Standard Life

Press release

6 June, 2018

Two million voters say government should tax small to medium sized savers equally - irrespective of whether it's money on deposit or elsewhere

Standard Life reveals 56% of adults believe small and medium sized investors should be taxed equally, irrespective of what they have invested in, according to a recently commissioned independent survey*. This equates to two million* Irish adults aged 18 or older.

The survey asked:
Do you think equal tax rates should apply to small/medium sized savers/investors, irrespective of what they invest in?
Yes - 56%
No – 44%

DIRT on deposits and Exit Tax payable on investment funds favoured by middle income families were both imposed at 41% until early 2017. The government then dismantled their nearly two decade link announced in Budget 2017. Since then, savers with money on deposit pay 37% DIRT on interest earned which will fall to 33% by 2020, whilst prudent households trying to put money away for a house deposit, children's education, a rainy day fund etc. are taxed at 41% on any gains if saving into investment funds sold by life companies, banks etc.

(Investment funds sold via life policies typically invest in several different asset classes (bonds, equities, property, etc.). They range from lower risk to higher risk investments such as pure equity funds. Equity funds typically hold 50 to 300 individual shares, consequently, they are significantly less risky than owning one single share such as Bank of Ireland or AIB etc.)

"Middle income households seeking a decent return on their money can't opt for low yielding deposits anymore, the returns are simply too low or non-existent in some cases," said Michael McKenna, Managing Director, Standard Life Ireland.

"Investment funds sold by life companies, banks etc. which historically have significantly better long term returns than deposits are a much better option for them," he said.

McKenna said it would cost about €60 million after four years or c€15 million p.a. for the government to reduce Exit tax by 3% each year from 41% until it reached parity with DIRT at 33%.

"Fifteen million per year isn't even 3 hundredths of a percent# of the annual tax take, said McKenna. " It's a tiny amount of money in the big scheme of things and in a strong economy it's a very small ask."

McKenna says it's a three way win: "It's cost effective good policy making by government, it makes long term sense for savers and will be particularly popular with the squeezed middle income households, over time we believe it will also prove valuable to Revenue as DIRT returns continue to be impacted by low interest rates."

Ends

Notes for Editors

* The survey results are based on an independent, online survey conducted by Research Plus on behalf of Standard Life of 1,000 adults aged 18+ from 9th to 16th May, 2018.

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There are 3.571,363 mio adults aged 18+ in Ireland. **Source**: CSO Census 2016
3.571,363 times 56% equals 1.999 mio

#Total tax Revenue for 2017 was €50.7bn. (€15 mio as a percentage of €50.7bn is .00029 or 3/hundredths of one per cent).

Source: https://www.finance.gov.ie/wp-content/uploads/2018/01/180103-End-December-2017-Exchequer-Returns-Presentation.pdf

- Standard Life is backed by the industry in its bid to reverse this ill thought out legislation i.e. Insurance Ireland (members include Irish Life, Aviva, Zurich, New Ireland et al), the Irish Association of Investment Managers (IAIM), Brokers Ireland (an amalgam of the Irish Brokers Association (IBA) and the Professional Insurance Brokers Association (PIBA)).

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