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Speech by Dick Spring TD
Tánaiste & Minister for Foreign Affairs
at the Annual Dinner of the Association of Inspectors of Taxes
Killarney, 30 April 1994

EMBARGO: 8.30 P.M. SATURDAY 30 APRIL

It is a pleasure to have been asked to address one of the most important groups of public service employees. The contribution that your members make to the development of fairness in our economy, through the even-handed and fair administration of the taxation system, is profoundly valuable. What's more, your Association has been instrumental over the years in bringing forward many ideas to put more fairness into our system, and to ensure that everyone contributes according to his or her means.

That has never been more important than it is today. At the moment, we stand at the threshold of a period where Ireland can look forward to exciting opportunities. All of the predictions for our economy over the next few years are positive - positive in terms of growth, positive in terms of confidence, positive in terms of job creation, positive in terms of living standards.

But these prospects, exciting as they are, also pose a major challenge to all of us. It used to be accepted and conventional wisdom that a rising tide lifts all boats, and that a period of economic growth would solve all our economic and social problems. We know that this is a fallacy. A rising tide will lift some boats - but it will not lift those that are leaking, or are too tightly tied to the bottom of the river.

To put it another way - the challenge facing us, as a Government and as a community, over the next few years, is how to ensure that the fruits of growth - the extra wealth and extra resources that spring from it - are fairly distributed across the community, in order to ensure that everyone can benefit. And in facing up to that challenge, it must never be forgotten that in recent years, it was more often than not the sacrifices made by people at work, and it was burdens borne by people who were dependent on public services, that paved the way for the substantial economic recovery that we have now witnessed.

One key instrument of fair distribution in the years ahead will be the tax system itself.

In the last few years, as our debt problems began to be brought under control, significant progress has been achieved in minimising the income tax wedge. The top rate of tax now is 48% by comparison with the top rate of 58% which applied in 1987; and the standard band for 1994/95 has been widened by 74% since 1987/88. Married couples will now go on to the 48% rate at incomes of about £22,200 while the threshold for single people is about £11,600.

As experts, you know that the main problem with the Irish income tax system has not been the level of the tax rates, which are now broadly in line with international norms, but the fact that people begin to pay tax at the higher rate at relatively moderate incomes.

Against this background, income tax policy is guided by the principles that:

- the current level of taxation must be kept to the minimum consistent with prudent budgetary management;
- the long-run tendency for "earned income" to contribute an increasing share of total revenues must be redressed;
- the resources available for income tax relief must be focused on lower to middle incomes and a particular priority must be given to lifting the threshold for progression to the higher tax rate.

The changes made in this year's Budget, including those in the PRSI system, should also improve significantly the competitive position of firms with large numbers of low paid employees.

It is also interesting to note that while we are often lectured about our allegedly miserable performance in the income tax area compared with our neighbours on the other side of the Irish sea, it should be realised that low income families get a much better tax deal here than equivalent families in the United Kingdom. Before the Budget a married couple with four children could earn £9,000 before paying any income tax whatsoever whereas the equivalent family in the United Kingdom would be obliged to pay almost eight hundred Irish pounds in income tax. The threshold for tax for this family has now risen to £9,400.

As will be clear from everything I have said, and indeed from the Programme for Government, we aim to do a lot more in the years ahead. Our ultimate aim is to take every low-paid family out of the tax net altogether; to use the tax system as much as possible to support and nurture children; and to ensure that no family or single person with a moderate income is paying more than the standard rate of tax. Growth, and careful management, will make these aims achievable over the next few years. One other ingredient is important - the improvement of collection and enforcement, and the ensuring of equity in the system between those on PAYE, the self-employed, and those with substantial investment income.

The tax system is not, of course, the only instrument available for promoting fairness, and for ensuring that the benefits of economic growth are fairly spread. Over the years ahead, we are going to be looking at the wider contribution made in this area by public sector companies and by the entire public service; at the need to ensure access to every level of education; at the demand for responsive and effective training mechanisms; and at the importance of maintaining and strengthening the public services on which we depend, and which contribute so much to the quality of life.

In short, our aim is to make growth work for everyone - to use growth to bring out the best in us. It would be too easy to allow economic growth to take care of those who are already well-equipped to benefit from any improvement in the economy - but it would be criminally wrong to approach the future that way.

We must instead, approach the future determined to ensure that there is room on this island, in our economy and in our society, for everyone who wishes to belong.

In this connection too, it has to be said that a period of economic growth and prosperity in this part of the island of Ireland is of less value for all of us if it is contrasted with continuing violence and unhappiness in Northern Ireland. There are worrying signs now that the many appeals for peace and for a new way forward are beginning to fall on deaf ears in that tragic community.

However, neither Government is prepared to abandon hope, nor to turn away from the unremitting search for progress. The work that is being undertaken to try to put together a new framework to help and facilitate inter-party negotiations in Northern Ireland, on the basis of a three-stranded process, is aimed at putting the search for peace in our island on to a new plane. Both Governments are totally committed to securing a formula, if it is at all possible, that will enable both traditions in Ireland to embark on a new era of trust.

That formula will not, of course, succeed if it merely represents a "lowest common denominator" of what can be agreed among the parties. It will have to challenge both traditions, and the two Governments, to look beyond the short term, and to overcome sectional interests, in the pursuit of a sustainable settlement for the longer-term future.

Questions of principle and language still divide us. What we are trying to do is made more difficult by the fact that we are each trying to reach a different audience - and those audiences are far from being reconciled to one another.

But the work of peace that has been going on for many months is now reaching a new intensity. And I want to emphasise that the work we are engaged in is about peace and reconciliation - nothing more.

The settlement we want, and the peace formula we seek, is one that threatens nobody. It is not about taking over anything. It is based on one thing, and one thing only - that too many people have died and suffered already, too many families have been shattered.

This process is about putting a stop to that, and enabling traditions to live together on a basis of mutual esteem and respect. There is no hidden agenda.

The priority of peace and reconciliation is now, as I have said, the priority of both Governments. The pressure has come from a moral imperative. But it has been emphasised by the huge community support, and the overwhelming demand from people in all parts of this island to bring hate to an end.

The only possible way forward is through reconciliation. The only agreement that can sustain itself over time is an agreement between the two traditions in Northern Ireland, underpinned and supported by both Governments.

The role of the two Governments must be to lead, and if necessary, as I have said, to challenge the traditions to look beyond themselves and the legacy of history.

But in the end, any agreement that lasts must be freely entered into. It must be about how the two traditions can live and work together on the island that both call home.

Further, it must be based on the recognition that the rights and allegiances of both communities are equally valid. That means something a great deal more profound than it might seem. It means that we in the Republic of Ireland must be prepared to recognise, and to preserve and protect, the rights of Unionists as British subjects and citizens. In effect, the guarantee that they have now that their status can only be changed with their consent is something that we must be prepared to honour.

It also means that the Nationalist community in Northern Ireland must have the absolute reassurance that there can never be a return to the days of intolerance and injustice in the administration of Northern Ireland. The bitterness that still exists in that community can only be redressed by a sense of certainty that justice and equality will be the hallmarks of the future; that they will have an equal say in the shaping of that future; and that relations between North and South will enter a new phase of ever-strengthening co-operation rather than division.

As I said earlier, there is no hidden agenda in the discussions between the Governments. The Irish Government has said, again and again, that it is not trying to determine the future of Northern Ireland. That is a matter for the people of Northern Ireland, and them alone. What the peace process is designed to do is to create a climate, in which fear and hatred might recede into the background, and in which reason and dialogue can replace them. But even if that climate is not arrived at - even if, as seems increasingly likely, the paramilitaries reject the opportunities that exist for peace - the work will go on. The peace and prosperity of Northern Ireland is a subject in which we all have a vested interest. It will remain on the top of the priority list until it has been achieved.

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