



AN BILLE UM THRÉDHEARCACHT CHÁNACH, 2012

TAX TRANSPARENCY BILL 2012

EXPLANATORY MEMORANDUM

Introduction

The Bill makes provision for the issuance to each person paying income tax (and other such taxes on earnings) of an annual statement detailing tax paid in the most recent tax year, the estimated tax payments to be made in the coming tax year and a breakdown of the areas of government spending on which the recipient of the statement's taxes are to be spent.

The breakdown will be provided in percentage terms as well as in simple monetary terms and will be presented as an itemised receipt for the taxpayer detailing how the government is to spend the taxes the recipient paid on earnings in the previous year. The intention is to provide greater transparency as to spending by government departments and agencies in a given year as well as to draw a stronger correlation between taxes paid by individuals and state services delivered. There should also be a positive effect in terms of the preparation of annual budgets, public debate around the financial planning of the government, and a move to more responsible budgeting.

In addition to the annual statement, the Bill also provides for the publication on-line of a calculator for estimating the total amount of value added tax and excise paid on goods and services by an individual. The on-line calculator will perform a similar function to that of the annual statement in detailing how such indirect taxes are to be spent by government departments and agencies. This should provide further information to the taxpayer as to how the government is spending monies collected.

A final element to the Bill is a commitment from the government to make the necessary provisions to introduce a new minimum threshold for the publication of money spent by a department or agency. This would see government purchase orders of more than five thousand euro being published on-line within one month of the order being paid. This provision is included so that the individual can follow more accurately the spending behaviour of a given department, leading to further transparency of government finances.

Contents of the Bill

The Bill is made up of four parts and ten sections covering the three related purposes of the Bill as outlined above.

Part 1 (Sections 1-2)

This Part contains general provisions such as the short title and commencement provisions (*section 1*) and definitions (*section 2*).

Part 2 (Sections 3-4)

This Part contains two sections that address the central purpose of the Bill, which is to cause the Minister for Finance to publish annually and to issue to each person having paid tax on income and other earnings in the previous tax year an itemised statement of taxes paid and a detailed breakdown of the areas of government spending on which the paid taxes are to be spent.

Section 3 contains this central provision regarding the publication of the statement and details the content of that statement, namely: money earned by the recipient of the statement in the previous year and taxes paid on earnings; anticipated taxes on earnings in the coming year; a breakdown of areas of government spending on which the paid taxes are to be spent, including a description in simple monetary terms; and, figures detailing the recipient's share of the national debt, annual contribution to national debt repayments, and share of annual national surpluses or deficits.

Responsibility for the issuing of the annual statement, how it is to issue and when, is covered in *section 4*.

Part 3 (Sections 5-6)

This Part contains two sections that address the second purpose of the Bill, which is to cause the Minister to provide for an on-line tax calculator for estimating value added tax and excise paid by an individual person with a view to calculating a detailed breakdown of the areas of government spending on which the paid taxes are to be spent, similar to the type of information to be provided in the annual statement on taxes on earnings. *Section 5* establishes the obligation while *section 6* outlines the functions of the on-line tax calculator.

Part 4 (Sections 7-9)

This Part contains three sections and addresses the third purpose of the Bill, which is to cause the Government to make the necessary provisions so that every purchase order by a government department or agency of more than five thousand euro must be published on-line, with exceptions.

Section 7 outlines the central obligation, with *section 8* detailing how and when such information is to be published. *Section 9* provides for exemptions.

Deputy Eoghan Murphy,
March, 2012.