

The issues of taxation measures in retail excellence, ireland

[Economics](#)



With the budget date fast approaching, many are becoming concerned with the new policies and taxes which may be opposed on them. Post Budget 2018, there have been numerous 'Pre-Budget Submissions' to the department of finance, airing their concerns and recommendations for Budget 2019. One of the many pre-budget submissions which in particular have grasped my attention is that of Retail Excellence. They are Ireland's largest retail industry body, which was established in 1995. It is run by members, for members, representing leading retail companies, stores and their employees who operate in Ireland. In the process of researching budget pre-submissions and organisational wishes, Brexit has been a topic which has come up time and time again. This is undoubtedly a major topic for Ireland as Britain is our closest neighbours and one of our biggest traders, so inevitably this is an issue which we should be concerning ourselves with. As the leave date for Brexit is also fast approaching, we find that there are news articles and talks happening each week, therefore it will be a shocking find should there be no resulting factors as a result of Brexit.

A main taxation measure which Retail Excellence has concerned themselves with for budget 2019 is VAT, Income Tax, Wage Tax, Corporate income tax. As they are a Retail Industry Body, the VAT band rates are a major issue which they are asking the minister for finance, Pascal Donohoe to concern himself with and to address in Budget 2019. VAT is an unavoidable tax measure as it impacts both the consumer and distributor when a sale takes place. As well as this, VAT is also a strong source of revenue and finance for the Irish government, therefore is a measure which should be given much thought and attention. When looking at taxation systems and individual

taxation measures, there is a defined criterion which these measures can be evaluated on. These were proposed by Adam Smith in his publication of 'The Wealth of Nations (1776)', there are four cannons of taxation- equity, certainty, convenience and efficiency. The equity characteristic states that tax should be fair.

A key issue which Retail Excellence wish to tackle in budget 2019 is tax fairness for organisations and retailers. In Ireland, one of the biggest threats that businesses face are cheap, non-European imports. This is generally due to online shopping, which has become increasingly popular worldwide. Studies show that two thirds of online spends with online businesses are with those operating outside of the European Union, e. g. Asia, America and beyond. This has resulted in significant losses in revenue for both Ireland and member states. European commissioners have calculated this loss as an estimate €150 billion per annum. These losses relate to retailers and in the form of VAT receipts, duties and other taxes which could generate substantial revenues. Retail Excellence has listed a number of recommendations for the department of finance to tackle the issue on Tax Fairness. Some of these in relation to the Irish online marketplace. They propose that they must ensure the advertisers on their site display and hold a valid Irish VAT number. They believe that they should both be held severely and jointly liable for any unpaid VAT from these oversea advertisers on their sites which results in sales should they no hold a registered Irish VAT number. They also advise to reduce different tax exemptions which are currently available to consumers who import goods. Regarding VAT exemptions, it is recommended to reduce this from the current amount of

€22 down to €0, meaning that consumers must pay a value added tax on all goods which they chose to import into Ireland.

Similarly, it is suggested to reduce the general duties exemptions amounts that consumers can import from €150 also down to €0. On top of these suggestions, it is recommended that VAT threshold amount where in distinct sellers are obliged to register current amounts down to a figure of €35, 000, making this a more desirable figure and avoid tax avoidance in their case.

Another key issue which this retail industry body wishes for the department of finance to address in the Budget 2019 is the consumption taxation rules which are in place in Ireland today. This is to address the cost of living for consumers and help to put money into their pockets, as well as supporting the domestic economy. Consumption Taxation can cause companies, in particular small businesses and retailers to feel pressure and in turn may result in closing due to the regressive tax measure which is associated to VAT which is a heavy burden to these small bodies. These issues have become a particular issue in recent times due to the weakened British sterling rate as a result of Brexit, which in turn has led to undermined competitive Irish prices. In addressing this issue, it is suggested to reduce the current VAT rate of 23% to a rate of 20%. At current, the rate of 23% is one of the highest rates of VAT in the world which was set as a temporary response to a financial crisis which we suffered many years ago. Now is the time to address this as we no longer live in a state of crisis and that this rate is currently damaging demand for goods. A reduction of 3% alongside the weakened sterling rate at current could see consumers spend more here in Ireland. This

is the incentive Irish consumers need as figures show that they spent approximately €418 million in Northern Ireland in 2017 alone, which is obviously major finance which could make substantial differences to the Irish economy.

A reduction of excise duty on alcohol is also advised alongside refraining from an increase on tobacco products similarly in an effort to prevent Irish consumers crossing the northern boarder for such goods, in particular alcohol in the context of Brexit and the weakened sterling rate. This is seen to have been a key driver for consumers to cross the boarder with figures showing a great reduction in alcohol purchases in the third quarter of 2017.