

## **BUDGET SUBMISSION 2015/2016 RETIRED WORKERS' COMMITTEE**



***JUSTICE & EQUALITY FOR OLDER PEOPLE***

June, 2015

## **BUDGET SUBMISSION 2015/2016**

This is the Budget Submission of the Retired Workers' Committee which represents retired workers of all the unions in the public and private sectors affiliated to the Irish Congress of Trade Unions.

The prime concern of every government should be the wellbeing of all its citizens but the past 4 Budgets have left pensioners in an extremely perilous financial situation as they have seen their disposable income seriously reduced through a series of levies/cuts, changes in income tax allowance, the imposition of the universal social charge, reduction in household benefits and property tax to name but a few.

Even though the economy has embarked on a gradual recovery with a growth of 4% last year and similar progress expected this year, there is still a great sense of fear and insecurity about what may lie ahead in the form of water taxes and further calls on their income e.g. the payment of the full property tax. There is no doubt that the quality of life of our senior citizens has been seriously undermined and their sense of security diminished.

### **STATE PENSIONS**

Over 50% of the population rely on the state pension, while it is acknowledged that this pension has not been touched in recent years it is important to point out that the basic rate now needs to be adjusted upwards to cope with inflation. The present rate is inadequate to maintain a decent standard of living and it is morally indefensible not to do so now that the economy is witnessing an upturn. Depriving pensioners of income which is largely spent in the local economy does not demonstrate economic sense.

Christmas is a special time in everyone's life. The withdrawal of the Christmas bonus to pensioners was a blow to their ability to celebrate the season with a small degree of comfort. We welcome the partial restoration last year but call for the full restoration of this payment. We strongly urge the Minister to re-introduce the Christmas Bonus as a small measure in improving the quality of the lives of older people at this special time.

Pensioners are former workers in receipt of a pension which they have paid for during their working lives. It is often their sole income and in many cases it is simply a buffer against poverty. Across the Public Service the average pension is €19,000. For this reason we ask that the Minister give serious consideration to restoring the ancillary benefits which have been cut so drastically during the period of austerity. It is

also surely time to introduce some easing of the burden of the Universal Social Charge.

It is difficult to see how the retention of the FEMPI Legislation can be justified on the basis of the common good resulting as it does in depressing the incomes of public servants and restricting their spending power. This measure is of no benefit to the economy. It is now time for it to be repealed and the cuts to Public Services pensions be restored.

## **HOUSEHOLD BENEFITS**

The Household Benefits package has been of great benefit to all retired people of qualifying age and should be retained and restored in full. The bus pass has helped to tackle the isolation and loneliness of retired people in both rural and urban areas. It gives older people a means of communication with other members of the community. It is of great benefit to those attending hospital appointments and availing of other services and leisure activities which makes life easier for those who live far from family and friends. Another channel of communication which was of vital importance for security and keeping in touch with family and friends was the Telephone Allowance. It is not true to say that everyone has a mobile phone. Nationwide coverage is still not perfect and many older people are not happy with its use and would like to retain their landline. We ask for the Benefit to be restored. Allied to this is the closure of Post Offices and Garda Stations and the curtailment of transport services in rural and urban areas all of which further feeds into the feeling of insecurity and increases the sense of social exclusion which is a major factor in causing health problems by reducing the quality of life for older people.

Climate change is a big topic at the moment. The last two winters have not been good and older people are more at risk of hypothermia. The Fuel Allowance should be restored to its full value and extended to cover a longer period from Autumn and well into Spring.

We call for the increase in the Living Alone Allowance in order to restore some real value to this support.

## **HEALTH**

We note the Government's intention to introduce a Universal Health Scheme but when? We await further information on this. This Scheme will take many years in the planning and implementation. It is imperative that the Minister look again at the Medical Card entitlements.

When the universal right of the over 70's to a medical card was withdrawn and a means tested benefit put in its place it was obvious that the

eligibility limit was going to change and it has. It has gone from €700 to €600 to €500 per week and prescription charges have risen from 50c per item to €2.50 per item. Most inequitable is the new rule which states that a couple earning more than €900 per week is no longer eligible for a medical card while an individual can have an income of €500 per week. This measure has caused untold hardship as eligibility is based on gross income but it is from our net disposable income that we pay for your daily wants including healthcare. Those on the margin whose gross income is just above the limit are cutting back on necessary medicines and visits to their doctors and on renewing prescriptions. The cap of €144 for prescriptions is too high and need to be reduced. We ask the Government to act in a more humane and just manner in this area. It is important also to point out that the current system of review for those who lost their medical card is not working.

We urge the Minister to restore full tax relief to those who pay their private health insurance.

All payments and services to persons with disabilities should be maintained in order that those affected can live with dignity and comfort.

Universal Health Screening should be available to all retired workers with no upper age limit.

The measures taken in recent budgets have resulted in a marked deterioration in the quality of life of many pensioners who have watched their savings dwindle away and their ability to pay their weekly food and heating bills put under pressure.

Public Service Pensioners and those on Occupational Pensions contributed all their working lives to their pension funds secure in the belief that they would have an adequate income in their retirement without having to rely on the state. They had "legitimate exceptions" only to discover that legitimate expectations do not apply to lower income groups.

Reducing the disposable income of those on pension is not now or can ever be a solution to the national economic problems. Those on pension have no right of audience; no one represents them or negotiates on their behalf where present pensions are concerned. For this reason we deem it absolutely necessary that the appointment of a full Minister for Older People be a matter of priority for this and the next Government. Older people have been an easy target in the past. There have been too many unjust and cruel decisions made affecting this group.

## **THE PENSION LEVY – AN UNFAIR TAX**

The private pension levy is a uniquely unfair and unacceptable tax. It is not a tax on income or on interest; it is not a contribution to the public purse based on ability to pay. It is an expropriation of money already saved by workers in the private sector.

THIS LEVY SHOULD BE ABOLISHED IN BUDGET 2015. ITS ABOLITION SHOULD BE ACCOMPANIED BY A CREDIBLE PROMISE THAT NO SUCH LEVY WILL BE IMPOSED AGAIN.

**See attachment**

## **ATTACHMENT**

### **STOP THE PENSION LEVY**

#### **THE PENSION LEVY – AN UNFAIR TAX**

The private pension levy is a uniquely unfair and unacceptable tax. It is not a tax on income or on interest; it is not a contribution to the public purse based on ability to pay. It is an expropriation of money already saved by workers in the private sector.

In Budget 2014, the Government reversed its earlier commitment that the pension levy would end in 2014. The Government increased and extended the levy in a way that caused a reasonable fear that the levy may be here to stay.

The Government required private sector workers to save for their own retirement, but reserves the right to take money out of those savings.

**THIS LEVY SHOULD BE ABOLISHED IN BUDGET 2015. ITS ABOLITION SHOULD BE ACCOMPANIED BY A CREDIBLE PROMISE THAT NO SUCH LEVY WILL BE IMPOSED AGAIN.**

This levy was not applied to public sector pension scheme members. The private sector pension levy has no equivalent in Irish revenue or pension practice. It amounts to the taking of funds from peoples' retirement savings. Whereas DIRT is a tax on the interest paid to the person's savings account, the pension levy is a deduction from the capital amount already saved.

#### **BUDGET 2014 – A REVERSAL OF COMMITMENT**

When the levy was introduced in 2011 the Government stated that it would only apply for four years – from 2011 to 2014 inclusive. In the 2013 Budget it stated that the levy would not continue beyond 2014.

In the Budget 2014 the Government reversed its position. The levy was to increase by a quarter in 2014. It went from 0.6% of the capital amount to 0.75%. Instead of it being abolished in 2014 the levy continued to apply at a rate of 0.15% in 2015.

No commitment was given in relation to years after 2015.

Many people have two main items of value – their home and their pension fund. In recent years, of the two, only pensions were taxed on an ongoing basis: property was taxed on a transaction basis only. Pensions in payment have always been taxed as income.

Private sector pensions are now subject to double taxation. Pension savers pay a tax based on the value of their pension fund; they must also pay income tax when they draw benefit from their pension schemes.

The fundamental difference between property tax and the pension levy arises from the fact that local property taxes are a means by which householders contribute to the provision of local services. Ongoing services are provided in return for ongoing taxes. The pension levy fails to provide any comparable benefit to pension savers. It is a fundamentally different tax to the local property tax.

The local property tax applies to individual residential properties. If a home is owned by a couple, the tax is the same as if it were owned by an individual. The pension levy applies to all private pension schemes – where both members or a couple have a private pension – a deduction applies in respect of both – the household pays on the double.

Only public sector defined benefit schemes are exempt.

When the Government reversed its commitment to end the pension levy in 2014, it said that the continuation of the levy was “to continue to help fund the Jobs Initiative and to make provision for potential state liabilities which may emerge from pre-existing or future pension fund difficulties”.

More detail regarding the “liabilities which may emerge” was offered in November 2013. At that time, the Government unveiled its plans to comply with a decision of the Court of Justice of the European Union in the Waterford Crystal case.

The Court held that Ireland failed to comply with its obligations to make proper provision for people of working age whose employer becomes insolvent and whose defined benefit pension scheme is in deficit.

This is particularly unfair and harsh to require all private sector pension scheme members – BUT NO ONE ELSE – to pay for the State’s failure to properly implement EU law.

The scheme is particularly unfair on people who are not members of defined benefit scheme but are members of DC pension schemes or have PRSAs. These people have no prospect of ever benefiting from the arrangements put in place to protect defined benefit schemes – but still have to underwrite those schemes by paying the pension levy.

The pension levy is a particularly unfair and regressive tax. All pension savers face the same percentage levy, no matter how big or small their pension ‘pot’.

## **SYNOPSIS OF BUDGET SUBMISSION**

**2015/2016**

1. *Rise in the cost of living has seriously decreased the value of pensioners disposable income – this must be reversed*
2. *Christmas Bonus – FULL RESTORATION*
3. *Abolition of Universal Social Charge*
4. *Repeal of the FEMPI Legislation*
5. *Curtailment of Bus Service – Rural/Urban – as per Submission. Public Transport to remain in public hands*
6. *Closure of Garda Stations – No further closures*
7. *Closure of Post Offices – No further closures*
8. *Restoration of all of the Household Benefits package*
9. *Increase in the Living Alone Allowance*
10. *Full restoration of medical cards for the over 70's and for all persons with urgent medical needs*
11. *Abolition of prescription charge*
12. *The Fair Deal – Government to cease further changes to the Fair Deal Scheme*
13. *Disability Services to be maintained*
14. *Home Care Allowance - to be restored*
15. *Bereavement Grants - to be restored*
16. *Universal Health Screening – no upper limit*
17. *The appointment of full ministerial position for older people*
18. *The abolition of the pension levy/cuts*