even though it is relatively small in the great scheme of things, and I accept that there is not going to be a water charge-style revolt over it, but is it not just a bit meanspirited for the people who have been impacted most, and will continue to be impacted most as long as the pandemic is with us?

The Minister has said that this issue does not come under the same category as the exceptional needs payment even though it is under that category. One could not get a more strong example of exceptional than the current pandemic and the way it has impacted on very particular cohorts of people, and their ability to work at all or to earn an income. Frankly, it is meanspirited to do this. The Minister has been unable to give the figure here but I doubt if the revenue generated is a huge amount of money in the great scheme of things that have happened. Why be meanspirited when we are supposed to be all in this together? The people in here have not had their incomes impacted one jot but the people who have had to avail of the pandemic unemployment payment must now face a small additional tax liability even though they have been impacted. On that basis, the Minister should reconsider, in the spirit of "we are all in it together" and recognising that there are particular cohorts of people who have suffered dispropionately through this. Why add any additional financial liability to their situation?

Deputy Pearse Doherty: We can all give examples, but the Minister gave an example of somebody on the pandemic unemployment payment for 12 months. First, he will acknowledge that this is impossible because the pandemic unemployment payment did not come into existence until mid-March. People were earning full wages prior to that, or at least a large cohort was. Indeed, people came off the pandemic unemployment payment and went back to full

wages. The Minister gave his euro example. Does he acknowledge that over the 21 weeks in which he is asking us to go back in time and make this payment taxable from 13 March to 5 August, the total amount that would have been received by somebody in receipt of the PUP during that period would be €7,350? If the person was paying tax at the 20% rate, which does not mean he or she would have to have a huge amount of income earned in the other 31 weeks, it would be a tax liability of €1,470. If the person was paying at the 40% rate, it would be €2,940. They are not small numbers.

The Minister says with a straight face that this is not retrospective taxation, which is the core here. Page 9 of the Bill states: "*Paragraphs (a)(i)* and *(b)* of *subsection (1)* shall be deemed to have come into operation on and from 13 March 2020". Regardless of how one wants to use language, let us deal with the law. We are legislators and we are asked to change the law. This section asks us to change the law so this payment, which was made under section 202, will be taxable from 13 March. Why is that text in the Bill? That payment, made under section 202 of the Social Welfare Consolidation Act 2005, is not taxable. We know that because it is in the Finance Act 2018, which contains a table. The Minister says it is not an urgent needs payment because it is recurring and not means tested. Section 202 of the Social Welfare Consolidation Act 2005 does not mention the words "recurring" or "means tested".

It does not matter what way the Minister says it because we must deal with the law. The law is that this payment was not taxable, regardless of the Minister's intentions. This is retrospective and the Minister should admit it, at least, instead of trying to take the members of the committee for fools. It states: "... shall be deemed to have come into operation on and from 13 March 2020". I understand why the Minister might not want to admit it. The principle he is asking this House to implement is unheard of in western democracies. It only happens in extreme cases where there is tax avoidance. Three years ago I put forward an amendment that sought to close down a loophole used by Mr. Denis O'Brien to avail of tens of millions of euro in tax benefit by using an Irish collective asset management vehicle, ICAV, to purchase or sell property. There was no suggestion that we would deem that amendment to have come into operation on a date prior to the Finance Bill. Even I would not have argued for that. Retrospective taxation is something that should not be done, but that is exactly what is in this legislation. Regardless of the amounts to be paid, and some of them could be significant depending on the earnings before 13 March or after 6 August, and that is a serious issue in itself, the issue here is one of principle. The issue is why we would go back and change the law to make the payment taxable from a certain point in time.

Perhaps the Minister can point out for me where section 202 in the Act states that it has to be recurring or means tested. It does not. I refer the Minister to the Finance Act 2018. It states clearly with regard to section 202 of the Act which only deals with urgent needs payments - it is not as if the section deals with a large number of payments - that payments are exempt from taxation. The Minister is familiar with it. Perhaps the Minister can enlighten me. During his time as Minister for Finance or indeed his time as Opposition spokesperson on finance, how many times has he either proposed as a Minister or been aware as a Minister that we have done anything like this, where we have applied taxation to a payment that legally, as we sit here today, is not subject to tax? Why do we know that? How can I say that with conviction? It is because this amendment is necessary. It will apply tax on that payment from 13 March to 5 August. From 5 August on, the payment had a statutory basis. The payment is subject to tax; that is indisputable. Regardless of whether one likes it, it is subject to tax and that is it. Prior to that date, however, it is not. Maybe the Minister can give us other examples of where we have gone back six months to make taxable a payment which previously was not legally taxable. I

am not talking about going back to the point where the Finance Bill was introduced. I am talking about long before that.

Deputy Peadar Tóibín: I understand 300,000 people to be in receipt of the PUP as of today. Those people are in receipt of the PUP due to the restrictions the Government has introduced. The Government has therefore taken their ability to earn an income from them. The restrictions in this country are, for better or worse, the sixth most severe on the planet at the moment. A significant number of these individuals have had a radical income reduction. If they were on the average industrial wage, they would have a reduction of about 60%. I notice when the Minister discussed this, I think he said that at €350 per week the PUP was "very, very, very high". These are individuals who have, on average, had a 60% collapse in their particular incomes. Their expenditure, their family costs usually mirror the income that they had before. Many of those costs are still in existence, yet PUP recipients have a really reduced income as a result. Even if the Minister says the average tax annually is about €350, he is talking about removing 300,000 people from an ability to earn an income and then taking off them a week's income the State provided.

Compare that with Amazon, whose income is currently soaring due to the fact that 51% of retail is now online in this State. Amazon, like many of the large multinational IT companies, is not being tackled with respect to taxation. It feels like the Government is taking a very different approach to two groups in society who are experiencing this pandemic in very different fashions as far as their incomes are concerned.

Deputy Mick Barry: I will comment on the line of argument that we are not talking about big sums of money here. I accept that for many people, €340 paid back over a period of four years is not going to break the bank. However, for a very significant number of people, €340, even if it is spread out over four years, is something they will feel and something that will hurt them. There are people on the PUP who might not have been too worried about €340 over four years last year before all this happened. Now, however, with a mountain of debt, with big rent or mortgage arrears and pressure coming on from banks and landlords, that €340 is money they could really do with, so it should not be minimised.

I want to step back from that and look not just at the individual case but what it means in society as a whole. How much is the State talking about clawing back from working people who were forced, through no fault of their own, to go on the PUP for weeks, months or for months and months? The Minister has been asked on more than one, two or even three occasions on the floor of the Dáil for this figure. We are continually told that the Department does not have it, we should be patient and that it is on the way. We were told that it would be shared with the committee over the course of this morning if the officials have the figures. I see that notes are being passed around and I hope those notes contain the figures because we should be told. I would like to know how much is being clawed back from working people as a whole who, through no fault of their own, were forced to claim the PUP especially at a time big corporations got a lot of tax breaks in the budget. There was a lot of corporate welfare but this money is being clawed back and I would like to know how much is involved.

Deputy Mairéad Farrell: We are talking here about people who, in many cases, have not been working since March because of Government restrictions. These restrictions had to be put in place but the fact that these people have not been working since March has had a massive financial as well as mental health impact on them. Now we are saying that we will tax them retrospectively. What legal advice has the Minister received on this retrospective taxation?

Deputy Paschal Donohoe: I will deal with the points made to me in turn. Deputy Boyd Barrett made a point regarding the need for this payment. I absolutely agree with and understand that point because I, along with the then Minister for Employment Affairs and Social Protection, former Deputy Regina Doherty, and the current Tánaiste, Deputy Varadkar, brought in the payment. We brought it in because of our absolute awareness of the need for a payment at that point in time. Regarding those who may have had a higher income as a result of the payment, which I mentioned to Deputy Tóibín earlier, I must be precise and point out that this applied to a small group of people and I do not want to suggest otherwise. The fact that a small number of people saw their income rise across that period was a consequence of the fact that we were in an absolute emergency and needed to do something really quickly. All we could do with the mandate of acting quickly was bring in a payment at a single level. That was the right thing to do and it provided much needed and much deserved income support for those who needed it. While we still have many people on the PUP now, thankfully it is a decrease on where we were earlier in the year. It is a payment that continues to be needed and that is why it is there at its current level.

Deputy Tóibín made a point regarding the number of people that the Government has stopped working but the reason we have done that is to protect health. I do not hear any recognition of that in the contributions he has made. The reason we have introduced public health guidance that means, sadly, hundreds of thousands of people are back on the PUP and not able to work is to try to protect our health and to prevent these people, their neighbours, co-workers and their communities getting the disease. These are not the actions of a capricious Government. We are taking action on public health grounds. That is why we have taken these actions and why we brought in the PUP.

The Deputy is correct that I noted that the PUP was at a high level. I made that point in the context of the average level of jobseeker's payment, which is €203. A payment of €350 versus a payment of €203 looks high but it was the right thing to do and it had to be done. It had to be done to protect people at a time of great need. One could take a wider view of the pandemic unemployment payment and look at the ancillary benefits a person could get under our social welfare code. The other payments available to persons on a jobseeker's payment mean that the kind of social welfare entitlements that are available during a normal time are comparable with the single payment of €350 that was made under the pandemic unemployment payment. It was the right level and it was the right decision at the right time.

On the points raised by Deputy Doherty, this is not and was not an urgent needs payment. Rather, it is an income support. As it is an income support, we are taxing it in the way we tax other income supports. It is not listed in the Finance Bill 2018 because, obviously, it did not exist then. It was brought in this year. It was not available at that point. None of us anticipated we would be in a situation where we would be bringing in the pandemic unemployment payment. I made clear at the time the payment was introduced that it would be a taxable payment. The Deputy is correct that a change is being made in the Finance Bill. That change is being made to ensure that we have legal certainty in respect of this matter. Both I and the Minister for Social Protection, Deputy Humphreys, made clear at the time that this was the way in which it would be treated because it was an income support.

On the question asked by Deputy Farrell, I would not be bringing this measure forward in the Bill unless I was clear and advised that this was legal, allowable and the right thing to do from a legal point of view. That is why it is in the Bill.

Deputy Barry drew a comparison between the pandemic unemployment payment and what

he referred to as corporate welfare. If by referring to "corporate welfare" he is referring to the wage subsidy schemes that kept hundreds of thousands of people in their jobs during that period, I remind him that those schemes are taxable too.

Deputy Pearse Doherty: The Minister cannot have it every which way to suit his own narrative. Nobody is disputing the fact that those payments needed to be made. Indeed, they were vital and the right thing was done by the Minister and his colleagues in Government at the time. However, there had to be a legal basis for making those payments. The Minister accepts that the undisputed legal basis for that is section 202 of the Social Welfare Consolidation Act 2005. Indeed, that is what we are talking about here. It is the section to which section 3 of the Bill relates. Section 202 is about supplementary welfare allowances in cases of urgency, that is, urgent needs payments. It does not deal with anything else. The Minister cannot state that the legal basis on which the Government paid out hundreds of millions of euro in payments is section 202, but it is not actually section 202. He cannot have it both ways. There must be a legal basis on which to pay money out. This is what we are dealing with. We are dealing with the law and, therefore, that is what is required here. What the Minister is asking the committee to do is to wind back the clock so that people who lost their jobs during a pandemic are taxed. Legally, they are not taxed at this point in time for payments made from 13 March up to 5 August. That is what the Minister is asking the committee to do. He is asking us to breach a principle in a way that I have never seen in my ten years dealing with finance Bills. He is not asking us to do it because some of the big accountancy firms have found loopholes to allow people to make hundreds of millions of euro by avoiding paying taxes. He is not asking us to do it because of how real estate investment trusts, REITs, are exploiting the housing market or how vulture funds go without paying any tax by using charitable status and section 110 of the Taxes Consolidation Act. He is not asking us to do any of that. Rather, he is asking us to impose tax on people who lost their jobs during a pandemic. Those people lost their jobs because restrictions that had to be introduced by the Government forced their places of employment to close down. In the main, these are not high earners. A person who had a total income of €23,850 this year will now pay up to an additional €1,470 because of the amendment being made by this section. Let me just explain this to the Minister because he came out with his €1 figure earlier. Consider the person who was in employment and earning €532 per week, which is not a very high income at all and is well below the average wage. If that person earned this during the period outside of 13 March to 5 August, he or she will now have a taxable income of €1,470 as a result of the amendment in this section. This is not euro and cents. This is about imposing a charge on people who have lost their jobs. This individual would have a total income in 2020 of €23,850. That is the reality. It is the upper end. It is the reality for a lot of people.

I asked the Minister a question earlier on how many times he, as the Minister for Finance, had brought forward an amendment to the Finance Act that actually asked us to rewind back time and tax income in this way? By God, he never did it for the vulture funds and by God he did not do it for the banks when they were carrying forward their losses. He did not do it for REITs, for section 110 companies or for others who were exploiting Finance Acts and finding holes to avoid paying tens of millions of euro in taxes. I can give examples, and I have given the ICAV example. Not once did the Minister suggest that we rewind back time and clamp down on those individuals. For the people who lost jobs in this pandemic, however, it is easy game and a "let us go for them" approach. The Minister is turning back time and taxing payments to people who lost their jobs in a pandemic: not the people who are milking the system and not those people who are trying to find a way out of it. These are people who are trying to keep their heads above water. The Minister is asking us to do something, the principle of which should not be countenanced by any Minister for Finance. Considering the amount of money,

collectively and in the context of everything else, that would be accrued by this amendment, it is unbelievable that this principle will be breached. It speaks volumes of the Minister's priorities about who he clamps down on with these types of matters. I will definitely not support this. I appeal to the Minister and to every other person on this committee with regard to what is being asked of us here. No matter what is said about retrospective changes, we can read. We are being asked to apply this measure not from today's date, not from a date in November or from when the Finance Bill was introduced, and not from a date of the budget, which would be the normal practice in a number of circumstances, but from 13 March 2020. Perhaps the Minister will enlighten us as to why he has not done this for any of those other tax avoidance measures.

Chairman: If there are matters that need to be clarified for Deputy Doherty then I ask the Minister to please do so, but then I am to press this section.

Deputy Paschal Donohoe: Deputy Doherty refers to my priorities. My priorities are typified and articulated by the fact that we brought in a pandemic unemployment payment in emergency circumstances to support those who need it the most, and that we brought in a wage subsidy scheme to protect the very people that Deputy Doherty has referred to, at a time of crisis. Deputy Doherty and Sinn Féin will not lose any opportunity to look to create the narrative of me protecting or supporting one group of people ahead of another. It is because of the duty the Government had, and because of the need that was there at that time to protect those who were most vulnerable, that we brought in the pandemic unemployment payment. It is an income support. The Deputy is right that I cannot have it both ways. I cannot say that this is an income support, which it is, and then not tax it in the way we tax other income supports. That is consistency. To suggest that the actions here are motivated by anything other than the need to recognise that if this is an income support, which it is, then it needs to be taxed in the way other income supports are, is not fair, not true and it does not reflect the fact that the very reason such a broad range of exceptional measures were brought in was to protect those who were vulnerable. The measures worked. They played a very important role across that period and in many cases they are still available.

Chairman: Deputy Barry is next, and then I am putting the question.

Deputy Pearse Doherty: Chairman, I have asked the Minister a question on two occasions now to give us the precedent of when he has done this. I would ask him to stop trying to take us for fools, or at least to stop taking me for a fool. The Minister talks about income support. I can read section 202. It is an urgent needs support. The Minister's amendment to the Finance Bill asks us to rewind the clock. It mentions section 202, which only deals with an urgent needs payment. Will the Minister tell us how many times he has introduced amendments to rewind the clock to tax things in the past?

Deputy Paschal Donohoe: I am not accepting the contention from Deputy Doherty that we are rewinding the clock. I made clear at the time this payment was introduced that it would be taxable. What the Finance Bill is now doing is giving certainty to ensure this income support is treated in the way other income supports are.

Deputy Pearse Doherty: No.

Deputy Paschal Donohoe: I do not accept the contention from Deputy Doherty that this is looking to wind the clock back in any way.

Deputy Pearse Doherty: No matter how important the Minister believes his words to be,

his words are not to the law. The law at this point is that this payment is not taxable. That is why the Minister is asking us to change the law to rewind the clock. The reality is that the Minister cannot give an example of this because this does not happen.

Deputy Mick Barry: I will be brief. I have two things to say. First, the Minister says that the Government had a duty and a need to protect the most vulnerable and that was why the pandemic unemployment payment was introduced. The Minister cannot argue that he is protecting the most vulnerable in a dutiful way by trying to tax working people who have lost their jobs in a pandemic. In the vast majority of cases they had their incomes reduced, not for a couple of weeks but for a sustained period to claw back tax on them. That has nothing to do with protecting the most vulnerable. That is putting the boot into the most vulnerable, to be blunt.

I asked the Minister earlier when we will get the figure for the total tax that is to be clawed back from PUP recipients as a whole by the State. I am not referring to the amount for one individual in this case or that case, but the total amount. The Minister gave an indication that perhaps it might be available this morning. That would be great. If it is available this morning, I would welcome it very much. If it is not available this morning, will the Minister please tell us when? I am not asking for next Tuesday at 10.20 a.m. or whatever, but will the Minister give in broad brush strokes an indication that we will have it within days or a week or whenever?

Deputy Richard Boyd Barrett: I will comment first on the point about not looking back. The comparison Deputy Doherty makes is right. Let us consider Seamus Coffey's proposal relating to 80% or 100% tax relief on intangible assets. He said the companies should not have got 100% tax relief. He was referring to those big multinationals which benefited greatly from the reduction of 100% rather than 80%. The Minister refused to apply Seamus Coffey's proposal. If I remember correctly, it would have brought in €800 million in additional tax. That would have been a small drop in the ocean compared with the profits these companies are making. Essentially, the Minister refused to do what Seamus Coffey was proposing on the basis that it would be unfair and create uncertainty and so on.

However, in this instance, the Minister believes it is fair to do this to people who have already been significantly and adversely hit as a result of the pandemic. The Minister did not really address this point. That is my central contention for why the Minister should not do what he is proposing to do. The vast majority of people who got the pandemic unemployment payment have lost out as a result of the pandemic. Even with the PUP, they have lost out. Otherwise, they would have been working and most of them would have been earning more. They would not have built up debts and so on to do with rent, mortgage arrears or other charges that will have accumulated while their income has been significantly reduced in many, and probably most, cases. Is it, therefore, not unfair and mean-spirited when huge swathes of the population and significant swathes of big businesses and so on have not been impacted at all and, in some cases, have done well? We will get onto our proposal for a Covid-19 solidarity tax shortly. It has been discussed actively across Europe for those who have actually done well out of the pandemic. In that context, is it not just mean-spirited, unfair and miserable to do this to the people who have been hit adversely and have lost out? The Minister proposes they will lose out a bit more, perhaps a significant amount more in some cases, according to Deputy Doherty's figures. Even if it is small, however, it is unfair because others have not lost out at all or have even done reasonably okay or very well during the pandemic. That is the unfairness and that is how it will be seen. I do not really see how the Minister can justify it in that context.

Deputy Paschal Donohoe: I will begin with the comparison Deputy Boyd Barrett made with the taxation of intellectual property. Of course, with regard to revenue which might have

been available from intellectual property and the Seamus Coffey argument at the time the Deputy refers, it was not the intention of the State to tax that income at that point in our history. It was the case of the State taxing this income in our recent history. That is the difference between the two.

I make the point to Deputy Boyd Barrett that the increasing corporate tax revenue has slowed down in September and October, as I expected it to. Nonetheless, what we see happening in our corporate tax revenues over 2020 shows we are effectively taxing companies which, one could argue and in some places would be correct in arguing, are doing well in a time of pandemic. That, therefore, is why we have increasing corporate tax revenues. The difference in our argument at this debate with regard to this revenue is that we made clear at that point it was the intention of the Government to tax it. That was made clear in the Dáil by me and the Minister, Deputy Humphreys.

I will address the questions put to me by Deputy Boyd Barrett regarding how much revenue could be affected by this. I have been reminded by my officials that the reason, of course, depends on what the taxable income of an individual will be across the entire year as opposed to the point in time to which we refer, in other words, between March and August. Unusually, I do not have the figures available to me right now. We tax income on the basis of the year as a whole. Because of the many layers of uncertainty regarding the year and the way in which income has changed across that period, the Revenue Commissioners or the Department of Finance are not in a position to be able to say what we expect that figure to be. My expectation, however, is that for many of those affected the figure will be spread across a four-year period. While it is, of course, still a tax people will pay, I do not believe it will be as big as many other tax taxable liabilities people will face and have to pay. I believe it will be a small share of our overall taxable income.

I will answer the question put to me by Deputy Doherty and then go back to the question of timing from Deputy Barry who asked when that information will be available. I reaffirm again that this payment was made under section 202 of the Social Welfare (Covid-19) (Amendment) Act 2020. However, just because it was made under that heading does not mean we can ignore the rest of the social welfare code and the rest of the social welfare legislation. Section 189 of the Social Welfare Consolidation Act 2005 is clear in saying that supplementary welfare allowances are means-tested. This is not a supplementary welfare allowance. It is an income support. While I am absolutely aware of the consequences it will have for those affected, as an income support it has to be taxed as such. That was made clear at the time of its introduction. It has also been made clear in how it has been taxed throughout 2020.

Question put.

The Committee divided: Tá;, 5; Níl, 4.	
Tá;	Níl;
Durkan, Bernard J.	Barry, Mick.
Matthews, Steven.	Doherty, Pearse.
McGuinness, John.	Farrell, Mairéad.
O'Callaghan, Jim.	Tóibín, Peadar.
Richmond, Neale.	

Question declared carried.

SECTION 4

Chairman: Question proposed: "That section 4 stand part of the Bill."

Deputy Pearse Doherty: On section 4, I ask the Minister if this is the first time this will be made exempt from tax and the background to this allowance.

Deputy Paschal Donohoe: Excuse me, is this-----

Deputy Pearse Doherty: The home sharing host allowance being exempt from income tax.

Deputy Paschal Donohoe: Section 4 amends the principal Act in order to address this oversight and to regularise the tax exemption of the home sharing host allowance. This does not reflect a change in policy but is rather a corrective measure. No additional cost arises. This is a community-based service that provides short breaks of full-time support to people with intellectual disabilities. The allowance previously relied on the exemption from income tax. It was exempt from income tax in the past but it was under the Finance Act of 1997, which was deleted in 2019. It was exempt in the past but a change in the legislation is needed to ensure this continues.

Deputy Pearse Doherty: I thank the Minister.

Question put and agreed to.

SECTION 5

Question proposed: "That section 5 stand part of the Bill."

Deputy Pearse Doherty: On section 5, I welcome the increase in the dependent relative tax credit up to €245. Can the Minister talk to me about the €15,060 threshold if the dependent relative's income exceeds that? When was that last reviewed? Also, is there a requirement for the relative to live in the State?

Deputy Paschal Donohoe: To deal with the Deputy's second question, generally, there is no requirement for the relative to live in Ireland to qualify for this credit. I do not believe the cap of €15,060 has been revised for some time. I can get the exact answer for the Deputy regarding when it was last changed but I do not believe any change has happened recently in respect of it.

Question put and agreed to.

SECTION 6

Question proposed: "That section 6 stand part of the Bill."

Deputy Pearse Doherty: On section 6 and the intention in terms of the mobility allowance scheme, it is a topical issue and something in respect of which people have lobbied across the political divide. Will the Minister outline the intention of this section?

Deputy Paschal Donohoe: Section 6 inserts a new section, 192H, into the Taxes Consolidation Act of 1997 to exempt from income tax payments commonly known as a mobility allowance made by or on behalf of the Health Service Executive to a person who satisfied the conditions of the mobility allowance scheme as administered by the HSE. The main objective of the mobility allowance is to provide a contribution to individuals with severe disabilities who

are unable to walk or use public transport. Originally, it was expected to help finance the cost of occasional taxi journeys. While the scheme was terminated in 2013, recipients at that time retained their right to continue to receive interim payments. This amendment formally exempts the allowances from income tax prospectively and retrospectively.

Deputy Denis Naughten: I have a query regarding section 6, which concerns the related issue of the primary medical certificate and disabled driver's allowance. As the Minister knows, approximately 1,500 people will be denied access to the scheme this year, and a further 150 per month will be denied access to the support because of the suspension of the issuing of primary medical certificates last June on foot of a Supreme Court decision. Even though this has been raised numerous times in the House, including on Second Stage, the Minister of State was not able to provide an update as to when the suspension will be lifted.

I welcome the provisions in section 6 on the mobility allowance. However, the allowance is available only to those who were already in the scheme prior to 2012. The motorised transport grant has not been available since 2012. Both schemes were suspended in that year. I acknowledge that there are complexities associated with reintroducing them. The third scheme, the only other support to allow people with disabilities to get around the State, was the disabled drivers scheme, which provided tax relief in respect of purchasing and adapting cars, tolls and fuel costs. Those with a disability who do not have access to public transport and who did not receive a primary medical certificate prior to June of this year are effectively being marooned in their own homes as a result of the suspension. I find it deeply disappointing that even though this issue was raised on Second Stage, we got absolutely no indication as to when the suspension will be lifted. We need clarity on the matter. People with disabilities who have mobility issues need to know when the scheme is going to be open to them again. As already stated, by the end of this year 1,500 people will have been denied access to the scheme, and further 150 per month will be denied access if it is not reintroduced.

Deputy Seán Canney: I want to talk about the primary medical certificate. The fact that so many people are now in limbo must be addressed. We need a time by which a new primary medical certificate scheme will be in place. Those who are trapped, especially those who have no access to public transport or any other means of transport, need to get something sorted out. The court case was in June but it is now November so we need to see a timeframe for resolving this. I understand that responsibility is being passed over and back between those responsible for disabilities, health and finance, but the Department of Finance needs to introduce the scheme. It needs to make sure it is introduced prior to Christmas in order that people will have some certainty, especially in these times, in which they are marooned or isolated and feel they are being forgotten about on foot of a court case back in June.

Deputy Paschal Donohoe: Deputies Naughten and Canney referred to two different schemes. As Deputy Naughten correctly noted, the mobility scheme was closed in 2013. We are dealing with the issue of participants who were on the scheme and ensuring that the taxation of their allowance from a scheme that is now closed will be fully dealt with. Deputies Canney and Naughten then referred to the scheme that is in place, namely, the disabled drivers scheme. While this will be the subject of an amendment to the Finance Bill later in the process, there was a Supreme Court hearing in respect of the operation of this scheme earlier in the year. In the aftermath of the scheme, the HSE ceased issuing the certificates that Deputy Canney referred to, which have been the cause of concern and worry for many, as has been raised with me by other Deputies. I have written to the HSE indicating that it should continue with the release of the required medical certification. I issued that communication in recent weeks and it should

begin to have an effect on the issues the two Deputies referred to.

The effect of that communication, along with the amendment I will bring in, will be to restore the scheme to its original operation. When we debate the amendment later in the process, I will indicate my intention to work with the Minister for Children, Equality, Disability, Integration and Youth, Deputy O'Gorman, and his Department to launch a review of the scheme and to consider what the future of the disabled drivers scheme could be. A number of issues have arisen and matters are frequently raised with me in respect of the operation of the scheme. It is now appropriate to step back and assess how the scheme is operating and what its role should be in the future. In the interim, the scheme will continue to operate as it was intended to.

Deputy Denis Naughten: I welcome the Minister's comments, which are very positive, but I seek some clarity from him. According to the feedback I have received from constituents, it seems these primary medical certificates are being processed again. Will the Minister clarify that, and ensure that the HSE starts to process the certificates and deal with the backlog? My concern is that many of the staff who were processing these applications until June or July when they were suspended are now doing other work and dealing with Covid-19. While, in theory, the scheme has been reopened, the difficulty is there is no one to carry out the assessment. As a result, 1,500 people are being denied access to the disabled drivers scheme.

The Minister stated the scheme is being reinstated, pending a review of its original design. Does that mean appeals that would have been successful last year or the previous year will not now be successful? The difficulty is that the medical practitioner within the HSE locally has no discretion in respect of the scheme. Someone either qualifies or does not qualify through not having the use of two limbs, for example, but there has, historically, been discretion at the appeals stage, which is dealt with by the National Rehabilitation Hospital in Dún Laoghaire. Will the discretion that has been used by the appeals board in Dún Laoghaire still apply as a result of the changes the Minister is bringing forward?

Deputy Paschal Donohoe: I will deal with the second question first. There is no change in the appeals process. If a case was successful in the appeals process a year ago, one should have every reason to think the same case would be successful in the appeals process again. There is no change in the appeals process as a result of the communication I have had with the HSE.

As to whether this now means that the application for the medical certificates for this scheme will continue to be processed, the answer is "Yes". The processing of those applications should have recommenced. I am not aware of there being issues regarding the availability of resources to process those applications. I have not heard of any new issues relating to that but if the Deputy is aware of issues relating to appeals, he should let me know. There is no change in the actual process in terms of who is carrying out the evaluation of the applications or in terms of the criteria for the applications being successful. I imagine that those kind of matters will form the subject of the review I mentioned a moment ago. I am very eager to get this review up and running very soon because I get a significant amount of contact about this scheme. I am eager to see if the review can be set up and concluded next year because there are many issues relating to this scheme, some of which were highlighted in the Supreme Court ruling on the matter. I am of the view that for clarity about how the scheme should operate and for those who desire to participate in the scheme, we need to review where it is and see how it can be made as clear, effective and fair as possible. That is why a review is needed but there will be no change in appeals or processing of applications.

Question put and agreed to.

NEW SECTIONS

Chairman: Amendments Nos. 2, 3 and 157 are related and will be discussed together.

Deputy Pearse Doherty: I move amendment No. 2:

In page 10, between lines 34 and 35, to insert the following:

"Report on economic and distributional impact of the Help to Buy Scheme

8. The Minister shall, within six months of the passing of this Act, prepare and lay before Dáil Éireann a report on the economic and distributional impact of the Help to Buy Scheme.".

Amendment No. 2 uses the mechanism the Opposition has to raise issues relating to subject matters of the Bill and that is to seek a report economic and distributional impact of the help to buy scheme within six months of the passing of the Bill and lay it before the Dáil. The help-to-buy scheme is dealt with in section 7, a section to which Sinn Féin is opposed. The help-to-buy scheme has been around for quite a while but the Government in its wisdom - or maybe lack of wisdom - has decided to turboboost it. One would really have to question its thinking on this. Covid-19 has caused significant challenges for the construction sector, which was closed in its entirety for a period of time due to the restrictions and is now operating under restrictions that do not allow as much capacity and output to take place and rightly so because we need to keep our community and people safe. However, this will mean less output. The demand is still there, as we know, and indeed is increasing. There is a significant amount of pent-up demand. Supply will probably be severely curtailed this year and for the best part of next year but the Government has decided to turbocharge the help-to-buy scheme by increasing the amount of money available to people to purchase homes by increasing it from 20% to 30%.

It will do that over the next year as it had done under the July stimulus. The problem in the area of housing, as we have said over and over, is not demand but supply. We need to rapidly increase housing supply and it needs to be affordable. A core belief of Sinn Féin is that we need to suppress rather than increase house prices. A big decision will be taken later today by Dublin City Council on what it will do with State land, what is affordable and so on. The proposal is to provide, on a statutory basis, for an increase in the amount available under the help-to-buy scheme to €30,000. This scheme was to conclude at the end of the year but the Government will now extend it for a further year. The Minister does not need to take my word on this; others have spoken. The Parliamentary Budget Office, PBO, does great work in support of members of this committee preparing for the Finance Bill. It describes the policy impact of this section. I will read from its analysis of the help-to-buy scheme in full so that I cannot be accused of being selective.

> An analysis by the PBO in 2019 found evidence of sizeable dead-weight in relation to the HTB scheme, and suggested that the scheme did not fulfil its original aims in an efficient manner. Specifically, some households who had claims approved for the HTB scheme, already had deposits of at least 10% accumulated.
>
> This analysis also found that 21% of claims under the HTB scheme were for properties valued at over €375,000. This suggests that those benefiting from the scheme were households at the higher-end of the income distribution. Considering these findings, the decision to enhance and extend the scheme in this way, is questionable.

If the Minister does not want to take the word of the Parliamentary Budget Office, which has its views, the ESRI has also commented on the scheme. Dr. Barra Roantree noted that research has shown that 40% of first-time buyers making a claim under the scheme had a deposit of at least 20% before applying. Let us consider that. During this time of great constraint - we all know the challenges - the Minister is asking us to approve a Government plan to provide €30,000 to people to purchase their house, 40% of whom do not need the money. I am not saying that; the ESRI is saying it. In fact, it is not even the ESRI saying it because the Central Bank provided the statistics. Many people have a deposit of at least 20% - some have more - before applying. They have a mortgage but the Government in its wisdom has decided to give them €30,000 of taxpayers' money. That would be fine. Who would not want €30,000 of taxpayers' money when building or buying their first home? Everyone would want it and anyone who has got it will be delighted. However, in a time of lack of supply and increased demand, this pushes up house prices. We have seen examples of that in a number of counties as soon as the Government announced this increase back in July. In some estates, house prices went up by €10,000 overnight. I am sure the Minister will accuse me of arguing that he favours developers and vulture funds and is taxing the poor people who have lost their jobs. Again, let us look at what Dr. Roantree from the ESRI said. He stated this measure would push up demand for housing at a time when output was falling back due to the pandemic. The scheme applies only to new houses. He told an ESRI conference on the impact of budget 2021 that the scheme was "likely to fuel property price growth" and would, therefore, "push up prices."

Already, 8,000 claimants for the scheme have not needed this support. That amounts to €24 million. Everyone here will know of community groups or may be involved in organisations that are supporting children and families with disabilities or areas that really need support, particularly during the Covid-19 pandemic.

Not only is the Minister ignoring the ESRI, saying that 40% of the claimants of this did not need the €20,000, but he is saying forget about all that, forget that there is less supply than ever and more demand than ever and let us throw some fuel on the fire. Let us give them an extra €10,000 to bring it to €30,000. What will that do? It will push up property prices. Who benefits from that? It is not the person who is taking out a 30-year mortgage with a bank. There is only one benefiter as the Minister and I both know. The person who benefits is the developer. The Minister may not like to hear it, but that is the reality.

Section 7 of the Bill is about stuffing money into the pockets of developers because it will push up prices. The Minister and I both know it; he should be upfront and say it. He should listen to the ESRI and the Parliamentary Budget Office. He should look at what is happening on the ground. At a time of lack of supply and increased demand, the Minister introduces a measure that will only further increase demand. What happens in that context? Do prices fall? No, they actually rise. That is why there is only one beneficiary of this provision. When house prices increase, people who have mortgages end up paying increasingly more over longer periods of time.

We are completely opposed to this section. The amendment seeks a report, but the reality is that the Minister should not proceed with the section which is flawed. In the words of the Parliamentary Budget Office, it is questionable. In the words of Dr. Roantree of the ESRI, it will push up property prices. In the words of Sinn Féin, it is a section that will only benefit developers.

Deputy Mick Barry: Who benefits from the help-to-buy scheme? We will deal with the

issue of first-time buyers in a moment. It is quite clear that developers gain significantly from this Government policy. It is not even necessary to have studied leaving certificate economics to know that if supply is not matching demand by a long shot, and the Government increases demand with a policy like this, it will drive up the price of the commodity, in this case the house. It is not just abstract economics that indicates that; the reality on the ground bears it out. Almost immediately after this measure was announced in the budget, house prices in Cork increased by up to €10,000. The information I have from those in other big cities is that the story is much the same elsewhere.

Therefore, developers gain directly from this policy. Private banks also gain; developers are not the only winners. Not only does this increase the wherewithal for deposits, the mortgages will last longer with more interest being paid over the lifetime of those mortgages. Therefore, it is good news for private banks and increases their profits.

The extent to which it benefits first-time buyers is questionable. Certainly, this scheme will make the difference for some first-time buyers. Many of them will need to pay more interest in the long term to the banks. However, many people who aspire to become first-time buyers will not benefit from this scheme. That is particularly true for those on lower incomes and younger people. Many lower-paid workers and younger workers will not have paid €30,000 over the past four years and effectively will be locked out from the scheme. One could argue, if this was the only tool available to the Government and the State, that one should consider it. However, it is not the only tool. There are other and far better tools available to the State. For example, many observers of the housing scene and not necessarily people on the political left would agree with me that the money the State spends on this scheme would be far better spent if it was provided to the local authorities and those authorities were allowed to use it to build council houses and genuinely affordable houses for people on low and middle incomes, in particular. If we look at this in the round, while many first-time buyers will have hopes that this scheme might make the difference for them, in general, it benefits the developers first and the private banks second. Many aspiring first-time buyers do not benefit from it. There are better alternatives. The money should be going to social and affordable housing built by the State through the local authorities.

Deputy Seán Canney: We have a proposal in regard to the help-to-buy scheme, which looks for a report on the potential for reconfiguring it to allow it to be expanded to include first-time purchasers of second-hand houses. There is an issue relating to the Rebuilding Ireland home loan scheme, which will not give a mortgage towards the refurbishment of an existing house. Across the country, we have a huge number of vacant properties in our towns and villages and a lack of supply of housing for people who want to set up their homes. It is an ideal opportunity but we seem to have excluded the idea of a second-hand purchase being something that is good. Something should be done in regard to properties any town or village, including in my constituency, so that we could bring a family back to town or village to create vibrancy there. However, we are not offering anything to do that. The help-to-buy scheme could be used to create that incentive, as well as affording the Rebuilding Ireland mortgage scheme the opportunity to support the purchase and refurbishment of existing houses for first-time buyers.

We all talk about the fact that we have homelessness and a lack of housing supply but when one looks around the country, or drives through any town or village, one will see the potential that is there. In Headford in my constituency, a survey was done by secondary school transition year students on the number of vacant houses that could be brought back into use if there was support for first-time buyers. Imagine what vibrancy we would bring back into these towns and

villages if we did that. Over the past two years in my town of Tuam, I have seen people who have businesses come back in to live over their shops on the basis that it is better for them and their families are with them more often, rather than living out in the countryside. As well as that, they are in close to the schools their children go to. It is important that we look at this not from a developer's point of view but as an aid to help first-time buyers. I would be interested to see what report the Minister can bring forward on this matter.

I believe passionately that if we are to revitalise our towns and villages, we need to provide the infrastructure, wastewater facilities and so on, but there are towns that have such infrastructure and facilities. We need to encourage young families to come back into towns and villages.

Deputy Ged Nash: I do not want to run the risk of repeating everything Deputies have mentioned previously. My concerns about the scheme are well documented. I referred to them in my response to the Minister's budget speech. The Labour Party has been long on the record as opposing this kind of initiative. It is an ineffective and ineffectual use of scant taxpayers' resources. As other Deputies pointed out, it is not just me or others in this House who have said this; all the evidence provided by the ESRI, the commentary from the Parliamentary Budget Office and, indeed, as I understand it, advice provided by officials in the Department of Finance to the Minister would indicate that this is what is known as a dead weight policy. In other words, it uses taxpayers' resources, money that belongs to the State, to support and promote activity that would happen in any event. That is not the kind of approach we need to take to address our very difficult housing challenges.

I understand the logic and the principle of providing the State's resources to support, in some cases, those who require support to obtain their first home, but this is not the way to do so. It may, at some point in the future, have to form part of an overall package to support those in need of housing. However, this is not a policy for housing but a policy for developers, who will benefit extraordinarily from the largesse of the State if we are to pursue these kinds of policies for the reasons pointed out by other Deputies and eminent economists such as Dr. Roantree in the ESRI and those who work with the Parliamentary Budget Office. I will therefore oppose the section.

Deputy Denis Naughten: I support the points Deputy Canney made. We are looking for the help-to-buy and the Rebuilding Ireland home loan schemes to be extended not just to new builds but also to second-hand properties. As the Minister will be aware, the census in 2016 highlighted that there are 80,000 homes vacant across the country that could have families in them. Some of these homes have fibre-optic cable outside the door. Many of them are in close proximity to schools that do not have existing pressures on them, to childcare facilities and to other amenities. Some of these houses are in housing estates where there has not been a football kicked on the streets in perhaps 30 years because many of them now are home to older people. Younger families have not moved into these areas. We have seen huge levels of depopulation across many of our provincial towns and rural villages. There is an opportunity here to revitalise these communities while also taking pressure off new-build housing in our bigger towns and cities. What we are looking for, therefore, is that the incentives in place be made available to first-time buyers purchasing second-hand properties and that they also be extended for the refurbishment of those properties - not just the refurbishment of existing residential accommodation but also the refurbishment of what were previously commercial premises.

In many of our villages and smaller towns, commercial premises have closed and are lying vacant. If we could get families back into those communities, it would bring a new life, new blood, into them, particularly with many people now working remotely. Pretty much all of our

villages have fibre-optic cable. Many of our towns are getting fibre-optic cable as we speak from some of the commercial operators. There is a huge opportunity for those people who can work remotely now to relocate from Dublin and the major urban centres, especially if they have young families, and to avoid commuting for hours into the city, improving their quality of life. There is an opportunity to bring back numbers into local schools to make them viable. The State has already paid significant amounts of money to construct and redevelop these schools and it has put in significant amounts of investment in terms of existing infrastructure. It makes a lot of sense.

Deputy Doherty spoke earlier about the current structure of the two schemes and that they are pushing up property prices. He referenced the research from the ESRI and from our own Parliamentary Budget Office on this. If this were extended beyond exclusively new homes it would take off some of the pressure while, at the same time, bring life back into areas where there have been significant problems with depopulation up to now and where there have been significant problems with dereliction. It would be a win-win situation for everyone.

Deputy Peadar Tóibín: House prices have increased by €100,000 since the Minister came into government in 2011. In Dublin they have increased by €160,000 on average since 2011. This is an incredible legacy for a Fine Gael Party that has been in government on two occasions since then. With all of the competing negative legacies coming from the housing sector we forget about this one. This average €100,000 throughout the State does one of two things. It prevents a chunk of people, a massive section of people, ever getting a home and it puts those who do get a home at those prices in hock to banks for a decade or two extra. That money comes out of their income as a result. It is an incredible situation. In a normal functioning society, the price of a house should be approximately three to four times the average industrial wage but in this State it is between six and seven times the average industrial wage in most of the State and in Dublin it can be ten times the average industrial wage. We know there has been a massive problem with the increase in the price of housing in the past while.

Another startling fact is that according to *daft.ie* the supply of houses is at its lowest point today than it has been in 14 years. After the past ten years of the Government, we have never seen a lower supply of housing in the State. It is one third less than it was this time last year. One of the first things anybody studying leaving certificate economics learns is the supply and demand curve. It is the foundation stone of anybody's understanding of how economics works. If we have a rigid supply curve and the level of demand is increased, the equilibrium price increases. There is not a person with any level of understanding of economics in the country that does not understand that much. However, most of the Government's response to this has been on the demand side when the supply side has not been happening at all.

People such as me have been making the argument to deal with the level of vacant homes in the State. One in 33 homes in the State are vacant and we have not seen enough on this. The implementation of the vacant site tax has been incredibly poor. Only approximately ten local authorities have been able to implement it and only 140 sites in the country have been able to be taxed. The taxation levels on vacant sites is lower than the increments in prices received. It is still not being used as a motivational tool to get these sites into function.

There has to be no doubt, even in the Ministers' minds, that if we continuously focus on increasing the amount of money that is chasing the rigid supply it will not lead to more houses. It leads to an increase in price. The important part for people who are buying houses is where this money will land. Will it land in their pockets or in the pockets of developers? The economics are very clear on this. It will land in the developers' pockets in the long run. I know from

the debates we had in the Dáil last week, and some of the narrative we have had here, that Fine Gael is angry at this insistence by the Opposition that the benefit of its policy is landing in the hands of developers as opposed to citizens. From everything that has been said at the meeting, however, it is evidentially a fact that the benefit of the Government's policy is landing in the pockets of developers rather than in the hands of citizens.

Deputy Richard Boyd Barrett: Between 70% and 80% of working people cannot afford the average house price on their incomes. That is a damning indictment of the Government's failure to solve society's most basic need, namely, to provide an affordable roof over someone's head, particularly for those who would expect that the fact they work hard and earn a living would give them an income sufficient to buy a home. The vast majority are not in a position to do so because successive Governments have messed up the housing sector badly. Since 2011, Governments have compounded that problem significantly. There are many elements to the outrageous scandal, which will go down in the history books as the greatest mistake any Irish Government ever made, of selling off all of NAMA's properties to developers who are now building shockingly overpriced housing, including at excessive rents, speculating and hoarding land to drive up prices.

Given the abysmal failure to do the most basic thing, there are two ways to address this historic mistake and the crisis it has produced. The Government can try to find ways to give more public money to people to pay unaffordable and extortionate house prices, which is what this scheme does, benefiting only the people who are profiting from the dysfunctional housing sector. Alternatively, it can try to drive down the price of housing to affordable levels. The measure in the Bill is moving in the opposite direction from what is self-evidently what we must do, namely, driving down the cost of housing.

I am convinced that this and the previous Governments have failed to deliver a clear definition of "affordable housing" and messed around with land development agencies and so on because of a fear that the State delivering affordable housing - in other words, housing that is not based on market prices but simply on making it affordable - would mess up the private developers. That is essentially why we have not developed affordable housing in places like Shanganagh and why there is a reluctance to define affordability or roll out affordable housing on scale. If the State built housing at cost and set prices at levels that were affordable for the average worker, it would effectively mean that private developers could not make a profit out of housing anymore because there would be housing at below the market price at which they could make a profit.

In this sense, the Government continues to dance to the tune of the private developers, who are telling us straight that they cannot deliver housing at a price that is affordable. In order for them to be able to deliver housing at all, they have to charge high prices to give themselves their profit margins and cover site costs, marketing and so on. All of this has been well broken down by the Royal Institute of the Architects of Ireland and so on. Developers cannot deliver housing at anything like affordable levels. The State can and should, given that it can build on its own land on a not-for-profit basis. However, the State is reluctant to do so because it would mess up the private developers. Given that situation, we end up coming up with hare-brained schemes like this which do nothing to deal with the fundamental problem that we face. I refer to a massive shortage of affordable housing and a market which is dysfunctional and incapable of delivering to the vast majority of working people in this country. It is a retrograde scheme, it has done nothing to address the fundamentals of the housing crisis and it should be abandoned in favour of measures that are about actually delivering affordable housing.

Chairman: As it is now 1 p.m., I am obliged to suspend the meeting.

Sitting suspended at 1.01 p.m. and resumed at 1.40 p.m.

Deputy Bernard Durkan took the Chair.

Deputy Paschal Donohoe: I do not propose to agree to the proposed amendments. Notwithstanding that the help-to-buy scheme is scheduled to sunset at the end of next year, further support is needed in the delivery of new homes, as the situation remains as acute now as it was before and during the summer. Section 7 provides for the additional support to continue for 2021. As discussed, it is my proposal that the increased level of support will continue to apply to applicants who sign a contract for the purchase of a new home, or who make the first drawdown of a mortgage in the case of a self-build situation, during 2021.

At the outset, it is worth pointing out that the average price of a house purchased under the help-to-buy scheme has dropped marginally year-on-year in the period from January to the end of October this year, that is from €329,000 to €328,000. Regarding the specific points which these amendments seek to address, I should point out that non-tax-based housing measures, such as the Rebuilding Ireland home loan scheme, are matters, in the first instance, for the Minister for Housing, Local Government and Heritage, Deputy Darragh O'Brien, rather than for me.

In respect of the effectiveness of the help-to-buy scheme and its impact on the market, at the request of Deputies this policy has already been the subject of two independent reviews. The review of the impact assessment was published as part of budget 2018 documents and the report on the cost-benefit analysis was published on the day of budget 2019. The most recent of the reports concluded that there may have been a small increase in prices attributable to the introduction of the incentive. The primary driver of house prices, however, remained the continued gap between demand and supply. The evidence also suggests that following the introduction of the incentive, there was a market increase in supply, which can be attributed, in part, to the help-to-buy scheme. The analysis also found that the availability of the help-to-buy scheme has reduced the time required to save for all claimants and has improved the overall affordability of housing for these individuals.

Significant progress has been made in recent years to add to the construction of additional housing units. Before the onset of Covid-19, the number of housing completions forecast for 2020 was in the range of 24,000 to 26,000 units, which was an increase from the 21,000 completions recorded by the CSO in 2019. However, as a result of the Covid-19 restrictions, all non-essential construction ceased for a seven-week period between March and May 2020. Upon reopening, the sector had to adopt new safety measures, with the Construction Industry Federation, CIF, noting that new social distancing requirements could delay delivery of new homes by up to ten weeks. According to the CSO, at the end of the third quarter there have been approximately 13,400 housing completions. The Central Bank projects that completions are expected to reach 17,500 units in 2020 and the current expectations are for approximately 22,000 and 27,400 units in 2021 and 2022, respectively.

Whereas the lockdowns and new safety requirements will continue to limit the total number of units completed in 2020, I am encouraged by the data which show that the sector is faring well in terms of rehiring workers who were previously in receipt of the pandemic unemployment payment. That sector is remaining open in this phase of public health guidance.

I will respond to some of the points made in the debate. It is important to place the scheme in the context of what it is worth for the average person on it and the benefit he or she gets. A recent examination found the average income of a married couple or a couple in civil partnership who made a claim for the help-to-buy scheme was €77,100 in total, with the basis of these earnings in the 2016 tax year. This would equate to two individuals earning a salary of approximately €38,500. With respect to some of the charges made about who is benefiting from the scheme and the effect this is having, the average figures for the people participating in the scheme show that the benefits flow to those who are either at or below average income.

It is worth putting the number of house purchases that the scheme affects in context. This leads to some of the requests that have been made of me. The total number of approved help-to-buy claims that have been made up to 30 September is 3,897. Across that period, the total number of new builds was 13,394, meaning 29% of new builds purchased here are being purchased by people in receipt of the help-to-buy scheme.

Claims have been made about the inflationary effect of the scheme. Two reports commissioned acknowledged that the scheme is having and can have an effect on house prices but we must look at this effect in the context of the general significant reduction in house prices that happened in the period up to 2011 and 2012. The total number of new builds that are being supported by the help-to-buy scheme is less than one from every three new builds. Claiming that the scheme is having significant inflationary effects, particularly this year, is at odds with the share of the first-time purchases that are being co-funded by the help-to-buy scheme.

Some requests were made of me for this scheme. Both Deputies Naughten and Canney asked that I commission a report on the scheme's operation if it were for house purchases beyond new builds, including second-hand homes. I wish to indicate to both Deputies that it is not a change I would be willing to make to the scheme. A broadening of the help-to-buy scheme focusing on existing housing stock would be far more likely to have an inflationary effect on the housing market, thereby unravelling the effect that I hope this scheme will have as a contribution as one of a number of measures to improve the affordability of our housing market. I hope it will support our housing market as it looks to recover from Covid-19.

Other points were made about the scheme. Deputy Tóibín made the point that house prices have increased by €100,000 since 2011. He ignores the fact that in the period preceding that, we saw a dramatic decrease in house prices. While there has been an increase in house prices since then, in many if not all cases, they are still below, thankfully, the level of pricing we saw during the bubble. This reflects the macroprudential rules and the effect of ensuring that help-to-buy is not applicable to second-house homes. It is also the effect of the different decisions made by the Government to try to increase housing supply in recent years.

Deputies Barry, Doherty and Boyd Barrett made several claims about the operation of the help-to-buy scheme. I pointed to the number and percentage of new builds actually supported by the scheme, as well as to the conclusions reached by various reports on its operation. The charge was made, or at least inferred, that this is taking the place of what the Government is doing through encouraging, for example, expenditure measures for the delivery of new homes, or the increase in the amount of money going into the delivery of social housing, or the co-funding infrastructure to allow the delivery of new private homes to be built or the foundation of the Land Development Agency. Nothing could be further from the truth. Instead, we have a high level of capital expenditure going into either enabling the delivery of new homes or building them directly via the State.

Deputy Doherty referred to the decision in front of Dublin City Council tonight. I hope agreement can be made to allow those homes in question to be built. My understanding is that up to 50% of homes due to be built on the site in question will be for social and public use with a minority of them for private use. The city council is looking to build more than 800 homes on the site in question. While it is a decision for the councillors themselves, it appears that reaching an agreement on housing projects of that scale in the context of the issues private housing output is facing are the kind of decisions that can contribute to the recovery of housing output in 2021.

Deputy Pearse Doherty: My first question would be to understand where the Minister is coming from. Will he give the committee his understanding of what is affordable housing? What is the number in his head for affordable housing? I will not go into the discussions Dublin City Council will have as they will be well played out later on. However, it goes to the core of Fine Gael's policy, which it pushes strongly, which allows for a large portion of State lands to be used for private profit purposes with no restrictions on affordability. What is the Minister's understanding of affordable housing?

On the points I made earlier, the Minister did not respond to any them. Will he respond to the fact that 40% of those who are benefiting from the scheme will not require any proceeds from the scheme to have the deposit to buy their first-time house? That 40%, 8,000 applicants, represents approximately €24 million. What is his view on what some would call or what is known as deadweight? What is his view of the fact that 56% of the help-to-buy recipients bought houses in excess of €300,000, while 22%, nearly one in four, bought houses in excess of €376,000? This tax incentive scheme is used to buy houses which are above the medium price rate for houses across the State. It echoes what the Parliamentary Budget Office, PBO, stated about the higher end of the market and so on. What is the Minister's view on those key questions? Perhaps he would also answer the comments of Dr. Roantree from the ESRI, which I put on the record of the committee. He clearly suggested that the help-to-buy scheme was likely to lead to house price inflation and that in the absence of supply, it will create additional demand. Will the Minister respond to those three or four points?

Deputy Richard Boyd Barrett: The central point is that the problem we have is house prices are, in general, way beyond the affordability of the vast majority of working people. The fact that some people load themselves up with debt and take on mortgages that need an excessive proportion of their income to pay for accommodation does not mean that the system is good or working; it just means that people are desperate and overextend themselves. The truth is that people should not pay more than 25% to 30% of their incomes on accommodation costs. House prices, particularly in Dublin and some other large urban centres, are way in excess of that cost. People on average incomes are paying a much higher proportion of their incomes to try to pay for a home.

All resources and initiatives of the Government should be put into making houses affordable. The Minister said that the initiative is not causing major inflation in the market, which is debatable, but even he is correct, it is doing nothing to bring house prices down to genuinely affordable levels. All the resources available to him and the Government should be used to do that. What we are actually doing is underpinning a massively inflated, unaffordable market. The Minister might argue that the Government policies are not driving up prices, but they are certainly doing nothing to drive them down. That is the problem.

I will not get into the argument about the Oscar Traynor Road development in a major way but suffice it to say it is an absolute scandal that public land would be used in any shape or form

to provide housing at current market levels rather than provide it on a not-for-profit level that is actually affordable or for social housing.

Deputy Seán Canney: I am disappointed in the Minister's approach to the proposal that the help-to-buy scheme be extended to second-hand houses. By expanding the scheme, opportunities would be offered to small contractors and not big developers. We would offer affordable houses in locations where people would be happy to live. We would also speed up the process by which houses or homes become occupied because of the time between getting planning permission for a new house or housing development and all that goes with that and its realisation. If we can extend the help-to-buy scheme and the mortgage scheme to allow people to buy vacant second-hand homes, it would counteract the arguments that have been made by Deputies Pearse Doherty, Boyd Barrett and others about developers being the beneficiaries. If we do not put in place some sort of a scheme to rejuvenate the housing stock that is vacant, we will miss an opportunity for young people, first-time buyers. If we do not do it this way, I am very interested to learn what way we are going to help people.

Deputy Mairéad Farrell: This comes down to the issue of affordability. That is the core issue we see across the State and in Galway city. We saw a report again last week which shows that rents have risen by 5% in Galway city. No properties within Galway city fall within the HAP limits. We need to have affordable rents and affordable housing. People must have the ability to buy affordable houses. The help-to-buy scheme simply does not tackle the issue. That is my core concern.

Deputy Denis Naughten: Following on from some of the previous comments, I wish to briefly ask the Minister a question. We are talking specifically about vacant properties here. We are not talking about second-hand homes in general. Local authorities have a list of vacant properties right across this country. Surely a mechanism can be found so that when vacant properties are being redeveloped they would eligible under this scheme. I accept that it makes no sense to do it across the board, but surely in this confined set of circumstances it makes immense sense to try to incentivise it.

Deputy Paschal Donohoe: In response to the questions Deputy Pearse Doherty put to me, the definition of an affordable home depends on what part of the country one is in, what part of a city one is in and the level of income of a person who is looking to buy a home. That is the key factor in defining whether a home is affordable, and what the price of the affordable home is. The price will vary around the country.

Deputy Pearse Doherty: Let us take Dublin.

Deputy Paschal Donohoe: In response to the issue regarding 40% of people already having saved their mortgage deposit or a contribution to their mortgage, in any policy measure that one puts in place there are always going to be some who would benefit from the scheme, even if they did not need the benefit. That is the case in every policy that we evaluate. There are always going to be a percentage of people in any economic policy that would be able, for example, to complete a transaction or do something even if a support policy was not in place for them. Even according to Deputy Doherty's figures, 60% of people benefit from the scheme, and for the 40% to whom the Deputy refers, perhaps it gives them the opportunity to have a lower level of debt or to use the money to buy furniture and kit out their home. For me, that is something that needs to be considered in the evaluation of the scheme.

I will go back to the point I made to Deputy Doherty earlier, the average couple on this

scheme has an average income of €77,000. That is a real world example of who is being helped by the scheme. One will always find couples and individuals who earn more than that, who are buying homes for more than the average value, but that is the average level of income for people who are participating in this scheme, which shows the help that it gives. I do not agree with the idea that the scheme of itself is a cause for inflation within the housing market. It could be the case that it is a partial contributor to the increase in the cost of houses in some areas, but there are many deeper factors at play than the presence of the help-to-buy scheme. The total number of purchases on the scheme, as well as the percentage of the purchases as a total of first-time purchases of the new homes being built, rebut the claim that the scheme is a significant cause of housing inflation and a beneficiary to large developers.

On the Deputy's question regarding comments made by the ESRI and the Parliamentary Budget Office, I am aware of those comments. We will evaluate the impact of this scheme on the housing market next year. The ESRI would take a very different view from that of Deputy Doherty on retention of the local property tax or decisions on amending carbon pricing. As a politician who aspires to be the Minister for Finance and to see his party in government, the Deputy forms a view on measures which he believes to be beneficial and fair. Sometimes institutions evaluating policies, even when one in government, take a different view on the impact of schemes in particular policy areas. I go back to the two reports I mentioned that did not find evidence of this scheme having the impact on the housing market that the Deputy suggested. I will review the impact of the scheme on the housing market next year given the amount of change taking place in the housing market at the moment and the uncertainty concerning housing output.

To respond to Deputy Boyd Barrett, I am not arguing that this is the only thing the Government is doing to try to support housing output. The Deputy acknowledged that. This scheme is simply one element of that. The Government may not be doing all the other things the Deputy called on us to do at the scale he wants. However, we are increasing capital expenditure, paying for and co-funding infrastructure and moving ahead with major public transport projects to allow the release of more land on which to build more homes. The Deputy wants us to do more of that and he will argue, no doubt, that we are not doing enough but this is just one policy measure alongside an array of other policy measures that are being put in place by the Government.

To respond to Deputies Canney and Naughten, it is increasingly the case that local authorities are purchasing vacant properties. I hope the incentive to purchase such properties will be reflected in the selling price the local authorities are offering purchasers and that there will be no need for them to be included in the help-to-buy scheme. In my constituency, which is highly urban and different from the settings the Deputies referred to, Dublin City Council is buying derelict properties at a very low price. If it is looking to sell them on again, it has an opportunity to offer the properties at a very affordable price to potential purchasers on the basis of the low purchase price as opposed to including them in the help-to-buy scheme.

On Deputy Mairéad Farrell's point about affordability, there is a need for measures that drive affordability in the housing market. Where the Deputy and I differ is that I see this as being a measure that tries to get the balance right between, on the one hand, enabling the supply of houses at a time when we need more homes to be built and, on the other, making a contribution to people on the scheme - the total number of participants last year was 6,600 - that the majority of them need to build up a deposit and help make a house purchase affordable. From my point of view, that is one of the main reasons this scheme is in place.

Deputy Denis Naughten: I wish to respond to the Minister's comment about local authori-

ties. The situation in Dublin is very different from the situation in rural areas. The difficulty is that local authorities are not purchasing these vacant houses in villages and smaller towns because there is not a demand for housing in those villages. There are a number of villages with a large amount of vacant residential accommodation, but local authorities are not interested in purchasing this because they do not have any or have few people on their housing lists or the people on their housing lists are single people or require one- or two-bedroom accommodation, whereas these are family homes. If we are going to rely on local authorities to bring life back into these smaller villages, we might as well throw in the towel now. What we are talking about are families living in urban areas who are seeking housing and who would relocate back to these communities where there is fibre optic cable outside the door and where it would be attractive for them to purchase a property. It would probably be at a lower price and probably within their capacity to service the mortgage. Having this additional incentive will encourage them to start looking actively at these properties and bring life back into communities in which local authorities are not interested at present.

Deputy Pearse Doherty: For the Minister's information and in the context of his rebuttal of what I said with regard to the ESRI - and Ministers are entitled to form their own views - he should note that the institute spoke against the carbon tax. It stated that it would be regressive and would hit rural families, lone parents and poorer households the most. It argued for a different scheme, indeed, one close to what the Green Party put forward. Perhaps the Minister's clutching at the carbon tax and the ESRI might not have been the best example he could use, because it is one that has been used to show that the Minister's proposal is flawed.

I will return to the core of what we are discussing. Perhaps the Minister could answer the question about what is affordable in Dublin, the capital city, because it relates to that core issue. This is an important question and one which I am sure the Minister will not answer, just as none of his Cabinet colleagues will answer it. The reality is that they are only too happy to allow public land to be sold to provide housing that is not affordable, but they will not nail their colours to the mast. What does the Minister believe is affordable? What is a reasonable price for a three-bedroom house in Dublin? We talk about affordable housing schemes and so forth, but does the Minister have a figure? Perhaps he will surprise us and give a figure. The figures for affordable housing are available, regardless of the level of people's incomes and all the rest of it.

The Minister also made the point that the majority of people need this scheme in order to get deposits. That is not the case. The Minister might be misinterpreting the figures, which are the figures he provided from the Revenue Commissioners to Deputy Ó Broin in reply to a parliamentary question. When we say that 40% of individuals did not need this for the deposit, that means 40% had a loan-to-value ratio of less than 85%. Some 3,000 of these individuals had a loan-to-value as low as between 70% to just under 75%. The number of people who had a loan-to-value of 90%, which is the figure one needs under the Central Bank's rules, was 35%. It is not the case that the majority of them needed this. Only 35% of those who availed of the help-to-buy scheme needed all the support required to enable them to get the mortgage. The other 65%, to one degree or another, did not need the full payment and we know for a fact that at least 40% needed none of it. They are the figures. It is not a majority. The Minister talks of dead weight in schemes and of course that is there but this is different. The core issue is there is a lack of supply and the Government is throwing money at it. We were in the Seanad Chamber for the earlier part of the meeting and myself and the Minister were Members of that House during the crash. We heard many times about the need to withdraw the punchbowl and all the rest and how what the then Government did was like throwing petrol on the fire and so and so forth. All the Minister is doing here is creating demand for houses that are above the median price

and demand where a large proportion of purchasers - at least 40% - need no support whatsoever and the majority do not need all of the support being provided. Despite this the Minister feels this is the best way to use this money. Every single figure we are given is under the old 5% and €20,000 scheme. What the Minister is deciding to do is to ramp it up to 10% and €30,000. It does not make sense any way one looks at it or dices it. The Minister may disagree but the reality is the PBO and the ESRI have said this will push up house prices. The problem is that I do not think that is a problem for the Minister. He is okay with that. Fine Gael are okay with that. The Minister's predecessor, Mr. Michael Noonan, used to talk about needing to get a floor and how he wanted the vultures in to get a floor on property prices. This is Fine Gael's way. The Minister does not like me saying that but he keeps on showing me over and over again that this is the Fine Gael way and that this is what it is about. Otherwise, the Government would not be using this type of money to do something, as independent agencies have said, that pushes up house prices. *Daft.ie* have shown that house prices have increased in the third quarter by 2.7%. In the past three months it has gone up 5%. Other people have said since the Government announced its enhanced help-to-buy scheme, it would push up property prices because the demand has increased at a time of the weakest supply we have had in more than 14 years.

Deputy Richard Boyd Barrett: I broadly echo the points made by Deputy O'Doherty. One further thing is that it is not just about supply. That is a point I have made repeatedly over recent years. I remind the committee, because this is a very important point, that even when we had record levels of supply in this country, when we were delivering 70,000 to 90,000 houses a year, they were unaffordable. They landed the country and the people in it in absolutely enormous debt. Even if one were to expand supply on a massive scale, therefore, our recent experience tells us that does not deliver affordability and in fact it can deliver the opposite. That is how distorted the market is, and that is because the market is operating on the principle of profit. We know, because the builders tell us, that they cannot deliver housing at anything remotely approximating affordability. They just cannot do it. That is the problem we have, and we intend to compound it by giving them public land on which to build more unaffordable housing. That really beggars belief and the Government will say, "We are getting 50% and, by the way, the Land Development Agency says 10% is the minimum". We may get more sometimes and we will get an undefined affordable proportion but then we will also have market-priced housing on public land that will contribute to an already unaffordable housing sector by any meaningful definition.

I pose the same question to the Minister as Deputy Doherty did, but slightly more sharply. Is it not fair to say that 25 to 30% of average income is as much as anyone should spend on mortgage or rent? Is that a reasonable definition of affordability? If so, then we need to deliver housing at scale at that level, that is, housing that will only cost about 25% to 30% of average incomes in mortgage repayments or rent. Anything more than that is excessive, will overstretch people and is of no use in solving the current crisis. It simply serves to sustain private developers in business. They are not capable of delivering affordable housing, even if they wanted to, because of their costs and their need to make a profit. They just cannot do it so why on earth would the Government do anything to underpin or sustain what is a completely unaffordable and out-of-kilter housing sector? All resources, all land available to the State and all policy measures should be directed at delivering housing that is affordable, that is, social housing for those who could never hope to buy and affordable housing at prices that are affordable for ordinary working people.

Deputy Paschal Donohoe: I will deal with Deputy Naughten's point first. He said that he wanted this incentive to be made available for vacant second-hand homes. If there is an issue

with local authorities being unable or unwilling to purchase derelict properties and to then sell them on, the inclusion of such properties in the help to buy scheme will not have a big impact. The Minister for Rural and Community Development, Deputy Humphreys and the Minister of State, Deputy Joe O'Brien, received additional money in the budget for expenditure measures including the town and village renewal schemes. Allowing local authorities to purchase homes and to then sell them on at a discounted price to people who can afford them is a far more impactful way of dealing with the issue that Deputies Naughten and Canney raised, rather than including vacant second-hand properties in the help to buy scheme. That is why additional money has been made available for the aforementioned schemes.

I repeat what I said in my first answer to Deputy Doherty, namely, that a definition of affordability depends on the location of the home and the income of those who are looking to buy it. It is not my objective, however, to have policies in place that are driving up the price of homes. That is not the case. In each of the budgets I have presented, I put significant amounts of money into capital expenditure measures to try to increase the supply of homes. I want to see stability in house pricing. If we are to see price increases at all, I want them to be moderate. I do not want any increases getting further in the way of the affordability that he and I are debating. That is why I have, over the years, made more money available through capital expenditure to allow more homes to be built. It is also why I support the implementation of the macroprudential rules of the Central Bank. I want to be very explicit in saying to Deputy Doherty that it is not the objective of policies that I have in place to cause inflation within the housing market.

In terms of the Deputy's rebuttal of the point I made regarding the ESRI, which we will debate again later on, it is a hell of leap from the Deputy's quoting of the ESRI's support for a different method of increasing carbon prices and ensuring they are equitable and have less of an effect on vulnerable families to the Sinn Féin policy of not supporting an increase in carbon pricing at all. There is a big leap between those two positions but as the Deputy said himself, it is up to politicians and Ministers to take a view on policies that they think are appropriate and fair. On the Deputy's point in respect of 60% of those availing of the help-to-buy scheme not needing the full payment, it is a fair point. However, I would make the point that it shows that for that 60% the help-to-buy scheme is helping them in the purchase of those homes. I believe that help is valuable and has an effect. I go back to the point that has been at the centre of this debate and which I have put to Deputy Doherty, namely, that if one looks at the average income of persons on this scheme, be they a couple or a single person seeking to purchase a house, they are deserving of support through a programme such as the help-to-buy scheme.

On the points made by Deputy Boyd Barrett, I believe that public housing should be built on public land, but I also believe there is a role for private housing on it and there is room for affordable housing on it. It is about time we got the balance and the mix right. There are issues relating to the affordability of the private sector in delivering homes, but that is why, for example, we have the Land Development Agency and things such as the local infrastructure housing activation fund, LIHAF, that is trying to co-fund infrastructure in order to reduce the cost of developing homes. It is not yet having the impact I want it to have, but I am fully supportive of continuing to have the money in place behind that scheme so that it can have an effect in what could be a different housing market next year.

Deputy Pearse Doherty: I wish to withdraw amendment No. 2 and reserve the right to reintroduce it on Report Stage.

Amendment, by leave, withdrawn.

Deputy Richard Boyd Barrett: I move amendment No. 3:

In page 10, between lines 34 and 35, to insert the following:

8. The Minister shall, within three months of the passing of this Act, prepare and lay before Dáil Éireann a report on the Help to Buy scheme which shall cover the following areas:

(a) the impact on overall house prices of the scheme;

(b) the impact on the profits in construction, banking, and other related property sectors;

(c) other measures and interventions that may deliver affordable housing at a lower cost to householders and public funds.".

Vice Chairman: Amendment No. 3 has already been discussed. Is the amendment being withdrawn?

Deputy Richard Boyd Barrett: If I press the amendment, may I resubmit it on Report Stage?

Vice Chairman: The Deputy may withdraw the amendment, as Deputy Doherty did with amendment No. 2, and resubmit it on Report Stage.

Deputy Richard Boyd Barrett: I will do that to save time.

Amendment, by leave, withdrawn.

SECTION 7

Question proposed: "That section 7 stand part of the Bill."

Question put.

The Committee divided: Tá;, 6; Níl, 3.	
Tá;	Níl;
Donohoe, Paschal.	Doherty, Pearse.
Durkan, Bernard J.	Farrell, Mairéad.
Matthews, Steven.	Tóibín, Peadar.
McGuinness, John.	
O'Callaghan, Jim.	
Richmond, Neale.	

Question declared carried.

SECTION 8

Question proposed: "That section 8 stand part of the Bill."

Deputy Mairéad Farrell: This section relates to a new annual reporting requirement for convertible securities, restricted shares and forfeitable shares given to a director, employee or other person that will now be required in electronic form in a format provided by the Revenue

Commissioners. The general share award reporting obligations have also been extended to include cash equivalent to shares or shares granted at a discount. I welcome this in the hope that it will provide greater transparency and oversight around the ownership of shares and will place Revenue in a stronger position, it is hoped, with regard to its ability to tax such ownership. Will there be any interaction between Revenue and the new register of beneficial ownership, RBO, which is controlled by the Companies Registration Office, CRO? The RBO is designed to create a register of the beneficial ownership of company shares. However, trustees can serve as beneficial owners when in reality they are just intermediaries acting on behalf of the ultimate beneficial owner. This new reporting requirement has the potential to increase transparency around company ownership provided there is some kind of exchange of information between Revenue and the CRO. Will the Minister outline the kind of exchange of information there will be? If there will not be, will he explain why?

Deputy Paschal Donohoe: I thank the Deputy. If there is sharing information between this and related to those overseeing the trusts and the registration of trusts in our country, it will only be on an anonymised and overall basis. In keeping with the requirements of taxpayer confidentiality, the Revenue Commissioners will be using the granular information available to them to make sure that shares and share-related instruments are accurately reported and that any tax on them is correctly charged and collected. However, the Revenue Commissioners will not be sharing this kind of granular information beyond the domain of their organisation. That is in keeping with the long-standing practice of the Revenue Commissioners in protecting taxpayer confidentiality.

Deputy Mairéad Farrell: I understand that information will be shared on an anonymised basis. It will not be formal and will take place on an *ad hoc* basis rather than monthly or annually.

Deputy Paschal Donohoe: The Revenue Commissioners publish top-line information in their annual report on the implementation of tax policy in particular areas and in features about taxpayers. I would anticipate that it could be possible to do that for this change as well. That is a matter for the Revenue Commissioners. Revenue will not be sharing sensitive taxpayer information beyond the organisation. They do not do that as a matter of course and that will not be changed in this area.

Question put and agreed to.

Section 9 agreed to.

NEW SECTIONS

Deputy Denis Naughten: I move amendment No. 4:

In page 11, after line 34, to insert the following:

"**Report on options for enhancement of tax credits**

11. The Minister shall, within 90 days of the passing of this Act, publish a report on options for the enhancement of tax credits that can be claimed where a person works remotely.".

I raised this issue with the Minister during the passage of the Finance Act 2019, which is the incentives currently available for people who work remotely. The only incentive at pres-

ent is an allowance of up to €3.20 a day which can be paid by an employer to an employee who works remotely. People were looking at this very differently this time last year, but everyone now accepts that remote working is something we should be trying to encourage.

It comes back to the point I made earlier regarding vacant property in many regional towns and villages in rural areas. There is a major opportunity now to assist people in terms of their quality of life, participating in communities and keeping schools and post offices in villages alive by allowing them to work remotely. While people living in cities are beginning to realise that there are opportunities to relocate to rural areas, and quite a number of auctioneers are reporting an interest in that, which I pointed out to the Minister previously, there needs to be encouragement from the Government in that regard. It needs to encourage people to relocate to rural areas and to work remotely utilising the investment that will be put in under the national broadband plan. While I mention the national broadband plan, the Minister might indicate in his response if any additional funding will be put into that plan next year. The profile funding as announced on budget day is the funding he and I previously agreed for the national broadband plan. There is a commitment in the programme for Government to increase that investment and fast-track the roll-out of the broadband plan. He might indicate if there are any plans to do that over the coming 12 months.

When I spoke to the Minister privately I mentioned that putting an incentive in place such as the bike to work scheme, which has been extremely successful, would incentivise people, whether it is in the purchase of a laptop if they do not have one, or, in preparing for the national broadband plan, putting in ducting, carrying out hedge cutting and so forth, which would save the Exchequer a significant amount of money. As he is aware, under the national broadband plan the projected connection charge from the telegraph pole to a person's home is up to €5,000. If we could get people to do that work in advance through some sort of incentive or relief, similar to the bike to work scheme, it would save the Exchequer a significant amount of money but would also help to expedite the roll-out of the broadband plan because while many people may not realise it, bringing the fibre from the pole to the door of the house will be the slowest part of the roll-out of this particular project.

As I said earlier, in many parts of the country the infrastructure, schools and childcare facilities are in place. What we are missing is people. When I raised this with the Minister in the House previously he highlighted concerns about the need to get people back into offices in cities. I can understand, from an economic spend point of view particularly, the need to try to get people back working in offices in the city of Dublin but we cannot simply look at this from that perspective. Pension funds will survive in regard to their office accommodation. It might be the case that we should consider some sort of mechanism, which is an issue I will raise later during the discussion on this Bill, or incentive for the conversion of some of the office space in Dublin back into residential to deal with the housing crisis in the city. This potentially is a win-win situation for everyone. The incentives currently available are insufficient to encourage large numbers of people to consider remote working on a permanent basis. I hope the Minister can examine that realistically and in a practical way to put incentives in place that would assist people in working remotely.

Vice Chairman: Is anybody else offering? I call the Minister.

Deputy Paschal Donohoe: I think Deputy Canney signalled.

Deputy Seán Canney: I thank the Minister. To add to what Deputy Naughten said, the dynamics in terms of people's working lives have changed. We have seen at first hand what

has happened with Covid-19 and how people are now working from home. The potential for remote working is unreal. We need to assist those who wish to work from home in doing so by providing a tax relief on the investment they must make. A sum of €3.20 per day is not a sufficient incentive for those who must adjust in order to work from home. The opportunity exists. We are investing so much money in broadband through the national broadband plan. I supported this from day one and believe it is important but, to ensure we have the take-up of remote working required, people need to be able to work from home in a way that has been demonstrated in the past six months during the Covid pandemic. We need to expand on it. Doing so will help people in their daily and working lives and give them a better quality of life from a family perspective. Also, it will help with regard to equipment right across the country. I support the removal of the barriers and incentivising people to work from home in a way that is right and proper.

The number of telephone calls I get daily in my constituency office on the lack of broadband has accelerated in recent months because people see what the lack of broadband means. They cannot fully work from home because of the lack of broadband, nor can their children do their studies at home. In both national and secondary schools, a lot of work is now being done online. Therefore, it is important that we consider this. The dynamics have changed.

Deputy Paschal Donohoe: The 2020 programme for Government contains several commitments related to working from home, including an examination of the feasibility and merit of changing tax arrangements to encourage more people to work remotely. The responsibility for this falls with my Department. There is also a commitment to the development of a national remote working strategy. To that end, an interdepartmental group to consider this area has been set up. Officials from my Department are included in this group, which is chaired by the Department of Enterprise, Trade and Employment.

Regarding the current tax treatment of the costs associated with working from home, the position is that any such costs incurred wholly and exclusively for the purposes of the business by an employer, for example, the provision of equipment, may be deducted by the employer in the normal course of calculating the tax liability of their business. From the perspective of the individual employee, there is no specific tax credit available to employees where they work from home. The consideration of the introduction of any such credit would need to balance a number of factors, including issues of equity, noting that not every worker is able to work remotely or from home for a variety of reasons, including the nature of their work and also the nature of their home environment. However, I am advised by the Revenue Commissioners that where e-workers incur certain extra expenditure in the performance of their duties of employment remotely or from home, such as additional heating and electricity costs, there is a Revenue administrative practice in place that allows an employer to make payments up to €3.20 per day to such employees, subject to certain conditions, without deducting PAYE, PRSI or the USC. Where employers avail of this facility, they are not required to advise Revenue and, therefore, the number of employees reimbursed in this manner is not available. Where employers choose to pay more than €3.20, the excess is subject to a deduction of PAYE, PRSI and the USC.

To respond to a point made by Deputies Canney and Naughten, it is not the case that the only support available is the €3.20. It is up to each employee working from home to decide whether a share of the expense of working from home can be deducted from the tax liability for the year, through the Revenue Commissioners.

The Revenue Commissioners have confirmed that PAYE workers using their primary residence as a workplace during Covid-19 restrictions qualify as e-workers for the purpose of this

practice.

Revenue also advises that the provision of equipment, such as computers, scanners and office furniture, by the employer to enable the employee to work from home will not attract a benefit-in-kind charge where the equipment is provided primarily for business use. The provision of a telephone line, broadband and such facilities for business use will also not give rise to a benefit-in-kind charge where private use of the connection is incidental.

I am advised that where an employer does not pay €3.20 per day to an e-worker, the employee retains a statutory right to claim a deduction under section 114 of the Taxes Consolidation Act 1997, in respect of actual vouched expenses incurred wholly, exclusively and necessarily in the performance of the duties of his or her employment. PAYE employees are entitled to claim costs such as additional light and heat in respect of the number of days spent working from home, apportioned on the basis of business and private use. As I announced on budget day, Revenue has agreed to allow broadband to qualify for this relief. The apportionment is based on the number of days in the year the person spent working from home, with 30% of the apportioned value accepted by Revenue as related to work in the home.

I am, therefore, satisfied that the matter raised by the Deputies is being sufficiently considered through appropriate channels, with publication of the various findings in due course, so I do not believe there is a need to accept the amendment.

Deputy Mairéad Farrell: On the increase in the value of the naval personnel credit for another year, I am concerned this will not go far enough to help the people it is intended to help. Pay and working conditions are of particular concern. Will the Minister comment on the impact that will have on the Naval Service?

Deputy Ged Nash: I concur with Deputy Farrell. More significant work needs to be done to improve and enhance the pay and working conditions of Defence Forces members if we are to value the contribution they make to our security and society more broadly. I will be interested to hear what the Minister has to say in that regard.

Turning to the amendment, there is significant potential to make working from home, and remote working more generally, more attractive. I have been writing and speaking for years about the possibilities and prospects of that and how policy can change to support new ways of working. We will not all be saying goodbye to the bricks and mortar office, but it is about getting the balance right. About half a million more of us now work from home than was the case prior to the pandemic. Almost overnight in late March, many hundreds of thousands of people gravitated, almost automatically, from their offices to, in some cases, their kitchen table or box room, if it was available. Many of the measures and rebates the Minister mentioned in response to Deputies Canney and Naughten are already in place but have been underutilised for some time.

Where I disagree with the amendment is in the idea that we must enhance tax credits to properly support workers who work from home. My view, and that of the Labour Party, is there is an onus on employers to provide flat-rate payments to cover the necessary cost of working from home, and there is a cost. The burden should not fall on the Exchequer to support those who work from home but on those for whom employees work. That is an argument we will make strongly and we will bring a Private Members' Bill on the matter to the House this week. It will include initiatives to improve the security of those who work remotely and will update and enhance our suite of employment protections to reflect new ways of working. It will also

ensure that employers will have certainty regarding what their obligations to those working remotely are because employers have existing obligations in terms of the occupational health and safety code and all of the associated regulations.

Deputy Denis Naughten: In the context of the Minister's comments, what we will see is the hybrid model in general. We will mainly see blended working involving people working from home part of the week, possibly working from a hot-desking facility and possibly working in their main office headquarters on a less regular basis than would have been the case up to now. Flexibility and adaptability will be key. We need a system whereby, as Deputy Nash outlined, the employer will provide support in terms of those costs. We do not need the employee having to pay tax on that as a result of those facilities being provided to him or her.

The Minister mentioned an interdepartmental working group has been established, which I welcome. However, he will recall that this time last year he also announced the establishment of an interdepartmental working group relating to the provision of hot-desking facilities at vacant public sector office spaces across the country. The Department of Social Protection has offices in my constituency of Roscommon along with offices in Longford, Carrick-on-Shannon, Sligo and Letterkenny. Perhaps somebody from County Leitrim who is working in the Department of Education and Skills in Athlone could hot-desk in the Department of Social Protection in Carrick-on-Shannon if it has a vacant desk. In the same way, an employee in the pensions office in Sligo could hot-desk at the facilities in Roscommon town.

A working group announced by the Minister on budget day last year was established. Could he provide an update on the progress and how many hot-desking facilities have been made available to civil servants to allow them to work remotely rather than having to commute to Dublin or, alternatively, work from home? It is a blended approach that will be needed. Ultimately, many people will end up in hot-desking facilities. As part of the national broadband plan, we are rolling out 300 of those centres across the country. They will deal with a many issues relating to social isolation that exist in the context of people working remotely. Blended working will be the approach that will be used. We will see that the national broadband plan and the broadband connection points were very innovative at the time in terms of dealing with Covid-19 and the future post Covid-19. It is imperative that Government leads from the front on this, leads by example and makes this flexibility available to public and civil servants.

Deputy Pearse Doherty: I concur with what Deputy Farrell said about the seagoing naval personnel credit. This has been discussed and I just wanted to add my voice to what was said.

We are also dealing with Deputy Denis Naughten's amendment. It appears that this is inserting a new section so that is the one to which I want to speak. The amendment relates to remote working. I want to get an understanding from the Minister on the contribution that would be given by an employer. The Minister spoke of how it would be treated in respect of benefit-in-kind. Take the setting up of a work station in someone's home, given that the work station is probably owned by the employer, how would those allowances be offset against taxable income in any year? Is it like capital allowances, based on 12.5% or one-eighth per year? Is there merit in looking at enhanced capital allowance for this purpose? I would like to get a better understanding of how the business is able to offset some of that cost. That is one of the big challenges. I have spoken to people for whom working remotely was great for the first couple of weeks and then it was not so great because our homes are not equipped in a way that facilitates home working and some homes simply do not have the space and so on. There are also bigger issues around access to broadband and so on.

The other two issues I wish to raise are connected to issues around remote working. One is the cross-Border worker relief. This is something that has been thrown up as a result of the pandemic. There has been a suspension of the rules during this period. That was only Covid-related but we all know the trajectory, where there will be more people working from home. There are many benefits around that including carbon emissions and climate change. The issue is around an employee who, for example, lives in Donegal who works in a company in Derry. If they carry out any substantial amount of work for their company, they lose their cross-Border worker relief, whereas in the North, a scenario where someone is living in Derry and works for a company in Letterkenny, they would have up to 60 days where they can work from home for the company without losing the full entitlement of the cross-Border working relief. In the South, anything more than basic duties results in the loss of relief; there is no provision for even one or two days or anything up to 60 days. Is the Minister open to considering how we would facilitate cross-Border, or what are referred to as frontier, workers in future? There could be a limit in the number of days they can work from home without being double taxed, which is what happens if they are not given the relief.

My second point in not related to that but with to the issue of remote working. Remote working has advantages and disadvantages, as has been touched on, including how our cities and town centres will look in future. That throws up opportunities. Some European cities have grabbed those opportunities which arise with low density traffic and how they can reshape their city centres. Our cities were very much based on people commuting into them and working from them. My question relates to companies where their staff no longer need to work in those offices and may not even live within the State, say in the case of big IT companies such as Google which might be located in Ireland but their staff are working in Barcelona, London or wherever. Is the Department concerned about that type of trend? Has it looked at this from a taxation perspective?

Deputy Paschal Donohoe: I will deal with each of the questions in turn. Deputy Mairéad Farrell asked about the original section 10 and the change being made in the seagoing naval tax credit. I am not suggesting for a moment that this is the Government's entire response to issues relating to the retention of naval personnel, particularly naval personnel who are at sea regularly. The Minister for Defence, Deputy Coveney, is working with the Minister for Public Expenditure and Reform, Deputy Michael McGrath, to see if measures can be applied to deal with retention in that part of our Defence Forces. This measure is only a contribution to that work. It is not suggested for a moment that it will be the entire policy response.

I agree with many of the points Deputy Nash made. I believe the tax regime now in place by and large gets the balance right between being equitable and providing a degree of recognition of the costs involved in working from home. If, for example, companies decide to facilitate more of their staff working from home on a more regular basis, I do not see why all the costs of that should be borne by the taxpayer. There will be cost savings for companies through how they might use office space they are renting or may be renting in the future. The State should not be the only source of incentive for encouraging or facilitating people to work from home. Many employers are in a position to address the issue of cost and incentive themselves and the State should not be taking that role but might be able to make a contribution to it, even more so in the future. That will be considered by the interdepartmental working group on remote working. I believe that on balance the supports for working from home we have through our tax code are broadly okay. Of course, we will need to reassess it in the context of what has happened in 2020. We will do that through the interdepartmental group.

Deputy Naughten asked about hot-desking and encouraging more public servants to work outside their offices. The Minister for Social Protection, Deputy Humphreys, made a statement on this a few days ago. She spoke about planned investment to facilitate public servants in working in hot-desk centres outside their original location. I think I have got the phrase "hot hub" wrong, but members know that we are talking about the remote working desks here. I apologise for not being precise with my language there. I am sure the work the Department of Public Expenditure and Reform was doing will feed into the report on remote working. I understand that work is nearly finished, and we are anticipating the completion of that work by the end of this year. My officials have seen an advanced draft of that report. Deputy Naughten and I have discussed this previously. I think we will move to a hybrid model. I do not believe where we are now will prevail into the future. I do not believe we will be in an environment, health and vaccine permitting, where the vast majority of people will be working from home most of the time. I do not believe that is a good equilibrium but we have also learned that, in addition to the previous way we had of working where almost all office work had to be done in the office, there are alternative ways. If we take the way we are conducting this committee, if anybody had suggested a year ago that we would not all be physically present in the committee room for scrutiny of the Finance Bill, it would have seemed highly unlikely. We are making it work, however, which is a sign of what is to come. We are working towards a hybrid model which will, I believe, have many benefits. I say again that I have a concern, particularly for younger workers beginning their career and particularly in larger companies. They are never in the office at this time, which a matter of concern to me from a well-being and skill development point of view. I hope that begins to change next year.

I touched on Deputy Canney's point in responding to Deputy Naughten. As I said, the Minister for Social Protection, Deputy Humphreys, made an announcement last week about identifying a few hubs where I expect public and civil servants, regardless of the Department they work for, will be able to come together in the same space and do their work. Perhaps that is a sign of the hybrid model Deputy Naughten is talking about, one where people will at least have a degree of social contact. If colleagues from the same Department are sitting in the same part of a building or floor, it will offer at least the social and personal contact element of being in work, if not the skill development component that is important.

Deputy Doherty agreed with Deputy Farrell on her point about section 10 and I touched on that in answer to Deputy Farrell. I will address the different questions Deputy Doherty put to me. He raised the issue of cross-Border work and the loss in tax recognition that could accrue to workers who would normally travel to Northern Ireland to do their work. I am informed that the Revenue Commissioners have published a statement on their website on this in recent days and have indicated that, throughout the period of Covid, they want to put in place measures to ensure the workers the Deputy refers to are not worse off as a result of not being able to travel to their workplace. I will get the details of that statement sent on to the Deputy.

On the Deputy's question about benefit-in-kind, he is correct that if an employer pays for equipment that goes into someone's home, it is the employer who will make the claim for wear and tear to that equipment. The responsibility rests with the employer. On his question about large companies and workers not being present at the moment, a number of employers have reminded their workers about the obligations they have to be present in the jurisdiction in which they pay tax. At the moment, it is more a matter of public health than of tax policy but I am eager that next year we see a phased return to offices if that is allowed for public health reasons. I believe, particularly for large employers, that it would be advantageous for many reasons to have more of their staff present more of the time than is currently the case. Employers have

issued guidance to their staff reminding them of their duties to be present in the State in which they are meant to pay tax. I have just been told that the guidance I refer to was issued in March. If the Deputy believes it is deficient or not clear in any way, I am sure he will let me know and I will follow up any matters he wants me to raise with the Revenue.

Vice Chairman: I want to move on. Deputy Denis Naughten wants to come in again and after that we will put the question.

Deputy Denis Naughten: I thank the Minister. I have listened to the comments of the Minister and colleagues. The point made by Deputy Doherty about capital allowances is something we probably need to look at again.

I accept that the Minister is correct and there is a major benefit for employers. Ultimately, we will get some type of a blended working situation, a bit like that outlined to us at the committee last week by the Minister for Social Protection, Deputy Humphreys. We must also acknowledge, however, that there is a benefit to the State as well in terms of taking pressure off the street space and housing in Dublin, for example, but also in terms of carbon emissions. If people are not travelling or commuting long distances to work, there is a direct impact on our emissions profile in transport and on air quality, especially particulate matter. The State benefits as well in this regard.

The Minister is correct on the matter of people paying tax in the country where they are resident. There are also data protection issues and the management of data that could cause problems if people are working outside of this jurisdiction. Having listened to what all my colleagues have said, along with the Minister's comments, we will look at the amendment again in advance of Report Stage.

Deputy Pearse Doherty: There are a couple of points there. The point I was trying to make to the Minister relates to the capital allowances companies would be entitled to to provide work stations and support workers when it comes to remote working. I heard the Minister's comments on the advantages for businesses and all the rest of it, and I am not suggesting that there should be a blanket provision for every company. There are companies, however, that probably need additional support to assist their employees to operate remotely. It is unfair on some workers if they do not have that type of support.

I was asking the Department to look at the concept of using an alternative to the wear and tear provision, which goes over eight years, where there would be some type of accelerated capital allowance for specific companies that would need it that would allow them to offset the full cost. It does not even have to be the full cost. When we look at accelerated capital allowances, we are looking at incentives in terms of energy efficiency and equipment that is energy efficient. This could be a different model, covering 50% of the cost or whatever, but as opposed to the eight-year horizon under the wear and tear allowance. It should be in the mix and it needs to be considered. I am not suggesting, as I said, that this should be available to every company. Many companies can absorb this cost themselves. There is a benefit in not having people in offices given the high cost of commercial property and all of that. I will leave that there and perhaps the Minister might respond to that point.

The second point is about the frontier or cross-Border workers. The Revenue Commissioners have come out with guidelines and have waived the rules with regard to Covid-19. I am asking that we look past the Covid-19 pandemic. What we have here is an issue that it is just the way life and work are going. While some companies want people in their offices, not

everybody is going to be in their offices all the time. Where we are going to land is probably in a type of hybrid model where there will be much more flexibility with work, where people will want to be able to get to the office but will also want to work at home.

For frontier or cross-Border workers, this simply does not exist. They will be double-taxed because the cross-Border relief here is lost in its entirety if a person works one day from the South, whereas a northern worker working in the South can have 60 days. Our proposal is quite restrictive. I see many potentially unintended consequences if one went with a 60-day measure. I am not arguing for that but instead hoping that the tax strategy group would look at this area, particularly in the context of Brexit, the Good Friday Agreement and how we need to support cross-Border workers. It should also be examined in the context of the environment and carbon tax. It could be a case where, for taxation purposes, a worker has to travel 40 or 50 miles every day when both the employer and employee wants one day a week at home but cannot do it because they would be double-taxed.

Deputy Paschal Donohoe: Deputy Naughten understood the thrust of my response. I am sure there will be an opportunity to discuss all of this again on Report Stage.

On Deputy Doherty's point about accelerated capital allowances, we are examining that. In the way he put his question, he recognised that it varies from company to company. There are companies which might move to a hybrid model in which their staff are working from home for several days per week or certain types of work will be done from home more regularly. There is a gain for those companies in which case the point about the need for accelerated capital allowances is null and void, as the Deputy said himself.

There would be other companies, however, whose staff would have to work from home but they might not have the scale that larger companies may have or may have overheads for which they need to pay the costs. Accordingly, the equation for those companies is a bit different.

We will look at that for decisions we may need to make next year. I hope by the time we get to next year, we will be a little clearer on what will be the equilibrium for working arrangements for the medium term. We are not clear on that at the moment.

On the point the Deputy made about frontier workers, he acknowledged clarity has been brought to that issue during the period of Covid where those workers were not in a position to travel. The Revenue Commissioners reminded me that those workers, during normal times, would not be double-taxed anyway because a relief is made in our jurisdiction to ensure they are not paying tax twice due to having to work in Northern Ireland.

I accept the Deputy's point that this issue has come up much during 2020. Even since this clarification was issued by the Revenue Commissioners earlier on in the year, the issue has continued to develop. It appears that even if we have ameliorated the issue for this year, there are policy issues which we will have to address for the next year and beyond. I am happy to look at that through, for example, the tax strategy group process to tease out some of the issues on which we touched.

Amendment, by leave, withdrawn.

Vice Chairman: Amendments Nos. 5 and 6 are related and will be discussed together.

Deputy Pearse Doherty: I move amendment No. 5:

In page 11, after line 34, to insert the following:

"Report on tapering out of income tax credits

11. The Minister shall, within six months of the passing of this Act, prepare and lay before Dáil Éireann a report on tapering out income tax credits for incomes between €100,000 and €140,000 at a rate of 2.5 per cent for each €1,000 earned.".

The programme for Government has ruled out any income tax increases despite a sizeable deficit in the State's finances as a result of Covid-19, as well as the legacy of an expanded State. In an interview last week in *The Irish Times* with the Minister for Public Expenditure and Reform, he raised the prospects of new sources of revenue in spite of the larger State without spelling out what those new sources would be. Will the Minister square the circle for me?

The programme for Government rules out income tax increases while the Minister for Public Expenditure and Reform is examining new sources of revenue.

Amendments Nos. 5 and 6 are grouped and we are speaking to both of them at the same time. The amendments propose progressive taxation measures, one of which was implemented by a Labour Government in Britain under Gordon Brown and has continued under the Tories in an aim to fund expanded services. Amendment No. 5 proposes the tapering out of tax credits. We know the importance of tax credits in our taxation system to offset or reduce tax liability. The argument I am putting forward here, and have been putting forward for a number of years, is that when an individual reaches an income of €100,000, he or she should then start to see his or her tax credits reducing or tapering out. That is what happens in Britain, as I said, where for every £2 that is earned, approximately £1 is lost in tax credits. We are arguing that a rate of 2.5% would apply for every €1,000 earned above €100,000. Someone who earns €100,000 gets the full benefit of tax credits, 2.5% of the credits is lost at earnings of €101,000, and, at €140,000, he or she would have no benefit of tax credits because they would all have tapered out at that stage.

Amendment No. 6 is connected but separate from amendment No. 5. It proposes a solidarity levy or high income levy of 5% on incomes above €140,000. That is for the reason I earlier outlined, that is, that above €100,000 of individual income, one should start to see one's tax credits reducing and tapering out until they are all lost at an income of €140,000. At that point, a solidarity levy of 5% applies to the portion of income above €140,000. Those are the types of progressive policies that the Government should consider but perhaps the Minister for Finance has other ideas and can enlighten the committee as to the other sources of revenue mentioned by the Minister for Public Expenditure and Reform in his interview with *The Irish Times*.

Deputy Mairéad Farrell: I agree with my colleague on these amendments. It is important, especially given the context of the current climate, that we see a move to a more progressive taxation system. That is especially true in light of the fact that the committee voted to retrospectively tax those who lost their jobs and income through no fault of their own but due to the global pandemic. Accepting these amendments would be a strong signal from this committee that we want to move towards more progressive taxation. I support the amendments.

Deputy Paschal Donohoe: The Deputy's amendments refer to reports on the tapering out of income tax credits at certain incomes and on the introduction of a high-income levy. The income tax reform plan published by my Department in July 2016 examined this issue due to the fact that A Programme for a Partnership Government contained a commitment to consider

the removal of the PAYE credit for high earners as part of a medium-term income tax reform plan. It pointed out that a number of technical and policy issues would need to be addressed to achieve a tapered withdrawal of income tax credits, particularly for PAYE employees. The issue was also discussed in my Department's tax strategy group papers on income tax for budgets 2017 to 2020, inclusive.

The significant issue arising with this amendment is that it would have a negative impact on the marginal rate of tax. The tapering out of a tax credit would result in a higher marginal tax rate within the taper zone than would apply at higher income levels. For example, if the personal tax credit of €1,650 was tapered out at a rate of 5% per €1,000, it would result in a loss of just over 8 cent per additional €1 of income, and the marginal rate within the taper zone would be just over 60%. Once the taper period has expired, at income over €140,000 in this example, the marginal rate would then drop and would revert back to 52%.

Another issue that has been pointed out in previous research is that tax credits and rate bands operate on a cumulative basis, as Revenue issues a revenue payroll notification to the individual's employer, who then uses the information contained in the notification to calculate the tax to be deducted each time a payment is made. If it is known from the beginning of the year that an employee's income will exceed the chosen threshold, then the application of the taper of the credits could be applied from the outset, thereby spreading the tax burden equally over the year. However, where it appears during the course of the year that the employee's income may exceed the chosen threshold, Revenue will need to update the revenue payroll notification to withdraw the relevant credits and this will result in the collection of arrears from the next payment of salary by the employer, resulting in an uneven distribution of their liabilities over the year and an uneven distribution of the yield for the Exchequer.

I am aware that the UK tax system incorporates a personal tax allowance, which is subject to a tapered withdrawal for individuals whose income is in excess of £100,000 per annum.

Vice Chairman: I am sorry to interrupt the Minister, but it is time to suspend the meeting until 4.20 p.m.

Sitting suspended at 3.42 p.m. and resumed at 4.20 p.m.

Deputy Neale Richmond took the Chair.

Acting Chairman (Deputy Neale Richmond): We will go straight into section 11 as the ministerial team advising on section 10 has just changed out. I therefore propose that further consideration of section 10 and the amendments thereto be postponed until section 24 has been disposed of.

Deputy Pearse Doherty: Section 24?

Deputy Richard Boyd Barrett: Why is that changed?

Acting Chairman (Deputy Neale Richmond): We were discussing section 10. We have not finished discussing that section, and the ministerial time advising on the section has now been changed out. We have a new ministerial advisory team before the committee due to the timetable for the committee room, as we discussed at Friday's preparatory meeting. We will come back to further consideration of section 10 and put the questions on the amendments contained therein after section 24, when the team switches back in, if that is agreeable to the committee.

Deputy Richard Boyd Barrett: Just to be strictly accurate, we had not concluded the discussion on the amendments to section 10.

Acting Chairman (Deputy Neale Richmond): We will come back to conclude the discussion and then put the amendments.

Deputy Richard Boyd Barrett: Just so it is clear-----

Acting Chairman (Deputy Neale Richmond): It is 100% clear.

Deputy Richard Boyd Barrett: -----that discussion is not concluded.

Deputy Ged Nash: Was it not the case that we needed to dispose of amendment No. 129 before we went on to section 11?

Acting Chairman (Deputy Neale Richmond): That will happen after sections 1 to 10, inclusive, are dealt with. We will propose that after section 24. We will come back to amendment No. 129. Nothing has been parked, guillotined or moved on. We are simply pausing section 10 in order to allow for a change of officials. We agreed on Friday that this may be required. Is that agreed? I am hearing no interruption, so that is agreed.

We will come back to section 10 but we are now moving on to section 11. First, we must dispose of amendment No. 129. The question is that the new section be there inserted. Is the Deputy moving the amendment?

Deputy Ged Nash: I wish to formally withdraw the amendment.

Amendment, by leave, withdrawn.

SECTION 11

Acting Chairman (Deputy Neale Richmond): Amendments Nos. 9 to 20, inclusive, 22 to 35, inclusive, 37, 38, 40 to 43, inclusive, 45 to 95, inclusive, and 97 to 100, inclusive, are related and will now be discussed together. Amendment No. 9 is in the Minister's name, as are amendments Nos. 10 to 12, inclusive. The question is that amendment No. 9 be made.

Deputy Paschal Donohoe: Agreed.

Deputy Pearse Doherty: No, hold on.

Deputy Richard Boyd Barrett: Hold on.

Acting Chairman (Deputy Neale Richmond): I will take anyone who wants to speak on this section.

Deputy Richard Boyd Barrett: I would like clarity. I am getting a little bit confused now. Section 11 is the section dealing with the Covid restrictions support scheme, CRSS. Is that correct?

Deputy Paschal Donohoe: Yes, that is correct. Section 11 refers to the CRSS.

Deputy Richard Boyd Barrett: I do not understand then. I have tabled amendments, as has Deputy Doherty, on the Covid restrictions support scheme, which are not in this group of amendments. I do not understand this.

Acting Chairman (Deputy Neale Richmond): What number is the Deputy's amendment?

Deputy Richard Boyd Barrett: I am referring to amendment No.102 in the name of Deputy Doherty, and amendments Nos. 103 and 104, which are mine. They all deal with the Covid restrictions support scheme but they have not been referred to with regard to dealing with this section. I do not understand.

Acting Chairman (Deputy Neale Richmond): They come later in the section. For section 11 we have an amendment in the name of Deputy Doherty, which is amendment No. 102 and amendment No. 101 is in the name of another Deputy. We have not reached those amendments yet.

Deputy Richard Boyd Barrett: Okay.

Acting Chairman (Deputy Neale Richmond): We only go up to amendment No. 100 at this stage, if that makes sense.

Deputy Pearse Doherty: The Acting Chairman needs to hold on here because how he is trying to go through this is inappropriate.

Acting Chairman (Deputy Neale Richmond): I am not trying in any way to do anything Deputy. I am merely reading what is in front of me.

Deputy Pearse Doherty: Now, with respect, when I am speaking and I am not in the Chamber I ask that the Acting Chairman does not interrupt me until I have concluded because we are on remote access. There are 91 amendments grouped and, therefore, they are to be spoken about together. The Acting Chairman went to a vote on amendment No. 9. Once we finish speaking on these amendments that discussion cannot be reopened. I ask the Acting Chairman to hold off so we can have a proper discussion on the 91 amendments on the CRSS. I ask him to pull back from asking whether amendment No. 9 is agreed. That will happen after the discussion on the full group of amendments has taken place.

Acting Chairman (Deputy Neale Richmond): Yes, okay.

Deputy Pearse Doherty: With the indulgence of the Acting Chairman, I invite the Minister to speak to the amendments. I am very conscious that of the close to 90 amendments in the group well over 80 of them are technical and can be noted but there are ones that have more substance. The Minister will also note that a number of amendments have been ruled out of order. I have one later but, as the Acting Chairman said, we are not at that point. It is on the issue of suppliers and we will speak about it. Amendment No. 26 looks at the qualifying business activity, which will restrict it to fixed premises. Will the Minister put on the record the issues in terms of these amendments, noting that the vast majority of them are technical amendments?

Deputy Paschal Donohoe: I move amendment No. 9:

> In page 13, line 13, to delete "(18)" and substitute "(20)".

I suggest that I speak about the group of amendments and then I can deal with questions from the committee on individual amendments that have been tabled in my name. With the permission of the committee I will speak on the group overall and after I have made my opening contribution on the group we can then deal with any questions on each amendment, if Deputies want to raise them. As Deputy Doherty said, many of the amendments I have tabled are technical but if there are some that require debate by the committee of course I will do so.

In opening this discussion on the amendments to the Covid restrictions support scheme, it is important to recognise the important role the scheme will play in addressing the exceptional circumstances faced within our economy by the effects of the pandemic. Against this background, it is worth noting that Revenue will this week begin making significant payments to many thousands of businesses directly affected by the Government restrictions imposed on them as a result of the move to level 5.

The CRSS has received support within the Oireachtas and the business community. Revenue has been highly responsive in building the necessary technical online infrastructure to manage efficiently the disbursement of essential cash flow to businesses. The CRSS is a targeted support designed to assist those businesses where the Government restrictions set out in the Government's living with Covid plan prohibit or significantly restrict customers from accessing their business premises. It is envisaged that, in the vast number of cases, the CRSS will be available at levels 3 to 5, with certain businesses continuing to benefit at levels 1 and 2.

The scheme is an important element in the extensive range of supports that the Government has put in place and complements other schemes, for example, the employment wage subsidy scheme, EWSS, the warehousing of tax liabilities and the waiving of commercial rates.

In designing the scheme and providing for it in legislation, it was necessary to provide appropriate anchor points. The first comprises the restrictions introduced by the Government under public health regulations to combat the effect of Covid-19. These restrictions result in particular businesses having to close for a period or in other instances that significantly restrict how customers may access a business premises. The second is that the business is trading from a business premises located in a geographical region that is subject to Covid restrictions.

We recognised from the outset that there would be gaps in the previous levels of support. I worked with my ministerial colleagues to ensure that a further set of supports would be put in place. This scheme is an upfront cash payment that will enable eligible businesses to meet costs associated with their business premises, such as rent, insurance and utilities, during periods when they are closed or access to them is restricted due to public health restrictions.

Section 11 introduces sections 484 and 485 to the Taxes Consolidation Act 1997 to provide for the CRSS. A number of technical amendments are necessary to ensure that the CRSS operates as intended. An appeals mechanism is being introduced whereby a business that is refused entry or a claim to the CRSS may appeal to the Tax Appeals Commission should the business be aggrieved by the determination of a Revenue officer. A precedent partner will make a claim on behalf of a partnership to ease the administrative burden on businesses. In the Bill as initiated, each partner was required to make a claim based on his or her share of the partnership. This was viewed as administratively onerous. The precedent partner is now required to provide each partner with a statement setting out the amount of the CRSS claimed. A mechanism to deal with the scenario of restrictions being lifted earlier than expected, thereby creating a CRSS overclaim, is now included in the Bill. Where a business receives an overpayment in such a situation, it should not claim for that period in its next CRSS claim or may have the overpayment set against the CRSS. The definitions in respect of Covid restrictions and the claim period are amended to ensure that they operate as intended. These updates required subsequent amendments. To ensure that a qualifying business can make a claim under this scheme, that is, where there is specific business subject to restrictions, it is necessary to individualise the claim period by reference to the relevant business activity. The amendments provide that a person shall make a claim and assess his or her eligibility in three-week intervals.

Other changes include some technical amendments throughout the Bill to update numerical references, clarify that the unauthorised amount in overclaims or invalid claims in respect of an individual is not liable for PRSI or USC, remove excess wording in places, and correct or clarify references elsewhere. I also take the opportunity to give notice that I may have several amendments to this section on Report Stage.

I note that Deputies Boyd Barrett, Bríd Smith, Gino Kenny and Paul Murphy seek to add further conditions, including arguing for the business to pay a "living wage", which is not defined, as well as other conditions concerning, for example, trade union membership. Several other amendments from Deputies Nash, Doherty, Boyd Barrett, Bríd Smith, Gino Kenny and Paul Murphy have been ruled of order, which I am sure we will discuss.

Regarding the employment conditions that many of those Deputies seek to introduce, I accept that these are important issues but this scheme is not the appropriate place to address them. As I said previously, any additional conditionality will make it more difficult for employers to benefit from the CRSS and could have the effect of job losses. I also point out that the conditions put forward go beyond the remit of the Revenue Commissioners, which is operating the CRSS, and that other public bodies, including the Workplace Relations Commission, WRC, have responsibilities in that area.

I can deal with other points that have been raised as we go through this section. To update the Deputies on the operation of the scheme, it has been open since 1 November and, as of lunchtime today, 9,838 businesses have registered in respect of 11,180 premises. The claims process will be available from tomorrow, 17 November, which means that many businesses will have payments in their accounts this week. We understand the difficulties businesses and individuals are facing, and this measure should give them a fighting chance to remain viable and be in a strong position as the public health situation recovers. I understand that amendments Nos. 21, 36, 39, 44 and 96 have been ruled out of order. I do not propose to accept any Opposition amendments, so I will oppose amendment No. 43. I will press amendments Nos. 9 to 20, inclusive, 22 to 35, inclusive, 37, 38, 40 to 42, inclusive, 45 to 95, inclusive, and 97 to 100, inclusive.

Acting Chairman (Deputy Neale Richmond): I thank the Minister. I saw Deputy Doherty's virtual hand up, if he would like to speak now, and then Deputy Boyd Barrett after that. I call Deputy Doherty.

Deputy Pearse Doherty: To start with, there were many comments at the start suggesting that the CRSS was a grant scheme. Can the Minister clarify that it is not a grant, and that it is instead a claim that could be made in future, but which is being allowed to be made now as an advanced claim? I thank his officials for providing backup notes to some of the more complex parts of the Bill and for the briefing they provided to us. A point was made regarding when a business makes its annual return to the Revenue for the chargeable period in which the support is received, that the normal tax reductions for lowest fixed costs will be reduced by the State's contribution provided through tax.

This scheme is basically, therefore, an advanced tax credit, but it will not be possible to claim it twice. When there is a taxable income, then, because this support was received during this period - and it is important that businesses get this support and now is the time they need it as opposed to reducing their tax liability in the future - does that mean there is a potentially increased tax liability in the future? I refer to not having this credit to offset it. Throughout the whole year, though, it all kind of balances itself out and, therefore, the CRSS is neither a grant nor an additional tax burden on the company. That is what I understand the support to

be. In that regard, the key question concerns the briefing note stating that at a later point when the business makes its annual return to Revenue for the chargeable period in which the support is received. If there is not a chargeable income during that period, could this have been carried forward? The issue is whether these credits could have been carried forward. If these credits are not used up under the CRSS, can they be carried forward? I presume they can be used against costs associated with rent, utilities, insurance and so on. Those are my questions on that aspect.

My other question relates to amendment No. 26, which has regard to qualifying business activity. The amendment defines the Covid restrictions period as a period when businesses must restrict "members of the public from having access to the business premises". This comes to the core of the matter. We will consider businesses that provide services to industries which are restricted under levels 3, 4 and 5 when discussing one of my later amendments. Such businesses may have lost more than 75% of their normal turnover, or perhaps even more, but are unable to avail of this scheme. Companies that do not have fixed premises are also ineligible.

It is not that one approach is better than the other but, if we look across the Border, we see a scheme similar to the CRSS with the difference that it is actually a grant and puts cash in businesses' pockets rather than an advance tax credit. The key point is that the scheme is available to a number of categories of business, including those with fixed premises but also those that do not have rateable premises. As we will come to later, it also applies to businesses in the service industry which service companies that are under restrictions.

Deputy Richard Boyd Barrett: As the Minister will know, I have campaigned very strongly for people who work in the arts, music and live entertainment and for taxi drivers. These people had their incomes and employment possibilities virtually extinguished or dramatically reduced as a result of the Covid measures. This will continue as long as we have any form of restrictions at all. It is not only an issue under levels 3, 4 and 5, it also arises in the context of levels 1 and 2. Am I to understand that those without a premises cannot make claims, even if they are lone traders or self-employed in those, or similar, categories? Such people may have ongoing fixed costs but they do not have rateable premises and so, therefore, will not get this support. If that is the case, why? I would like clarity on that point.

I echo the question asked as to why the Minister has chosen to provide this support as an advance tax credit rather than as a direct grant to cover costs. I am not sure why he would do this. In fact, it seems more complicated than a direct grant system. It is, arguably, more open to abuse. I am not sure why the Minister would do it this way.

With regard to the amendments we have tabled, we obviously want to do everything possible and we support schemes that are about keeping employment going and ensuring that people have employment to go back to when restrictions are eased or are completely removed. We support the thrust of the scheme insofar as it benefits some businesses that have been carrying those costs. That was unsustainable and, as a consequence, they may have closed and jobs might have been lost. The objective behind the scheme is worthy. However, it is also the case that there needs to be oversight for companies that do not need the help or that are not, as a *quid pro quo*, treating and paying their employees properly or giving them proper conditions of employment. There must be some oversight to make sure that companies that refuse to recognise trade unions, for example, or that have substantial cash reserves and can well afford to cover some of their ongoing costs in these scenarios, are not benefiting from something they do not need. That is the logic of our other amendments in that regard.

Deputy Mick Barry: I am speaking in support of CRSS. Whether the scheme this is an advance tax credit or a grant, it represents a transfer of wealth from taxpayers to business. If that is to be agreed, there is a strong case for attaching conditions to it. It seems to me that the Minister is not opposed, in principle, to the idea of attaching conditions because the State is attaching a condition for a company to be eligible for CRSS. The principle the State is attaching - and it is correct that it does so - is that the company in question is tax compliant.

Amendment No. 43 seeks to attach a number of other conditions that would advance the interests of workers' rights. To be blunt, it effectively proposes to use the CRSS, not merely as a way to keep businesses open and to defend jobs, but also as a lever with which to improve workers' rights. If significant sums are to be transferred from the taxpayer to business, that is something that could, and should be, done. The amendment makes specific reference to four issues relating to workers' rights. First, should the employees of the company wish to be recognised by a trade union organisation, the employer would recognise and concede that right to them as a condition for getting the grants. Should companies that are anti-trade union and that will refuse their employees the right to join a trade union of their choice be eligible under the CRSS? We are saying they should not and that trade union recognition should be a condition for it and in that way the CRSS would be used as a lever to improve the rights of workers. The second issue is that the employers should operate a sick leave scheme. That is just a basic point and there is no need for serious argumentation on that. Third is the question of a pension scheme and fourth is the issue of the payment of a living wage to the company's employees. The Minister highlighted the fact that there is not a specific figure mentioned for that. What we mean when we put that forward is that the official living wage that is published each year would be the figure and the minimum rate that would need to be paid to successfully apply for the CRSS. If the Minister wants greater clarification for that, we can specify that it is €12.30 for the 2021 and it would rise in line with the recommendations of the group that puts the official figure forward for the living wage. We are happy to accept an amendment on that.

In conclusion, amendment No. 43 seeks to use the CRSS as a lever to improve workers' rights. We are not talking about major advances for workers here. These are all basic issues that could and should be the case in all employment. If there is to be a transfer of wealth from the taxpayer to business in the form of the CRSS then these are basic policies that should form the conditions for it.

Deputy Jim O'Callaghan: I thank the Chairman and the Minister.

The purpose of section 11 is to insert two new provisions in to the Taxes Consolidation Act, namely, sections 484 and 485. Section 485 inserts and establishes the CRSS. Section 484 says that the objective of section 485 is twofold: to mitigate the economic downturn as a result of Covid-19 but also to mitigate the effect of the economy if there is a no-deal Brexit. I apologise to colleagues but I had not realised that CRSS also extended to that. If there is a no-deal Brexit, can the committee take it that the section 485 CRSS will also apply, and businesses affected by a no-deal Brexit will be able to apply for the scheme in the same way as if their businesses had been affected by Covid-19?

An issue has arisen with the EWSS and it will again when the CRSS when it is fully up and running. I have tabled a parliamentary question to the Minister about this previously. Is there anything in the law to preclude companies availing of these State schemes from at the same time paying out dividends to shareholders, which would be inconsistent with what the purpose of the supports as designed by us?

Deputy Ged Nash: I thank the Chairman. I wish to refer to Deputy Barry's amendment. The CRSS is similar to the TWSS and EWSS, which is a very significant use and investment of State resources in the private sector. Yet again, we have failed to use this opportunity to drive better outcomes for working people. It is fairly routine across Europe when investments and state interventions of this nature occur that the state seeks to gain some leverage to provide for a better public policy outcomes. Regrettably, we have missed this opportunity yet again.

Time and again since, for example, the introduction of the TWSS in March and early April of this year, I have advocated to attach conditions to the investment of vast sums of State funding in the private sector, resources that are required at this point in time to ensure that people remain connected to their employment, but we should not miss out on using an opportunity such as this to drive better social and economic outcomes for everybody. That is a point that ought to be made time and time again.

Chairman: My apologies for interrupting the Deputy but can he make that point again, please, as his connection dropped briefly during his final sentence and it may not have been heard?

Deputy Ged Nash: There are opportunities here that we ought to use to try to drive better social and economic outcomes in light of the level of investment the State is undertaking in the private sector at the moment.

I refer to two amendments to which Deputy Doherty also made general reference earlier. Amendment No. 21 in my name has been ruled out of order. It relates to enabling businesses that do not operate from fixed premises and are not rateable properties to access the CRSS. I used the example of on-course bookmakers and market stall holders. These are companies that would have a relationship with a local authority in some cases and in the case of on-course bookmakers with individual racecourses administered by Horse Racing Ireland. They pay significant sums in lease and rental agreements, which would be documented by Horse Racing Ireland, but are not in a position to access this scheme. Their businesses have been very badly hit by the pandemic for obvious reasons. I used these two sectors to illustrate a broader point about the nature of the businesses that have been excluded from this scheme. I would appreciate the Minister's comments on that matter.

Another amendment that was ruled out of order relates to issues to do with wholesalers supplying the hospitality sector. I referenced this in my contribution on Second Stage the week before last. Warehouse suppliers that provide important supplies to the hospitality sector, which is of course operating at a lower level at the moment, meet all the eligibility thresholds for the CRSS except the one to do with public access. This has been raised with the Minister's office by Chambers Ireland. It is a real issue and needs to be addressed, although my amendment on it has been ruled out of order.

Deputy Mairéad Farrell: Many issues and concerns have been raised. One of our concerns is the one raised by Deputy Nash, whereby this scheme seems not to deal with suppliers. Suppliers have been hit massively by this crisis and the fact that they appear to have been excluded from this is deeply disturbing for them. Many of them have been in contact with us about that. The other issue that has been raised is that this seems to be quite a complex scheme rather than a simple, straightforward grant scheme, which would be of benefit to the small businesses that have been struggling since March with no end in sight. I hope the Minister will consider the amendments.

Deputy Paschal Donohoe: I thank all the Deputies. I will deal with the different points that have been put to me. As regards the first question put to me by Deputy Doherty, this is an advance trading credit. In that sense, it is not a grant. It is administered by the Revenue Commissioners. It is worth noting two things. First, there are other grant schemes that continue to run and I anticipate that they will continue to run in the future. Even since this scheme was launched there has been a continued roll-out of grants to parts of our economy that need them. Second, from a tax treatment point of view, these payments are treated in the same way as grants. That leads me to the second question. If these payments are used to reduce the cost, which is their intention, can the same cost be then used to defray tax liabilities? The answer to that question is "No" because in those circumstances we would be allowing businesses to reduce the cost with the CRSS, on one hand, and then claim the cost through their general tax affairs. This is not allowed through grants and the use of grants. Similarly, when people use the CRSS cash payment to reduce a cost they cannot claim that reduced cost against their tax liabilities again.

To deal with the question regarding what that could mean for profit in the future, for example whether it could it mean companies pay more tax next year, it could do so, for example, if they carry fewer losses into next year because they will have reduced their losses by participating in the CRSS this year. I believe many of the businesses we are speaking about are hanging on for dear life at the moment, which is why we are bringing in the CRSS in the first place. Companies are in a position, for example, that the losses they are bringing forward for next year are lower or, for example, the profit they are making for next year is higher. This is all driven by the fact the company will still be in existence next year. The whole purpose of the scheme is to help businesses that are currently closed or have a very low level of trading to be in a position where they can reopen next year and where they use the advanced trading credit to reduce their costs in 2020.

I am afraid I did not follow the third question Deputy Doherty put to me so I will ask him to restate it in a moment so I can do my best to answer it. The final point he made, which is the substantive point that has been touched on by a number of other Deputies, is on whether, for example, the services sector or, in particular, services supplying goods into businesses that are closed, can participate in the scheme. The answer to this question is that they cannot participate in this scheme but I would expect that many of those businesses will, for example, be participating in the employment wage subsidy scheme and they will receive support through that policy.

The whole purpose of this scheme is to bring support to those businesses that need it the most, and the businesses that need it the most in our economy at present are those that are either closed completely or have a very low level of trade due to a public health guidance restriction on the use of their premises. They are the businesses that are at the top of the hierarchy for additional needs at present because their ability to trade is so impaired at the moment.

The further challenge we faced in designing the scheme is if we were to design it in such a way that it was also meant to benefit other sectors of the economy that are supporting closed sectors of our economy or sectors of our economy that have a very low level of trade, it would pose significant challenges for us, for example, with regard to the non-essential retail sector. The non-essential retail sector at present is closed. If we were to say we would allow onto the CRSS companies that sell goods or services into non-essential retail, it would mean the level of additional costs and claim for the CRSS would be massive. We are aiming to support those companies that sell into closed businesses in different ways through, for example, the employment wage subsidy scheme.

The answer to the question Deputy Doherty put to me, which Deputy Boyd Barrett picked up on as well, on the premises criteria, is that the business does have to have a premises and that premises has to be either closed or have an exceptionally low level of trading. The need for this is best understood in two different ways. The first is clarity about whether or not people can get on the scheme, and public health guidance allows us to ask whether the business is closed or whether there a real reduction in the number of customers who can come into the business. Given the amount of money involved in the scheme, clarity of access and knowing who can and cannot come onto the scheme is just essential. We can clearly relate the operation of a premises to the public health guidance.

I will now deal with the second point. Earlier in the year, many Deputies called on me to introduce programmes that could be region or county specific. Let us say we are in a situation where level 5 is lifted for most of the country but parts of our country are still at level 5 or level 4. In this case, this scheme will still be available to those parts of our country that are still at level 4 or level 5. The reason we can be confident in saying this is because it is premises specific. If it were not premises specific it would be far more difficult to design a scheme that could support particular parts of our country if they needed to be on a higher level of public health guidance in future or, indeed, if they were on a higher level of public health guidance before all of Ireland moved to level 5. If we want a scheme that has the potential to be geographically specific, I could not find any better way of doing it apart from relating it to premises. This, in turn, does have consequences but it does mean we are flowing the most amount of money to those businesses that will need it the most, in the parts of our country that may need it the most.

For other sectors, such as those Deputy Boyd Barrett raised with me, let us say the arts sector, if a theatre or music venue that pays tax as a commercial premises is closed it then comes onto the scheme. These parts of the artistic sector are on it. The Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media, Deputy Catherine Martin, has launched a scheme whereby she is looking to make significant amounts of additional money available to artists in return for activities or performances taking place. I know there is a huge push on at present to make this happen before Christmas. This scheme will be on top of supports we have available, such as the employment wage subsidy scheme.

In relation to the points put to me by Deputy Barry on conditionality which, again, a number of Deputies have touched on and Deputy Nash raised this with me also, it is the case that all of the conditionality about this is about whether a business is closed, whether it has a very low level of trading and whether it is planning to be able to reopen again. This is because it is the work of the Revenue Commissioners and the Department of Finance to put big schemes in place that can help as many companies as possible to reopen. The other issues he referred to are ones that are best dealt with by the Workplace Relations Commission or the Labour Court.

With regard to describing the scheme as a welfare scheme of some kind or a transfer of wealth, I would expect that when I am clear on the nature of companies on the scheme Deputy Barry will see the vast majority of the cash payments that are being operated under CRSS flow to small and medium-sized companies. The vast majority of the value of the CRSS payments go to small and medium-sized companies. The reason for this is it is premises-based and we have a cap of €5,000. Again, when we have figures available to us I would expect to see it is the very tourism businesses, such as the hotels, cafes and restaurants that all of the Deputies have been discussing, that will be the companies that will have benefitted by being on the scheme because we are helping them to reduce their costs when they are closed.

A substantive difference between this scheme and the issues raised by the Deputies is that I

do not believe it should be the role of a scheme such as this to deal with the industrial relations and employee matters referred to. To look at it a different way, there will be a need to make progress on matters like that. Is it the right time to make progress on those matters when some of these businesses are closed and we are trying to get them to reopen and rehire people? I expect most of the businesses that come on to the scheme will have let people go, unfortunately, because they are not in a position to trade, or if they are trading, it is at a low level. We are trying to get them open so they can employ people again which is the purpose of the scheme. I differ with the Deputy in that I believe these matters are best dealt with through other organs of the State.

I will deal with the other issues raised by Deputy Nash on whether suppliers are in the scheme. They are not in the scheme for the reasons I mentioned related to closed premises. I ask the Deputy to consider the issue we face in that regard. If this scheme is extended, perhaps to become geographically or sectorally specific, I must have a hook available by which we can absolutely define if a company is in it or not. That is why we identify the issue of the closure of premises or their significant impairment. A range of other supports will be available to the sectors to which the Deputy refers, for example, the employee wage subsidy scheme.

Deputy Mairéad Farrell made a point about suppliers. I have done my best to deal with that in response to other Deputies. I made the point again about grants and whether the scheme is more complex. I anticipate grants-based programmes will continue to be available. I hope we have less need for them in the future if we are successful in safely reopening more parts of the economy in 2021. The feedback I have received does not suggest this is a complex scheme. I have received much positive feedback on the operation of the scheme. It has been positively recognised by representative bodies. From tomorrow, companies will have to indicate to the Revenue Commissioners the period during which their business was closed. We have asked them to supply their Eircode, relevant tax information and confirmation that their business has been closed or impaired. This is basic information and I have not received feedback to date that this scheme is complex. I anticipate when companies file their tax returns later in the year, particularly smaller companies, we will see even greater use of that scheme when they get their tax affairs in order.

To respond to Deputy O'Callaghan, section 484(1)(*a*)(ii) makes reference to a Brexit without a trade deal because I wanted to give myself flexibility with regard to the scheme and its use. I anticipate, however, that the majority, if not all, of this scheme will be deployed against the business consequences of being closed to due Covid-19. The access criteria for this are closed premises or premises that have their level of customer access significantly impaired. I anticipate, notwithstanding the Deputy's point, that if this scheme continues to be in operation beyond the early part of next year and throughout 2021, its application, in the vast majority of cases, will relate to dealing with Covid-19 as opposed to a no trade deal Brexit.

On whether criteria are in place regarding whether a company can pay a dividend, there is no such provision in place in the primary legislation for the setting up of the EWSS. The Deputy may already be aware of the compliance activity the Revenue Commissioners are carrying out to ensure that companies which accessed the scheme really needed to do so. There have been some media reports regarding the magnitude of activity that the Revenue Commissioners have under way. If the Revenue Commissioners indicate to me that they needs any further power in order to be satisfied that companies are on the scheme because they need to be, I will make that power available to them via this Bill or by means of future legislation. I have received enough contact now about the work the Revenue Commissioners are doing to deal with compliance to

be satisfied they has the right level of power to deal with the issue of whether companies need to be on this scheme.

I will conclude on this point. If we find in the future that inappropriate use was made of this scheme, it will be seen by me, the Revenue Commissioners and, I am sure, the Government as a serious issue for a company or a sector. From the amount of contact I now get from companies which deal with the Revenue Commissioners, I believe that they are using their powers proportionately in order to ensure that companies on the scheme need to be on it.

Deputy Pearse Doherty: I thank the Minister for clarifying the fact it is an advance tax credit and, obviously, will not be available to use twice. Many businesses that contacted me believed the Government was issuing grants of up to €5,000 to them. In fairness, the Government has its spin unit but it allowed the perception to exist that these grants were additional to expenses that could be claimed and offset against profits. It is disappointing that was allowed to happen. That said, it is an advance tax credit and will come as a huge relief to businesses which need cash now and not when their returns are being made. There are, however, core issues here. The Minister talks about a geographically based scheme that can last for quite a while and will possibly allow for different restrictions in different areas, as we have seen in the past. That is absolutely 100% correct; a business premises is easily identifiable and, therefore, can be dealt with in that manner.

I draw the Minister's attention to what happens in some other jurisdictions and, indeed, what happens on this island across the Border where there are three categories. There is a category whereby a person is forced to close or severely restrict where he or she has a physical premises and so forth. That is somewhat like what we have here. There is a grant aid amount of money per week for that category. There are other categories, including two for service industries. One is for service industries that are affected as a result of being part of the supply chain to a restricted company or premises which has a physical premises. There is an allocation for that type of supply service based on the fact those service providers pay no rates. They have a different and more enhanced allocation based on service companies which pay rates. I fail to see why that cannot happen in this jurisdiction, even in the context the Minister outlined where, for example, a county is under a higher level of restrictions. Say, for instance, county X was on level 5 and the rest of the State was on level 2. Obviously businesses that were curtailed and met the requirements of section 11 of this Bill will be able to avail of the Covid restrictions support, CRS, scheme. I believe that companies that provide services, whether they are located in Wicklow, Kerry, Dublin or whatever, to a company that is restricted in county X could also avail of this scheme if they are able to show they are in the supply chain of the company in county X and if they have been impacted by a downturn, overall, of 75% but they would still have to meet the same criteria. A company that is the main supplier to a company in county X may as well be in that county. The problem is that it may not be located in that county and, therefore, is unable to avail of the benefits provided by the CRS scheme.

This is not a grant. I accept that the Government intends for the scheme to help companies to survive. If these companies survive they will neither have received additional payment nor paid out more as a result of this scheme. As it is bringing it in advance to help them at their time of need, why restrict the scheme in a way that does not support services that are servicing these companies? I am not talking about servicing 10% that might go to a restricted company. I am talking about a service industry that is severely restricted because of this applying to a restricted company.

I am sure that the Minister is well aware of the financial stability note by the Central Bank,

which gives us great information and data on the companies that have been severely impacted and the services that service them, which is what we are discussing here. The Central Bank has defined companies in a traffic light system where there is red, amber and green. The note clearly shows that green producers or suppliers, which are the company suppliers that are not restricted, sell €7 billion of services into companies that are red companies, which are companies deemed restricted because of distancing and being unable to allow people on to their premises. In total, in the green, amber and red traffic light system for the services there is €13 billion of services provided and over half of that is provided by green companies but none of the green companies would get any support under the CRS scheme. The report shows that it is absolutely crucial to maintain the health and financial well-being of these service industries.

If we come out of this ensuring that the companies are supported but have lost the service industries, then there is a serious problem. The report clearly shows data whereby €7 billion of services is generated by what are designated as green service industries, which are not affected by the restrictions. The problem is that the €7 billion is being sold into red companies that are severely restricted. That is what the Minister is forgetting with this scheme. I welcome the scheme as it is beneficial. I have a different view of grants and believe we need to support grants. The current proposal is a very clever way to bring in money now as opposed to when companies need it because if it is not brought in now they may not be here when they must deal with their tax bill. I support the scheme as it makes sense and there are similar schemes in operation in other areas. I acknowledge that this is not simple but other areas have been able to design something that includes the service industries as well.

Deputy Richard Boyd Barrett: I am listening carefully to the debate and the answers given by the Minister. I want to give a special shout-out for the taxi drivers. I do not see why the scheme would not be made available to them. Estimates were done a couple of years ago that suggested a taxi driver, on average, carries fixed costs of approximately €11,000 a year. That varies and can be range anywhere between €4,000 and €11,000 or more for insurance, car maintenance, repayments, and fuel costs if taxis are on the road, although business is much diminished at the moment, but taxi drivers must carry these costs. Depending on the level of restriction, business is down between 70% and 80%. Taxi drivers do not have premises in a fixed location, although they are fixed in a county. A taxi driver is licensed to drive in Dublin or in a particular place so the business is geographically located but the car is the business premises. Taxi drivers tick all of the other boxes except the one for a premises and they are not getting the assistance that they need to cover their ongoing costs anywhere else. The only other grant that has been made available is a €1,000 restart grant when they return to work. That does not go anywhere near covering ongoing costs for the recent period and the debts they accumulated when they were either not working or there was no work, or covering on an ongoing basis the costs that they incur when they returned to work. Having talked to taxi drivers, such costs are in excess of what they are likely to earn on the road. They are probably losing money by being on the road at the moment. That is how badly hit the business is if taxi drivers have car repayments, fuel costs, maintenance costs and so on. I want to make a special plea to the Minister to include taxi drivers in this scheme because it would help some of them survive. In every other way taxi drivers tick the boxes that he is trying to tick and it would be unfair to exclude them.

There are other areas that I am probably not as familiar with. Some people in the music, entertainment and arts industry will benefit from the scheme insofar as they have premises but many self-employed people and small business people in the sector do not have premises but they have significant ongoing costs, particularly repayments for equipment or the storage of equipment. These people are unable to earn an income because big events and the venues or

premises that are supported by the scheme,are closed and, therefore, these people are not working in those premises or at the big events that might otherwise take place. The Minister should support and include these people in the scheme as well.

On conditionality and so on, we do not want to in any way stand in the way of introducing measures that will keep people in a relationship with employment and maintain jobs during the pandemic so that those jobs are still there afterwards but there must be more oversight to make sure that the people who do not need this support, as they are making profits or have significant cash reserves and so on, are not benefiting from this scheme. The Minister is going to publish the names of the recipients on his Department's website. It might be useful, on an ongoing basis as a minimum, if he gave us some of the categories on a monthly or regular basis. Perhaps he might be able to outline some details of the 9,000 who have applied. What type of businesses are they? What do we know about those who are applying? What sectors are they from? There needs to be oversight to check that these are not companies which do not really need this support. Even if the Minister does not agree with all the conditions that we are trying to introduce in our amendment, there should be some mechanism to deal with companies which are treating workers badly, are actively anti-union, are based offshore, are playing fast and loose with the tax system or are very profitable and which should not be benefiting from the payment.

Deputy Paschal Donohoe: In response to Deputy Doherty and so that I am clear, this payment is going to these companies, many of which will receive it this week. It is similar to a grant. Grants are taxable as income. It is the case that one cannot claim against a loss twice. One cannot reduce a loss by use of this payment and then claim the same loss against one's tax liability for the year. This is a payment and it will go to companies this week. It will make a significant difference to companies that will receive it.

On the point about its potential to be expanded further into the service sector, I am well aware of the importance of suppliers to our restaurants, cafés and non-essential retailers. I cannot see the case as to why we would allow a specific sector such as that relating to food supply to avail of the scheme if restaurants are closed. What do I then do about businesses which sell to non-essential retailers, which is a substantial part of our domestic economy? We will not be in a position where we can maintain this high level of support if we make it available to all companies that have been affected significantly but indirectly by Covid. The purpose of the scheme is to provide additional support to the closed businesses that I have, understandably, heard about every week in the Oireachtas.

I thank the Deputy for acknowledging that this is a smart scheme. I think it will have an effect. It is always the case that when one brings in a new scheme, parts of our economy and companies are left outside the parameters of it. That cannot be a reason for failing to try to help businesses that are closed. They are the businesses that need the most help. If one's business is closed, one does not have the ability to redirect trade in the same way as businesses which may be able to supply to other businesses that are not closed if all of our country is at level 5, or businesses which may find new customers and new ways of getting their goods to customers. That flexibility is not open to businesses which are closed. This scheme is designed to provide an additional level of support to closed businesses or businesses with a low level of trading.

In response to the questions on public health guidance for taxi drivers that Deputy Boyd Barrett asked, since he and I debated the matter in the recent past, further additional supports have been made available to taxi drivers. Those taxi drivers can avail of the pandemic unemployment payment. People are allowed to continue to avail of the pandemic unemployment payment while doing some part-time work. However, taxi drivers mainly do not have

a business premises that is required to close in the first place. The Covid restrictions support scheme is designed to help businesses that have been required to close premises. The Deputy asked who it is helping. The latest figures that we have show that 37% of the companies on the scheme are bars or restaurants, 8% are hotels and accommodation, 21% are other services such as hairdressing and beauty, and non-essential retail, arts and other businesses make up 33% to 34% of the scheme. The majority of this scheme is going to businesses that are closed or barely open due to public health guidance. The Government recognised there was a need to do that and the scheme has been designed to provide additional cash payments to companies at a time when they need it the most to help them to reduce costs and to reopen, hopefully soon.

Deputy Pearse Doherty: I know the Minister says it is similar to a grant. Is it not the case that, in the absence of the Covid restrictions support scheme, a company might have a tax liability of €10,000 at the end of the year, while with the Covid restrictions support scheme, it is receiving €3,000 over the period in which it is restricted, and so has a tax liability of €13,000? Its tax liability goes up to the amount that it availed of in cash payments. Will the Minister explain that? I will not get bogged down talking about this grant or whatever it is. It is a cash injection into the company and the company ends up paying it back through not being able to offset some of its profits later. There is a benefit to all of that.

The Minister asked what I would do with suppliers which supply non-essential retailers. I would provide them with the support. They would have to have a downturn of 75%. This is not a grant. It is a cash flow issue for the State, in a way. Businesses are able to offset these costs against taxable profits anyway. It is a matter of making sure that those services survive. There is an argument that they could go and try to find new markets. It is not as easy as that, especially when the whole State is in a level 5 scenario, which is where we are now and may end up being for some time in the future. I am not suggesting that this is easy. I am suggesting that other areas have battled with this and found ways to deal with this. If one looks at the financial stability report, it shows the importance of the service sector and how it is connected to what are deemed as red companies, which are companies that are most at risk. Supporting the companies because they have physical premises or a building but not supporting the service just does not make sense.

I will leave that there. Much of what we discussed and teased out is also in my amendment later on, so that does not need further discussion, in my view.

Deputy Richard Boyd Barrett: I ask the Minister to reconsider the matter relating to the taxi drivers and a few other categories that have been mentioned. Deputy Doherty has pointed out that the flexibility available to businesses, the service industry and so on, may not be as available as one might think. They are closely linked to a premises that is closed. It is absolutely certain that there is no flexibility for the taxi drivers. The Minister only has to walk around the corner from the building he is in and along St. Stephen's Green to see the long line of taxis and how long they have been waiting there. That is in circumstances where only 20% or 30% of taxi drivers are even on the road. The rest are at home because there is not enough work. If they came out on the road, there would be a queue down to the Aviva Stadium because there is not the work. The lack of work available for drivers is directly related to the businesses the Government is supporting, and which I commend it on supporting, namely, hairdressers, arts venues and so on. While they remain closed or their ability to have custom is on the floor, as it will remain as a result of restrictions, the taxi drivers sitting at taxi ranks will have virtually no work.

On the allowance, I pay tribute to the taxi drivers for their campaigning but I acknowledge

that the Government in the budget brought in some means for taxi drivers to earn without losing the PUP. The problem is there is no chance of them even earning €480 on the road at the moment because the work is not there. This is directly related to the closure of all the premises and businesses they are talking about because, to a substantial extent, their livelihood and incomes were dependent on taking people to and from those premises that are closed. They are organically linked to the sorts of businesses the Government wants to support. I urge the Government to include them in that remit. The Minister should accept that for taxi drivers, their car is their premises. It is linked to the counties the Minister is talking about. As the restrictions lift in particular counties, it would be easy to say certain taxis are associated with certain counties so there is no difficulty there. The cost of the premises is not as significant as the cost of a physical premises but these costs are every bit as real for taxi drivers. When there is virtually no income available to them on the road, they still have to make repayments on their car, pay their insurance and, while driving around desperately looking for passengers who are not there, they still have to pay for fuel. It would be a reasonable measure to prevent some of these men and women from going under by including them in the support scheme.

Deputy Paschal Donohoe: Deputy Doherty made a point about the expansion of the scheme to parts of our economy that are significantly but indirectly affected by closed businesses. If he looks at the level of economic support we have provided in the round, he will see that, in terms of the scale of support and the number of policy measures, it is an overall package that compares strongly with what is available in other jurisdictions. The Deputy should not view the CRSS in isolation from the other measures we have brought in. Grants have been available since the scheme was launched. The EWSS will continue to operate. We are making the greatest amount of money that we can available to the most affected businesses. That means there are businesses which may want to be on the scheme but cannot be included. However, I repeat that this would mean the scheme becoming economy-wide, which we would not be able to fund at the rates included in the CRSS. The level of support available in the CRSS is such that we could mot afford it if we were to make it economy-wide.

We can give a commitment to pay people back up to 10% of their taxable revenue because we are making it a targeted scheme, targeted at businesses that are being most affected by public health guidance.

The Deputy made a particular point to the effect that a company on CRS would see its tax liability go up. That is not the case. The liabilities could go up because it is making more profit next year. If it is making profit next year, that is a sign it is open. If it is open, that is great news. Hopefully, it is in a position where it has been able to rehire people who have lost their jobs.

On the issue of this being a cash flow matter, I emphasise what I said earlier and deal with the tax issue again. When a business makes its annual tax return to Revenue for the chargeable period in which the support was received, the tax calculation takes account of this payment and normal tax deductions for those fixed costs will be reduced by the State's contribution provided through the CRS. The tax treatment of the credit is similar to that which would apply had it been a direct State grant. I feel we are talking about a matter that will be academic in the eyes of businesses who are closed and worried if they will be able to reopen again. That is what is scheme is designed to help do. I acknowledge the broad welcome that Deputy Doherty has given to the scheme. He appreciates the role that it can play. He wants to see it go further and be a broader scheme but I welcome the recognition he has shown for the fact that the scheme can play a role and make a difference.

I recognise the consistent campaigning Deputy Boyd Barrett has done in recognition of the

taxi industry but a scheme that has the ability to pay companies back up to 10% of their taxable revenue could only be put in place with a commitment to keep it running into next year if it was highly targeted. We are trying to help the businesses he refers to in different ways.

That is a brief response to the different points that have been made and I welcome the general support for the scheme from Opposition Deputies.

Deputy Pearse Doherty: I thank the Minister for those comments. I wish to clarify so that I am crystal clear on the operation of the scheme. I gave an example, which is the best way to clarify this for a hypothetical business. If a business received €3000 of CRS payments during the period of the restrictions, will that have an effect on the taxable income of a business when it is being computed from a profit point of view? Would it increase by €3,000? Consider a company which had, in absence of CRS, a tax liability of €10,000 because of its taxable income and it was able to deduct trading expenses against its taxable income. If it received €3,000 of support in cash payments during this period, would it mean its tax liability will be €13,000? Basically, all things remain equal and it is just a cash advance. Will the Minister clarify that for me because I may have picked up his last comment wrong and I want to know if that is the case.

Deputy Paschal Donohoe: I believe the answer to the Deputy's question is "No". I propose to share with the committee, on Committee Stage, an example of how CRS would work in the circumstances the Deputy outlined in order that we will be better able to demonstrate the operation of the scheme in the circumstances to which he referred .

Deputy Pearse Doherty: Does the Minister mean on that he will do it now or on Report Stage?

Deputy Paschal Donohoe: I am going to try to get it done now. The fact that the Deputy asked whether I meant Report Stage makes me think I should have offered it then. It could be just a difference in understanding between the two of us in respect of the operation of the scheme. A worked-out example, which I will try to get done before Wednesday, could be of help. Because this is a new policy, it is leading to a serious and genuine question from the Deputy. I will try to get an example of that worked out for him for tomorrow or, at the latest, for Wednesday in order that when we move on to Report Stage, although we can discuss it before then, he will be clear on the matter.

Deputy Richard Boyd Barrett: I have made my case. I will not drag the matter out, but I want the Minister to think seriously about what I said. Many of the arguments I made on behalf of taxi drivers were against a background where it looked as if things were reopening, restrictions were lifting and, while work would be reduced significantly as long as there were any restrictions, there was some prospect of the industry beginning to operate at some level, albeit probably on a massively reduced basis. Now, however, business has decreased to nothing but those costs are still there. I really do not see why taxi drivers should be put in a different category from the businesses the Minister is trying to support. It seems that they tick all the boxes of those he is seeking to support, with the only difference being that their premises is a car, but it is their business premises.

I do not think it would cost very much to support them. If a taxi driver's weekly turnover was €500 or €600 in 2019 and has been reduced to €150 or less, to give him or her 10% of last year's weekly turnover, at €50 or €60, it would make a big difference to the taxi driver and I do not think it would make a significant difference to the cost of the scheme. I ask the Minister to consider it because the welcome changes in the PUP will just not make a difference with the

current level of restrictions and the other grand schemes that have been made available to small and medium business are not benefiting them. The only one they can apply for is the restart grant, and even then, there are limitations to being able to apply for it and, when someone goes from being unemployed to being back to work, €1,000 is nothing compared with the costs they are carrying.

Deputy Paschal Donohoe: I have nothing further to add at this point.

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 10:

In page 13, line 44, to delete "(b)" and substitute "(c)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 11:

In page 14, line 12, to delete "restrict" and substitute "which have the effect of restricting the conduct of".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 12:

In page 14, line 29, to delete "(3)" and substitute "(4)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 13:

In page 14, line 36, to delete "(1)(b)" and substitute "(1)(c)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 14:

In page 14, line 40, to delete "(6)" and substitute "(7)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 15:

In page 15, line 5, to delete "(1)(b)" and substitute "(1)(c)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 16:

In page 15, line 8, to delete "makes" and substitute "make".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 17:

In page 15, line 9, to delete "(6)" and substitute "(7)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 18:

In page 15, line 17, to delete "(1)(b)" and substitute "(1)(c)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 19:

In page 15, line 21, to delete "485(2)" and substitute "485(3)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 20:

In page 15, between lines 27 and 28, to insert the following:

" 'applicable business restrictions provisions' shall be construed in the manner provided for in the definition of 'Covid restrictions period' in this subsection;".

Amendment agreed to.

Acting Chairman (Deputy Neale Richmond): Amendment No. 21 is ruled out of order.

Amendment No. 21 not moved.

Deputy Paschal Donohoe: I move amendment No. 22:

In page 16, line 5, to delete "the Covid restrictions period" and substitute "a Covid restrictions period".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 23:

In page 16, line 12, to delete "restrict" and substitute "have the effect of restricting the conduct of".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 24:

In page 16, lines 13 to 16, to delete all words from and including the comma after "period" in line 13 down to and including "sections" in line 16.

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 25:

In page 16, to delete lines 17 to 25 and substitute the following:

" 'Covid restrictions extension period' has the meaning assigned to it in subsection (2);".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 26:

In page 16, between lines 25 and 26, to insert the following:

" 'Covid restrictions period', in relation to a relevant business activity carried on by a person, means a period for which the person is required by provisions of Covid restrictions to prohibit, or significantly restrict, members of the public from having access to the business premises in which the relevant business activity is carried on (referred to in this section as 'applicable business restrictions provisions') and is a period which commences on the Covid restrictions period commencement date and ends on the Covid restrictions period end date;".

Amendment put and declared carried.

Deputy Paschal Donohoe: I move amendment No. 27:

In page 16, to delete lines 26 to 42, and in page 17, to delete lines 1 to 21 and substitute the following:

" 'Covid restrictions period commencement date', in relation to a relevant business activity, means the later of—

(a) 13 October 2020, or

(b) the day on which applicable business restrictions provisions come into operation (not having been in operation on the day immediately preceding that day);

'Covid restrictions period end date', in relation to a relevant business activity, means the earlier of—

(a) the day which is three weeks after the Covid restrictions period commencement date,

(b) the day that is specified in the Covid restrictions (being those restrictions in the terms as they stood on the Covid restrictions period commencement date) to be the day on which the applicable business restrictions provisions shall expire,

(c) the day preceding the first day following the Covid restrictions period commencement date, on which the applicable business restrictions cease to be in operation (by reason of the terms in which the Covid restrictions stand being different from how they stood as referred to in paragraph (b)), or

(d) 31 March 2021,

and, for the purposes of paragraph (c)—

(i) the fact (if such is the case) that regulations made under sections 5 and 31A of the Health Act 1947 are revoked and replaced by fresh regulations thereunder (but the applicable business restrictions provisions continue to apply to the relevant business activity) is immaterial, and

(ii) the first reference in that paragraph to the terms in which the Covid restrictions stand is a reference to their terms as provided for in those fresh regulations;

'partnership trade' has the same meaning as in section 1007;

'precedent partner', in relation to a partnership and a partnership trade, has the same meaning as in section 1007;".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 28:

In page 17, between lines 30 and 31, to insert the following:

"(2) (a) Where, in relation to a relevant business activity carried on by a person, applicable business restrictions provisions continue to apply, by reason of regulations made or amended under sections 5 and 31A of the Health Act 1947, to the relevant business activity on the day after the end of a Covid restrictions period, the period for which those restrictions continue to so apply is referred to in this section as a 'Covid restrictions extension period', which period commences on the foregoing day (referred to in this section as a 'Covid restrictions extension period commencement date') and ends on the Covid restrictions extension period end date.

(b) In this section, 'Covid restrictions extension period end date', in relation to a relevant business activity, means the earlier of—

(i) the day which is three weeks after the Covid restrictions extension period commencement date,

(ii) the day that is specified in the Covid restrictions (being those restrictions in the terms as they stood on the Covid restrictions extension period commencement date) to be the day on which the applicable business restrictions provisions shall expire,

(iii) the day preceding the first day, following the Covid restrictions extension period commencement date, on which the applicable business restrictions provisions cease to be in operation (by reason of the terms in which the Covid restrictions stand being different from how they stood as referred to in subparagraph (ii)), or

(iv) 31 March 2021,

and, for the purposes of subparagraph (iii)—

(i) the fact (if such is the case) that regulations made under sections 5 and 31A of the Health Act 1947 are revoked and replaced by fresh regulations thereunder (but the applicable business restrictions provisions continue to apply to the relevant business activity) is immaterial, and

(ii) the first reference in that subparagraph to the terms in which the Covid restrictions stand is a reference to their terms as provided for in those fresh regulations.

(c) Where, in relation a relevant business activity carried on by a person, applicable business restrictions provisions continue to apply, by reason of regulations made or amended under sections 5 and 31A of the Health Act 1947, to the relevant business activity on the day after the end of a Covid restrictions extension period, the period for which those restrictions continue to so apply is also referred in this subsection as a 'Covid restrictions extension period' which period commences on the foregoing day and ends on the Covid restrictions extension period end date.".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 29:

In page 17, line 31, to delete "(2)" and substitute "(3)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 30:

In page 17, line 36, to delete "restrict" and substitute "have the effect of restricting the conduct of".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 31:

In page 18, line 1, to delete "(3)" and substitute "(4)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 32:

In page 18, line 2, to delete "(6)" and substitute "(7)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 33:

In page 18, line 3, to delete "(6)" and substitute "(7)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 34:

In page 18, line 8, to delete "(3)" and substitute "(4)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 35:

In page 19, line 6, to delete "(4) and (5)" and substitute "(5) and (6)".

Amendment agreed to.

Acting Chairman (Deputy Neale Richmond): Amendment No. 36 has been ruled out of order.

Amendment No. 36 not moved.

Deputy Paschal Donohoe: I move amendment No. 37:

In page 19, line 9, to delete "(19)" and substitute "(21)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 38:

In page 19, line 11, to delete "provisions of Covid restrictions" and substitute "applicable business restrictions provisions".

Amendment agreed to.

Acting Chairman (Deputy Neale Richmond): Amendment No. 39 has been ruled out of order.

Amendment No. 39 not moved.

Deputy Paschal Donohoe: I move amendment No. 40:

In page 19, line 21, to delete "(4)" and substitute "(5)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 41:

In page 19, line 23, to delete "(4)" and substitute "(5)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 42:

In page 19, line 23, to delete "(3)(b)" and substitute "(4)(b)".

Amendment agreed to.

Deputy Mick Barry: I move amendment No. 43:

In page 19, between lines 23 and 24, to insert the following:

"(a) the person can demonstrate that they pay a 'living wage' to their employees,

(b) the person can demonstrate that they facilitate their employees to join a trade union that has been or will be recognised by them as a body to deal in collective bargaining with employees concerning pay, health and safety, terms and conditions of employment and other employment related matters,

(c) the person operates a sick leave scheme for employees,

(d) the person makes contributions to a pension scheme for employees,".

Amendment put and declared lost.

Acting Chairman (Deputy Neale Richmond): Amendment No. 44 has been ruled out of order.

Amendment No. 44 not moved.

Deputy Paschal Donohoe: I move amendment No. 45:

In page 19, line 30, to delete "(12)" and substitute "(13)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 46:

In page 19, line 35, to delete "(12)" and substitute "(13)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 47:

In page 20, lines 1 and 2, to delete "Covid restrictions period and any Covid restrictions extension" and substitute "claim".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 48:

In page 20, lines 8 to 10, to delete all words from and including "the" in line 8 down to and including "premises," in line 10 and substitute "applicable business restrictions provisions".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 49:

In page 20, line 11, to delete "geographical region." and substitute "business activity.".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 50:

In page 20, line 12, to delete "(5)" and substitute "(6)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 51:

In page 20, lines 13 and 14, to delete "but is a distinct part of a trade, then" and substitute "then,".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 52:

In page 20, line 15, to delete "(3)" and substitute "(4)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 53:

In page 20, line 23, to delete "(6) Subject to subsections (8) and (9)," and substitute the following:

"(7) Subject to subsections (9) and (10),".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 54:

In page 20, line 24, to delete "each week" and substitute "each full week".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 55:

In page 21, line 5, to delete "(7)" and substitute "(8)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 56:

In page 21, line 8, to delete "(8)" and substitute "(9)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 57:

In page 21, line 8, to delete "in a claim period" and substitute "for any week comprised within a claim period".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 58:

In page 21, line 11, to delete "in the claim period".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 59:

In page 21, line 13, to delete "in that claim" and substitute "for any weekly".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 60:

In page 21, line 14, to delete "subsection (6)(b) and subsection (6)" and substitute "subsection (7)(b) and subsection (7)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 61:

In page 21, to delete lines 16 to 42, and in page 22, to delete lines 1 and 2 and substitute the following:

"(10) (a) Where a relevant business activity in respect of which a person is a qualifying person is carried on as the whole or part of a partnership trade, then any claim made under this section for an advance credit for trading expenses in respect of the relevant business activity shall be made by the precedent partner on behalf of the partnership and each of the partners in that partnership and the maximum amount of any such claim made in respect of the relevant business activity in any weekly period shall not exceed the lower of the amounts specified in subsection (7)(a)(i) or (a)(ii), as the case may be.

(b) Where a claim is made under this section by a precedent partner for an advance credit for trading expenses in respect of a relevant business activity carried on as the whole or part of a partnership trade then—

(i) for the purposes of subsections (14) and (15), each partner shall be deemed to have claimed, in respect of that partner's several trade, a portion of the advance credit for trading expenses calculated as—

A x B

where—

A is the advance credit for trading expenses claimed by the precedent partner, and

B is the partnership percentage at the commencement of the claim period,

(ii) the precedent partner shall, in respect of each such claim, provide a statement to each partner in the partnership containing the following particulars—

(I) the partnership name and its business address,

(II) the amount of advance credit for trading expenses claimed by the precedent partner on behalf of the partnership and each partner,

(III) the profit percentage for each partner,

(IV) the portion of the advance credit for trading expenses allocated to each partner,

(V) the commencement and cessation date of the claim period,

and

(VI) the chargeable period of the partnership trade in which the claim period commences,

(iii) for the purposes of subsections (16) and (17), references to a person making a claim shall be taken as references to the precedent partner making the claim on behalf of the partnership and each of its partners, and

(iv) for the purposes of subsection (18), section 1077E shall apply as if references to a person were references to each partner and the references to a claim were a reference to a claim deemed to have been made by each partner under subparagraph (i).".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 62:

In page 22, line 3, to delete "(10)" and substitute "(11)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 63:

In page 22, line 8, to delete "(11)" and substitute "(12)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 64:

In page 22, line 18, to delete "(12)" and substitute "(13)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 65:

In page 22, line 19, to delete "(4)" and substitute "(5)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 66:

In page 23, lines 11 and 12, to delete "and payable".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 67:

In page 23, line 27, to delete "(13)" and substitute "(14)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 68:

In page 23, line 30, to delete "(15)" and substitute "(16)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 69:

In page 23, line 40, to delete "(14)" and substitute "(15)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 70:

In page 23, line 43, to delete "(15)" and substitute "(16)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 71:

In page 24, lines 7 to 11, to delete all words from and including "D" in line 7 down to and including line 11 and substitute the following:

"D.".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 72:

In page 24, line 13, to delete "(ii)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 73:

In page 24, line 15, to delete "advanced" and substitute "advance".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 74:

In page 24, line 16, to delete "expenses." and substitute the following:

"expenses but shall not—

(i) form part of the reckonable earnings chargeable to an amount of Pay Related Social Insurance Contributions under the Social Welfare Acts, and

(ii) be an amount on which a levy or charge is required, by or under Part 18D.".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 75:

In page 24, line 24, to delete "(15)" and substitute "(16)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 76:

In page 24, line 26, to delete "(3)" and substitute "(4)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 77:

In page 24, lines 31 and 32, to delete "incorrect claim" and substitute "overclaim".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 78:

In page 24, line 35, to delete "incorrect claim" and substitute "overclaim".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 79:

In page 24, line 39, to delete "incorrect claim" and substitute "overclaim".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 80:

In page 24, line 41, to delete "claim" and substitute "claim (hereafter referred to in this section as the 'excess amount')".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 81:

In page 25, line 3, to delete "incorrect claim" and substitute "overclaim".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 82:

In page 25, line 4, to delete "advanced" and substitute "advance".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 83:

In page 25, line 6, to delete "advanced" and substitute "advance".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 84:

In page 25, line 8, to delete "incorrect claim" and substitute "overclaim".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 85:

In page 25, line 12, after "Commissioners," to insert "and".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 86:

In page 25, line 13, to delete "incorrect claim" and substitute "overclaim".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 87:

In page 25, line 18, to delete "incorrect claim" and substitute "overclaim".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 88:

In page 25, line 24, to delete "incorrect claims" and substitute "overclaims".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 89:

In page 25, between lines 24 and 25, to insert the following:

"(17) (a) For the purposes of this subsection, 'claim' and 'overpayment' shall have the same meanings respectively as they have in subsection (1) of section 960H.

(b) In this subsection, a claim period is a 'reduced claim period' where—

(i) in the case of a claim period which is a Covid restrictions period, the claim period ends on a date as provided for (in relation to that Covid restrictions period) by paragraph (c) of the definition of 'Covid restrictions period end date' in subsection (1), and such date precedes the date that had been specified in the Covid restrictions (being those restrictions in the terms as they stood on the Covid restrictions period commencement date) to be the date on which the applicable business restrictions

provisions shall expire, and

(ii) in the case of a claim period which is a Covid restrictions extension period, the claim period ends on a date as provided for (in relation to that Covid restrictions extension period) by subsection (2)(b)(iii), and such date precedes the date that had been specified in the Covid restrictions (being those restrictions in the terms as they stood on the Covid restrictions extension period commencement date) to be the date on which the applicable business restrictions provisions shall expire.

(c) Where a qualifying person makes an overclaim in respect of a reduced claim period, the Revenue Commissioners shall be entitled to recover the excess amount from the person in accordance with paragraph (d) where the following conditions are met:

(i) the claim is made before the end of the claim period; and

(ii) the claim is an overclaim solely by reason of the fact that the claim period is a reduced claim period.

(d) The Revenue Commissioners shall be entitled to recover the excess amount referred to in paragraph (c) by—

(i) setting the amount of an advance credit for trading expenses that the person is entitled to be paid in accordance with subsection (7) against the excess amount, or

(ii) where a repayment is due to the person in respect of a claim or overpayment, setting the amount of the repayment against the excess amount.

(e) Where the conditions referred to in paragraph (c) are met and the excess amount is recovered by the Revenue Commissioners in accordance with paragraph (d) within a reasonable period of time, the excess amount shall not be an unauthorised amount under subsection (14) or (15), as the case may be.”.

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 90:

In page 25, line 25, to delete “(16)” and substitute “(18)”.

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 91:

In page 25, line 31, to delete “(6)” and substitute “(7)”.

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 92:

In page 25, line 32, to delete “(17)” and substitute “(19)”.

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 93:

In page 25, line 45, to delete “(c)”.

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 94:

In page 26, line 4, to delete "(18)" and substitute "(20)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 95:

In page 26, line 8, to delete "(19)" and substitute "(21)".

Amendment agreed to.

Acting Chairman (Deputy Neale Richmond): Amendment No. 96 has been ruled out of order.

Amendment No. 96 not moved.

Deputy Paschal Donohoe: I move amendment No. 97:

In page 26, line 14, to delete "the" and substitute "a".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 98:

In page 26, line 21, to delete "(20)" and substitute "(22)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 99:

In page 26, line 25, to delete "(12)" and substitute "(13)".

Amendment agreed to.

Deputy Paschal Donohoe: I move amendment No. 100:

In page 26, to delete line 28 and substitute the following:

"Commissioners.

(23) (a) Where a Revenue officer determines that a person is not a qualifying person within the meaning of subsection (4)(b), the Revenue officer shall notify the person in writing accordingly.

(b) A person aggrieved by a determination under paragraph (a), may appeal the determination to the Appeal Commissioners, in accordance with section 949I, within the period of 30 days after the date on the notice of the determination.

(c) Where the Appeal Commissioners determine that a person is a qualifying person within the meaning of subsection (4)(b), the 8 week period specified in subsection (8), shall commence in respect of such a person on the date that determination is issued.

(d) The reference to the Tax Acts in paragraph (a) of the definition of 'Acts' in section 949A shall be read as including a reference to this section.",".

Amendment agreed to.

Amendment No. 101 not moved.

Section 11, as amended, agreed to.

NEW SECTIONS

Acting Chairman (Deputy Neale Richmond): Amendments Nos. 102 and 104 are related and will be discussed together.

Deputy Pearse Doherty: I move amendment No. 102:

In page 26, between lines 30 and 31, to insert the following:

"**Report on Covid Restrictions Support Scheme**

12. The Minister shall, within two months of the passing of this Act, prepare and lay before Dáil Éireann a report on the operation of the Covid Restrictions Support Scheme, its eligibility criteria and its accessibility for businesses throughout the supply chain of sectors impacted by Covid-19 restrictions.".

This amendment deals with the accessibility to suppliers. We have had a thorough debate on this area while discussing the preceding 90 amendments so I do not intend to discuss it any further. However, I want to give the committee notice that I will press this amendment because I know this session has to finish in 20 minutes. The Chair might direct us later if the debate is still going on and we do not have time to vote on it. I know Deputy Boyd Barrett has an amendment grouped with this one.

Deputy Richard Boyd Barrett: Will the Chair provide clarity on the point the Deputy made about time? What time are we finishing the debate?

Chairman: The committee will break again in 20 minutes for the next sanitation break. We will then resume at 6.40 p.m.

Deputy Richard Boyd Barrett: Amendment No. 104 seeks to have a report produced within four weeks to see whether the Covid restrictions support scheme, whose objectives I broadly support, will provide support to the self-employed and lone traders in sectors such as the taxi industry, music, arts and live entertainment. I have made the argument and genuinely hope that the Minister will consider what I have said. I do not expect him to say anything now but it is simply unfair to leave the taxi drivers out of this scheme. There are people in arts, music and live entertainment who do not have a premises, *per se*, but whose entire livelihood has been significantly impacted and ability to work has ceased entirely. Many of them are still carrying costs during the pandemic. I do not see the rationale and I do not see too much at stake to justify the Minister not including those groups. I hope the Minister will reconsider these matters before Report Stage. At the very least, within a few weeks of this scheme passing into legislation, there should be a report to see how much trouble the groups who have effectively been left out of the scheme may be in and whether at that point the Minister will reconsider their exclusion. As I said, I hope he will reconsider before then but, in the absence of that, this amendment is to require a report on those sectors and groups within four weeks of the passing of the Bill.

Deputy Paschal Donohoe: I am not accepting these amendments but I remind Deputies that under the requirements of the legislation that I hope will be passed, I am required to make an assessment regarding the operation of the Covid restrictions support scheme no less frequently than within a three-month period. I will be looking at the operation of this scheme in the early part of next year. From my experience of doing this scheme and others like it, it takes a number of months before one has enough information to be able to form a view regarding the operation of the scheme. I will be happy to engage with the committee and the Dáil about the scheme when we have data on its operation but I would be less than honest if I did not say to the committee that I will not be revising the argument that I have made about the eligibility criteria. I will work with my colleagues in government to see whether, within the budgetary framework we have, additional supports are needed and whether we can put in place. We have done a great deal to try to support taxi drivers, although I accept that the Deputy thinks it is not enough. The Minister for Tourism, Culture, Arts, Gaeltacht, Sports and Media, Deputy Catherine Martin, has a €5 million fund that will increase to €50 million next year, the purpose of which is to support music, the arts, live entertainment and other sectors like that. She is rolling out that fund as we speak.

Amendment put.

The Committee divided: Tá;, 4; Níl, 6.	
Tá;	Níl;
Barry, Mick.	Donohoe, Paschal.
Doherty, Pearse.	Durkan, Bernard J.
Farrell, Mairéad.	Matthews, Steven.
Tóibín, Peadar.	McGuinness, John.
	O'Callaghan, Jim.
	Richmond, Neale.

Amendment declared lost.

Deputy Mick Barry: I move amendment No. 103:

In page 26, between lines 30 and 31, to insert the following

12. The Minister shall, within three months of the passing of this Act, prepare and lay before Dáil Éireann a report on a levy on large profitable companies to meet the costs of the Covid Restriction Support Scheme and other supports to business."

The amendment seeks a report on a levy on large profitable companies to meet the cost of the CRSS and other supports to businesses.

There are huge cost burdens on society and the taxpayer as a result of the Covid-19 crisis. Parts of the costs are for business supports and others are for broader societal supports, such as a big increase in State spending on the health service, etc. There has been talk recently about a K-shaped economy, which is interesting because it shows that there are those, particularly big business and corporate interests, who, rather than being disadvantaged by the crisis or running to stand still, are actually increasing their profits to a serious degree. I am not going to give all the facts and figures. They are readily available to the committee and most committee members are familiar enough with them. The pharmaceutical industry is doing very well from the crisis,

as are big technology companies and others.

With that in mind, it is fair, reasonable and desirable that there would be a special Covid-19 wealth tax or levy placed on those who are making big profits in these circumstances in order to pay for the supports that are being given to the medium and small-sized businesses and wage supports, but also to pay for the increased costs that are falling on society in the likes of the health service. The amendment, essentially, instructs the Minister to come back with a report on the feasibility of my suggestion, how it might be done and so on.

Deputy Paschal Donohoe: I thank the Deputy. I am not in a position to accept the amendment. We already have, through, for example, our corporate tax structure, a way in which we are collecting large amounts of tax revenue from larger companies that are located here. I believe the way in which large companies are taxed is going to change but I also believe that, if and when it does change, it is best done in a co-ordinated way across the world, particularly in different countries with which Ireland is in competition. The perspective that is missing from the point the Deputy is putting forward is that we live in a competitive world and are working hard to keep jobs in Ireland that are created by the large companies to which the Deputy is referring. The kind of measure he is suggesting behind the report would be damaging for our ability to keep the kinds of companies that we need here and that have played such an important role in generating the tax revenue that we need in 2020 to pay for our response to Covid. The bit that is missing from the point the Deputy made is how competitive it is to keep the jobs that are provided by many of these companies. I am of the view that a competitive tax structure matters for a country of our size and, therefore, I do not accept the amendment.

Deputy Mick Barry: I will be brief in my response because we have a break coming up.

Acting Chairman (Deputy Neale Richmond): Before the Deputy gets going, I have been told that it is 6.20 p.m. I am sorry, but perhaps we can take the Deputy's comments when we resume.

Sitting suspended at 6.19 p.m. and resumed at 7.01 p.m.

Deputy Steven Matthews took the Chair.

Acting Chairman (Deputy Steven Matthews): We will resume Committee Stage of the Finance Bill 2020. We were dealing with amendment No. 103. Deputy Barry was going to respond to the Minister.

Deputy Mick Barry: The item under discussion is the idea of a levy on wealth in order to pay for the various support schemes, although I also indicated that I supported it to help finance other schemes such as the large increase in investment in the public health service. The Minister indicated to me that he was opposed to it on the grounds of international competition. Essentially, the argument was that if Ireland was to introduce a levy of that kind, it would give other states a competitive advantage in attracting foreign direct investment.

The type of profits being made by some companies and the type of wealth being accumulated by some individuals is on such a significant scale that even a relatively modest levy on wealth or profits could raise significant sums of money and spare the taxpayer and ordinary people the hardships involved in financing the various programmes. I will provide a few examples. It is estimated that a 10% levy on the profits of the big pharmaceutical companies and private hospitals could raise as much as €2 billion and that a 1.5% tax on millionaires in our society, excluding the first €1 million worth of wealth, could raise nearly double that sum - €3.8 billion.

The Sunday Times rich list estimates that the 300 richest individuals in Irish society own and control wealth and assets of €93.7 billion. This is a practical issue because the measures the State has been forced to implement, including the various support schemes and the increase in health expenditure, has to be paid eventually by somebody. Essentially, the question will be whether it will be paid by those who can best afford to pay or whether it will be the working people - the poor bloody infantry once again - who will be clobbered for this. We are saying very clearly that there should be wealth taxes and a special levy on profits.

This is quite a popular position. In recent times, opinion polls have consistently shown that there is widespread popular support for a measure such as this. The Minister has argued against it on the grounds of international competitiveness. Let us be clear. What the amendment is calling for is a report to be drawn up on how this might be implemented. I do not have any problem if the Minister wants to support the idea of Covid wealth taxes or a Covid levy being introduced in a co-ordinated international way, although I feel that if a number of countries were to go first on this, it would be an enormously popular measure among the mass of the population, not just in the countries that introduce it but on an international basis, and would put pressure on all governments to follow suit and implement a policy of that kind.

It seems that the Minister is opposing an amendment that does not necessarily box him in as to how such a levy might be introduced and is merely about a report that can facilitate further discussion on the issue. Even if the Minister is opposed to the measure and is prepared to take part in that debate, there is no reason he should oppose the drawing up of a report on the issue, particularly as there is so much public support for this measure these days.

Deputy Paschal Donohoe: We already have a series of very progressive taxes in Ireland. We have income tax, local property tax and ways in which we can ensure that those who have the most pay the most. Deputy Barry referred to a number of figures - €2 billion and €3.8 billion. He might indicate who produced those figures and where they came from because I have no doubt that very sudden and significant increases in how we tax large companies located in Ireland, be they Irish or international, would have a very significant and negative effect on our ability to attract and keep those jobs. Companies that earn more profit this year will pay more tax through the application of our existing corporate tax code and will pay more tax as they are more profitable.

The fact that we have seen such increases in corporate tax revenue at a time when the global profitability of large companies like this has also increased is a sign of how a simple and effective tax rate can be an effective collector of revenue. For all the reasons I have outlined such as our competitiveness and ability to retain these jobs, even an indication from me that I will prepare a report on this matter is not something I am willing to agree to. Deputy Barry might indicate the source of the figures claiming that we could collect between €2 billion and €3.8 billion more, which are very remarkable figures in the context of our total tax take and total corporate tax yield.

Deputy Mick Barry: *The Sunday Times* rich list speaks for itself. The figures I quoted regarding levies on the profits of pharmaceutical companies and private hospitals on the one hand and a tax on wealth of over €1 million on the other hand were both contained in the People Before Profit pre-budget submission this year, which I think the Minister has a copy of, and all the sources are indicated on that. If the Minister does not have a copy of it, we can make sure it is sent on to him.

Acting Chairman (Deputy Steven Matthews): Is the amendment being pressed?

Deputy Mick Barry: Yes.

Amendment put and declared lost.

Acting Chairman (Deputy Steven Matthews): Amendment No. 104 has already been discussed. Is the amendment being moved?

Deputy Richard Boyd Barrett: I move amendment No. 104:

In page 26, between lines 30 and 31, to insert the following:

"Report on accessibility of Covid Restriction Support Scheme

12. The Minister shall, within four weeks of the passing of this Act, produce a report on whether the Covid Restriction Support Scheme is accessible to, and has provided meaningful financial support for, self-employed/lone traders in sectors such as the taxi industry, music, arts, live entertainment and other similarly affected sectors.".

Amendment put and declared lost.

Acting Chairman (Deputy Steven Matthews): It is proposed that section 12 be postponed until section 16 has been disposed of. Is that agreed?

Deputy Pearse Doherty: Can I ask a question? I know we have just agreed section 11 but there are a number of amendments that have not been dealt which propose the insertion of a new section 11. Can the Acting Chairman indicate when they will be taken?

Acting Chairman (Deputy Steven Matthews): Can the Deputy give us an indication of the amendments to which he is referring?

Deputy Pearse Doherty: Amendments Nos. 6, 7 and perhaps 8. Some of the amendments proposing the insertion of a new section are in Deputy Boyd Barrett's name. We suspended discussion on them to-----

Acting Chairman (Deputy Steven Matthews): Will the Deputy give me those amendments again? It is my understanding that we have dealt with every amendment, starting with amendment No. 1.

Deputy Pearse Doherty: No. We were discussing amendments Nos. 6 and 7, which were grouped. The Minister was in mid-flow when we parked discussion on them because there was a change of personnel. I am happy enough as long as we need to take them but we are now agreeing a new section 11 and as these amendments proposed to insert a new section 11 I am wondering about the order. Amendments Nos. 6 to 8, inclusive, have not been disposed of yet.

Acting Chairman (Deputy Steven Matthews): My understanding is that we will return to section 10 after section 24.

Deputy Pearse Doherty: Okay.

Deputy Richard Boyd Barrett: Amendment No. 8 is our amendment.

Acting Chairman (Deputy Steven Matthews): It will be part of the sitting tomorrow afternoon. There is a 2 p.m. start.

Deputy Pearse Doherty: I thank the Acting Chairman.

Deputy Richard Boyd Barrett: I just want clarity on that. Will our amendment No. 8 be taken tomorrow?

Acting Chairman (Deputy Steven Matthews): Is the Deputy referring to section 10? That is correct. It was agreed earlier that we would return to that. It will be taken tomorrow after section 24.

Deputy Pearse Doherty: Agreed.

SECTION 13

Question proposed: "That section 13 stand part of the Bill."

Deputy Pearse Doherty: Section 13 relates to the professional services withholding tax. I ask the Minister to outline the intention behind it.

Deputy Paschal Donohoe: I thank the Deputy. The professional services withholding tax, PSWT, was introduced in 1987 and is a 20% withholding tax deducted at source from payments made by accountable persons such as Departments for certain professional services. PSWT deducted is allowed as a credit against income tax or corporation tax of the individual or company that has suffered it. While there have been some changes to the PSWT legislation since its introduction, the basic administrative procedures remain unchanged. The current procedures are labour intensive and generate a large volume of paper forms. These old-fashioned procedures are an outlier when compared to the electronic systems that are now in place for other tax. This section provides for the replacement of the current paper intensive procedures with a new electronic process. When an account of a person makes a relevant payment, instead of issuing a paper certificate with details of the payment to the service provider they will electronically update the information directly to Revenue. Revenue will in turn make this information available to the service provider through its online service ROS.

The section also allows consequential amendments covering the filing of returns by accountable persons and the claiming of refunds by the service providers as well as other necessary amendments that are required to allow for the operation of an electronic filing system. To allow time for the necessary changes to be made to the IT systems of both Revenue and accountable persons, the implementation of these changes are subject to a ministerial commencement order.

Deputy Pearse Doherty: On the Minister's last point, when is it intended that he will be providing that order to commence this section?

Deputy Paschal Donohoe: By the end of next June.

Question put and agreed to.

Acting Chairman (Deputy Steven Matthews): It is proposed that section 14 be postponed until section 23 has been disposed of. Is that agreed? Agreed. It is proposed that section 15 be postponed until section 24 and the new sections proposed to be inserted by amendment No. 129 have been disposed of. Is that agreed? Agreed. It is proposed that amendments Nos. 122 and 123, which involve the insertion of new sections, be postponed until after section 12 has been disposed of. Is that agreed? Agreed.

SECTION 16

Question proposed: "That section 16 stand part of the Bill."

Deputy Mairéad Farrell: Section 16 proposes an increase in the rate of the encashment tax from 20% to 25%. That change would bring the rate of encashment tax in line with the rate of the dividend withholding tax, which was increased to 25% last year. It also includes an exemption from encashment tax for Irish companies and a requirement that they make certain returns of information to Revenue. Can the Minister advise whether this exemption applies to holding companies or companies that have largely been established for the purpose of tax minimisation? What are the details companies will be required to submit to Revenue?

Deputy Paschal Donohoe: The criteria for this is that, currently, Irish resident companies are also exempt from the dividend withholding tax so we are bringing the rate of the tax in line with the dividend withholding tax. There will be a variety of different companies included within that. This amendment is in line with other withholding taxes like, for example, the deposit interest retention tax. The answer to Deputy Farrell's question is that a wide variety of companies resident here in Ireland will be able to avail of this but what we are doing is bringing it into line with where we are with the dividend withholding tax.

Deputy Mairéad Farrell: What details will they be required to submit?

Deputy Paschal Donohoe: Is it the details they are required to submit themselves? They are required to submit their corporation tax number.

Deputy Mairéad Farrell: I thank the Minister.

Question put and agreed to.

Acting Chairman (Deputy Steven Matthews): We are pausing briefly to allow the officials advising the Minister to change over.

Deputy Pearse Doherty: While we pause, are we set up to go beyond section 24 this evening? Are the officials available or is it the intention to try to get to section 24 and leave it at that?

Acting Chairman (Deputy Steven Matthews): My intention is to get as far as section 24 this evening and we will deal with the section itself tomorrow.

Deputy Mairéad Farrell: I thought the note said section 24 would be considered tonight.

Acting Chairman (Deputy Steven Matthews): I apologise to the Deputy but my note states that we will deal with that section tomorrow. I think it will be at 2 p.m.

Deputy Mairéad Farrell: Okay. I do not mind it being tomorrow either but the last note we got, from what I can see-----

Deputy Paschal Donohoe: Just to say, if it helps the committee, our officials will be available to do section 24 if we get to it. We can, therefore, do that this evening or if we do not get to it, we can do it tomorrow.

Deputy Mairéad Farrell: I thank the Minister.

Deputy Paschal Donohoe: While there is a brief pause, I would like to correct something I said earlier when I was answering questions from Deputies Naughten and Canney. I said the HSE had already recommenced assessments in respect of the primary medical certificate. I was wrong on that. The processing of applications cannot begin until this Bill is enacted. I apolo-

gise for providing inaccurate information to the committee.

Acting Chairman (Deputy Steven Matthews): I thank the Minister for the clarification. Have his officials arrived yet?

Deputy Paschal Donohoe: We are good to go.

Section 12 agreed to.

NEW SECTIONS

Acting Chairman (Deputy Steven Matthews): Amendments Nos. 122 and 123 are related and will be discussed together.

Deputy Pearse Doherty: I move amendment No. 122:

In page 37, after line 35, to insert the following:

"Report on applying CGT to all sales of property by REITs

17. The Minister shall, within six months of the passing of this Act, prepare and lay before Dáil Éireann a report on applying the full rate of Capital Gains Tax of 33 per cent to all disposals of property of the rental business of a REIT or group of REIT.".

These amendments seek a report, which is the mechanism we use to raise these matters in the Bill without them being ruled out of order. The report relates to applying the full rate of capital gains tax of 33% on all disposals of property of the rental business of a real estate investment trust, REIT, or group of REITs.

The second amendment seeks the application of the full rate of capital gains tax of 33% on all sales of property by Irish real estate funds, IREFs, as opposed to current rules where tax on capital profits is paid only through the dividend withholding tax when the IREF makes a distribution.

We are back to discussing property. We had a lengthy discussion on the help-to-buy scheme and the impacts it will have on prices and related matters. There is an issue with the fact that we have some significant players in the property market. I will introduce amendments at a later stage to deal further with that. The reality is that REITs are a significant player not only in commercial property but also in residential property. The tax structure of the REITs gives them a competitive advantage, allowing them to pay higher prices for apartments and residential dwellings and therefore pushing up prices in the entire property market. To be operational a REIT needs to derive at least 75% of its profits from rental properties, hold at least three properties and carry out the business of letting properties. No one property may count for more than 40% of the total value of property in a REIT and it must distribute at least 85% of rental profits to shareholders. Significantly, REITs are exempt from corporation tax on qualifying income and gains from rental property. A REIT's tax is paid by its shareholders in terms of the distribution but no capital gains tax, CGT, is paid by a REIT in relation to disposal of its assets, unlike a normal company or indeed an individual who would pay capital gains tax with the disposal of a company. It is these unique tax structures that allow REITs to have a competitive advantage. Some may argue that there was a point where this type of structure was required, a time of high house prices, bonanza rents and all the rest. We have plenty of examples of the types of rents some REITs are charging. We should not be facilitating these types of structures in our tax code

in this manner. There was a significant change to the Finance Act. I have been raising this for years and last year we provided in the Finance Act 2019 that if a REIT leaves the regime within 15 years of entering, any capital gains tax made on assets will be subject to CGT. Members will be familiar with the issue of a REIT planning to sell up basically completely and then being able to avail of this tax structure. The question is about providing a level playing field and not facilitating these types of structures in which no corporation tax on rental income and no capital gains tax is applied. It is simply not acceptable in my view.

My amendment on the IREFs is similar, as I stated. The IREF regime was introduced in 2016. I mentioned the issue of retrospectivity earlier in the context of the taxation of the pandemic unemployment payment. One of the things that probably gave rise to this was the abuse of Mr. Denis O'Brien in relation to the tax code and how he was able to gain millions of euro of benefit as a result of using particular structures for the disposal of Irish assets. Irish property is sacrosanct and should always be taxed in Ireland but that did not exist because our tax law allowed for very clever accountants to find ways around that. That happened on more than one occasion. Consequently, the IREF structure was introduced, where for a fund that derives 25% of its market value from IREF assets, non-resident investors are subject to a 20% dividend withholding tax. That needs to be looked at again. I argued for that measure and it was introduced, as I said, in 2016. The regime was introduced to ensure non-resident investors were paying at least some tax on profits that derive from Irish real estate.

In this amendment we are calling for capital gains tax, from which IREFs are exempt, to apply in relation to this also. We can go into greater detail on the dividend withholding tax. There are ways of reducing that liability and we will deal with that at a later stage. Again, however, this is another competitive advantage provided to these types of funds that is not available to other people or indeed other Irish structures where the disposal of property is concerned. If one looks at the REIT market here, €3.7 billion of Irish property is held by it. While REITs are, in the main, commercial entities, some 28% of their assets, or nearly €1 billion, is in residential property. It is crucial that the exemptions from capital gains tax for IREFs and REITs are no longer facilitated in our finance code.

Deputy Paschal Donohoe: Members may be aware that last year officials in my Department produced a report on REITs, IREFs and section 110 companies as they invest in the Irish property market. The report was presented to the tax strategy group and published in July 2019. This paper provided the basis for policy discussions and a number of amendments were then introduced as part of the Finance Act 2019.

In respect of IREFs, I introduced a number of additional anti-avoidance measures to ensure that an appropriate level of tax was collected from the regime. These measures include limitations on interest expenses, based on debt to property cost and on a profits-to-interest ratio. Tax is now payable at the fund level in circumstances where this ratio is breached. The amendments were introduced to prevent the use of excessive connected party interest charges to reduce profits, subject to the IREF withholding tax. I advise Deputy Doherty that officials in my Department and the Revenue Commissioners continue to monitor the taxation of IREFs. As I stated last year, should additional issues be identified, I will take further action as necessary.

On the basis of filings that were made by IREFs in July, which covered returns by them up to 31 December 2019, €65.04 million was paid through the IREF withholding tax which is equal to a tax rate of 18.47%. Many changes were made in respect of IREFs last year to deal with the issues that were brought to my attention and the debates we have had on these matters on recent Finance Bills.

On REITs, I introduced a number of amendments last year to ensure an appropriate level of tax was levied on the regime. Two of these focused on the treatment of the proceeds of property disposals. The first was an amendment in respect of the application of dividend withholding tax on capital disposals and was designed to prevent the proceeds of disposal being paid out without incurring a tax charge. Second, the deemed disposal provisions upon cessation of REIT status were restricted to REITs that had been in operation for at least 15 years, in line with the regime's stated objective of encouraging long-term stable investment in rental property.

In light of the report that I completed last year and the new measures introduced in the Finance Act 2019, I do not believe that now is the appropriate time to undertake a further report in respect of the taxation of profits and gains of IREFs and REITs. For those reasons, I cannot accept the Deputy's amendments.

Deputy Pearse Doherty: I will start by welcoming the figures the Minister provided because I do not think he has put them in the public domain before. The figure of €65.04 million represents a dividend withholding tax rate of 18.4%, which is significant progress and something to be welcomed. When I argued for the introduction of a dividend withholding tax in respect of these funds, I stated that it should be initially introduced at a rate of 20%. The percentage should have increased after that point and now is the time for us to consider increasing the rate.

My concern is whether there is a level playing field or a particular advantage for REITs and IREFs in the State as a result of the tax code. There is. The tax structures provide an advantage for these investors to buy up Irish property. As a result of the fact that their tax liability is lower than other structures, such as companies or individuals who have been involved in these property transactions, they are able to bid more for houses. They are able to push up house prices. That is not a good situation. We need to look at this.

I have tabled an amendment to introduce a surcharge on funds which buy up domestic property. Other countries are trying to restrict funds from buying up domestic property. We need to try to get that into the hands of first-time buyers and people who want to get on the property ladder. Some people will argue that there is a role for these types of entities and all of the rest, and I am not arguing against that, but they should not have specific tax structures.

The Minister said now was not the time to address this. I would argue the complete opposite. This is long overdue. The fact that these funds do not pay capital gains tax on disposals is wrong. The fact is that an IREF or REIT pays no capital gains tax on a disposal. Due to property price increases over the past number of years, there are significant gains in respect of the assets these firms are disposing of.

In a perfect scenario we would be able to show that the distribution to shareholders and the tax that they pay on the dividends they get would be equal, but that is not the case because we know that, in the main, institutional investors are investing in these structures. I have gone through the structures of investors in great detail. Many are non-resident and, therefore, they are captured in the likes of the dividend withholding tax rate of 20%.

Our capital gains tax rate is 33%. I have not heard from the Minister why he does not want to deal with this issue. Is he aware that other jurisdictions are introducing surcharges on funds that are buying up domestic property? Why does he have an aversion to this idea? Some progress has been made, but people have been dragged kicking and screaming along the way. Everything that we are doing is always a wee bit too late.

Deputy Paschal Donohoe: I do not know who Deputy Doherty is accusing of kicking and screaming but it is not me. In the debate on the Finance Bill two years ago I said that in dealing with the IREFs I would collect information on their operation and the way in which they were being taxed. When I collected that information, I then acted. The Deputy has acknowledged that. I have made some very important changes in respect of how IREFs are taxed. I will always keep under review the measures in other jurisdictions and what is appropriate for us.

On the role of these entities and commercial property, some 70% percent of the property held by REITs is commercial property. One of the reasons I made the case for there being a role for REITs was to ensure that in the event of there being changes in our commercial property market we would have a more diverse set of landlords in that market. Across the coming year we will see what the role of REITs is, given the kind of change that is under way in the commercial property market at the moment.

In respect of IREFs, I made a significant change last year regarding how they are taxed. On the point the Deputy made on whether these entities are playing a role in driving up prices in the property sector, in particular the residential property sector, the top 19 landlords, that is, those with at least 200 tenancies, now account for 3.25% of all tenancies in the country. Even though these organisations do have scale, in many cases the apartments they have been buying have been built in the first place because these organisations are available to buy them. In some cases we have seen forward supply where, in particular, these apartments are built for entities like this that then go on to purchase them. They are not of the scale or size that they are influencing property prices in the way the Deputy is suggesting but I will always keep how these are taxed under review to decide if we are taxing them appropriately. As the Deputy is aware these entities are taxed at the moment in which they distribute their income. For Iris in particular I looked at this in last year's budget and I will continue to monitor what is the right way of taxing them.

Acting Chairman (Deputy Steven Matthews): I thank the Minister and call Deputy Doherty.

Deputy Pearse Doherty: I acknowledge the Minister's collection of the data and I acknowledge also that it was an amendment that I put down in the Finance Bill and the Minister accepted that he would do that, which I welcome. I also acknowledge that there were changes last year. The point I have been making is that in years prior to that, we have been putting data on the record, have had debates on the Finance Bill, have been going through the accounts of some of these structures and have been showing that the effective tax rate they were paying was so small. We have been showing how the Irish collective asset-management vehicle, ICAV, model was used by an individual on the €85 million sale of a property so that no capital gains tax would be paid. This is what I have been talking about. There has been something of a struggle to get us to move on Irish real estate fund, IREFs, and real estate investment trusts, REITs. IREFs are a somewhat newer concept. This again goes back to the point where we are having these arguments every year with some progress being made. There is a concentration as to the REITS and as to where they have their properties. They do not have properties in Collooney in Sligo or in Gweedore but they are buying up apartments in Dublin and in areas where there is a lack of supply.

The Minister has made a point here which I just disagree with, which is that these apartments would not be built if not were not for REITs. We had a whole discussion this morning about the lack of supply and the fact that there is a demand there. REITs are able to outbid others because of the tax structure that they have. That is the reality. It is the most favourable tax structure if one wants to buy and dispose of property in an area. That is the reality. There

is no capital gains tax on any income or any disposal or corporation tax on any rental income. Let us think about that and of all of those people who are being fleeced by some of the highest rents in the State. No corporation tax is paid on that rental income within the REITs. People are not just being screwed over in their rents but these entities do not pay corporation tax on that rental income due to the distributions and it all depends on who the investors are in the REIT and where they are located as to whether they pay tax here at the marginal or standard rate of tax and whether one is an international investor and non-resident and would be therefore subject to the dividend which will go to a tax rate of 20%, which is still a huge benefit for the person. That is the problem here. This is not just an issue of taxation and of these structures and being able to benefit and again from the system. This is deliberate. Can the Minister tell me or the finance committee, hand on heart, that these structures do not have a competitive advantage in the purchase of Irish property in this State because of their tax structure? He cannot.

There were a number of reasons REITs were introduced, including to provide a diverse spectrum of investment and allow people to invest in property without a concentration of that investment. The tax structure was the key benefit. If one looks at any accountancy firms prospectuses and looks at their examples of REITs or IREFs, one's attention is not drawn to the risk of the investment, it is to the tax structure. That is the point and what these are. These are efficient tax structures for funds and REITs that allow for a competitive advantage in order to buy up Irish property. Funds and REITS have grabbed that advantage with both hands and have made massive amounts of money because they came here when property values were low and are now disposing of properties when prices are high. They paid no capital gains tax on these disposals. If a company has a second property or has a property associated with it, residential or commercial, it has to pay 33% capital gains tax on that disposal. These structures have been devised and the Minister stands over them. He should not do that because it is simply wrong.

Deputy Paschal Donohoe: REITs currently own 3.1% of Dublin apartment stock and 1.9% of the national apartment stock. When I was referring earlier to the purchase of apartments, I did not say that all of the apartments they purchased were built due to the presence of REITs but I believe that some are. The reasons we have REITs in place here is that they play a role in having landlords of scale within the property market. I will continue to look at how they are taxed to ensure that we are taxing them effectively and fairly. I have made changes within this area in the past to demonstrate that but no further changes is merited now.

Acting Chairman (Deputy Steven Matthews): Is the amendment being pressed?

Deputy Pearse Doherty: We can bandy figures around - and I do not dispute the Minister's figures - but these are the biggest landlords in the State. Let us call a spade a spade. The Minister for Finance is sitting here and saying that we should not charge those involved capital gains tax when they dispose of assets, and, by God, let us not ask them to pay corporation tax on their rental income. These are also not only the biggest landlords in the State but are some of the landlords that charge the highest rent in Dublin. That is what they are. Will the Minister reiterate why they should not pay corporation tax on their rental income or pay capital gains tax when they dispose of assets? These are the biggest landlords in the State and they are charging the highest prices for rental in Dublin.

Deputy Paschal Donohoe: We tax these entities in other ways. We tax them when their income is distributed. They are taxed in this way to ensure that when income is distributed to their shareholders it is taxed at that point. While the Deputy is correct in what he has said regarding the fact that they are not taxed in those particular areas, he does not acknowledge that these entities are taxed in other ways when income is returned to the shareholder. That is how

they are effectively taxed at that point.

Deputy Pearse Doherty: I have already acknowledged that point and I ask that we might get this issue clear and go a little bit deeper into it. What is the percentage of residential investors in a REIT compared with international non-resident investors? The structure has been set up in a way that it is for non-resident investors. Why is that? It is because if one is a resident investor one will have to pay some tax. Can the Minister outline for me what, however, a non-resident investor will pay in tax? The Minister used the term "fairly".

Acting Chairman (Deputy Steven Matthews): Does the Minister wish to come back in on that point?

Deputy Paschal Donohoe: I do not have the information available on the split of the owners within REITs. If it becomes available to me after this engagement, I will share it with the Deputy.

Deputy Pearse Doherty: The Minister will get the information for me on non-resident investors. The latter comprise the majority of the investors. The Minister stated that these entities are taxed fairly, that I did not acknowledge that point and that he receives tax from them in another way. He does not charge these entities capital gains tax at 33% or corporation tax on the sky-high rents that they are charging families in Dublin and elsewhere. What is the fair tax that the Minister applies in respect of the non-resident investors in REITs once they receive their dividends from those structures? If the Deputy bears with me for a moment, I will get that information for him now. We tax them through the dividend withholding tax, DWT.

Deputy Pearse Doherty: At what rate?

Deputy Paschal Donohoe: That DWT is the way in which we tax when that income is distributed.

Deputy Pearse Doherty: And what rate is that?

Deputy Paschal Donohoe: It varies from treaty to treaty, but the most common agreed rate in dividends is at 15%.

Deputy Pearse Doherty: It is 15%, and it can actually be reduced based on the taxation agreements.

I am going to go back to answer my core question. Non-resident investors are taxed at a rate of 15% and they comprise the majority of investors in a REIT structure. The Minister is saying that we should not apply capital gains tax to these structures that dispose of assets, and which have made a killing to purchase them at the low end of the market, and may dispose of them at the higher end of the market. He says that we should not charge them corporation tax on the rents that they charge families across Dublin, which are the highest rents in the State charged by the largest landlords in the State. The Minister is saying that this is because we capture the tax in other ways and in a fair way. However, it is only at a rate of 15% and can be reduced depending on the double taxation treaties that we have with other member states. That is the problem right there. Those are the Minister's priorities. We are back to it again.

Deputy Paschal Donohoe: Both Irish and non-resident DWT, at the standard rate of 25%, will be deducted by the REITs, from dividends paid to shareholders. Foreign investors investing into treaty countries may be able to reclaim some of this DWT under the relevant tax treaty.

Tax treaty rates and dividends vary from treaty to treaty, but both the common rates applicable to small shareholdings will be 15%. This means that Ireland would retain taxing rights of 15% on dividends paid from Ireland.

Deputy Pearse Doherty: Let us compare that to a company that buys the same property. It has to pay corporation tax on the sky high rents that it is charging, and it has to pay tax of 33% on the disposal of the asset on the gains it has made. However, for non-resident investors, the tax liability is 15% at the most. This is what REITs do; they are for non-resident investors. That is what the structure is and that is where the tax efficiency is. It is ridiculous.

Deputy Paschal Donohoe: In each of the Finance Bills that I have done, I have examined how these entities are taxed, and I have made changes to them where necessary. I will do that again to ensure that we are taxing them in a way that is comparable to how they are taxed in other countries but recognises that they play a role, for example, in commercial property that I believe is valuable.

Amendment put.

The Committee divided: Tá;, 4; Níl, 6.	
Tá;	Níl;
Barry, Mick.	Donohoe, Paschal.
Doherty, Pearse.	Durkan, Bernard J.
Farrell, Mairéad.	Matthews, Steven.
Tóibín, Peadar.	McGuinness, John.
	O'Callaghan, Jim.
	Richmond, Neale.

Amendment declared lost.

Deputy Pearse Doherty: As I have said, kicking, dragging and screaming. We might get to a point where the Minister may move on this, but the tax structure of these has not changed. They have been getting away with blue murder, and the problem here is not just tax. The problem is that they are significant players in the rental sector and set a baseline in terms of rents, and they are the largest landlords in the State. Commercial property is not a key area. I have been warning for a long time that a bubble was emerging in commercial property, so I am not sure that we should celebrate their role. I will press both amendments anyway, as they are key.

Deputy Pearse Doherty: I move amendment No. 123:

In page 37, after line 35, to insert the following:

"Report on applying CGT to all sales of property by IREFs

17. The Minister shall, within six months of the passing of this Act, prepare and lay before Dáil Éireann a report on applying the full rate of Capital Gains Tax of 33 per cent to all sales of property by IREFs, as opposed to current rules whereby tax on capital profits is paid only through a Dividend Withholding Tax when the IREF makes a distribution."

Amendment put.

The Committee divided: Tá;, 4; Níl, 6.	
Tá;	Níl;
Barry, Mick.	Donohoe, Paschal.
Doherty, Pearse.	Durkan, Bernard J.
Farrell, Mairéad.	Matthews, Steven.
Tóibín, Peadar.	McGuinness, John.
	O'Callaghan, Jim.
	Richmond, Neale.

Amendment declared lost.

Acting Chairman (Deputy Steven Matthews): We are moving to section 17.

SECTION 17

Question put: "That section 17 stand part of the Bill."

Deputy Pearse Doherty: Can the Minister give us an indication of the impact that the section will have on intangible assets? In particular, will this only apply to intangible assets that are onshored following the passage of the Bill?

Deputy Paschal Donohoe: The section amends section 288 of the Taxes Consolidation Act 1997 to better align our tax regime for intangible assets with international best practice. Financial Resolution No. 4 allows this measure to take effect from 14 October. Like many other countries, Ireland has, since 2009, granted capital allowances on certain intangible assets that companies manage, develop or exploit. These intellectual property, IP, allowances encourage substantive activity and high-quality employment in Ireland. In some respects, our IP allowance rules are more restrictive than those for normal capital allowances, as well as similar reliefs in other countries. The operation of the balancing charge mechanism, however, was identified as being less restrictive than that in most, but not all, jurisdictions with similar reliefs.

Prior to Financial Resolution No. 4, no clawback of capital allowances arose, while an intangible asset was disposed of after five years and the disposal proceeds exceeded the costs not yet relieved through IP allowances. This differs from the treatment of a disposal within five years, where any such excess would, effectively, be treated as a taxable receipt to the company. As a result, section 288 of the 1997 Act was amended to provide that all expenditure incurred on intangible assets from 14 October is fully within the scope of balancing charge rules. Assuming that the expenditure incurred from 14 October last has a similar profile to current claims, it is not expected that this change will result in significant additional tax revenue.

Revenue understands that the type of intellectual property typically suited in Ireland includes items such as patents and pharmaceutical products. Such assets generally have a limited life and decrease in value over that life, and are therefore less likely to give rise to a balancing charge on disposal. Nonetheless, this was an important change to better align our regime with international best practice. By introducing this as a financial resolution on budget day, I again signalled a commitment to taking action where needed to ensure our regime for intellectual property, together with the broader corporation tax regime, remains competitive, legitimate and sustainable.

Deputy Pearse Doherty: That is okay with me.

Question put and agreed to.

SECTION 18

Question proposed: "That section 18 stand part of the Bill."

Deputy Pearse Doherty: Section 18 provides for the regional film development uplift. As we have discussed in respect of many Finance Bills, there is an ongoing concern in respect of the employment status of many people working within the industry that still needs to be enhanced. I want to focus on the situation that some of the industry currently finds itself. Those making films or television series are finding it difficult because of Covid-19 and to insure against Covid-19. Support has been provided through the Department to the relevant agency to allow it to support companies to meet some of those costs. The problem is that when a production company is using a service agency here to hire staff, that support is not available to it.

I am aware, and I think the Minister is as well, that there is now an outflow of productions that are not taking place here any more. There is a €500 million support package in Britain and the North, and series or films which were supposed to be shot here and on which Irish actors, production crews and so forth would have been employed have relocated to Wales, the North and England because they can avail of the support fund there, which will help ensure they can continue shooting despite Covid-19. The issue is that there is support for a company located here but if, for example, it is an American or a London company using an Irish service company there is no support for them and they are pulling out, leaving workers stranded and the resultant loss of revenue. We talk about the potential of tourism and all the spin-offs that come from that. Has the Minister looked at that? Is he concerned about it? Does he have any suggestion as to how to fix it? One way it may be fixed is to consider replicating what is already done and making sure that those type of shoots are supported here.

Deputy Paschal Donohoe: I am aware of some of the difficulties Deputy Doherty is referring to but this is the reason Screen Ireland, with the support of the Department of Culture, Arts, Gaeltacht, Sport and Media, has launched a production continuation fund. This is a pilot initiative which has a €5 million fund to assist production companies to deal with uncertainties that have been caused by Covid-19. I have not received any feedback yet to say that the fund is inadequate to deal with the difficulties the Deputy is referring to but I will follow up on the matter. I have not been briefed on the alleged scale of withdrawal Deputy Doherty raised in his question to me. I understand that the launch of this continuation fund that has just happened is viewed to be a potentially successful response to the issues currently taking place in that sector. It takes place in the context of an increase in total funding for the arts and culture sector of up to €239 million, which is an increase of €56 million versus where they were before this pandemic arrived. The Department has a significant amount of additional funding to support its priorities. That is the reason, through Screen Ireland, the continuation fund has been set up. I will follow up on it between now and Report Stage to see if there is any feedback regarding the adequacy of that scheme. Deputy Doherty has made reference to initiatives that are happening elsewhere. Every government presents the initiatives they are doing in the biggest way they can and that seeks to give them the most positive presentation possible. I believe that our measures, from our wage subsidy scheme to initiatives like the continuation fund and the additional funding that has been made available to the Minister, Deputy Martin, will be sufficient in dealing with the challenges of next year.

Deputy Richard Boyd Barrett: We have discussed at length over the past number of years the section 481 tax relief. I want to thank the Minister for his genuine engagement on the issues

I have raised over the past few years on behalf of film crew in particular working in the film industry but in terms of the issues I have highlighted there is still a long way to go to resolve them. I want to qualify my comments by saying that over recent years it has been a central part of our campaign in People Before Profit to increase overall funding to the arts. We would not want to see a penny less - in fact, we would like to see much more - put into the arts, music, live entertainment, film and so on to support those issues and because we have an immense pool of talent in this country. There is, however, a problem with section 481. On foot of the discussions we had, the Minister introduced a declaration that producer companies had to sign in which they committed to adhere to all of the relevant employment legislation and took direct responsibility for employment and training, as is required under the Taxes Consolidation Act to obtain section 481 relief for providing quality employment and training. Even as we speak, however, and despite the welcome reforms introduced by the Minister, these film producer companies are still claiming in cases before the Workplace Relations Commission and the Labour Court that they are not the employer when people who worked on productions try to claim their employment rights.

I am amazed at how brazen they are that they continue to do this despite the undertaking the Minister requires them to sign which explicitly states that producer companies must take responsibility for employment and training to comply with EU directives and employment law. The Minister's declaration is detailed. It refers to the need for producer companies to comply with the terms of the Employment Acts, the Health and Safety Acts, the Protection of Employees (Fixed-Term Work) Act 2003, the Organisation of Working Time Act, the Employment Equality Acts, the Payment of Wages Act and the Protection of Young Persons (Employment) Act, as is right and proper, and EU law relating to collective agreements and all of these types of protections for workers. The declaration is very comprehensive and these producer companies that are getting in the region of €80 million per year in section 481 relief are signing these declarations and then going into the Labour Court and saying they are not the employer of the people who work on those film productions but that the designated activity company, DAC, is the employer. Even though they acknowledge in their submissions that the DAC is associated with them, they still claim they are not the employer and the people working for the DAC are not their employees but are the employees of the DAC. To refresh the Minister's memory on this, it is the producer company that applies for the tax relief, which is an advance payment, as he is aware. It is one of these unusual tax reliefs where the company gets the money up front. The producer company applies for section 481 and gets certified for it based on filling out one of these declarations. However, it then goes into the Labour Court and says it is not the employer and that the people working on the film production named in that declaration are not its employees but are employees of a DAC. Something must be done about this.

To back up my argument, I will cite a case. I will not mention the film producer but it is a well known one that receives large amounts of section 481 every year. I have already referred to the Minister's declaration. In a submission to the Labour Court recently, the producer stated that certain claims were raised on behalf of a number of individuals who were previously engaged on productions associated with the respondent. It was claimed that neither the complainant nor any of the claimants were employees of the respondent. The submission went on to state that by way of background construction workers such as the complainant were engaged by designated activity companies set up specifically for each production if, and when, commissioned. It stated there were no employment contracts with the respondent and any employment relationship existed between the employee and the specific designated activity company. As such, each designated activity company was the employer and there was no continuity of service where an individual was employed by different designated activity companies.

It is clear from submissions to the Labour Court that a producer company getting section 481 on the specific grounds it is responsible for employment is then going to the State bodies charged with ensuring workers' rights are upheld and stating it is not the employer. It is getting this money from the State on the basis it is the employer and it is solely responsible for the employees, and then it is going to the Labour Court and stating it is not the employer and that it has no responsibility for these employees. I appeal to the Minister to address this.

I want to give him credit for attempting to address this, and he has brought in reforms, but these film producer companies are just not doing what he is asking them to do. The consequence is that laws that protect workers and the rights they have, not just under national law but under European law, particularly legislation on fixed-term workers and recognition of service and EU directives in this regard, is that fixed-term workers should not enjoy conditions less favourable than those employed on a permanent basis. These are just being flouted. These rights are not being acknowledged for these workers. As a consequence, the production companies that have employed them, in some cases for decades, can simply deny any connection with them and any employment relationship with them and, consequently, deny them their rights as employees under law. This is the case I really want the Minister to look at. I believe the Minister should proactively go out and have these matters investigated, and if it is found that companies are doing this, they should be told to stop and that they will not get the money unless they start to acknowledge they are the employers. If they continue in this manner of flouting the law on section 481, they should have the section 481 money taken off them or not given to them.

Deputy Paschal Donohoe: I thank the Deputy. I also want to acknowledge the long-standing interest he has in this sector and all the work he has done on it. As he said, the changes we have made on the application for section 481 relief are significant and were designed to respond to the issues we debated during the passage of the previous two Finance Bills. If we look at the conditions laid down in the documentation necessary to gain this relief, they have to be met by the producer company and the qualifying company. If a producer company does not comply with the employment and skills development requirements set out by the Minister, it will not be eligible for the corporation tax credit, and any amount already claimed may be recoverable with interest. These conditions were introduced through the film regulations of 2019 and I am advised by the Revenue Commissioners that to date no case for a clawback of the tax credit has been triggered by a failure to meet the requirements to adhere to employment legislation. Therefore, that clawback has not happened so far. I do, however, maintain an active interest in this area and I have been following what has been happening in the Workplace Relations Commission, WRC. As the Deputy knows the commission did issue an audit of the practices that are under way in the film and television production industry to look at issues of industrial relations, employment practices and procedures. It was only in August that it published the outcome of its audit. They made four recommendations, the first of which is relevant to the debate the Deputy and I have had in recent years. It calls for an agreement to be negotiated by principal parties for their members, which would address the issues the Deputy has referred to of pay, terms of conditions such as hours of work, *per diems*, travel time, overtime, sick leave and pensions. I understand there is a negotiation now under way on that agreement and I am informed the expectation is that that agreement will be finalised later on this year. It is then up to the different parties to decide whether they want to accept that agreement. It does, however, appear to me that the reaching of an agreement in those areas which would have at least the potential to be adopted as an industry norm, could make significant progress on the different matters the Deputy has raised with me. I do not suggest the work that has happened at Finance Bill level is the cause of this work but it has been an important catalyst to ensuring there is a focus on the kind of standards that are appropriate when a tax credit of this value is being claimed.

Therefore, if we have an opportunity to debate the Finance Bill next year, and I hope we do, I hope that if that agreement is reached and then implemented, the Deputy will see progress on the issues he has referred to.

Deputy Richard Boyd Barrett: The Minister has referred to the WRC audit on the particular issue of employment contracts and the role of the designated activity company versus the producer company. The concluding section of that audit which was, I think, section 7, states "The WRC would urge that clarity in relation to this matter be provided". In other words, it acknowledged that there is not clarity around it. That is a nice way of responding to the fact that they were heavily lobbied by the producer companies to essentially not upset the apple cart, and to try to make an exceptional case for the film industry around its episodic nature and the role of the DACs. It is that lack of absolute clarity about the relationship between the DAC that is set up for the specific film and the producer company that applies to the Minister and the Government for section 481 relief. It is in that grey area that the producer company can then walk into the Labour Court or the WRC, even after this audit is produced, and say that it is not the employer. This matter cannot be resolved by a collective agreement because it needs to be clarified by the Government which gives out the relief and that is really the nub of the problem. I do not see how the Government does not understand this or frankly, even see how the WRC audit did not understand it. The declaration and undertaking the Minister put in place, on which I commend him, is black and white. It states:

> In providing those opportunities the companies hereby undertake that in the event that the application for certification of the film is successful, the companies shall as a condition of certification:
>
> [...]
>
> 2. be responsible for compliance with all statutory requirements of an employer and without prejudice to the generality of the foregoing shall be solely responsible in law for the employment, remuneration, taxes, immigration and work permits of all personnel ...

That is in the declaration they are required to sign, yet the Workplace Relations Commission audit states there is some sort of lack of clarity around this. The declaration states it is the responsibility of the producer company as well as the DAC. However, the producer company that applies to the Department for the relief and sets up the DAC then goes into the Labour Court or the WRC and says it is not the employer, the DAC is the employer and the producer company has no responsibility. In that context, it can then evade its specific responsibilities to apply the fixed-term workers legislation.

I will read from clause 4 of the European Council directive from 1999 concerning the principle of non-discrimination. This is Council Directive 1999/70/EC of 28 June 1999 which refers to period of service qualifications. It basically states the period of service qualifications for people on fixed-term contracts working in this kind of episodic employment should be no less favourable than those enjoyed by people in permanent employment. In other words, there is a recognition of service from project to project.

To put it in simple terms, if a person worked for 20, 30 or 40 years for one of these producer companies which applies for tax relief - all this film production is funded largely by public money through section 481 - but did so through a myriad of different DACs set up by the company, that person should, as the EU directive sets out, have accumulated a period of service qualifications. His or her service in the industry for that employer should be recognised. In reality, however, the producer companies refuse to recognise the service of such people. Somebody

who has worked for 25 or 30 years is treated as if he or she has been employed for the first time and was never employed by that producer company before. The producer company, therefore, has no obligations whatever to that person as an employee who worked for it for decades in many cases. This practice is occurring and the Government must address it by stating it will no longer tolerate it.

Deputy Paschal Donohoe: The process that is under way, enabled by the WRC, is trying to come up with a framework for the industry to deal with the different matters to which Deputy Boyd Barrett referred. If the WRC has acknowledged that there is not clarity on some of the relationships the Deputy alluded to, surely the process under way to try to find a broad framework for the sector, which productions can adhere to if the companies and unions involved decide they want to do so, is the framework for dealing with the different issues to which the Deputy referred. Is it not the case that if agreement is reached between Screen Producers Ireland and trade unions later this year, it will offer an overall approach for the sector that will bring clarity to the different issues the Deputy raised and will try to make progress on them? I do not know as much about this sector as the Deputy or the relevant Minister, Deputy Catherine Martin. I know there are many different voices and views within the sector regarding what is happening and what needs to change. If an agreement can be reached between Screen Producers Ireland and the trade unions later this year, is that not a big step forward in dealing with the different issues to which the Deputy has referred? Perhaps the Department of Finance will then need to look at the certification process that we have under way to claim tax relief and see what is the relevance of that process to an agreement, if one is reached later in the year, between unions and Screen Producers Ireland. There may be legal matters involved in that so I am not saying a convergence will happen but it is likely to be looked at. If the unions and Screen Producers Ireland have reached agreement on an overall framework, does that not clarify the issues the Deputy has raised and offer the possibility of progress being made on them next year?

Deputy Richard Boyd Barrett: Unfortunately, it does not. The problem is that there cannot be a collective agreement, under law, if there is not an employer and an employee. It cannot happen. It has no legal basis. Any collective agreement without an employer and employee is meaningless. That solution is not possible.

I will not mention a particular company that is involved. Even the workers who are in dispute with these companies want the film industry to work. Many of them are being blackballed, some because they raised these issues when they appeared before the Joint Committee on Culture, Heritage and the Gaeltacht in 2018 and have not worked in the film industry since. Those people have had to take cases to the Labour Court and Workplace Relations Commission and, in some cases, have had their good names taken and so on because they have raised questions about who their employer is.

A discussion between a representative body of screen producers and one trade union is not a collective agreement because it is not between an employer and an employee. That is the only sort of collective agreement that has any standing. There must be an employer and an employee. The people who are getting the relief, the employers, are saying that they do not have any employees. How can a collective agreement exist, in that case?

The Labour Court recently found on behalf of a worker in one case in terms of a breach of a collective agreement that had been agreed previously between workers and employers, but again the producer company, all of the time in receipt of section 481 relief, went into the Labour Court and stated it had no relationship with the worker. Even though that person worked on the film production, the producer company claimed to have no relationship with them and not to be

their employer. It is absolutely unbelievable.

The Minister mentioned Screen Producers Ireland. I understand that representatives of Screen Producers Ireland will give evidence in some cases to say that continuity of service cannot exist in the film industry and that the industry is just not like that. They gave that evidence when they appeared before the Oireachtas committee. They essentially argue that film is different and the sector cannot have practices such as acknowledgement of service. This all sounds technical but I will repeat that the net effect is that people who have worked in the industry for 20 and 30 years have no rights. They are like the dockers in *Strumpet City* who used to appear down at the docks, ask for a job and be told by the guy at the gate that he does not fancy employing them today. That is the level of rights people have in the film industry. It is totally unacceptable. We cannot have a meaningful agreement of any description until it is clear who is the employer and who is the employee. That should be the condition of receiving section 481 relief because that is what the law says it should be. This is the employer with no ambiguity and these are the employees. Then we can discuss collective agreements and all the rest of it.

Question put and declared carried.

Chairman: I propose that section 19 be postponed until after section 15 has been disposed off. Is that agreed? Agreed.

SECTION 20

Question proposed: "That section 20 stand part of the Bill."

Deputy Mairéad Farrell: This section amends the hybrid rules in part 35C of the principal Act and it proposes, among other things, changes to the definition of "associated enterprises". Many of Ireland's anti-hybrid rules are applicable only where there is a transaction between so-called associated enterprises, the definition of which this Bill looks to make clearer.

The amendments to section 20 also include a new provision that a transaction between associated enterprises should not include a transaction between enterprises who were associated at the time the transaction was entered into but are neither associated enterprises at the time the payment arises under the transaction nor at the time a deduction in respect of the payment arises. It is said that this provision will only apply where it is reasonable to consider that the arrangement as a result of which those enterprises cease to be associated enterprises was entered into for *bona fide* commercial reasons and not to avoid the application of the anti-hybrid rules.

Given that there is a new provision where enterprises that were deemed to be associated at the time the transaction was entered into but are deemed to be non-associated thereafter, what criteria will be used to decide that these enterprises are genuinely no longer associated? Does the Minister see a risk that anonymous special purpose vehicle, SPV, structures could be used to disguise their associations? If companies are associated but then set up an orphan structure by way of another company, an SPV, which is deemed to be independent because it uses a trustee ownership structure, would this allow them to avail of this new provision? If so, that would be a loophole in this regard.

Deputy Paschal Donohoe: All of these amendments are technical in nature. They are all intended to make sure that the legislation acts like it was intended. The Revenue Commissioners will form a view as to whether entities have been formed with the purpose of avoiding tax they are due to pay. This is an anti-tax avoidance measure. They are the kind of changes we need to make to ensure this part of our law meets international standards. The Revenue Com-

missioners will form a view on the legitimacy of the tax structure to which the Deputy referred.

Deputy Mairéad Farrell: Is there potential for the establishment of an orphan structure to fall out of this category?

Deputy Paschal Donohoe: Is the Deputy asking if it could fall out of the category?

Deputy Mairéad Farrell: An orphan structure could be used as a loophole. Could that be an area of concern?

Deputy Paschal Donohoe: No. This is the opposite. We are trying to ensure the legislation is drafted so that it is as robust as possible. The answer to the Deputy's question is that I do not think so.

Deputy Mairéad Farrell: I thank the Minister.

Question put and agreed to.

NEW SECTIONS

Deputy Pearse Doherty: I move amendment No. 124:

In page 40, after line 35, to insert the following:

"Report on restoring cap on intangible assets

22. The Minister shall, within six months of the passing of this Act, prepare and lay before Dáil Éireann a report on restoring the 80 per cent cap on intangible assets onshored between 2015 and 2017 that can be written off against profits at the rate of 100 percent.".

Deputy Mairéad Farrell: Is this section 21?

Acting Chairman (Deputy Steven Matthews): We are on section 21.

Deputy Mairéad Farrell: Can I ask a question on the section?

Deputy Pearse Doherty: I will deal first with amendment No. 124. I will withdraw it and consider tabling an amendment on Report Stage.

Amendment, by leave, withdrawn

Deputy Pearse Doherty: I move amendment No. 125:

In page 40, after line 35, to insert the following:

"Report on restricting banks from carrying forward losses

22. The Minister shall, within six months of the passing of this Act, prepare and lay before Dáil Éireann a report on restricting the banks from carrying forward losses against taxable profits in a manner which could result in many institutions paying no corporation tax for the foreseeable future by introducing a 25 per cent cap on profit that can be written off by carried forward losses in any given year and an absolute ten year limit on the use of loss for this purpose.".

I will withdraw the amendment and table an amendment on Report Stage.

Amendment, by leave, withdrawn.

Acting Chairman (Deputy Steven Matthews): Amendment No. 126 is in the name of Deputies Mick Barry, Richard Boyd Barrett, Gino Kenny, Paul Murphy and Bríd Smith. There is nobody to move the amendment.

Deputy Richard Boyd Barrett: I will move the amendment.

Acting Chairman (Deputy Steven Matthews): I understand a member of the committee has to move the amendment. We do not have a member of the committee to move it.

Deputy Richard Boyd Barrett: Is Deputy Barry not here?

Acting Chairman (Deputy Steven Matthews): I do not see Deputy Barry present.

Deputy Denis Naughten: I moved amendments earlier and I am not a member of the committee. This is the first I have ever heard about such a rule, that a member of the committee has to move an amendment. That is complete news to me. I have moved amendments to Finance Bills every year for many years and have never been a member of a finance committee.

Acting Chairman (Deputy Steven Matthews): I thank Deputy Naughten. I will check that. Having received clarification, Deputy Boyd Barrett may move the amendment.

Deputy Richard Boyd Barrett: I move amendment No 126:

> In page 40, after line 35, to insert the following:
>
> **22.** The Minister shall, within six months of the passing of this Act, prepare and lay before Dáil Éireann a report on the revenue gained from increasing corporation tax to 25 percent for corporations with over €800,000 in profits and in closing loopholes that exist that allow corporations to hugely reduce their rate of tax.".

The basic point I would make to the Minister is that corporate profits have shot through the roof in the past seven or eight years. For example, in 2012 corporate pre-tax profits were €74 billion gross. In 2018 they were €182 billion, an increase in profits of more than 100%. That is an astronomical increase, and it happened during a period when Fine Gael was in various governments. I suspect those profits have continued to rise. We are always a bit behind in the declaration of corporate profits for tax purposes but some sectors have continued to make super profits. Many IT companies, which are among the largest companies responsible for those profits, and the pharmaceutical industry have made significant profits. I am sure when we see the figures for 2019 and 2020 we will see further increases.

Those companies managed to reduce their tax liability through a whole series of deductions, reliefs and allowances. Of the €182 billion pre-tax gross profits in 2018, the taxable income was €96 billion. So nearly half of the profits that were made were not taxable because of reliefs and loopholes. If the 12.5% tax rate was applied to €182 billion we would receive in excess of €20 billion but instead we have just €10 billion for that year thus showing an effective tax rate of about 5.7%. The myriad loopholes, reliefs, allowances and so on means that they are not paying 12.5% and paying less than half. If that situation was unfair before now then it is even more unfair in the context of the pandemic when huge numbers of people are really suffering yet some of these companies continue to enjoy absolute super profits. Our contention is very

simple. They should, as an absolute minimum, pay 12.5%. Indeed, Deputy Barry's motion goes a bit further by suggesting that the rate should be higher. We should also close the loopholes that allow companies to pay a fraction of the nominal rate of tax.

Deputy Mick Barry: My proposal seeks an increase in the corporation profit tax from 12.5% to 20%. A chorus of people will say, "Oh no, you can't do that", because it effectively doubles the corporation profit tax rate. People never look at this from the other point of view. I mean if the law at the moment says that a company can keep 87.5% of its profits but one changes that to say that a company can keep 75% of its profits then one reduces the corporate profit by one-seventh, which does not seem so drastic.

Corporations are making mega profits in this State at the moment. One can see, as the Minister pointed out earlier on the overall corporate tax take, that it was less than €11 billion in 2019 but more than €12 billion in 2020, which is an increase of more than 15% year-on-year. That is a clear indication of mega profits. In fact, 40% of those profits were made by just ten corporations such as Facebook, Google and Apple.

Why do companies come to Ireland? It is not just about the tax rate. It is due to our educated workforce, which still remains, and their abilities. Also, this State has access to the EU and has an English speaking workforce, which is in a stronger position now because of Brexit than would have been the case a couple of years ago. For all of these reasons my proposal is not extreme but is quite modest. My proposal would result in a huge pool of resources at the feet of our society that can be used for productive purposes like investment in social housing and the healthcare system.

Acting Chairman (Deputy Steven Matthews): We will return to discussing amendment No. 126 tomorrow when we resume in Committee Room 2 with the Minister in Room G12.

Progress reported; Committee to sit again.

The select committee adjourned at 9 p.m. until 2 p.m. on Tuesday, 17 November 2020.