

Transcript of the Oireachtas Committee on Finance and the Public Service on 8th November 2006 – presentation by ICTRG

Irish Charities Tax Reform Group: Presentation.

Chairman: We are back in public session and the next item on the agenda is a discussion with the Irish Charities Tax Reform Group. The committee will now hear from Mr. Richard Dixon, chairperson of the Irish Charities Tax Reform Group, and his colleagues. On behalf of the committee, I welcome the group and thank its members for attending our meeting today.

Before our discussions begin, I am obliged to remind you that while comments of members are protected by parliamentary privilege, those of visitors are not. I would remind the committee that members should not comment on, criticise or make charges against a person outside the committee or the Houses.

We will commence with a short presentation by Mr. Dixon which will be followed by an open discussion with members of the committee. I invite Mr. Dixon to make his presentation.

Mr. Richard Dixon: Thank you very much, Chairman. We have brought some additional information. Would it be appropriate to distribute it at this time, with the Chair's permission?

Chairman: Yes.

Mr. Dixon: Thank you. The ICTRG wishes to extend its appreciation to the joint committee for inviting us here today and for facilitating our presentation. I will briefly introduce the rather large delegation, as follows: Ms Niamh Ní Chonghaile, financial controller of the Irish Cancer Society and a former chairperson of the ICTRG; Ms Sheila Nordon from our sister organisation Irish Charities Tax Research, who is here in an expert capacity; Sr. Martha Hegarty, a member of the Daughters of Charity, who is a director of Respect; and Mr. Matt Moran, who is with the Sacred Heart Missions in Cork.

It is our intention to explain our work for tax reform on behalf of Irish charities, particularly our proposal to the Government for compensation for charities for value added tax, which they pay, and to respond as fully and comprehensively as possible to any questions which members of the committee may wish to raise.

By way of background, the ICTRG is a membership based organisation of more than 140 Irish charities and it works to increase funding to the sector through reform of tax legislation as it applies to charities. It was formed in 1991 and since then it has worked to optimise tax effective giving and reduce the tax burden on the sector. Its overall goal is to create a policy climate in which philanthropy can thrive in Ireland.

Among the issues on which we have worked successfully with Government to date are, the introduction five years ago of a comprehensive system of tax relief for all donations in excess of €250 for eligible charities and the introduction in the last year's budget of income tax relief to gifts of publicly quoted shares to charities.

We are currently engaged in four principal issues which are as follows: removing the VAT burden on charities through the introduction of a VAT compensation scheme by Government; reducing the minimum donation level for tax relief to €100 with a view to eventually removing the minimum altogether; extending tax relief to other non-cash donations, principally property; and actively supporting the development and implementation of charities' regulation.

Our priority is to seek a positive Government response to the demand by charities for compensation for the currently unreclaimable VAT they pay on expenditure. VAT compensation is a priority for the following reasons: the charities have identified it as having a significant impact on their ability to undertake their work; the EU Commissioner has stated that there is no impediment at EU level to such compensation being paid by EU member states; and the Danish Government recently acknowledged that charities have a right to such compensation and is now engaged with charities in finalising the practicality of a compensation scheme.

Most people, including many political representatives, will be unaware that a portion of the euro given to charities at different fund-raising events is returned to the Government by way of VAT payments by the charities involved. We believe members of the Joint Committee on Finance and the Public Service would not support the continuance of this situation on moral grounds. It is a situation that exists for purely technical reasons and we strongly believe this committee can work to achieve positive change with regard to this unfair tax on the good work of charities.

Five years ago Ernst and Young undertook an independent study and found that charities' were then paying at least €18 million in VAT annually. Adjusted for inflation, this figure today is of the order of €25 million and potentially exceptionally higher than that. That is €25 million not being spent on the most needy and vulnerable people and groups. It is not being spent on the good work charities undertake every day. It is being paid as an unreclaimable tax to the State. We believe this is wrong. The tax is paid on basic items such as fund-raising materials, promotion costs, essential equipment, professional fees, capital expenditure and necessary overheads, such as electricity and phone costs. Unlike the business sector, charities cannot reclaim VAT they pay on expenditure. This severely limits the work of charities with those most in need both at home and abroad. There is a very human cost to VAT for charities.

activities. Charities are treated as exempt from VAT under the Sixth EU VAT Directive which means that while they must pay VAT, they cannot recover it.

We have four key considerations we would like to bring to the committee's attention. The Minister for Finance has the power to relieve the VAT burden by compensating charities

without contravening EU regulations. This has been confirmed by the current EU Commissioner and the previous one and we have circulated that written confirmation to members. The actual cost to the Exchequer of introducing a compensation scheme is minuscule in overall budgetary terms but constitutes a huge burden on individual charities. The advantage of a VAT compensation scheme is that control remains with the Revenue Commissioners as to what organisations qualify for refunds. This can be ring-fenced. In conversations earlier today, we discovered that two member organisations represented here have already undergone VAT audits by the Revenue Commissioners in the past 12 months. Revenue is aware that we are paying VAT but there is no way in which we can reclaim those funds. A VAT compensation scheme would be an incentive to charities to do additional good work.

The EU Commission position deserves further clarification. Last year the current EU Commissioner, Laszlo Kovacs, stated clearly that the VAT burden on charities can be relieved by way of a government grant scheme. Specifically he stated:

The Commission has always considered that any scheme designed to relieve the VAT burden for charitable activities can be regarded as compatible with EU legislation if it is clearly separated from the VAT system. [He further stated] I have to underline that the decision to set up such a refund mechanism is strictly a national budgetary issue over which the Commission has no say or influence.

It can be regarded as compatible with EU regulation. The essential point to register is that as long as the VAT is collected at national level, a facility to give it back to charities is not an issue at Commission level.

In Denmark, the Minister for Finance and the Minister for Taxation have both confirmed to ISOBRO, the Danish equivalent of the ICTRG, that Danish charities are entitled to VAT compensation. The practical implementation of this compensation is now being finalised between ISOBRO and the relevant Danish government departments. This morning it was announced that allowance for this would be made in the forthcoming Danish budget for 2007.

It is important to emphasise that the amount of VAT paid by charities is not just a dismal statistic produced by accountants. It has a very human cost. It is worth drawing the committee's attention to some examples of this human cost. The €300,000 VAT paid last year by the Irish Cancer Society would run its entire cancer information help line for a year. Alternatively, it could provide eight additional oncology liaison nurses who offer emotional and informational support for cancer patients and their families within the hospital setting. It could support a full year's expenditure on immediate cash assistance grants to assist hundreds of people who experience financial stress due to cancer diagnosis.

The VAT bill paid by RESPECT would pay for two extra bungalows being developed at its facilities ensuring that 12 additional people with intellectual disability were properly and adequately housed. The VAT bill paid by Concern last year was €1.4 million. It

could have doubled its work in Rwanda where it is working with 12 schools to provide community based health care for 12,000 children and operating a home based malaria scheme.

ICTRG finds it regrettable, given the clear position of the EU Commission, the relatively small amounts of funds involved and the positive impact that rectifying the situation would have on the work of charities, that the Department of Finance has yet to acknowledge or accept the clear position laid out by the Commission.

A written reply to a parliamentary question from Deputy Joe Walsh to the Minister for Finance on 17 October last sought to ignore the issue of VAT compensation instead narrowly stating that “under EU law, it would not be possible to introduce new schemes within the VAT Act 1972 to relieve charities from the obligation to pay VAT on goods and services that they purchase”. We accept and understand this but it is not what we are looking for.

In an earlier letter to the ICTRG on 14 September last, Paul Moloney, private secretary to the Minister, took virtually the same position adding that the Minister “has no plans to make any changes to the current VAT treatment of charities at this time”. In previous correspondence from the Department, there is a concern that a VAT compensation decision would need to be extended to other sectors if the charity sector is facilitated. This is not so in that there are many precedents where ring-fencing can apply in regard to specific legislation, for instance, tax relief on donations.

There are also precedents in legislation where some equipment used by people with disability can be purchased on a VAT refund basis. It is only necessary to expand on this benefit to ease the VAT burden on charities.

It is also relevant to note that the Government, on occasion, does not appear to have an objection in principle to VAT compensation. A former member of this committee, the Minister of State at the Department of Foreign Affairs, Deputy Conor Lenihan, stated on 10 November 2004 that he was “delighted to confirm that the Government will be able to provide a grant to the Band Aid Trust, equivalent to the amount collected in VAT on sales of the Live Aid DVD released earlier this week”.

The current VAT situation with which charities are faced is nothing more than a tax on initiative and on the good work they are doing. VAT has a major negative impact on the work of these charities and the people they seek to help on a daily basis and forms a minuscule portion of tax revenues for Government. The committee can bring this issue to the attention of the Minister and the Department of Finance. It can seek agreement to bring the proposal to provide VAT compensation charities back to the House as an amendment to the forthcoming Finance Bill. We would greatly welcome the support of the committee and the personal support of its chairperson in facilitating progress in this regard. We will be happy to supply any further information that may be required.

We feel that we have been arguing and calling for this change since 1991. There have been 15 years of debate and discussion and we strongly believe that it is time to resolve this problem. We thank the committee for its attention and we will happily respond to any comments or questions.

Chairman: I remind members that we are operating under a time constraint.

Deputy Bruton: I thank Mr. Dixon for his concise presentation. I understand why the Irish charities tax reform group become frustrated when Ministers use this matter to garner good publicity when it suits them but do not apply the principle widely. I sought to table an amendment similar to that suggested by the group to previous Finance Bills but because it would be perceived as spending and not tax reform, it could not be debated. The committee is, therefore, constrained in respect of what it can do. We rely to a great degree on persuading the Government to change its views in respect of spending. If an amendment was tabled, it would not succeed.

I am not stating that we have not debated the matter. The Minister has come before the committee and discussed his views. I will play devil's advocate and outline the view I understand the Minister to hold. The first issue that arises revolves around other taxes, other organisations and ring-fencing. Will people seek to exempt VAT, excise, stamp duty or the entire range of taxes on a similar basis and would such exemption benefit golf clubs and non-profit organisations that come under the rubric of being charities or will genuine charities that provide *pro bono* assistance benefit?

The second issue that arises was dealt with by the Minister in reply to questions I posed. He stated that if the Government wanted to add €25 million to its charitable provision this year, it would be obliged to decide whether it would allocate that funding to organisations that spend money on products on which VAT is charged or whether it would choose to focus on, for example, child welfare for 2007. He stated that the money could be committed but that we should not use some sort of construct to compensate in respect of VAT payments and that we should instead focus on particular objectives.

I am aware that members of the group will state that it is often better to teach someone how to fish than to merely give them fish. On that basis, would the Government not be better advised to go down some of the other suggested routes and leverage additional private contributions rather than making a flat donation of €25 million which cannot be used to leverage anything. Would, for example, reducing the threshold on income tax donations not be a better option? The latter is a win-win situation because for every €1 donated by the Exchequer, the private sector or individuals would also donate €1 and charities would receive double the amount.

I thought Mr. Dixon would deal with the proposal that has been circulating in respect of stamp duty reform. It has been suggested that a system should be created where individuals could nominate charities and the stamp duty they would be liable to pay on their credit and Laser cards could then be diverted to those charities and that matching contributions would be made by financial institutions and even the individuals involved.

This proposal also relates to leverage, that is, that the State will donate €1 and that this will be matched by others. I would like to hear the group's views on that proposal and its response to what I understand to be the Minister's stance. If we cannot answer the questions I have posed, we will not be able to persuade him to change his position.

Deputy Burton: Like Deputy Bruton, I thank the members of the delegation for attending and making a detailed and useful presentation. We have been here before and this is at least the third year when such detailed presentations have been made. I have raised this matter on many occasions with the Minister, both through parliamentary questions and in the annual debate on the Finance Bill, at which point I have moved amendments relating to it on behalf of the Labour Party.

If we are to progress this matter, we must identify a workable scheme that will finally commence the process. There are a number of difficulties from the point of view of the mandarins in the Department of Finance. The first and perhaps greatest of these is that because there is no charities legislation, as such, in this country, several thousand charities are registered with the Revenue Commissioners for taxation purposes. This gives them valuable rights in respect of relief from taxation. In the absence of legislation relating to charities and a definition as to the charities about which we are concerned, it will be difficult to persuade the Revenue Commissioners to give approval for this issue to be addressed. The latter may possibly be as a result of the fear that some charities that are not entitled to do so may obtain the benefit or that it may be used as a method of tax avoidance.

We are all clear in our minds that the organisations represented here - Respect, the Irish Cancer Society and the major Third World charities - are large charities. Most of them hold incorporation status - for example, as limited companies - publish accounts etc. It seems that there is a method by which we can identify the absolute bona fides of such bodies as not-for-profit charitable organisations that address the public good or public need in a variety of areas.

When tax relief for charities was introduced, it was originally applied to large donations to Third World causes on the 150th anniversary of the Famine. Have our guests considered that matter in the context of any charities legislation that might be introduced.

Will our guests outline their views on representations we received in respect of proposals to divert some of the stamp duty on credit and Laser cards to charities if people so wish?

One of the charities represented here is extremely active in my constituency. Respect has been involved in many capital building projects. It seems that capital building, as opposed to day-to-day activities, must be eminently identifiable because when one builds several bungalows, an institution or whatever, the VAT element can be easily identified. Has there been any detailed discussion with Revenue officials on the issue? It is an identifiable area where we could have a workable scheme that would not be open to the abuse feared by the Revenue Commissioners in the absence of charities legislation. I am interested in hearing comments the delegates have in that regard.

Deputy C. Murphy: There is obviously a list of groups associated with the Irish charities tax reform group. Does the group differentiate between charities in the more accepted meaning of the word and companies limited by guarantee with charitable status? I am curious about that as I would regard many of the latter as being critical to the running of communities. Very often these groups must raise funds to become eligible for Government grants, yet they are the essence of community activity and volunteerism.

We should not take a jaundiced view of these groups or differentiate between them and those qualifying for charitable status. I have been involved in some companies limited by guarantee which had charitable status, but it was incredibly difficult for them to obtain that status. They could not just walk in, apply and be automatically granted that status, but were put through the hoops to get it. A significant amount of vetting takes place. Therefore, it seems a total contradiction that such groups should be exempted from paying one type of tax and then have to pay another. I would prefer if there was no differentiation between both groups as each plays a vital part in the charity sense and in the area of volunteerism and community activity.

Deputy Ó Caoláin: I join my colleagues in welcoming the delegation from the ICTRG. Rather than repeat what has been said, I will just say that I echo much of what my colleagues have said. I am a Sinn Féin representative and my party has a policy, adopted in 2005, which states that we support the refund of VAT on all purchases by registered charities. However, various difficulties have been highlighted and these need to be addressed. We have not had legislation in the charities area for over 40 years and the heads of the Bill were only signalled in March of this year by the Department of Community, Rural and Gaeltacht Affairs. Progress remains slow on the presentation of the new legislation.

Many questions arise from the case put by the ICTRG. For example, the issue of whether the refund should be focused on those charities with a critical interest in addressing poverty or whether it should have a wider application in terms of the charitable, community and voluntary sectors. These are matters we need to tease out. I notice from the presentation, whether this is reflective only of those in the umbrella group, that VAT of €18 million a year applies. Is that across the entire sector? It is. This appears small to me, given the numbers of organisations that currently comply with the broad notion of charitable status.

I agree that the community and voluntary sector is critical. Invariably, these groups fill a vacuum that the State has failed to address. We should not take a more exclusive view but should adopt an approach that incorporates more of these groups. Clearly, there is work to be done in this area.

My mandate and my natural instincts are to pursue the course recommended by the ICTRG argument. However, having repeatedly raised this issue here I realise there is a tremendous reluctance to grapple with all the questions. I suggest - this is not an excuse for inactivity on the part of Government or of any Opposition voice - this course might best follow the advent of the new charities Bill when we will have greater clarity on

many of the questions posed by committee members. This should not be interpreted as an excuse for further dilatoriness on the part of the Department and the Minister. I wish to see such a Bill presented with greater speed so that we can get down to the nitty gritty of it. Does the ICTRG see delay in the presentation of the Bill as an impediment to moving forward on the case the group has so well articulated?

Deputy Boyle: I was following the meeting from my office and apologise for not coming down before now. I was acquainting a new researcher with issues like VAT on charities and therefore plead an attention to detail. I appreciate the opportunity to ask the delegation some questions, although most relevant questions have been asked.

The presentation made today seeks to bust the argument made by the Department on EU rules on relaxing VAT for charities. I was taken by some of the arguments put forward, particularly that of the Danish example which now seems to be in operation. Given the recent statement by the EU Commissioner on donations of €250 and the application of that statement to charities outside Ireland, I am curious as to whether the ICTRG has any comment to make on the effect of that. The Danish example in particular seems to be quite specifically towards Danish based charities. The political consensus would be that to gain a reduction on VAT, the relief should in as far as possible be restricted to charities based in a given country.

The scale of what has been suggested is puny in relation to the take for VAT, which is the largest tax collected by the Government. One could argue that it is probably the most pernicious tax and that it is related to ability to spend rather than ability to pay. Many of the poorer members of our society probably contribute disproportionately because of that. It is one of the ironies of the situation that poor people trying to meet the everyday realities of their situation pay a higher percentage of their income in VAT and find that their ability to be helped is being compromised by rules like this.

I would like to hear the group's opinion on other initiatives mentioned in this area. I do not need to go into detail as the ICTRG has had its recent annual meeting and conference on many of the issues. There is much new thinking in the area. Is the ICTRG strategy now a question of keeping on pushing at the stone or immovable object that the Department of Finance appears to be, or is it looking at more creative ways of getting around that obstacle to achieve what is regarded by most politicians and political parties as a very desirable goal?

Vice Chairman: I wish to inform members that there is a vote in the Seanad.

Mr. Dixon: I thank the committee for its interest in this topic. Rather than hearing my voice again and with the permission of the Chair, I will introduce some other members of the delegation who will answer these questions in a more expert manner.

Ms Sheila Nordon is the executive director of Irish Charities Tax Research and I will ask her to address the first question regarding the definition of the ring-fencing of the scheme.



Ms Sheila Nordon: On the issue of definition regulation, I take the point raised by Deputies Burton and Ó Caoláin, that there is an issue about regulation. The heads of a Bill are available and the latest information from the Department of Community, Rural and Gaeltacht Affairs is that it will be published by the end of this year and it is hoped it will be included in the legislative programme for early next year.

The fundamental definition of charity which will not change very much under the new legislation, is that all the resources of a charity must be applied for charitable purposes. In order to achieve charitable tax exemption at present, and charitable status under the new Bill, all the purposes of the organisation must be totally charitable and all of the resources of the organisation must be applied solely for charitable purposes. There can be no profit and no other use of the resources. In the event of an organisation winding up, the resources must be transferred to a similar type of organisation which is a charity in that sense.

The other key issue is that the definition requires a public benefit. On that basis, membership of the ICTRG is confined to organisations currently with a CHY number that would meet that definition of charity. It excludes any organisation that would be distributing profit. In our view, that definition sufficiently distinguishes our charitable organisations from all other organisations.

Deputy Catherine Murphy referred to community groups perhaps being excluded by this definition. Under the new legislation as it is framed, community development and activism are included under the new definition. I agree it is not easy for most of these organisations to get a CHY number because they must go through a process with the Revenue of proving that the objectives are purely charitable, that the activities in which the organisation is engaged are charitable, that all of the organisation's resources are used for that purpose, and that there is a demonstrable public benefit. Under the new legislation, community groups will not be excluded but they will still need to register with the new charity regulator.

Charities that pay VAT constitute the group for which a compensation scheme should be devised. The more active a charity and the more fund-raising resources it sources from the public, the more VAT it pays. The Government is taking a cut from the fund-raising efforts of these organisations. I hope I have addressed that issue.

Deputy P. McGrath:   I read through the list of organisations which the delegation has presented. It includes BirdWatch Ireland. Does this fit in with the kind of charities represented at this meeting today? Another on the list which jumped out at me was the Bank of Ireland employees' fund. How would it meet the criteria which the organisations on this delegation must satisfy? It seems to be a different type of organisation.

Mr. Dixon: The campaign for which we are lobbying will benefit all charities. The Revenue Commissioners have allowed the Bank of Ireland employees' fund or BirdWatch Ireland or any other organisation, to become a charity. We are not

campaigning specifically for our membership; we are campaigning for the charity sector as a whole.

Ms Nordon: The Bank of Ireland employees' fund is a Third World development fund. It is a payroll scheme by which employees of Bank of Ireland donate funds. The reason BirdWatch Ireland has a CHY number is because it deals with protection of the environment which is recognised by the Revenue Commissioners. All its resources are used solely for charitable purposes and its objective is to provide education on the environment and protection and conservation of the environment.

Deputy Burton: I have raised the issue of charities which undertake significant capital expenditure as being another category. We must find a way to break this impasse and make a start. This is my experience from my time as a Minister of State. I am trying to be constructive by suggesting we look at ways of addressing some of these issues. Even if there are concerns that it might be open to abuse, we should try to find a way forward.

Mr. Dixon: I agree. The Irish Charities Tax Research Group would be extremely enthusiastic about even beginning to have a discussion about how this could work in practice.

Sr. Martha Hegarty will explain the process associated with capital campaigns.

Sr. Martha Hegarty: I will not speak for too long and mine will be a very practical contribution. Some years ago, I was asked to fund-raise to match Government funding because we had totally unsuitable buildings for our people with intellectual disability who had to be rehoused. That was 16 years ago. About five years ago I decided we would match the Government's funding. We received moneys from the social housing fund from Fingal County Council. We decided to raise €5.3 million to match the Government funding and we have almost achieved this. During my five years in fund-raising I have worked very hard and it is not an easy job. Deputy Burton will be familiar with this. We have almost completed the first phase of €5.3 million and this is all from fund-raising. We built nine bungalows, day care and catering facilities in Chapelizod.

We have a shortfall in funding which I will explain by way of two examples. A fund-raising event in Carton raised more than €60,000. I have brought all the invoices and information to the meeting. One of the bills amounted to €481,120 and I had to pay €64,951.20 VAT on that amount. A pro-am golf fund-raising event in Castleknock raised more than €100,000. The VAT paid on a bill of €707,130, was €95,462.55. All my current bills show this type of VAT. We will have paid at least €1 million in VAT during the building of these bungalows.

I did not want to come here today but I knew I had to. I thank the committee.

Vice Chairman: Sr. Hegarty's presentation has been very enlightening.

Mr. Dixon: As people who work to further the good work of charities, it is disheartening and frustrating to organise fund-raising events to pay VAT bills.

To follow up on the point made by Deputy Burton, we would enthusiastically discuss any ring-fencing of VAT compensation, be it on capital campaigns, fund-raising bills, promotion costs or whatever. We would very much welcome that conversation. While I appreciate we are under time pressure I want to go back over some of the other points. I wish to introduce Mr. Matt Moran, who will address the issue raised by Deputy Bruton on whether VAT compensation is an appropriate form of funding for the charity sector.

Mr. Matt Moran: I will give an example. ICTRG is campaigning to have the €250 threshold reduced to €100 with eventual elimination. For the religious charities, that scheme is of limited benefit because those who support religious charities are generally older people outside the PAYE net and therefore cannot complete the declaration forms. The average donation to a religious charity is significantly smaller than that to a humanitarian or environmental charity. There are approximately 65 religious charities, many of which are involved in missionary and development work overseas. The work of missionaries is well known.

I will take a particular example to illustrate what I am saying. A charity that last year paid €55,000 on VAT on its inputs was able to reclaim €8,000 on the PAYE refund scheme, which is a difference of €47,000. In effect it is down by €47,000. That €55,000 would pay for the care of 153 AIDS orphans in South Africa for one year. It would provide 6,900 food parcels to poor families and individuals in South Africa. Where this congregation works among the poorest of the poor, not the rich, it would give 2,200 school meals. Those figures illustrate the issue. Given that it pays €55,000 in VAT, even if the threshold were reduced to €100 and it could claim approximately €11,000 rather than €8,000 on the PAYE refund scheme, there is still a significant deficit.

The situation will get significantly worse because the EU has a proposal, which is yet to be transcribed into a directive, to apply VAT to postage. This charity will pay an additional €50,000 based on postage VAT at the lower rate of 13.5%. The situation under this creeping VAT system will get worse.

Mr. Dixon: There are two issues that need to be addressed on Deputy Bruton's question as to whether VAT compensation is an appropriate form of funding. We do not see it as a form of funding. We see it as compensation for taxation on the work we undertake. A number of Members spoke about the proposal to redirect stamp duty on debit and credit cards. I introduce Ms Niamh Ní Chonghaile to address the issue.

Ms Niamh Ní Chonghaile: As an organisation representing more than 140 charities, the Irish Charities Tax Reform Group strongly supports any initiative to improve the philanthropic environment here. The main topic we are discussing is the alleviation of the unfair VAT burden on the charities. VAT affects every charity from the very small to the very large. This initiative would certainly help some charities but would not affect them

all. The VAT, while not exclusive from the other potential schemes, is very important because of its potential impact across the board.

Mr. Dixon: Deputy Boyle commented on the EU decision to allow VAT tax relief on non-Irish charities. I would like to refer the issue to the resident expert.

Ms Nordon: This announcement was made in the past two weeks. Commissioner Kovács made a complaint that the Irish and Polish Governments are confining the tax relief to organisations established in those countries. Under the free movement of capital, the Commission is claiming that this is unfair. I believe the Deputy asked whether the issue regarding VAT would be similar.

Deputy Boyle: It was based on the Danish restriction on Danish charities.

Ms Nordon: The issue is that the Danish Government can only collect VAT within its own jurisdiction, just as the Government can only collect VAT from Irish charities. In terms of compensating, one would only compensate from the organisation that was giving to one, so it would be different.

Deputy Ó Caoláin: For any of us here to make a €1 contribution to any charity we must work and generate 142 cent in income, as the greatest contribution will come from those on the highest rate of income tax. For that charity to spend that €1 it will lose a further 21 cent. The Government is taking it at both ends. The bottom line is that to make a contribution we would all like to see the 100% value of it translated into making that difference. It is on that basis that we need to collectivise as a committee and complement the effort of the group before us today. There is a very strong case to be made.

Vice Chairman: I thank Mr. Dixon and his colleagues for their comprehensive submission and their detailed responses to questions from member of the committee. Some time after this meeting, the committee secretariat will formally draw the attention of the Minister for Finance to the views expressed here. We identify very much with the thoughts and wishes of the witnesses.

Mr. Dixon: On behalf of the ICTRG, our membership as well as the charity sector throughout Ireland, I thank the committee for its time, its interest and its suggestions. If we can provide any additional information in helping the committee draw this matter to the attention of the Minister, we will be happy to supply it.

The joint committee adjourned at 4 p.m. *sine die*.