

IMPACT

Fair Play for Trade Union Members in Ireland



Recognition of Unions' Role

In 2001, in recognition of the key role trade unions play in Ireland in terms of delivering economic and social cohesion for wider society and fair play for workers, the then Minister for Finance, Charlie McCreevy TD, introduced a flat rate tax relief on trade union subscriptions of £100 per year at the standard rate of tax.

The introduction of this tax relief was only bringing union members into line with the position of those paying fees to professional bodies who had long enjoyed a tax relief on their subscriptions.

Discriminatory Tax Code

In Budget 2011, the then Minister for Finance, Brian Lenihan TD, announced that he intended to abolish the tax reliefs on trade union subscriptions as well as those to professional bodies – this was part of a review of tax reliefs as part of the Government's response to the economic crisis. Indeed, because of the fact of that crisis, the trade union movement did not campaign on this matter.

However, when the 2011 Finance Bill was published, it became very clear that while the tax relief on union subscriptions was to be abolished, the tax relief on subscriptions to professional bodies was not. Instead, Minister Lenihan decided to abolish the Benefit in Kind (BIK) exemption that allowed employers to pay the annual membership fee of a professional body where membership of that body by a director or employee is relevant to the business of the employer. This proposal only applied to directors and employees but not to the self-employed.

The decision to abolish the BIK exemption on subscriptions to professional bodies led to a

campaign by a range of the most influential professional bodies in the country. This in turn led to Revenue issuing a clarification as to how it would interpret the 2011 Finance Bill and the net result was as follows:

- Tax relief for expenses paid by the self-employed – including membership of professional bodies – continues as before and continues to be granted at the individual's marginal tax rate. This also exempts this income from the USC and PRSI.
- Professional fees paid by employers on behalf of their employees to many professional bodies may continue to be paid tax-free. In addition, USC and PRSI do not apply to these payments.
- Businesses can receive full tax relief on subscriptions to bodies such as IBEC and ISME.
- Subscriptions paid by trade union members do not qualify for tax relief anymore but even when they did the relief was only at the standard rate, while PRSI and other levies did apply to these payments.

This situation – which still applies today – is clearly discriminatory as the existence of a tax relief on trade union membership is as relevant to trade union membership as it is to membership of other professional bodies. In addition, there is clearly no justification in denying tax relief for union subscriptions when the self-employed and members of some professional bodies have this facility.

Sauce for the Goose

What's particularly galling is that this discrimination in relation to tax relief on membership subscriptions goes further than just for membership of professional bodies.

In fact the Irish Farmers Association (IFA) – the largest representative body for Irish farmers – advises its members – on the basis of professional advice it has received – that farmers, as self-employed traders, can claim tax relief on their IFA subs, as well as their subs to the Farmers Journal, because they are beneficial to their trade.

So it's clear that farmers, self-employed and employees of certain professions can get tax relief for their subs to various membership organisations but trade union members can't. Clearly – in this context – sauce for the goose is not sauce for the gander!

Ireland's Out of Step

It's worth pointing out that Ireland's position of not providing tax relief on trade union subscriptions is out of step with the practice in many other countries.

For example:

- In Germany, your trade union membership fee is classified as a professional body fee and it can be declared as a professional expense in a person's tax return;
- In Belgium and Holland, trade union members can get 50% of their union subs back in tax relief;
- In Norway, tax relief of €400 per annum is allowed for union subs and fishermen's organisation fees;
- Tax relief on trade union subscriptions applies in Australia and Canada;
- While in the UK, taxpayers can claim tax relief if their trade union is also their professional body, such as the British Medical Association and the Royal College of Nursing.

Clearly then many countries – who we generally look to compare ourselves to – recognise the importance of union membership to their society and seek to create a level playing pitch in relation to tax relief for membership subs. Why not Ireland too?

Promised Consultation Not Delivered

As was mentioned earlier, the trade union movement had decided to hold off on campaigning on this issue in recognition of the economic crisis that had hit the country. However, in the run-up to Budget 2016 – given the much

more favourable economic circumstances in the country – Congress worked to have this discrimination addressed.

That Budget contained a commitment to conduct a review of – and a public consultation on – the appropriate treatment of tax reliefs for membership fees of trade unions and professional bodies. This process was supposed to take place in 2016 itself. Unfortunately, no public consultation ever took place!

What actually happened was that the Department of Finance itself – without any public inputs – undertook a review of tax reliefs. This review unsurprisingly – because of the Department's innate hostility to tax reliefs – did not support the reinstatement of the tax relief on union subs.

What's Needed Now?

Now that the economic crisis is over, the trade union movement will be pursuing the restoration of the tax relief on union subscriptions and the ending of the obvious discrimination against union members when compared to the position of self-employed people, members of certain professional organisations, farmers and businesses.

Clearly Ireland is out of step on this issue with many of our friends and neighbours who recognise in very practical terms the important role that unions play in our societies. It's time for this discrimination to end and for tax relief on trade union membership to be restored.



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