

Personal Tax Policy Review
Tax Division
Department of Finance
Government Buildings
Upper Merrion Street
Dublin 2
D02 R583

05 April 2023

RE: Consultation on Ireland's Personal Tax System

To whom it concerns,

Cork Chamber represents 1,200 members together employing 100,000 people throughout the city, metropolitan area and county. Our vision is to be a world-leading Chamber of Commerce, delivering on a progressive economic, social and sustainability agenda at the heart of a vibrant business community. Our direction is guided by our formal pledge to uphold the United Nations Sustainable Development Goals five of which have been identified by the Chambers Ireland network.

We thank the department for undertaking this important consultation and as the voice of business in Cork we wish to offer a series of advice and comments that we ask are fully considered. We remain at your disposal to share any additional insights from our member businesses to support this consultation.

Yours sincerely,



Conor Healy
CEO

Inflation

Inflation has the potential to hinder business development and businesses' ability to provide employment and Ireland's ability to attract and retain global personnel in a global context, eroding value and worsening the cost-of-living crisis.

Last year saw unprecedented rises in Inflation, and this has continued into 2023 as it rose unexpectedly to 8.5% in February up from 7.8% in January according to, the CSO's consumer price index (CPS), having fallen in the three preceding months.

Cork Chamber's Q1 2023 Economic Trends survey¹ shows skills shortages remain the top barrier to business growth and are further fuelling wage demands and wage inflation for 64% of business respondents. It is critical that the tax system operates in a way that does not exacerbate this situation.

The personal tax system should take account of inflation through annual indexation of income tax relief, bands, thresholds and credits based on CPI movements. In addition to this, we recommend a reduction or rebate of up to 50% of employers' PRSI for an initial 12-month period to help relieve businesses against the cost of increasing salaries and overheads and supporting employees.

Marginal tax rate

Ireland's tax system should operate in a way that positions the country to attract and retain talent, vital to sustaining our income tax and corporate tax bases. Our marginal personal tax rate is one of the highest in the EU between 52%-55%. We also have a low point of entry for the higher marginal rate to apply. This could act to disincentivise businesses locating in Ireland and foreign talent and Irish diaspora to relocating to Ireland. With this in mind we advise the following to be considered:

- Reduce the marginal tax rate to alleviate the pressure on middle income earners and better attract and retain international talent.
- Move the entry point to the top marginal tax rate away from the average salary range which is between €40,000 to €50,000.
- Introduce a middle rate of income tax to minimise the tax burden for individuals with a salary within the average range.

Simplification of the tax system

The Department should consider options to simplify the Irish tax system in order to provide greater clarity to employers and workers, often considered burdensome in nature by many businesses. Cork Chamber advises that the following be considered:

- Simplification of the PSRI rates and classes
- Simplification of the funds tax regime

¹ <https://www.corkchamber.ie/quarterly-economic-trends/>

- Review the effect of USC and the potential to merging it with income tax as a method of broadening the tax base.

Cork Chamber recognise the challenges the department faces in the current global and national context regarding inflation and the cost-of-living crisis. This consultation is an opportunity to ease the pressures being placed on businesses and households while also positioning Ireland as an attractive place for investment and talent.