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DÍOSPÓIREACHTAÍ PARLAIMINTE
PARLIAMENTARY DEBATES

DÁIL ÉIREANN

TUAIRISC OIFIGIÚIL—*Neamhcheartaithe*
(OFFICIAL REPORT—*Unrevised*)

DÁIL ÉIREANN

Dé hAoine, 14 Nollaig 2012

Friday, 14 December 2012

Chuaigh an Ceann Comhairle i gceannas ar 10.30 a.m.

Paidir.
Prayer.

Order of Business

Minister for Communications, Energy and Natural Resources (Deputy Pat Rabbitte): It is proposed to take No. 17, motion re Credit Institutions (Stabilisation) Act 2010, and No. 7, Finance (Local Property Tax) Bill 2012 - Order for Second Stage and Second Stage.

It is proposed, notwithstanding anything in Standing Orders, that No. 17 shall, if not previously concluded, be brought to a conclusion after 65 minutes and the following arrangements shall apply: the speech of a Minister or a Minister of State and the main spokespersons for Fianna Fáil, Sinn Féin and the Technical Group who shall be called on in that order and may share their time shall not exceed 15 minutes in each case; a Minister or a Minister of State shall be called on to make a speech in reply which shall not exceed five minutes; the sitting shall be suspended at 2 p.m. for 30 minutes; Second Stage of No. 7 shall be taken today and, if not previously concluded, be brought to a conclusion at 6 p.m.; the Dáil shall sit on Monday, 17 December 2012 at 10.30 a.m. and adjourn not later than 4.30 p.m.; there shall be no Order of Business within the meaning of Standing Order 26 and, accordingly, the business to be transacted shall be as follows: No. 35, statements on the report of the expert group on the judgment in the A,B and C *v.* Ireland case (resumed), and No. 33, Health (Pricing and Supply of Medical Goods) Bill 2012 [*Seanad*] - Second Stage (resumed) which shall, if not previously concluded, be brought to a conclusion at 4.30 p.m. and any division demanded shall be taken immediately after the Order of Business on Tuesday, 18 December 2012.

An Ceann Comhairle: There are four proposals to be put to the House. Is the proposal for dealing with No. 17, motion re Credit Institutions (Stabilisation) Act 2010, agreed to? Agreed. Is the proposal for dealing with the suspension of the sitting agreed to? Agreed. Is the proposal for dealing with Second Stage of No. 7, Finance (Local Property Tax) Bill 2012, agreed to?

Deputy Micheál Martin: It is not agreed. In the strongest possible terms I oppose the manner in which the Government proposes to treat the Finance (Local Property Tax) Bill by ramming it through the Dáil and the Seanad in the space of one week. This is a 70 page Bill with 159 sections containing significant detail and giving extensive powers to Revenue to enter homes. It introduces a tax that will hit the one quarter of mortgage holders who are in arrears, as we heard yesterday, which is a clear demonstration that this is the wrong tax at the wrong time. It will also hit hard-pressed mortgage holders who are paying their way, including unemployed persons and welfare recipients. Yesterday we heard that local authority tenants would have their rents increased as a result of this property tax on local authority housing. That is not to mention those in negative equity or people who have paid massive amounts in stamp duty. The hit on Dublin families as a result of this tax will be enormous.

I do not understand why the Government is insisting on proceeding as proposed. We had a disgraceful situation yesterday on the Social Welfare Bill. Is the Government afraid of public interaction with Deputies in this Chamber or is it afraid that there is more than one Member on the Government backbenches who is prepared to stand up, have a conscience-----

Deputy Mattie McGrath: They are hidden away.

Deputy Micheál Martin: -----oppose and fulfil the commitments given while in opposition?

Deputy Barry Cowen: They are pirouetting on the plinth.

Deputy Micheál Martin: There seems to be a genuine drive by the Government to deny debate and discussion in the House on these issues. This morning I listened to the Minister, Deputy Pat Rabbitte, talk about that small sliver in the Labour Party that preferred opposition and advocacy to being in government.

Deputy Timmy Dooley: He was a sliver once himself.

Deputy Micheál Martin: It suggested to me the democratic centralist tendencies, so beloved of The Workers' Party, are alive and well and in control.

Deputy Michael McCarthy: The Dali Lama of Ballinlough has some neck.

Deputy Micheál Martin: The Minister and his ilk within the Labour Party-----

An Ceann Comhairle: We are straying from the question before the House.

Deputy Micheál Martin: -----have succeeded in driving out the last vestiges of old decent Labour into the cold.

Deputy John Lyons: There is nobody from the media present to listen to the Deputy.

Deputy Micheál Martin: It is a sad scene to behold that the Trotsky of Tallaght has become the mudguard of Fine Gael in the Government.

A Deputy: The Deputy is some hypocrite.

Deputy Pearse Doherty: A Cheann Comhairle-----

(Interruptions).

An Ceann Comhairle: Please allow Deputy Doherty to make his point.

Deputy Michael Noonan: The Abbey has moved to Cork.

Deputy Pearse Doherty: I object to proposal No. 3. It is unacceptable that the family home tax legislation is to be rammed through the Dáil, with the debate on Second Stage to conclude by 6 p.m. and all other Stages to be taken on Tuesday. Even though there is an additional sitting next Monday, the Government does not see fit to allow this House to debate one of the most draconian pieces of legislation we have seen, which extends huge powers to the Revenue Commissioners to deduct a property tax from people's salaries, social welfare payments, farm assist payments and so on. It is clear that the Government does not want a proper scrutiny of this tax and the new powers extended to the Revenue Commissioners. We all know that the Tánaiste promised not to introduce a property tax, but we also know that the Minister, Deputy Pat Rabbitte, thinks that is just what the Labour Party does before elections.

(Interruptions).

Deputy Pearse Doherty: It is absolutely appalling that the same families that were hit by the reduction of €325 in the respite care grant will be hit by a property tax if this legislation is passed next Tuesday. The one in four households that cannot pay their mortgages and the families already in poverty will be slapped with this tax by the Labour Party and Fine Gael. It is another broken promise.

The commitment by both parties in government to treat this House with respect has been ignored.

(Interruptions).

Deputy Pearse Doherty: This is not the way to deal with legislation. Members of the Labour Party and Fine Gael should stand up and say this is not acceptable on their watch.

Deputy Paul Kehoe: Deputy Doherty should play Angry Birds.

An Ceann Comhairle: I have called the Minister to reply.

Deputy Pat Rabbitte: I am surprised by the comments of the two Deputies opposite. There cannot have been a more debated measure before Dáil Éireann for a very long time.

Deputy Mattie McGrath: Where is Big Phil?

Deputy Pat Rabbitte: This measure has been signalled for at least a year and debated up and down the country. I am especially surprised at Deputy Micheál Martin given that he negotiated it.

Deputy Micheál Martin: That is absolutely untrue.

An Ceann Comhairle: Settle down, Deputies. The Minister must be allowed to reply.

Deputy Pat Rabbitte: Nothing that Mr. Angry from Donegal says surprises me. Anger, unfortunately, is not a policy and I look forward to multiple returns on the home tax from some of the Sinn Féin Deputies. However, it ill behoves the man who negotiated the property tax to come in here posturing like a pantomime dame as if he were now opposed to it, having introduced it in the first place. I know a shop near the Gaiety where he could get a wig for the rest of the Christmas.

A Deputy: Yes you do.

(Interruptions).

An Ceann Comhairle: I am putting the question.

Deputy Micheál Martin: A Cheann Comhairle, this is a disgrace.

An Ceann Comhairle: We are not having a debate. I am putting the question.

(Interruptions).

An Ceann Comhairle: Deputies, please. Is the proposal for dealing with No. 7 agreed to?

Deputy Micheál Martin: This House is being treated with contempt.

Deputy Derek Keating: Fianna Fáil treated this House with contempt for 14 years.

An Ceann Comhairle: I ask Deputy Martin to resume his seat.

Deputy Micheál Martin: We are not getting an opportunity to debate what is going on here today.

An Ceann Comhairle: Please resume your seat, Deputy. You had your say and we are now going to vote.

Deputy Micheál Martin: We were promised a democratic revolution. Instead we have a sitting next Monday to deal with business that nobody on this side of the House requested.

(Interruptions).

Deputy Micheál Martin: It is the usual ploy from this Government.

An Ceann Comhairle: Is the proposal for dealing with No. 7, Second Stage of the Finance (Local Property Tax) Bill 2012, agreed to?

Deputies: No.

Question put:

The Dáil divided: Tá, 66; Níl, 35.	
Tá	Níl
Bannon, James.	Adams, Gerry.
Breen, Pat.	Browne, John.
Butler, Ray.	Calleary, Dara.
Buttimer, Jerry.	Collins, Joan.
Byrne, Catherine.	Colreavy, Michael.
Byrne, Eric.	Cowen, Barry.
Carey, Joe.	Daly, Clare.
Coffey, Paudie.	Doherty, Pearse.
Conaghan, Michael.	Dooley, Timmy.
Conlan, Seán.	Ellis, Dessie.

Connaughton, Paul J.	Grealish, Noel.
Conway, Ciara.	Halligan, John.
Coonan, Noel.	Healy, Seamus.
Coveney, Simon.	Higgins, Joe.
Creed, Michael.	Kelleher, Billy.
Daly, Jim.	Kitt, Michael P.
Deenihan, Jimmy.	Mac Lochlainn, Pádraig.
Deering, Pat.	McDonald, Mary Lou.
Doherty, Regina.	McGrath, Finian.
Donohoe, Paschal.	McGrath, Mattie.
English, Damien.	McGrath, Michael.
Feighan, Frank.	McLellan, Sandra.
Flanagan, Charles.	Martin, Micheál.
Griffin, Brendan.	Ó Caoláin, Caoimhghín.
Harrington, Noel.	Ó Cuív, Éamon.
Harris, Simon.	Ó Fearghaíl, Seán.
Hayes, Brian.	Ó Snodaigh, Aengus.
Hayes, Tom.	O'Brien, Jonathan.
Heydon, Martin.	O'Sullivan, Maureen.
Humphreys, Heather.	Ross, Shane.
Keating, Derek.	Smith, Brendan.
Kehoe, Paul.	Stanley, Brian.
Kyne, Seán.	Tóibín, Peadar.
Lyons, John.	Troy, Robert.
McCarthy, Michael.	Wallace, Mick.
McGinley, Dinny.	
McLoughlin, Tony.	
Maloney, Eamonn.	
Mathews, Peter.	
Mitchell, Olivia.	
Mitchell O'Connor, Mary.	
Murphy, Dara.	
Murphy, Eoghan.	
Nash, Gerald.	
Neville, Dan.	
Nolan, Derek.	
Noonan, Michael.	
Ó Ríordáin, Aodhán.	
O'Donnell, Kieran.	
O'Donovan, Patrick.	
O'Mahony, John.	
O'Reilly, Joe.	

Perry, John.	
Phelan, Ann.	
Phelan, John Paul.	
Rabbitte, Pat.	
Reilly, James.	
Ring, Michael.	
Ryan, Brendan.	
Spring, Arthur.	
Stanton, David.	
Timmins, Billy.	
Tuffy, Joanna.	
Twomey, Liam.	
Wall, Jack.	
Walsh, Brian.	

Tellers: Tá, Deputies Paul Kehoe and John Lyons; Níl, Deputies Seán Ó Fearghaíl and Aengus Ó Snodaigh.

Question declared carried.

11 o'clock

An Ceann Comhairle: Is the proposal for the sitting and business of the Dáil on Monday, 17 December 2012, agreed to?

Deputy Micheál Martin: No. Again, we are opposing the Government's proposal in respect of the sitting on Monday next. What is happening in this House is quite farcical. In the past week alone, we passed Supplementary Estimates in respect of health and welfare totalling €1 billion without any plenary discussion in the Dáil. Yesterday, the Government rammed through the Social Welfare Bill and no one had the opportunity to discuss, or to even articulate an opinion on, issues relating to child benefit, the removal of the PRSI exemption, the reduction in jobseeker's allowance and the many other measures it contains. There was no debate whatsoever. Today, the Government will ram through the Second Stage of the Finance (Local Property Tax) Bill in order to shut down the debate on a property tax that will impact on every household in the country.

A Deputy: Fianna Fáil negotiated that tax.

Deputy Micheál Martin: The House will sit on Monday and there will be no Order of Business. Again, this is perhaps aimed at trying to deflect from the core issues of social welfare and the property tax. What is happening is very cynical. The Minister, Deputy Rabbitte, indicated that nothing has been discussed more than the property tax. He is completely misleading the House in this regard. The Thornhill report has been in the relevant Minister's hands since

July. That report provides the intellectual backdrop to the introduction of this tax.

Deputy Michael Creed: Fianna Fáil gave us the backdrop to it.

Deputy Micheál Martin: The report to which I refer was only published on Friday last in the aftermath of the budget. There should have been a specific discussion on that report in advance of the legislation being brought forward.

Deputy Michael Noonan: Fianna Fáil provided the backdrop to the introduction of the property tax.

(Interruptions).

Deputy Micheál Martin: The point I am making here relates to the suppression of debate. What is happening here is another attempt to shut down any form of discussion. This Government promised a democratic revolution and the Minister of State with responsibility for Dáil procedures stated that there would be no guillotining of non-emergency legislation. The rationale behind what is being done here has not, despite all the smart comments, been explained by the Minister, Deputy Rabbitte. Why is this happening? Why is the House being denied an opportunity to debate this and other issues?

This is, as far as we are concerned, an extremely important matter, particularly in the context of Deputies being given an opportunity to debate the legislation in detail. I wish to put an alternative proposal whereby we could still have the sitting on Monday but that we would take Committee Stage of the Finance (Local Property Tax) Bill 2012 instead of the other business that has been scheduled.

An Ceann Comhairle: I thank the Deputy.

Deputy Micheál Martin: The legislation to which I refer will have an impact on every household throughout the country and it could also have an impact on churches, charities, etc., and we need an opportunity to discuss it.

An Ceann Comhairle: The Deputy has had a fair hearing.

Deputy Micheál Martin: I accept that what is happening is not the Ceann Comhairle's fault.

An Ceann Comhairle: I appreciate that. I merely wish to be fair to everybody. I call Deputy Pearse Doherty.

Deputy Micheál Martin: The Government is intent on ramming the legislation through with unseemly haste. What it is doing is both wrong and disgraceful.

Deputy Timmy Dooley: The tax is not due to be introduced until July.

Deputy Pearse Doherty: We want to object to the way the business for Monday's sitting has been ordered. We have no objection to the House sitting on Monday, Indeed Sinn Féin called for such a sitting in order that an additional debate on budgetary matters might take place. The proposal before the House indicates that Monday's sitting will be mostly taken up by the debate on the expert group report. People want us to debate the impact of the Social Welfare Bill, which the House passed last night, and how the family home tax is going to affect their incomes.

We have all heard the clattering coming from the Labour Party benches. The scenes we witnessed earlier were absolutely appalling. Government Deputies and Ministers had the generosity to burst into laughter - in fact they were doubled over in their seats - at a question relating to how people are going to be impacted upon by the family home tax.

Deputy Gerald Nash: Spare us.

Deputy Ray Butler: This is not "Walks along the Border with Peter Darragh Quinn".

(Interruptions).

Deputy Pearse Doherty: There are very-----

(Interruptions).

An Ceann Comhairle: Hold on a second, Deputies.

Deputy Pearse Doherty: -----few families which are doubled over with laughter in their homes this morning.

Deputy Gerald Nash: Spare us.

Deputy Pearse Doherty: They are reeling from the fact that the Social Welfare Bill has been passed by this House and that the Government plans to ram through, with little or no debate, a family home tax which is going to impose a further burden on them.

Deputy Derek Keating: What about Sinn Féin's twisted policies?

Deputy Ray Butler: I wonder how people in the North feel.

Deputy Pearse Doherty: We have heard about Deputies wrestling with their consciences in respect of the cuts to child benefit and the respite care grant. The families to which I refer are going to be expected to pay the family home tax.

Deputy Derek Keating: What about the families Sinn Féin persecuted for 30 years?

Deputy Pearse Doherty: What is happening is absolutely appalling. There should be a sitting on Monday and we should take the opportunity it offers to debate the family home tax. In addition, there should be an Order of Business, Leaders' Questions, a Topical Issue Debate and Question Time. That is the form a proper sitting should take. What we will probably get is another glib response from the Minister, Deputy Rabbitte, that will be designed to have Government's backbenchers bursting out laughing again and forgetting what real people are being obliged to endure.

Deputy Ray Butler: Deputy Pearse Doherty should not get angry.

Deputy Joan Collins: I also wish to object to the ordering of business for Monday. I am of the view that we should debate the property tax during Monday's sitting. As Deputy Martin indicated, the Thornhill report was only published in recent days. Voluntary organisations have stated that they are being impacted upon by what is taking place and the Thornhill report states that these organisations should be excluded from the so-called property tax, which is a family home tax. The legislation should be debated in much greater detail. The Government is not allocating sufficient time in respect of it. Some 1.9 million families and households will be affected by the tax. It is the Government's responsibility to give the House adequate time to debate the Bill properly.

Deputy Pat Rabbitte: In all my time in this House, I have never heard those in opposition object to leaving a gap between the end of the debate on Second Stage of a Bill and the beginning of Committee Stage in order that Deputies might have time to table amendments.

Deputy Micheál Martin: Come off it.

Deputy Pat Rabbitte: As regards the request that we should meet on Monday-----

Deputy Billy Kelleher: We should be taking Second Stage of the Bill on Monday as well.

(Interruptions).

An Ceann Comhairle: Will Deputies please allow the Minister to reply? I gave those objecting to the proposal adequate time in which to voice their concerns. The Minister should be allowed to reply, without interruption.

Deputy Timmy Dooley: If he replied to the points that were raised, there would be no problem.

Deputy Billy Kelleher: It will be a glib and trite reply.

Deputy Pat Rabbitte: As regards the request for a Monday sitting, the Government was happy to respond in that regard. It is also happy to put forward speakers for the debate on Monday.

Deputy Mattie McGrath: The Government cancelled last Monday's sitting.

Deputy Pat Rabbitte: On the previous occasion on which Deputy Pearse Doherty sought a Monday sitting, there were no speakers put forward by the entire Opposition.

Deputy Mattie McGrath: That is not true.

Deputy Pat Rabbitte: Not one speaker was put forward.

Deputy Pat Deering: Deputy Mattie McGrath was on hunger strike.

Deputy Mattie McGrath: It is not true.

(Interruptions).

Deputy Micheál Martin: The Minister is only playing games.

Deputy Pat Rabbitte: If those in opposition want to remain in their constituencies on Monday next, we will still put forward speakers in the normal way.

Deputy Mattie McGrath: The Government does not want-----

Deputy Timmy Dooley: Those in government are afraid to go to their constituencies.

Deputy Jerry Buttimer: We are not afraid. Deputy Dooley should not worry about us. We do not hide.

An Ceann Comhairle: The Minister is quite capable of answering for himself. He does not need any assistance. Deputies should settle down and allow him to reply in order that we might proceed with our business.

Deputy Pat Rabbitte: Deputy Martin is not correct. The backdrop to the property tax was not the Honohan report. The backdrop to it was Fianna Fáil's surrender to the troika.

Deputy Micheál Martin: It was the Thornhill report.

Deputy Dara Calleary: Fine Gael-----

Deputy Pat Rabbitte: Deputy Martin negotiated that surrender.

Deputy Pat Deering: Deputy Martin should apologise.

(Interruptions).

An Ceann Comhairle: I must put the question.

Deputy Ray Butler: Deputy Martin should apologise. He should say that he is sorry.

Deputy Micheál Martin: On a point of order-----

Deputy Ray Butler: It is Christmas. Deputy Martin should say that he is sorry.

An Ceann Comhairle: Will Deputy Micheál Martin please adhere to the rules of the House? This is becoming impossible.

Deputy Micheál Martin: I am raising a point of order. The Minister said-----

An Ceann Comhairle: The Deputy had his say. He is just being totally unreasonable.

Deputy Micheál Martin: I just want to-----

An Ceann Comhairle: The Deputy is not allowed to respond.

Deputy Micheál Martin: This is outrageous. I am not responsible for what is happening this morning. The Government is driving all of this. What I am saying is that in the normal course amendments must be tabled before the Second Stage debate begins

An Ceann Comhairle: That is not a point of order. I must put the question. Deputy Martin should resume his seat.

Deputy Micheál Martin: We were informed that we had to submit amendments by Tuesday morning last.

An Ceann Comhairle: I am putting the question.

Question put: "That the proposal for dealing with No. 4 be agreed to."

The Dáil divided: Tá, 66; Níl, 38.	
Tá	Níl
Bannon, James.	Adams, Gerry.
Breen, Pat.	Broughan, Thomas P.

Butler, Ray.	Browne, John.
Buttimer, Jerry.	Calleary, Dara.
Byrne, Catherine.	Collins, Joan.
Byrne, Eric.	Collins, Niall.
Carey, Joe.	Colreavy, Michael.
Coffey, Paudie.	Cowen, Barry.
Conaghan, Michael.	Crowe, Seán.
Conlan, Seán.	Daly, Clare.
Connaughton, Paul J.	Doherty, Pearse.
Conway, Ciara.	Dooley, Timmy.
Coonan, Noel.	Ellis, Dessie.
Coveney, Simon.	Grealish, Noel.
Creed, Michael.	Halligan, John.
Daly, Jim.	Healy, Seamus.
Deenihan, Jimmy.	Higgins, Joe.
Deering, Pat.	Kelleher, Billy.
Doherty, Regina.	Kitt, Michael P.
Donohoe, Paschal.	Mac Lochlainn, Pádraig.
English, Damien.	McDonald, Mary Lou.
Feighan, Frank.	McGrath, Finian.
Flanagan, Charles.	McGrath, Michael.
Griffin, Brendan.	McLellan, Sandra.
Harrington, Noel.	Martin, Micheál.
Harris, Simon.	Ó Caoláin, Caoimhghín.
Hayes, Brian.	Ó Cuív, Éamon.
Hayes, Tom.	Ó Fearghaíl, Seán.
Heydon, Martin.	Ó Snodaigh, Aengus.
Hogan, Phil.	O'Brien, Jonathan.
Humphreys, Heather.	O'Dea, Willie.
Keating, Derek.	O'Sullivan, Maureen.
Kehoe, Paul.	Ross, Shane.
Kyne, Seán.	Smith, Brendan.
Lyons, John.	Stanley, Brian.
McCarthy, Michael.	Tóibín, Peadar.
McGinley, Dinny.	Troy, Robert.
McLoughlin, Tony.	Wallace, Mick.
Maloney, Eamonn.	
Mathews, Peter.	
Mitchell, Olivia.	
Mitchell O'Connor, Mary.	
Murphy, Dara.	
Murphy, Eoghan.	

Nash, Gerald.	
Neville, Dan.	
Nolan, Derek.	
Ó Ríordáin, Aodhán.	
O'Donnell, Kieran.	
O'Donovan, Patrick.	
O'Mahony, John.	
O'Reilly, Joe.	
Perry, John.	
Phelan, Ann.	
Phelan, John Paul.	
Rabbitte, Pat.	
Reilly, James.	
Ring, Michael.	
Ryan, Brendan.	
Spring, Arthur.	
Stanton, David.	
Timmins, Billy.	
Tuffy, Joanna.	
Twomey, Liam.	
Wall, Jack.	
Walsh, Brian.	

Tellers: Tá, Deputies Paul Kehoe and John Lyons; Níl, Deputies Seán Ó Fearghaíl and Aengus Ó Snodaigh.

Question declared carried.

Credit Institutions (Stabilisation) Act 2010: Motion

Minister for Finance (Deputy Michael Noonan): I move:

> That Dáil Éireann resolves for the purposes of section 69 of the Credit Institutions (Stabilisation) Act 2010, that with effect as on and from the date of this Resolution, in subsection (1) of the said section 69 for the words '31 December 2012' there shall be substituted the words '31 December 2014'."

The motion before the House seeks to have the period of effectiveness of the Credit Institutions (Stabilisation) Act 2010, known as CISA, extended for a period of 24 months up to 31

December 2014. Section 69 of the Act provides that the Act, other than sections 51 and 67, will cease to have effect on 31 December 2012 or a later date substituted by resolution of both Houses of the Oireachtas. The motion, accordingly, seeks to substitute "31 December 2014" for "31 December 2012".

For the benefit of the House, I will set out the background to the need for CISA. The rationale for the CISA legislation is expressed in the detailed set of recitals included in the Act. They highlight the adverse impact of the banking crisis on the economy and the need in the public interest for strong powers to resolve the threat to the stability of the financial system generally. The Preamble to the Act also stresses the necessity for the functions and powers provided under the Act to reorganise the guaranteed domestic credit institutions in the context of the National Recovery Plan 2011-2014 and the European Union-IMF programme of support for Ireland. The Preamble also reiterates the basic justification for the very substantial financial support provided by the State for the banking system. This is to make certain that these institutions continue to meet their financial and regulatory obligations in order to maintain public confidence in the banking system and, in particular, the security of deposits. The banking system and the economy have faced and continue to face extraordinary and exceptional challenges. There is a strong public interest in the continued availability of the extensive ministerial powers included in the Act, the details of which I will outline to the House.

The House is aware that CISA provides broad powers for the Minister for Finance to act on financial stability grounds to effect swift restructuring actions and recapitalisation measures as envisaged in the programme agreed with the external authorities. The purpose of the bank restructuring measures set out in the joint programme is to ensure the sector is proportionate to the size and credit needs of the economy. The objective was to capitalise the banks to the highest international standards, thereby rebuilding investor confidence in the Irish banking system and in due course restoring their access to normal market funding. The aim was to facilitate a very significant reduction in the domestic Irish banking system's reliance on funding from the Eurosystem and the Central Bank of Ireland, and put the Irish banking system on a more sustainable funding platform.

The range of powers provided to the Government under CISA remains at the core of the Government's ability to take the actions required under the troika's programme of support in addition to the national recovery plan for the period 2011 to 2014 in respect of the banking system.

The House will be aware that, under CISA, the Minister may, having consulted the Governor of the Central Bank and formed certain opinions, make four types of proposed orders addressed to relevant institutions, namely, direction orders, special management orders, subordinated liabilities orders, and transfer orders, after which the Minister then applies to the High Court for an order in those terms. The Minister may also issue a number of binding requirements under section 50. These are important powers and it is important that they be retained if we are to continue to have the necessary ability to manage our way out of this economic and banking crisis.

The Minister for Finance may make a proposed direction order, after which he must apply to the court for an order in those terms, directing a relevant institution to do or refrain from doing any act or thing, including directions to issue shares to the Minister or his or her nominee and increase the share capital of the institution to facilitate this; apply for the delisting of the relevant institution's shares; alter the institution's memorandum and articles, or equivalent, including changes to shareholders' rights, or dispose of a specified asset, liability or part of the institution's undertaking.

The Minister for Finance may also make a proposed special management order, after which he must apply to the court for an order appointing a special manager to take over the management of the business of a relevant institution to carry on the business as a going concern with a view to preserving and restoring the financial position of the relevant institution. A special manager will have all necessary powers to discharge his functions, including having the sole authority over the directors and employees of the institution.

The special manager will provide the Minister for Finance and the Central Bank with any reports or other information requested. The appointment of a special manager can prevent the winding up of the institution and other specified consequences. The special manager can, with the consent of the Minister and the Governor, substitute his or her decision for a decision of the shareholders. The special manager can remove directors, employees, etc. The special-manager power is designed to introduce stability into relevant institutions where that is necessary to ensure financial stability generally.

The Minister for Finance can, having formed certain opinions, make a proposed subordinated liabilities order in respect of certain relevant institutions and then apply to the court for an order in those terms. A subordinated liabilities order operates to impose burden sharing on subordinated creditors in that institution. In taking this action, the Minister may have regard to a number of specified matters including the extent and nature of financial support provided to that relevant institution, the amount of the relevant institution's indebtedness to its subordinated creditors, and other matters. Furthermore, the Minister must be of the opinion, having consulted with the Central Bank, that the making of the subordinated liabilities order is necessary to secure the achievement of a purpose of CISA, or for the preservation or restoration of the financial position of the relevant institution.

The Minister for Finance can make a proposed transfer order in relation to the transfer of assets or liabilities of a relevant institution and then apply to the court for an order in those terms. Transfers can only be made to a willing transferee and, to facilitate such a transfer, the Minister can provide financial incentives, including payments, loans and guarantees, to the transferee. CISA addresses the transfer of foreign assets and liabilities, including those situated outside the European Union.

CISA provides the possibility of recognition of the domestic measures I referred to by other EU member states through the mechanisms available in the European Communities (Reorganisation and Winding-up of Credit Institutions) Regulations 2011, which implement the CIWUD directive in Ireland. This is particularly important given that many agreements entered into by Irish credit institutions are governed by the laws of other EU member states. In addition, if required, the Minister may take proceedings in other jurisdictions to enforce an order made under the Act.

The House will be aware that CISA contains provisions to ensure there is appropriate judicial supervision of the exercise of the Minister's powers after the making of proposed orders. These include a formal requirement to obtain, in all but exceptional circumstances, a written submission from an institution prior to the exercise by the Minister of any particular power. The Act also contains provisions for court involvement in the process on an *ex parte* basis as part of the exercise of these powers by the Minister to ensure that the legislation offers appropriate legal and constitutional safeguards in light of the strong powers it confers on the Minister.

Certain parties can apply to the court for the setting aside of orders made under the Act, which the court can direct in certain circumstances.

Let me outline how CISA powers have been used in the past two years. CISA powers have been exercised on 12 occasions, most notably in the first six months of 2011 when the banking system was fundamentally restructured to meet the 31 July 2011 troika targets for the system. On ten of those occasions, the use of the powers were assessed and sanctioned by the High Court as required by the Act. Most recently, the powers were exercised to enable the transfer of Irish Life to the Minister for Finance in March of this year.

CISA enabled the Minister for Finance to take these essential actions quickly, efficiently and with legal clarity. The level of restructuring of the banking sector which has been achieved would not have been possible without it. In addition, CISA is uniquely structured to prevent events of default on banks' financial instruments from arising where restructuring intervention was necessary to achieve the Government's goals. This allowed the restructuring to take place without triggering a right for the holders of senior bonds and derivatives to demand immediate repayment or termination.

The House should be aware that the subordinated liability order mechanism under CISA was at the heart of the State's ability to recover significant sums through the haircutting of subordinated bondholders in the relevant institutions. To date, every application to the Irish courts made by the Minister for an order pursuant to CISA has been successful.

Let me now consider how the Irish banking sector is doing. Much has happened in the Irish banking sector since the passing of CISA. The covered banks have continued to make overall progress under the financial measures programme – the rigorous analysis of the capital and liquidity requirements of the domestic banks presented in March 2011 – and have advanced in terms of recapitalisation, asset deleveraging, deposit inflows and restructuring plans.

The recapitalisation of the PCAR banks – Allied Irish Banks, Bank of Ireland, and Permanent TSB – and IBRC has been successfully completed. According to the survey on European banks carried out by the European Banking Authority and published late last year, the Irish banks more than met the minimum standard that was set down for core tier-1 capital ratios of 10.5%.

Deleveraging has been progressing well, and total covered bank deleveraging of about €63 billion has been achieved up until the end of September this year. Further significant disposals have also been targeted for completion by the end of the current quarter of 2012 as part of the pillar banks' planned run down of non-core balances.

With respect to funding, the banks' positions have improved significantly. Deposits in Allied Irish Banks, Bank of Ireland and in Permanent TSB have stabilised, with a gain in net inflows achieved since last year. International debt markets have opened up to the Irish banks, as we have seen recently, and reliance on ECB funding sources has decreased. Finally, as part of the EU-IMF programme, the Irish authorities had submitted revised restructuring plans for all the participating institutions by the end of September 2012.

With regard to the eligible liabilities guarantee scheme, ELG, a working group chaired by the Department of Finance and involving both the Central Bank and the NTMA has developed a strategy to exit the scheme consistent with preserving financial stability. In the context of the recent visit of the troika partners and the eighth review of the support programme, it was agreed that such a strategy would be finalised by the year's end. The early indications from this strategy are that a withdrawal of the scheme could occur in the first quarter of 2013. Depositors will be given sufficient notice in advance of the withdrawal of the scheme and changes in that regard will be brought to the attention of the House as part of that process.

The House will be aware that much work has been carried out on the restructuring of the Irish financial institutions using the various powers provided for under CISA. However, this work is not yet complete and, without retaining CISA, is unlikely to be able to be completed by the Government. In particular, orders may be sought under CISA in a number of transactions, including possible further restructuring of the Irish banks that may require a direction order and-or transfer order to implement. It also continues the protection it affords the people from problems in the financial system while turbulent economic conditions continue internationally.

The Central Bank and the Credit Institutions (Resolution) Act 2011, known as the resolution Act, contain some comparable powers to those provided for under CISA. However, these resolution powers are vested in the Central Bank, not the Minister for Finance, and designed to be exercised where regulatory intervention is required because a problem appears in an individual bank in an otherwise normally functioning system. It can be referred to as a steady state resolution regime where the problem is in a particular institution in an otherwise fully functional banking system. Resolution Act powers are not designed for the comprehensive restructuring of the banking system and the triggers for the exercise of the powers are very different from those of CISA, which are based on the country's need to restructure out of the ongoing international systemic banking and debt crisis.

Overall, we have seen that much progress has been made in restructuring the banking system. However, it is not over yet and it is imperative that the Minister for Finance continue to be empowered with the statutory authority to take any remaining necessary step as may be appropriate to ensure this process is completed. We are getting out of the mess. Extending the period of effectiveness of CISA is crucial to our being able to meet that objective. The Governor of the Central Bank is in agreement with me that the provisions of the Act should, therefore, be available for an extended period to the end of 2014. I strongly recommend the motion to the House.

Deputy Michael McGrath: I thank the Minister for his remarks on the motion and confirm that Fianna Fáil will be supporting it. However, I take the opportunity to make a number of points on the operation of the banking system.

It is true to say there are signs of stability within the banking system. The Minister has highlighted that stability has been brought to the deposit base of the banks. As we all know, there was a massive flight of deposits from the banks in 2010 and 2011. International deposits fell by almost €100 billion, while Irish deposits dropped by approximately €60 billion, but certainly they have stabilised in recent months. The most recent data show that up to September deposits placed by ordinary households and businesses decreased slightly in the State-supported banks - Bank of Ireland, Allied Irish Banks and Permanent TSB.

In a number of respects, we need to ask the fundamental question whether the banking system is working, it is functioning in the way we want it to function and meeting the needs of the economy. On a number of fronts I do not believe we can say with certainty that it is, as the evidence before us is to the contrary. While there is certainly a greater degree of stability in the banking system brought about by the enormous recapitalisation of the banks by the State - ordinary citizens - I do not believe the banks are fulfilling their responsibilities and playing their part in the economic recovery we all want to see. It is true to say the targets for the financial system set out in the memorandum of understanding with the troika are being achieved in the deleveraging of the banks and loan to deposit ratios, which is to be welcomed, but much more needs to be done by the banks to ensure they do what is required in supporting economic recovery. In that regard, I want to highlight a number of issues.

The first which we have discussed many times in the House is the issue of credit. In the budget announced last week I welcomed the inclusion of new initiatives with regard to the National Pensions Reserve Fund. The Minister is proposing that there be a range of support funds available to provide equity finance, for restructuring and recovery investment for the SME sector, ranging in size from between €100 million and €400 million. In a sense, this is a recognition of the failure of the banks to do what they are required to do. What the Minister announced in the budget last week for the National Pensions Reserve Fund was related to what the banks should be doing. Despite all the protestations from the banks that they are providing credit and are open for business, regrettably, my experience of dealing with people involved in business is that they are still finding it incredibly difficult to obtain credit where it is most needed. I understand invariably that the ones that come to us are the cases where problems have occurred, but there is no question that the banks are not providing the level of credit for the economy that is required.

The Minister has said the pillar banks are required to provide €3.5 billion of new credit in the case of AIB and Bank of Ireland. I do not believe we have satisfactorily dealt with the issue of defining what new credit is and how it will be measured. When Mr. David Duffy, chief executive officer of AIB, came before the finance committee recently, he confirmed that of the credit it stated had been extended, the figure for new lending to the SME sector was €600 million so far this year. That is the actual amount of new money provided. Under the definition allowed, the renewal of existing credit arrangements counts towards the figure of €3.5 billion. The bundling and repackaging of existing credit facilities in a term loan, for example, are also reckonable. We should, therefore, cut to the chase and measure the amount going into the economy. I accept that there are difficulties on the demand side also because many businesses are in a weak position and many of them are cautious about drawing down additional credit at this time. Not of all the credit approved is drawn down in the economy, which is also an issue. I, therefore, ask the Minister to be more proactive in dealing with the banks on the issue of credit. He should bring greater clarity to exactly what they are required to achieve because, let us be honest, the €3.5 billion target is a joke. When AIB confirm its actual new lending figure is €600 million, can we nail down exactly how this will be measured and come to some agreement on that issue?

I have received a number of calls from people involved in business in particular, people who have commercial loans and people who invested in properties and who are coming under enormous pressure from the banks and it is not being done in a very nice way. It is not a pleasant business at the best of times, but the pressure on the people concerned is enormous. Unfortunately, I frequently hear of cases of suicide in which financial pressures were to the fore and the role of the banks has been brought to my attention. They are putting individuals and families under incredible pressure and in many cases there is a genuine inability to pay. I call on the banks to be more humane in their approach when dealing with distressed borrowers because behind the loan account on the computer screen is an individual and a family to whom they need to show a little compassion. The people came to the rescue of the banks when they were on their knees and there was a risk they would have to shut their doors. The people supported them and this is the time for them to treat people fairly and with a degree of dignity, which is not happening in all cases. It is regrettable that I have to say this, but some of the cases brought to my attention in recent weeks are very disturbing and sinister. I, therefore, call on the banks to be more humane and compassionate in their approach.

We will return to the issue of mortgage arrears later when we discuss the property tax Bill. Again, this is an area in which the banks have singularly failed to meet their responsibilities. The figures are getting worse every quarter when the Central Bank releases the official figures. We now have a situation in which almost one in four family home mortgages is in some sort of distress. They are either in arrears or have already been restructured. We cannot ignore the fact that up to 24% of family home mortgages are in trouble. The insolvency regime will, hopefully, help many of those people to deal with their other personal debts on credit cards and unsecured loans. There is no doubt the mortgage arrears crisis is getting worse. When a director of the Central Bank publicly condemns the banks for failing to deal with the issue adequately, we must sit up and take notice. Much more work needs to be done in this area.

I also want to highlight the plight of variable-rate mortgage holders. Many of them are typically being charged 4% to 4.5% while someone on a tracker mortgage only pays 1.5% to 1.75%. That makes an enormous difference to level of monthly repayments. The banks cannot keep going back to the same well of variable rate mortgage holders to cover losses made elsewhere in the banking system. When the banks appeared before the finance committee, one chief executive made the point that in the medium term variable rates could be heading towards 5% and 6%. That is a frightening prospect for families already struggling with mortgage repayments. There was much talk about negotiations being under way to move tracker mortgages out of the main banks and to warehouse them in IBRC, Irish Bank Resolution Corporation, where they would be underpinned by a funding stream from the European Central Bank, ECB. This would improve the funding position of the main banks and allow them not to have to penalise variable-rate customers as has been done heretofore. When wrapping up, the Minister might take the opportunity to inform the House whether there are any moves on this issue.

The Minister referred to the liability management exercises the banks have undertaken over the past several years under this legislation. Up to €15 billion has been saved by way of the imposition of losses on junior bondholders. The Minister made the point that any CISA, Credit Institutions (Stabilisation) Act, liability exercise that has been brought before the Irish courts has been upheld. However, it is not the case in the UK where a case was taken against IBRC and the UK court found in favour of the litigant. I accept this case is under appeal and will be heard in the new year. However, there is a potential risk to the banks, and by extension to taxpayers, that some of these savings could be unravelled. It has been reported that groups of bondholders in Bank of Ireland and AIB have lodged letters with the Department of Finance. These junior bondholders are seeking to unwind the liability management orders issued under this legislation. Will the Minister address that issue when wrapping up?

The Minister has commissioned Mercer to conduct a review of pay levels in the covered institutions, which it is hoped will be completed by Christmas. If the Minister is not satisfied with the report or does not get the co-operation from the banks to reduce pay levels in the way he wants, does he believe he has adequate powers under legislation to intervene and bring top-end banking pay to a more realistic level.

Ordinary staff members of the banks have borne the brunt of what has happened in the banking system. Thousands of them have lost their jobs and thousands more are to be made redundant in the next number of months and years. The Irish Bank Officials' Association, IBOA, has expressed concern about the lack of an overall plan for the banking sector, as well as for those who have lost and will lose their jobs. A specific plan needs to be tailored for staff who are exiting the banking sector to ensure they have the necessary training and skills to take up opportunities elsewhere in the workforce. It is unlikely, given the way the banking system is shrinking, that they will be in a position to find work opportunities in banking. There should be a plan for the model of banking we will have in the future. Most banks are closing branches, particularly in rural areas, with services being moved online or joined with the post office network. People want to know the vision for our banking system model. Are we trying to attract new banks into Ireland to provide a further retail presence, as well as competition on the high street?

Fianna Fáil will support this motion. Will the Minister address the issues I raised when wrapping up? We must ensure the banking system meets its responsibilities. It is fine to meet the troika commitments, which must be done. The banking system, however, is not meeting the needs of the economy.

Deputy Pearse Doherty: In his statement, the Minister pointed out how successful the banks have been in deleveraging, attracting and retaining deposits, as well as how well recapitalised they are and how they have been able to access moneys in the international funding markets without the guarantee. All of this is true and some of it is to be welcomed. The Minister, however, did not address how those who fund the banks - the customers, taxpayers and citizens - have fared since the introduction of this legislation two years ago. Customers of the banks are paying interest rates on mortgages that are way above the ECB rate. Even when the ECB has reduced its rate, several banks here have increased theirs. Two years since this legislation was introduced, where are the taxpayers and citizens regarding the money they have pumped into the banks? Have we seen any measures to claw back these moneys? The answer is simply "No". The bill still remains in the region of €64 billion and there is no concrete sign this will be reduced in the immediate future.

This motion proposes to extend the Credit Institutions (Stabilisation) Act by two years. When the former Minister for Finance, the late Brian Lenihan, proposed this legislation, the Minister, Deputy Noonan, and his government colleagues voted against it. They were joined in their opposition by the then finance spokesperson of the Labour Party, Deputy Burton, and the rest of the Labour Party. Both Fine Gael and the Labour Party were scathing of this proposal and Fianna Fáil's banking policy. Yet, here we are two years on into this Administration and the same failed banking policy of Fianna Fáil is not only alive and well but is set to continue for another two years. I remind the Minister that Fine Gael and the Labour Party opposed Fianna Fáil when it introduced the ELG, eligible liabilities guarantee, scheme in 2009 and when it was further extended in 2010. However, once these parties got into office, they extended the very scheme they opposed not once, not twice but three times. When the Minister was in opposition he criticised the reckless way Fianna Fáil plundered the National Pensions Reserve Fund to recapitalise the banks. However, once he got into office he continued to pour taxpayers' money into the same institutions, some of it from the National Pensions Reserve Fund, to the tune of €21.4 billion. I remind the Minister that when he was in opposition he criticised Fianna Fáil for socialising the toxic debts of Anglo Irish Bank and for landing the State with an annual €3.1 billion repayment of the infamous promissory note. Despite this, in 2011 and in 2012 under the Minister's watch the Government has used public money to pay the same toxic debt.

With all of these reversals and U-turns, the Minister's head must be truly spinning. Does he ever take a step back to catch his breath and let the dizziness wear off? The answer is "No". What he has done is to pile on another U-turn by seeking to extend the Credit Institutions

(Stabilisation) Act by two more years. Today, the Minister has come into the House and asked Deputies to support an extension of legislation which he, his party and the Labour Party vigorously opposed when in opposition. Like so many other principles and policies that Fine Gael and the Labour Party have abandoned since taking office the Minister's opposition to the failed banking policy of Fianna Fáil must be an embarrassment to him now as he slavishly follows the same policies of his predecessors. The public should be reminded of what the Minister and his colleagues said when opposing this legislation in 2010. The Minister, Deputy Noonan, was at the time rightly concerned with the extensive powers given to the Minister for Finance and the potential impact it could have on the Governor of the Central Bank. The Minister said:

> I am concerned about the role of the Governor of the Central Bank under this legislation. I would have expected resolution legislation to have conferred the special powers on the Governor of the Central Bank, rather than on the Minister. In this Bill the special powers are conferred on the Minister on all occasions. There is a section which states that the independence of the Governor of the Central Bank is not affected, but the powers taken by the Minister and the lack of additional powers being given to the Governor of the Central Bank are quite noticeable.

The Minister's colleague and the Acting Chairman today, Deputy Olivia Mitchell, said during the debate:

> The Minister must be aware that this is possibly the most far-reaching and significant financial legislation to come before the House. It is potentially so far-reaching and draconian that it contains a sunset clause.

That sunset clause is now being disregarded by this motion. The Minister for Transport, Tourism and Sport, Deputy Leo Varadkar, was particularly exercised by the failure of the legislation to deal with the issue of unguaranteed senior bondholders. He said the legislation:

> ...does not contain any provision for the restructuring of the debts of senior bondholders, particularly those who are not under the guarantee. There is perhaps up to €16 billion of taxpayers' money that could be saved by imposing losses and haircuts on those bondholders. That is the key change of policy that needs to happen when we have a change of government in this country because the people are not responsible for the debts of those banks and should not be held liable for them. That is the big lacuna in this Bill.

There has been a change of government but there has been no change of policy and when the Minister extends this legislation he will be ignoring the comments made by Deputy Leo Varadkar during that debate. Deputy Joan Burton, speaking as Labour Party finance spokesperson, echoed the sentiments of her future Fine Gael coalition partners because at the time of the original legislation she told the House:

> Today's stopgap Bill is too little, too late. It is too late because the horse has bolted since the expiry of the original bank guarantee, and too little because it does nothing to address the treatment of liabilities other than subordinated bondholders. It fails to address the issue of senior bondholders now out of the guarantee, the debts for whom amount up to €20 billion.

When the debate finished and the walk-through vote was called Fine Gael and Labour Party Deputies to a man and to a woman stood with Sinn Féin and voted against that bad legislation. I note the Minister's comments today. He said that a good deal of water has passed under the bridge since then. Fine Gael and the Labour Party have abandoned their opposition to the banking guarantee. They have abandoned their opposition to the payment in full of unguaranteed senior bondholders. Today, they are abandoning the last vestiges of their opposition to the failed banking policy of Fianna Fáil by proposing an extension of its policy, which the Minister once described as draconian, by two years.

Naturally, none of this will surprise anyone. No one at home or in here will be surprised by these U-turns because the story of Fine Gael and the Labour Party in government is the story of a steady stream of broken promises. They have broken their word so many times since taking office that it is impossible for us to keep count. Why should we expect anything different today? As in 2010, Sinn Féin will oppose the motion tabled today and we will oppose it for the same reasons that we opposed the original legislation, reasons which the Minister allegedly shared with us in 2010.

The failed banking policy devised by Fianna Fáil and now being implemented by Fine Gael and the Labour Party continues to cost the people billions of euro every year. What do we get in return for that policy? Do we have a banking system that has reformed since the excesses of the boom years? No. The excessive remuneration of bankers is alive and well in all of the covered institutions. We have the figures. A total of 3,000 of them are paid over €100,000 per year and 27 are paid more than €500,000. Some one and a half years since the election there is still no sign of the report on bankers' remuneration. When on this side of the House the Minister's party proposed an amendment, as did the Labour Party, to cap bankers' pay at €250,000. The only people in the House today who voted against that amendment were from Fianna Fáil. When in opposition the Minister wanted to cap their pay. Now, we have seen reports but 18 months later nothing seems to have happened. The budget was another missed opportunity.

Do we have a banking system that assists distressed mortgage holders to make their debts more sustainable? The obvious answer is "No". The covered banks continue to sit on their hands as the mortgage crisis escalates every day. The report that came out yesterday is a wake-up call for everyone especially for the Government. During the summer months the Government was spinning that there was a flattening of the mortgage crisis, that we had seen the tip of it and that it would no longer get worse, but that is not the reality. Some 115 people have fallen into mortgage distress each day since the last report. One in four people who have domestic mortgages are in mortgage distress. The Bill before the House will not go far enough to deal with that issue. I do not make the point simply from opposition. I believe that the Minister believes this is unsustainable and that the banks must do more, but the banks have not done more. The Minister should bring in new powers to compel the banks to ensure debt relief for those who simply cannot afford to pay their mortgages.

Other questions need to be asked. Is the banking system lending to the real economy and helping employers stay in business? Deputy McGrath touched on this point and he was right. The answer is "No". New lending targets have not been met and access to credit for viable businesses continues to be restricted. Banks are playing with the numbers. It is clear that they have been facilitated in trying to massage the figures. The targets set down were not about restructuring or loans. They related to new additional lending to the economy. The Government must take the banks to task over this or at least stop perpetuating the myth that there is new lending to small and medium enterprises as per the numbers suggested.

The reality is that our banking system remains broken. The Government's banking policy is in tatters and the reason is simple: upon taking office, Fine Gael and the Labour Party have continued with the failed banking policy of their predecessors. The motion before the House is an extension of legislation that contained a sunset clause and was not supposed to exist after this year. It was bad legislation in 2010 and it remains bad legislation today. It should be allowed to fade into obscurity as section 69 of the Act recommends. Only then will we have a chance of developing a new banking policy that works, not just in the interests of the banks' shareholders, officials, executives or boards, but most importantly, a banking system that works in the interests of ordinary citizens.

12 o'clock

Sinn Féin will oppose this motion, as it, Fine Gael, including the Minister for Finance, Deputy Noonan and the Labour Party did in 2010.

Acting Chairman (Deputy Olivia Mitchell): The next speaker is Deputy Seamus Healy, whom I understand is sharing time with Deputy Boyd Barrett.

Deputy Seamus Healy: I will not be sharing time.

Deputy Michael Noonan: An early Christmas in Killiney.

Deputy Seamus Healy: I welcome the opportunity to speak on this motion. The extension of the Credit Institutions (Stabilisation) Act 2010 is inadequate in terms of protecting the interests of Irish people, bank customers and, to use the words of James Connolly, "The re-conquest of Ireland by the Irish people".

More than €60 billion in borrowed public funds have been poured into failed Irish banks, for which the State - I should say Irish families - will have to pay €9 billion in debt service in 2013. These are the same families attacked in a blunt and brutal fashion by this Government's recent budget, in which there was no sense of fairness or equity. These families are already under serious pressure and are unable to bear this burden. The banks have been allegedly recapitalised to enable them to alleviate the burden on hard pressed mortgage holders and to provide finance for small businesses. We now know that the banks are doing neither. Central Bank figures published yesterday indicate that one in four mortgages is in distress and 86,000 mortgage holders are in arrears of more than 90 days. The situation in the buy-to-let sector is even worse. The banks are doing nothing about this despite their having been recapitalised specifically to address mortgage difficulties. As already stated, mortgage interest rates are a rip-off of mortgage holders. We recently learned that the Government is to facilitate the banks in the repossession of homes by way of the introduction of new legislation.

Earlier this week, we heard yet again that the rate of refusal of funding for small businesses has increased. This has led, and will continue to lead, to business closures and job losses. Every Deputy in this House knows that businesses in the high street of every town and city in this country are closing. Most of the businesses in Market Place, Clonmel have closed. The money poured into the banks was used to bail out European banks and finance houses that had over-loaned to Irish banks in a financial gamble. That is exactly what has happened.

The Minister claims that he has no power under the Act to force banks to reduce massive salaries and pensions to current and former bank executives. Currently, a retired chief executive officer of the Bank of Ireland is being paid an annual pension of €650,000. Under public pressure, the retired chief executive officer of Allied Irish Bank voluntarily took a modest cut in his annual pension. It was stated - admitted might be a better word - at a recent Oireachtas committee hearing that €1 billion of recapitalisation money for Allied Irish Bank had been transferred to its pension fund to meet the cost of some of these enormous salaries and pensions. The Minister said he cannot force changes in this area for legal reasons, which is unacceptable. This matter must be addressed.

The Minister, Deputy Rabbitte, recently stated that the promissory note in respect of Anglo Irish Bank, now, Irish Bank Resolution Corporation, was not paid last year. It is important to state that it was paid last year and that the State incurred additional costs as a result. A further €3.1 billion is due next March. This will cost an additional €1.9 billion in interest. This money should not be paid. Another matter that must be dealt with is that of public interest directors on the banks, of which there are two in Allied Irish Bank, Bank of Ireland and Permanent TSB, who were nominated by the previous Government and have, since their appointment, accumulated significant directors fees. For example, the fees for the public interest directors on Allied Irish Bank, Mr. Michael Somers and former Tánaiste and Labour Party member, Mr. Dick Spring, are €248,000 and €132,00 respectively: for the public interest directors in the Bank of Ireland, Mr. Tom Considine and former, Fianna Fáil Minister, Mr. Joe Walsh, are €240,000 and €217,000 respectively and for the public interest directors in Permanent TSB, Ms Margaret Hayes and former Fianna Fáil Minister, Mr. Ray MacSharry, are €207,000 and €183,000 respectively. Between them, they have made more than €1 million in fees yet they have, apparently never met or communicated with the current Minister in respect of their responsibilities. The question must be asked: "Why are these public interest directors in a minority on boards of banks in which the State has a majority shareholding at the same time as mortgage holders and small businesses are suffering on or going out of business?"

The Government sold 35% of Bank of Ireland to an American capital venture company for just over €1 billion. The State owns 15% of that bank, for which it paid €5 billion in terms of recapitalisation. NAMA also purchased Bank of Ireland loans at a cost above their market value. Bank of Ireland is now more answerable to an American capital venture company, which purchased 35% of it for €1 billion, than it is to the Irish people who rescued it by way of recapitalisation of €5 billion. The recent call by the Minister of State, Deputy Joe Costello, for the former chief executive officer of the Bank of Ireland, Mr. Richie Boucher, to reappear before an Oireachtas committee is mere window dressing. Legislation is required to protect the interests of the Irish people in the banks and to make directors answerable to the Government and the Dáil.

Rather than extending this grossly inadequate Act, under which the Irish people are being swindled, legislation should be introduced to absorb the State-owned banks, Allied Irish Banks and Permanent TSB into the public service so that they can be brought under direct democratic control. This is not an ideological issue. It is the only practical way by which the people can get their money back if the banks become profitable again. It is the only way by which mortgage holders can be dealt with fairly and adequate credit can be provided for small businesses. If, for instance, ownership of Bank of Ireland, Allied Irish Banks and Permanent TSB was transferred to the European Stability Mechanism or some other foreign entity at their current value of approximately €8 billion, although the State has borrowed approximately €30 billion to rescue them, citizens would have paid a huge debt and international venture capitalists would make huge profits on such a transfer. That simply must not happen. Such a transfer was suggested as a possibility, although I note that there has not been much talk of it happening more recently. The Government should take direct control of the banks to ensure the investment of the people is protected. Decisions on the pay and pensions of top executives and the disposal of assets should be taken by the Oireachtas in full public view and after adequate debate. The Government's policy is unacceptable. I will, therefore, be opposing the motion.

Minister for Finance(Deputy Michael Noonan): I thank all of the Deputies who contributed to the debate and Deputy Michael McGrath for his support. A key commitment given in the troika support programme was that there would be comprehensive restructuring of the banking system. The Credit Institutions (Stabilisation) Act provides the broad powers needed to act, on financial stability grounds, to effect necessary restructuring actions and the recapitalisation measures as envisaged in the programme. The Act has enabled these necessary actions to be taken swiftly, efficiently and with legal clarity. The level of restructuring of the banking sector achieved in the past two years would not have been possible without it. The Governor of the Central Bank agrees that the provisions of the Act should be available for an extended period to the end of 2014. This will facilitate transactions, including possible further restructuring of the Irish banks that may require a direction or transfer order to implement. I have set out the instances where the powers available to the Minister under the Act have enabled the substantial and significant restructuring actions envisaged in the support programme to be progressed. I have also outlined the progress made in the banking sector. However, the sector is certainly not out of the woods and further actions may be required, for which the powers under the Credit Institutions (Stabilisation) Act would be appropriate.

Deputy Michael McGrath raised the issue of lending to SMEs. The Government imposed SME lending targets on the two domestic pillar banks for the three calendar years 2011 to 2013. Both banks were required to sanction lending of at least €3 billion in 2011, €3.5 billion in 2012 and €4 billion in 2013 for new or increased credit facilities for SMEs. They achieved their 2011 targets. The head of the Credit Review Office, Mr. John Trethowan, stated in his recently published ninth quarterly review that "€3.5bn of sanctions for each bank is a very challenging target, however the remaining five months typically show more lending activity and I am of the view that, after a slow start to the year, the targets will be a challenge but still may be achieved."

In addition to the lending targets imposed, the pillar banks are required to submit their lending plans to the Department and the Credit Review Office at the beginning of each year outlining how they intend to achieve their lending targets. The banks also meet the Department and the Credit Review Office on a quarterly basis to discuss progress. The office is also available to review cases where credit facilities up to €500,000 are refused, withdrawn or offered under unreasonable conditions. During recent appearances before the Joint Committee on Finance and Public Expenditure representatives of both banks were confident of achieving their 2012 targets.

The Central Bank has published a revised statutory code of conduct for business lending to small and medium-sized enterprises setting out new requirements for lenders when dealing with SMEs in or facing financial difficulties. The code came into effect on 1 January 2012 and a full review will be undertaken in the second half of 2013.

Deputy Michael McGrath also knows that an independent Mazars survey of SME credit facilities was published last year. On foot of this report, a series of seven regional meetings with local representatives took place in different parts of the country. These were hosted by the Minister of State, Deputy John Perry, and supported by Mr. John Moran, Secretary General of the Department of Finance. The aim of the meetings was to examine further the actions that might be taken to improve access to credit for SMEs.

In the Action Plan for Jobs a range of actions are outlined to encourage access to credit for

SMEs and enhance the measurement and reporting by the banks of their lending to the sector. These include working with the banking sector on one-to-one firm issues and to assist them in a cultural shift in lending practices towards sectors critical to economic growth. We also want them to develop better protocols and enhance the sectoral expertise within the banks and the range of lending products to meet the needs of exporters and tourism providers.

Deputy Michael McGrath also raised the issue of mortgage arrears. The introduction of the new Personal Insolvency Bill will incentivise the banks to reach an agreed solution with individual borrowers in revolving mortgage arrears cases. The Bill will conclude its parliamentary process next week and the Government will press ahead with the establishment of the Insolvency Service of Ireland early next year. We expect the personal insolvency arrangements framework which is part of this legislation to provide for a more effective and efficient resolution process as an alternative to judicial bankruptcy for a greater number of insolvent debtors to address their insolvency. The primary purpose of the personal insolvency arrangement is to provide a realistic alternative to bankruptcy for insolvent debtors with secured debts. As an insolvency resolution mechanism, the personal insolvency arrangement is intended not only to address mortgage or consumer debt situations but also to be capable of dealing with insolvent debtors who have debts arising from a business, trade or profession. A functional repossession regime should, however, also be part of the toolkit to deal with unsustainable legacy debts. While repossession should remain a measure of last resort, it is important to maintain balanced incentives between mortgage borrowers and creditors. In this regard, the legal uncertainty arising from recent case law which identified constraints which could hinder repossession of collateral in some cases involving debtor default will be addressed some time next year.

At a future date we can deal with some of the other issues raised. The Mercer review is proceeding and I hope to receive a full report early in the new year.

Question put:

The Dáil divided: Tá, 85; Níl, 28.	
Tá	Níl
Bannon, James.	Adams, Gerry.
Breen, Pat.	Broughan, Thomas P.
Browne, John.	Collins, Joan.
Bruton, Richard.	Colreavy, Michael.
Butler, Ray.	Daly, Clare.
Buttimer, Jerry.	Doherty, Pearse.
Byrne, Catherine.	Ellis, Dessie.
Byrne, Eric.	Flanagan, Luke ‘Ming’.
Calleary, Dara.	Fleming, Tom.
Carey, Joe.	Grealish, Noel.
Coffey, Paudie.	Halligan, John.
Conaghan, Michael.	Healy, Seamus.
Conlan, Seán.	Higgins, Joe.
Connaughton, Paul J.	Mac Lochlainn, Pádraig.
Conway, Ciara.	McGrath, Finian.
Coonan, Noel.	McGrath, Mattie.

Corcoran Kennedy, Marcella.	McLellan, Sandra.
Coveney, Simon.	Murphy, Catherine.
Cowen, Barry.	Nulty, Patrick.
Creed, Michael.	Ó Caoláin, Caoimhghín.
Daly, Jim.	Ó Snodaigh, Aengus.
Deasy, John.	O'Brien, Jonathan.
Deenihan, Jimmy.	O'Sullivan, Maureen.
Doherty, Regina.	Ross, Shane.
Donohoe, Paschal.	Shortall, Róisín.
Dooley, Timmy.	Stanley, Brian.
Dowds, Robert.	Tóibín, Peadar.
Doyle, Andrew.	Wallace, Mick.
English, Damien.	
Farrell, Alan.	
Feighan, Frank.	
Flanagan, Charles.	
Gilmore, Eamon.	
Griffin, Brendan.	
Harrington, Noel.	
Harris, Simon.	
Hayes, Brian.	
Hayes, Tom.	
Heydon, Martin.	
Hogan, Phil.	
Humphreys, Heather.	
Humphreys, Kevin.	
Keating, Derek.	
Kehoe, Paul.	
Kelleher, Billy.	
Kenny, Seán.	
Kitt, Michael P.	
Kyne, Seán.	
Lyons, John.	
McGinley, Dinny.	
McGrath, Michael.	
McLoughlin, Tony.	
Mitchell, Olivia.	
Mitchell O'Connor, Mary.	
Maloney, Eamonn.	
Martin, Micheál.	
Mathews, Peter.	
Murphy, Eoghan.	

Nash, Gerald.	
Neville, Dan.	
Nolan, Derek.	
Noonan, Michael.	
Ó Cuív, Éamon.	
Ó Fearghaíl, Seán.	
Ó Ríordáin, Aodhán.	
O'Dea, Willie.	
O'Donnell, Kieran.	
O'Donovan, Patrick.	
O'Mahony, John.	
O'Reilly, Joe.	
Phelan, Ann.	
Phelan, John Paul.	
Rabbitte, Pat.	
Reilly, James.	
Ring, Michael.	
Ryan, Brendan.	
Smith, Brendan.	
Spring, Arthur.	
Stagg, Emmet.	
Timmins, Billy.	
Troy, Robert.	
Tuffy, Joanna.	
Twomey, Liam.	
Wall, Jack.	
Walsh, Brian.	

Tellers: Tá, Deputies Paul Kehoe and Emmet Stagg; Níl, Deputies Aengus Ó Snodaigh and Pearse Doherty.

Question declared carried.

Finance (Local Property Tax) Bill 2012: Second Stage

Minister for Finance (Deputy Michael Noonan): I move: "That the Bill be now read a Second Time."

The introduction of the local property tax will deliver significant economic and fiscal reform through broadening the revenue base to pay for vital public services in a manner that does not directly impact on employment. It will be fair and progressive, with the owners of the most valuable properties paying the most property tax.

The Government also sees the necessary introduction of this tax as an opportunity for very real political reform at local government level. The local property tax will provide a stable funding base for the local authority sector, incorporating appropriate elements of local authority responsibility. This will strongly reinforce local democratic decision-making and encourage greater efficiency by local authorities on behalf of their electorates.

A notable feature of Irish taxation in recent decades has been the almost complete absence of an annual or recurring tax on residential property. Rates on domestic properties were abolished in 1978 and the funding shortfall was met by direct Exchequer transfers to local authorities and other means of funding, primarily through the use of fees and charges for local authority services. Domestic rates were partially replaced by the introduction of a residential property tax in 1983. However, residential property tax proved ineffective because of its narrow base, the perceptions of unfairness, complicated administration and low yields. It was effectively abolished in 1996. All of the available evidence suggests that the taxation of property through a recurring annual tax is economically less distortionary than the imposition of tax on income or capital. This is supported by economic literature and recent OECD analysis. The OECD has highlighted that annual taxes on land and buildings have a relatively small adverse impact on economic performance. A policy note prepared by the OECD economics department in 2012, What are the Best Policy Instruments for Fiscal Consolidation?, argued that "less distortive and corrective taxes should be given priority". The paper concluded that increasing taxation on property is less harmful to growth than increasing the burden on more elastic tax bases such as labour. Apart from the absence of a property tax, the OECD has reported that Ireland "has some of the most generous tax provisions for owner-occupied housing". Ireland is the only country to allow tax relief on rent, on mortgage interest payments, on capital gains through the principal private residence relief and on capital acquisitions by means of the dwelling house relief. In that context, it should be noted that we had relatively high rates - up to 9% - of stamp duty on property transactions. The over-reliance on revenue from transaction based taxes - stamp duty and to a lesser extent capital gains tax and capital acquisitions tax - led to a significant fall in tax revenue when the number and value of transactions decreased sharply from 2007 onwards. That created sizeable problems for Ireland's fiscal policy. The local property tax is being introduced against this background. The aim is to provide an alternative to transaction-based taxes. International experience has shown that an annual recurring property tax can be a stable source of funding, particularly for local government.

The overall budgetary position is another part of the context for the introduction of the local property tax. Moving towards a balanced budget is a necessary precondition for restoring the economy to sustainable growth and job creation and securing our objective of re-entering the international bond markets. We are moving in the right direction in that regard. It is clear that the deficit remains very high, which means that a challenging road lies ahead. Ireland's deficit, which is estimated to be 8.2% of GDP this year, or just under €13.5 billion, will be one of, if not the highest, in the EU. We cannot continue to run such deficits into the future. It is important that the gap between our revenues and expenditures is closed further in the coming years. This will require the implementation of further budgetary consolidation measures. Budget 2013 marks the latest step on our road to renewed public finance sustainability. For 2013, a general

Government deficit limit of 7.5% of GDP applies under the EU-IMF programme. Budget 2013 outlined the revenue-raising measures consistent with the €3.5 billion consolidation package which will assist the State in achieving its fiscal targets. The local property tax is one such revenue-raising measure. As I have indicated, it is a tax on assets, not employment, and therefore will not adversely affect job creation.

The introduction of a value-based property tax is part of our obligation under the EU-IMF programme. In the latest memorandum of understanding between the Government and the troika, a commitment was given to introduce the tax in budget 2013. The introduction of a property tax has been a condition of the programme since it was first negotiated in November 2010, under the previous Fianna Fáil Government. It has remained a condition of the programme following subsequent reviews which are agreed by all programme partners. These measures are deemed necessary to reduce further the deficit in the public finances and ensure continued adherence to fiscal targets set as part of the EU-IMF programme. It is true that the Government has some scope within the programme to use alternative methods to achieve programme targets. However, the yield anticipated from the local property tax could not otherwise have been achieved without significantly reducing overall expenditure on vital public services or increasing taxation on incomes and spending. The Government did not want to add to the already necessary cuts in public expenditure or place additional costs on job creation. In light of the complex issues involved in a full property tax, the Government decided to introduce the household charge in 2012 as an interim measure. I thank the Minister for the Environment, Community and Local Government and the officials in that Department and the Local Government Management Agency for their work on the household charge and their assistance with the design of the local property tax.

The Minister, Deputy Hogan, established an interdepartmental group in February 2012 under the chairmanship of Dr. Don Thornhill to consider the structures and modalities for a full property tax. The Thornhill group's terms of reference were to consider the design of a property tax to replace the household charge and to ensure such a tax is equitable and informed by previous work and international experience. I thank the group for its work. I also thank the bodies and individuals who made submissions for the group's consideration. The group's report has been published by the Minister for the Environment, Community and Local Government. I am pleased to say the Government has accepted most of the 18 core recommendations made by the group that deal with policy and the administration of the tax, albeit with some exceptions and variations. Residential properties owned by local authorities are exempt from the household charge. The Thornhill group recommended a similar exemption for local authorities from the local property tax, but the Government has concluded that there could be issues of proportionality in the differing treatment of owners and local authority tenants. The Government therefore did not accept the recommendation. Local authorities will therefore be liable for the local property tax as owners of residential properties.

The Thornhill group proposed that a local decision factor be applied to enable local authorities to vary the central rate by between 5% and 15% above the national rate. This provision is referred to as the "local adjustment factor" in the Bill before the House. Like the Thornhill group, I consider that the exercise of local discretion in setting the tax rate in a local authority area is essential to the credibility of the tax. If we give local authorities significant responsibility for raising local revenue, it will increase the level of oversight of local authority operations by the electors and thereby strengthen democracy at local level. It will also facilitate a level of local decision-making that can be used to address urban-rural variations in value. Therefore, the Government considers that a wider range - up to 15% above or below the central rate - would more closely match the expenditure needs and commitments in the local authority area in which the tax is collected. The Thornhill group proposed that a substantially greater part - in the order of 65% - of the revenues arising from the taxation of properties should be assigned to the local authority in which the taxable properties are situated. The allocation and redistribution of revenues will be considered and determined by my colleagues, the Ministers for the Environment, Community and Local Government and Public Expenditure and Reform. The possibility of giving local authorities wider scope to vary from the central local property tax rate than that envisaged in the Thornhill report will be a factor in their consideration. The Thornhill group recommended that the non-principal private residence charge should be absorbed into the local property tax as a separate supplemental tax in addition to the local property tax at the existing level applying to non-principal private residences. However, the Government has decided that while the non-principal private residence charge will be collected in 2013, when a half-year local property tax will apply, it should be discontinued thereafter.

I wish to summarise the key elements of the local property tax. Owners of residential properties will be liable for payment of the tax. The market value of relevant properties, as assessed by the owner, will be the basis of the level of tax to be paid. Valuation guidance will be provided by the Revenue Commissioners. The rate of the tax will be 0.18% of market value up to €1 million, with properties worth over €1 million being taxed at 0.18% of the first €1 million and at 0.25% of the balance. A property owner, on a self-assessment basis, will declare that his or her property is in a particular valuation band. Where the property is valued below €1 million, the charge that is applicable to that band will be applied to the property. Properties valued over €1 million will be assessed at their actual value, with no banding applied. Certainty will be provided for property owners. The initial valuation will be valid for three years, up to and including 2016. The central national rate will not vary for the lifetime of this Government. The tax will be collected by the Revenue Commissioners. Liable persons can choose from a variety of payment arrangements, including paying the tax directly or having it "deducted at source" from salary or State payments. "Deduction at source" will be the default method of payment if another method is not chosen. Owner-occupiers with incomes below specified limits will be able to defer payment of the tax. Amounts deferred under these provisions will, however, remain a charge on the property.

Before going through the main elements of the Bill, I will discuss briefly why the market value of properties was chosen as the basis of assessment. The Thornhill Group did consider other possibilities, such as site or land value, floor area, and a combination or matrix of other possibilities. These other options were rejected on the basis that market value was the most easily understood and ascertainable concept, and one which best reflected the rationale for the tax. The site value option can lead to serious inequalities with the same rate being applied to two very different properties on similar sites. Also, its international use is very low due to the high level of litigation associated with its usage. The market value of a property will reflect its proximity to services and amenities, which is why such values are usually higher in urban areas rather than rural areas. The local adjustment factor, which I will outline in more detail will give local authorities the power to vary the amount of tax they collect so as to better align the tax to local needs.

Part 1 which comprises sections 1 and 2 contains the Short Title, commencement provisions, and interpretation sections.

Part 2, comprising sections 3 to 10, provides for definitions of "relevant residential property", on which the tax will be chargeable, and that certain properties will be regarded as not relevant residential properties and, therefore, exempt from the tax. These include properties fully subject to municipal rates; properties which have been vacated by the owner for at least 12 months due to mental or physical infirmity, certified by a registered medical practitioner; properties which have been vacated by the owner for less than 12 months, where a registered medical practitioner is satisfied that the owner is unlikely at any stage to resume occupation of the property and where the property remains unoccupied; registered nursing homes; newly constructed but unsold and unoccupied residential property; properties, the ownership of which is vested in a public body or an approved charitable body and which are used to provide accommodation to people with special housing needs such as the elderly or people with disabilities; property purchased by a first-time buyer as a sole or main residence between 1 January 2013 and 31 December 2013. These will be exempt until the end of 2016; new and previously unused properties that are purchased from a builder or developer between 1 January 2013 and the end of 2016, will also be exempt until the end of 2016; and, properties in certain unfinished developments, or 'ghost estates', as prescribed by law by the Minister for the Environment, Community and Local Government.

The Government is conscious of the very real costs and difficulties faced by people whose homes have been affected by pyrite. My colleague, the Minister for the Environment, Community and local Government has indicated that he considers that houses demonstrated to be subject to a certifiable level of pyritic heave should receive a waiver from the local property tax. I propose to address this issue in the context of the Finance Bill. In addition, the tax will not be charged on mobile homes, vessels or vehicles. If one lives in a yacht one will not pay property tax.

Deputy Michael McGrath: That is very good.

Deputy Michael Noonan: Part 3, made up of sections 11 and 12, contains the rules regarding liable persons. In general, the liable person will be the person who is the owner of the property. A person with a leasehold interest is liable if the term of the lease can equal or exceed 20 years or where a person has a life interest in the property. In the case of property held under trust, the trustees and beneficiaries are jointly and severally liable for the tax. Where the property is occupied rent-free on a long-term basis but there is no proof of ownership or documentation establishing the interest that the occupier holds in the property, the occupier may be regarded as the liable person.

Part 4, comprising sections 13 to 21, contains the charging provisions of the Local Property Tax Bill. The first valuation date will be 1 May 2013 and the valuation on this date will be valid from 2013 to 2016 inclusive. Thereafter, the valuation date that will apply will be 1 November in the year preceding each three year period so the valuation date for the period 2017 to 2019 will be 1 November 2016. Where the liable person changes between valuation dates - that is, where the property changes hands - the chargeable value will continue to apply to the new liable person.

Section 15 provides that where a liable person makes a self-assessed valuation in accordance with guidelines issued by the Revenue Commissioners and pays the annual amount of tax due, the Revenue Commissioners will not seek to replace this self-assessment with a Revenue assessment. This provision will not apply where the chargeable value of a property exceeds €1 million.

Section 16 contains the charging provisions for local property tax. The tax will be introduced in 2013 and will be payable by the liable person. Joint owners will be jointly and severally liable for the payment of the tax. The Revenue Commissioners may pursue one of the joint owners for the full liability. Payment by that person discharges the debt to the Revenue Commissioners of all of the jointly liable persons.

Section 17 sets out the methodology for calculating the local property tax payable for a residential property. The section contains a table with an initial valuation band of €0 to €100,000 plus 18 valuation bands of €50,000 from €100,000 to €1 million and the respective mid-point for each valuation band. A rate of 0.18% is applied to the mid-point of a valuation band to determine the tax payable. If the market value of a residential property exceeds €1 million, a rate of 0.18% applies to the chargeable value up to €1 million and a rate of 0.25% applies to the remainder of the chargeable value over €1 million, with no banding applied. As I stated on budget night, the rates of local property tax will not be changed for the lifetime of this Government. The tax payable in 2013 will be half the full year rate.

Section 20 enables local authorities to increase or decrease the rate of local property tax by a "local adjustment factor" which cannot exceed 15% above or below the national central rate. The extent of this variation will solely be a matter for the relevant local authority. However, the Minister for the Environment, Community and Local Government may make regulations regarding the setting of the local adjustment factor. Such regulations could cover matters to which local authorities should have regard when setting a local adjustment factor, public consultation procedures and other procedural matters deemed necessary by the Minister.

Part 5, which comprises sections 22 to 26, contains the standard care and management provisions for Revenue, including the four year time limit on repayments, delegation of functions to authorised officers, and allowing for electronic means of return. Part 6, covering sections 27 to 32, deals with the register of properties to be maintained by Revenue, including the obligation of liable persons to register with the Revenue Commissioners by making a return.

Part 7, made up of sections 33 to 46, relates to the making of returns of local property tax to the Revenue Commissioners. As indicated, the Bill provides for a self-assessment system and allows for electronic submission of returns by owners of multiple properties and for submission of returns by agents and lessees. This Part also provides that a failure to submit a local property tax return will lead to surcharges for late submission of Income tax and corporation tax returns.

Part 8, comprising sections 47 to 60, deals with Revenue estimates and assessments. Revenue will make an estimate of the amount of local property tax due in respect of a property, and will notify the liable person. Revenue may amend this assessment if they subsequently consider it to be excessive or insufficient. If a liable person does not submit a local property tax return containing a self-assessment of the local property tax payable, the Revenue estimate will become due and payable. Revenue assessments will be subject to the normal appeal procedures.

Part 9, comprised of sections 61 to 63, contains the usual appeal procedures for taxes under the care and management of the Revenue Commissioners.

1 o'clock

Part 10, which covers sections 64 to 118, contains provision for the deduction at source of the local property tax from Irish wages, salaries and pensions, from certain payments made by the Department of Social Protection and from certain payments made by the Department of Agriculture, Food and the Marine. This part also provides that the deduction-at-source provisions may, by order of the Minister for Finance, be extended to cover payments made by other Departments or State bodies. Deduction at source from salary or other regular payments will probably be the most convenient method of payment of the local property tax. Where an employee opts to have the tax deducted from his or her salary, employers will be obliged to pay the tax to Revenue in the same way as income tax and PRSI are paid.

Part 11, comprising sections 119 to 129, includes the collection and enforcement provisions for the tax, including the due date for payment, the application of the collection and recovery provisions in the Taxes Consolidation Act 1997 to the local property tax, and provisions allowing for payment to be made to payment service providers. This Part provides that any unpaid local property tax will continue to be a charge on property and that unpaid tax will be payable on the sale of that property. It also provides that an individual will not receive a tax clearance certificate if he or she has not paid local property tax, unless the individual qualifies for a deferral.

Part 12, which includes sections 130 to 139, provides for deferral of payment of local property tax in the case of properties occupied as a sole or main residence. The income thresholds for a full deferral will be €15,000 for a single person and €25,000 for a couple, whether married persons, civil partners or cohabitants. A person may claim a deferral if their income will not, "as can reasonably be foreseen at the liability date" exceed these thresholds in that year. A deferral of up to 50% of the local property tax liability will be possible where the gross income of the liable person does not exceed €25,000 for a single person or €35,000 for married persons, civil partners or cohabitants.

An increased income threshold applies in the case of properties occupied as a sole or main residence and subject to a mortgage. In such cases, the gross income thresholds may be increased by 80% of the mortgage interest payments. A deferral option in qualifying cases in this regard will apply until the end of 2017 and will assist individuals currently in mortgage distress.

Where a liable person no longer satisfies the necessary conditions, amounts deferred prior to the date on which eligibility ceased may continue to be deferred. Where the spouse or partner of a liable person dies and the income thresholds for a deferral are no longer satisfied, deferral may continue until the next valuation date. Where a property is transferred by way of a gift or inheritance, the Revenue Commissioners may allow an existing deferral to continue if the recipient of the gift or inheritance would in his or her own right be eligible and makes a valid claim for a deferral. Full or partial payments may be made against deferred amounts. Deferred amounts become payable on the receipt of windfall gains such as an inheritance. Simple interest of 4% per annum will apply to any amounts deferred.

Part 13, made up of sections 140 to 144, includes the standard Revenue powers provisions, including the right for Revenue officials to make inquiries about property and its ownership and inspection of relevant records. Part 14, comprising sections 145 to 150, deals with offences and penalties. A maximum penalty of €3,000 applies for failure to submit a true and complete return. A similar penalty applies for knowingly making a false statement for the purpose of obtaining any advantage to which the person is not entitled. Interest on late payment of the tax is at the standard Revenue rate of 8% per annum.

Part 15, covering sections 151 to 153, provides that certain persons and bodies will be obliged to supply information on residential properties to the Revenue Commissioners when required to do so, including providers of gas and electricity, An Post, the Minister for Social Protection, the Minister for Agriculture, Food and the Marine, and local authorities. The information from these bodies will assist in compiling the register of residential properties.

Part 16, comprising sections 154 to 156, contains provisions in regard to the household charge. The household charge will no longer be payable from 1 January 2013. Arrears paid before 30 April 2013 will be capped at €130. Amounts outstanding after 1 July 2013 will be increased to €200 and added to local property tax due on the property, to be collected by the Revenue Commissioners. This is an important assurance for people who paid the household charge that non-payment of the charge will not be ignored and that arrears will be collected by the Revenue Commissioners.

Part 17, covering sections 157 to 159, contains various supplementary provisions, including a provision for payment of local property tax by the Minister for Finance into the Local Government Fund from 2014.

I thank the officials of my Department and the Revenue Commissioners, who worked to produce this Bill. I also thank officials of the Department of Social Protection, the Department of Agriculture, Food and the Marine, the Department of the Environment, Community and Local Government, the Local Government Management Agency, the Property Registration Authority and other Government agencies, which have worked on matters relating to the introduction of the tax, both on the interdepartmental expert group and on the group chaired by Revenue to prepare for the introduction of the tax.

The key objective of the Government is to support the creation of jobs and this was evident in the supports that I included in last week's budget for SMEs and for the different sectors of our economy. The local property tax will broaden the tax base that funds our vital public services in a manner that does not directly impact on employment. The tax is also structured to adhere to the Government's other key objective to be fair and progressive - the wealthiest will pay the most.

It is unfortunate that so far in the budget debates the Opposition has failed to propose realistic positive measures that support job creation. The Opposition has resorted to opposing many of the key elements of the budget that are necessary to bring about the fiscal stability that is essential for long-term economic growth and job creation. Unfortunately, Opposition Members appear to be engaged in opposition for opposition's sake. Fianna Fáil is opposing a commitment it made in Government. Sinn Féin is opposing a tax that it uses for the funding of public services in Northern Ireland. The left-wing representatives here are opposing a tax that is at the very core of Marxist teaching - a tax on capital assets.

Deputy Mick Wallace: It is a joke.

Deputy Thomas P. Broughan: The Minister is a Marxist now.

Deputy Michael Noonan: I encourage the Opposition to join the Government in suggesting positive measures that will support job creation and secure the funding for public services. I commend the Bill to the House.

Deputy Tom Hayes: Deputy Clare Daly looks a little rattled.

Deputy Phil Hogan: Deputy Wallace is not left wing.

Deputy Michael McGrath: I wish to share time with Deputy Cowen.

An Leas-Cheann Comhairle: Is that agreed? Agreed.

Deputy Michael McGrath: I reiterate our opposition to the Bill being rammed through the Dáil with such haste. That Second Stage is being guillotined today and Committee and Remaining Stages are being pushed through on Tuesday, which is unacceptable and unnecessary. This tax will come into effect, as such, on 1 July 2013. I see no logical reason for this House not to consider this Bill in its own time in January. It should give detailed consideration to amendments and have the necessary legislation, if that is the Government's choice, in good time for it to be established. There is no justification for what is proposed particularly given that the Thornhill report was only published last Friday. The legislation was only published last Friday even though the Government has had the Thornhill report which has sat in the office of the Minister for the Environment, Community and Local Government, Deputy Hogan, since last June, as I understand it.

The initial deadline given to the Opposition for the submission of amendments was 11 a.m. on Wednesday, 12 December - two days before the Second Stage commenced. That was a joke and an insult. Eventually that was extended and amendments now need to be tabled by close of business today and will be taken in the House on Tuesday. There is a better way for us to do our business. We need to show some more maturity in how we conduct our affairs. The Bill could be properly debated in the fullness of time without impacting in any way on the Government's budgetary arithmetic.

The Minister, Deputy Noonan, concluded his speech by saying: "This tax is also structured to adhere to the Government's other key objective to be fair and progressive - the wealthiest will pay the most." That is simply not the case. In the case of two neighbouring properties, for example, one of the households might have an annual income of €200,000, say, while the other might be relying on jobseeker's allowance. Despite this huge discrepancy in income, both families will pay the same amount in property tax under the proposed system because their houses have the same value. That is absolutely not fair or progressive. The Minister is wrong in his claim that the wealthiest will pay the most under the local property tax charge. If the charge were based on net wealth, which would take account of ability to pay and the amount of the mortgage relative to the value of the property, he might have some argument. The way in which the charge is structured, however, certainly does not ensure that the wealthiest will pay the most.

I do not want to use up too much of my speaking time on the politics behind this proposal, but I must challenge the Minister on a particular point. When I debated with him on "Primetime" on budget night last week, he denied that Fine Gael had stated its opposition to the introduction of a property tax in its election manifesto last year. That is patently untrue. That manifesto stated:

> [An] annual, recurring residential property tax on the family home is unfair... What will be viewed as fair in south Dublin might be viewed as unworkable in rural Clare... [W]e will empower local authorities to put in place, following the 2014 local elections, fairer alternatives to Fianna Fáil's and Labour's recurring annual tax on the family home.

The manifesto gave an undertaking that there would be no additional local taxes and that local authorities might have to curtail services if necessary, introduce increased local user charges for waste or impose a local site sale profits tax on the profit made from the site value on the sale of a residence. That is what Fine Gael proposed before the general election, indicating that these measures would be "both fairer and more economically sensible than an annual recurring property tax". That manifesto was written in full knowledge of the memorandum of understanding already in place with the EU-IMF-ECB troika.

The Labour Party adopted a different tack, indicating its acceptance that a site value charge should be introduced. It was of the view, however, that this could not be done before 2014. The party's manifesto went on to state that such a charge would have to take account of the variation in the value of properties between different regions and the need to exempt some categories of home owner. Consideration was also to be given to those who had recently paid large sums in stamp duty and householders in negative equity. The Bill before us today takes no account of these factors. Both of the parties in power received no mandate from the Irish people to introduce the tax we are discussing today. Anybody who reads both parties' manifesto will be absolutely clear on that point.

The key concern regarding the proposed local property tax is that no account is taken of ability to pay. It is a charge that will have the greatest impact on low and middle-income families and those who are already struggling to pay their mortgages and other bills. A family with a gross income of anything over €480 per week, or €25,000 per year, will not be entitled to a full deferral, and only those with a gross income of less than €673 per week can avail of a half-rate deferral. These thresholds take no account of any financial commitments that an individual household might have, household size or ability to pay. This is the fundamental flaw that runs right through the legislation.

In addition, there is no consideration of the size of the mortgage relative to the value of the property. The Government is proposing that people who are deep in negative equity - who have, for example, a mortgage of €250,000 or €300,000 but whose home is worth only €150,000 - will be required to pay this tax. That type of shortfall between mortgage and home value is not uncommon given the scale of the collapse in property prices. Absolutely no consideration is being given to home owners who find themselves in such circumstances despite the promise made to them by the Labour Party in the election last year. For these people, the property tax is a charge on a net liability - effectively, a tax on debt. This is deeply unfair and unjust and should be rectified.

The issue of mortgage arrears is central to this debate. Yesterday the Central Bank released more sobering statistics illustrating the extent of the crisis in this regard. It is now the case that one in four family home mortgages are in some level of distress - that is, the home owners either are in arrears or have had their loans restructured. That is a phenomenal statistic, and it does not take into account those who are just about managing to meet their repayments. These issues should be front and centre in this debate. The property tax is being foisted on families who cannot afford or are barely managing to pay their mortgages every month. In some cases, it will come down to a choice between paying the tax and making a mortgage payment. What is the Government advising that home owners in that position should do?

One must consider these proposals in the totality of budget measures. For instance, a family with three children and a home worth a little over €200,000 will face a property tax of €405 in a full year while losing €420 in child benefit and, if it is a one-income household, an increase of €264 in PRSI. That amounts to a loss in income of €1,100. Moreover, all of these measures will apply irrespective of household income. In other words, a family with an income of €25,000 or €30,000 will take the same hit as families with much higher incomes. It is beyond belief that the Government would seek to impose such taxes and charges in a regressive way. Moreover, the property tax must be considered alongside all of the other measures in the budget. One does not have the full picture until one sees the cumulative impact of the entire package of cuts and charges. The figures I have given do not include the other charges people will face next year, including the increase in motor tax and the raft of other measures included in last week's budget. When one adds them up, the family in my example is facing a loss of income of well over €1,000.

The information released by the Central Bank yesterday shows a worrying trend with regard to mortgages, with the rate of arrears having doubled since the Government came to office. I accept that there is, of course, a time lag after the loss of a job during which people will use any savings they have before they end up in an arrears situation. However, at the time the Government came to office the headline rate for those in arrears of 90 days or more was 5.7%, or 44,500 households. Yesterday we discovered that this had increased to 11.3%, amounting to 85,000 family home mortgages. Rather than being contained, as the Government claims, the mortgage arrears crisis is out of control. Some 29% of family home mortgages, in value terms, are currently in distress and close to 500,000 people are living in houses for which the mortgage is in trouble. If we cover nothing else in this debate, we must at least confront that issue. These people are being given no meaningful respite in respect of the property tax as currently proposed.

In the years 2003 to 2009, the average stamp duty payment per transaction on the purchase of a home was just over €20,000. I acknowledge that the Thornhill report recommended that people not be given any credit for stamp duty paid in recent years. The Commission on Taxation, however, did recommend that such a credit be given against property tax liability. No provision to that effect has been made in the Bill. That is something which is deeply unfair. The principle of exemptions is established in the Bill. The Minister is exempting people who buy a new house now or who will buy a property in the near future. If Fianna Fáil did that, it would be said that it was a bailout for builders and developers. However, the Government is doing it. It is exempting people who are supporting the construction industry by way of purchasing a property, but it is not exempting people who simply cannot afford to pay this tax. The reality is that many people will not be able to afford to pay it.

I note the Minister does not propose to carry over directly the list of estates currently exempt from the household charge. He is going to draw up a new list which takes account of factors listed in the legislation. I hope it is done in a much fairer way than the current list has been done because we can all cite anomalies in our constituencies of estates that are not exempt that should be. There are examples of estates also that are substantially complete but where an exemption is currently afforded.

Some of the powers extended to Revenue by way of the Bill are draconian. People in receipt of social welfare as their sole means of financial support could well have an undefined amount deducted from their weekly payment on foot of the property tax. Similarly, the Minister is placing an onus on employers who are currently administering the payroll system to deduct the property tax from people on PAYE.

We oppose the Bill. We believe it is fundamentally unfair. It is regressive and will hit low and middle income families and people on social welfare. The Bill does not take into account in any meaningful way one's ability to pay or net wealth. That is what is at the core of the debate. That has been the essential failure of Government in framing this idea. It is the wrong tax at the wrong time. The country cannot afford to bear it and the Government must go back to the drawing board, look at some of the constructive suggestions we made in our submission, and not proceed with the tax.

Deputy Barry Cowen: Let us make no mistake, this steam-rolled Bill is the moment when thousands of families across the country, already struggling to make ends meet, are pushed over the edge. It is the moment when Fine Gael and Labour put another nail in the coffin of their own credibility, as they betray yet another pre-election promise to the Irish people. It is the moment when the domestic economy is dealt yet another staggering blow as it struggles to its feet. It is simply the moment when the Government introduces the wrong tax at the wrong time. Fianna Fáil is opposed to the introduction of this deeply unfair property tax on the family home. The Government's proposal for a property tax will hit struggling home owners at a time when they can least afford it. Now is simply not the time to inflict an unfair property tax on a struggling economy, weak housing market and home owners working just to keep their families afloat.

It is important also to rubbish the lines peddled by desperate Ministers attempting to avoid responsibility for their decisions. That has been going on all week. The property tax is a political decision by the Government which breaks its pre-election promises. It is not written in stone by the EU-IMF programme of financial support. Our meetings with the troika have clarified that it is only interested in the bottom line of fiscal adjustment, not a rigid set of proposals. The choice to introduce a property tax is being taken by the Government, and no one else, instead of other options at its disposal.

As my colleague, Deputy Michael McGrath, said, Fianna Fáil has put forward a fully costed budget proposal based on data from the Department of Finance that does not hammer home owners with a property tax and meets our budget adjustment requirements. The Government has chosen, for example, not to introduce a 3% increase in the universal social charge, USC, for those earning more than €100,000. Instead, it has opted for spin over substance with a "mansion tax" gimmick that has all the depth and research of an idea that somebody in the Labour Party office read about in the *Financial Times* the weekend before the budget and decided to cut and paste it.

For ordinary families who will find themselves paying an average of €315 on a standard three-bedroom home, all the half-baked plagiarism in the world will not help them balance their already struggling family finances. For them, as my colleague, Deputy Michael McGrath, has alluded to, the only regret they have is that it was not a copy of the Fine Gael manifesto or the Labour manifesto that was available to the Cabinet when they came up with this half-baked idea. Instead, they had a few crumpled copies of the *Financial Times*, as they scoured for a desperate measure to cover up the clear breach of their promises with a direct tax on the family. The Government decided to hit family homes. It decided not to provide meaningful exemptions for low-income families. It decided not to help the thousands laden down with mortgage arrears. It was the Government, and no one else, that made the decision in that regard.

This is a tax that will be sharply felt across the length and breadth of the country. For example, in my home county of Offaly where property prices are lower than the national average, ordinary families will still be harshly penalised at the worst possible moment for working hard and building up a family home. These are homes that are struggling in the middle of a recession and battling against mortgage arrears. Figures released by the Central Bank yesterday show that almost one in four family home mortgages are either in arrears or have already been restructured. That confirms Fianna Fáil's view that the introduction of a property tax at this time is a major mistake. The reality is that 180,000 mortgage holders are experiencing difficulty in repaying the mortgage on the family home. These people will now be hit by a hefty charge on the same family home. One could ask what is the logic behind introducing a property tax on people already struggling to pay the mortgage. The truth is that a huge number of families will simply not be able to pay the property tax.

Last year, in similar circumstances, the Government rammed the household charge Bill through without proper scrutiny and it quickly descended into a farce. There was the botched implementation of the charge and the failure of the information campaign, the insufficient range of exemptions, and the wide-scale boycotts that had all the hallmarks of a poorly conceived and dreadfully executed charge. Those who do not learn from history are condemned to repeat it, and the Government has once more decided to push a Bill through without giving this House adequate time to scrutinise it. One could ask whether we will once more see the small details coming to the fore and undermining the Government and the Bill. For example, the decision by the Government to impose the property tax on local authority housing goes directly against the advice of the Thornhill report. Even last year's botched household charge had an exemption for social housing. More than 130,000 homes across the country are rented from local authorities, some 1,700 in County Offaly. Those families will see their annual rents hiked up to pay the tax but thousands of local authority homes are already in rent arrears. For instance, Dublin City Council is owed more than €20 million in overdue rents. Those tenants are people whom the State needs to support in order to provide adequate, reliable accommodation at an affordable price. Yet, the Government is hitting them with a rent hike they simply cannot afford. The local authority in question will be left to pick up the bill and in the same way as happened following the household charge fiasco, local services will suffer.

The much hyped financial independence of local authorities that the Minister for the Environment, Community and Local Government, Deputy Hogan, has spoken about will be badly damaged by a housing section that becomes an increasingly unsustainable burden on council revenues. Voluntary housing associations, on which the Government has placed great emphasis for the future provision of social housing and to tackle the 100,000 long waiting list, will also be hit by the tax. It will sap their financial capacity, increase difficulties in respect of rents and limit their capacity to maintain existing stock - not to mention build new houses - into the future. It is a direct contradiction of expressed Government policy to cripple these voluntary housing associations with a tax that will undermine their ability to pursue the goals the Government has set them. In the months and years ahead these flaws will become all too apparent as the contradiction between the Government's housing policy and its property tax comes to the fore.

I have referred to the harsh impact of the tax on ordinary families, those who are struggling with mortgage arrears, people living in social housing and the organisations which help ensure there is adequate provision of housing for those of all needs and means throughout Ireland. There is another group that will be hit by the tax, namely, the elderly. These are the people who spent their working lives building and keeping their family homes. When they started out, they aspired to having a small corner of the world they could call their own, somewhere to settle down and start a family. Through good times and bad, they strove to get the money together to buy homes and toiled away to keep them. They took pride in rearing their children in warm and welcoming homes they worked hard to maintain. Now their working lives are at an end and they are looking forward to the rest and joy of a well deserved retirement. Their children have mostly left the nest to go and start homes of their own which reflect those their parents worked so hard to provide. The incomes of those to whom I refer are fixed and those on private pensions have suffered from the impact of the economic downturn. The property tax is going to have a direct impact on these elderly pensioners who will be punished in the autumn of their years for working hard in order that they might have family homes. The pride they took and the sacrifices they made are now being used against them. They will find themselves punished for the location and size of the homes for which they worked in a different time. The Minister's statement to the effect that they can defer the tax until they pass away means that it is nothing more than a "death" tax for them.

As Deputy Michael McGrath stated, despite the limited time allocated for this debate, we have always believed there is an obligation on the Opposition to put forward meaningful alternatives and offer viable suggestions. Opposition alone is not enough and we are giving the Government the opportunity to at least amend the worst aspects of the Bill. Fianna Fáil is tabling a series of amendments that would alleviate pressure on social housing, those in negative equity or mortgage arrears and families whose homes have been affected by pyrite. We hope this would go some way towards alleviating the impact of the property tax which is the wrong tax at the wrong time.

In recent days some savage measures against the vulnerable have been introduced. In this regard, I refer, in particular, to the budget which is marked by its gross unfairness and mean spiritedness. The property tax is another addition to the ever growing list of broken promises and harmful measures. It is one for which the people of Ireland will pay dearly. We are opposed to the Bill because it imposes the wrong tax at the wrong time. Our amendments offer the opportunity to try to take the worst out of it. However, the question arises as to whether Fine Gael and Labour Party Deputies will do at least this much to blunt the blade of this severe tax before it is plunged into the heart of families.

An Leas-Cheann Comhairle: I call Deputy Pearse Doherty who is sharing time with Deputy Brian Stanley.

Deputy Pearse Doherty: Yesterday two truly shocking documents landed on my desk. They also landed on the desk of every other Deputy in this House and those of Senators. The first of these documents includes the Central Bank's residential mortgage arrears and repossessions statistics for the third quarter of 2012, while the second is the Society of St. Vincent de Paul's response to budget 2013. Anybody who is considering supporting the Government's family home tax should read these two very short reports. When they have read them, they should ask how the Government expects families that are already struggling to get by and pay their bills will be able to pay the so-called property tax next year and in subsequent years.

The figures contained in the Central Bank report to which I refer reveal that a one in every four mortgage holders is in distress. When one adds those who are in arrears and whose payments have been restructured, one discovers that some 179,370 homeowners were unable to pay their mortgages at the end of September. That is a massive number and it continues to rise. Between July and September, 115 new families fell into mortgage distress each day. As a result of this, the current position is that 23.5% of all residential mortgages are in distress. If the Bill is passed, these are the individuals the Government will expect to pay the family home tax. One out of every four people with mortgages cannot meet his or her repayments and the Government expects him or her to pay a new tax on his or her home. That does not make sense.

The Society of St. Vincent de Paul report states "Budget 2013 once again placed the heaviest burden onto the shoulders of people who are struggling" and that "those who have already borne the brunt of cutbacks are unable to take any more". It details four case studies of how the budget will impact on the household incomes of four typical families. It shows how cuts to child benefit and the back to school clothing and footwear allowance, the increases in prescription charges, carbon tax and motor tax and the introduction of the family home tax will leave many of the State's poorest families worse off by up to €1,000. These are the people the Government expects to pay the family home tax if the House allows this measure to be enacted.

When one reads the reports of the Central Bank report and the Society of St. Vincent de Paul consecutively, one can only reach a single conclusion - that, thanks to the measures introduced by Fine Gael and the Labour Party in the budget, 2013 will be the worst year of the mortgage crisis to date. Next year is the one in which the Government wants to introduce a family home tax. Are those in government mad? Have they lost their senses? Do they not understand what the reports to which I refer are telling them? One in four of the people about whom I have been speaking cannot pay his or her mortgage. This means that there is a risk that they could lose their homes. Instead of developing solutions, the Government is now asking them to pay tax on their homes at a time when they cannot meet the mortgage repayments on those homes. That does not make sense. The Government is failing to understand the extent to which ordinary people will be unable to pay these new charges.

As Deputy Michael McGrath stated, when Fine Gael and the Labour Party were in opposition, their views on this matter were very different. In 1994 the Taoiseach opposed the introduction of a property tax and stated, "It is morally wrong, unjust and unfair to tax a person's home." I agree. During the most recent general election campaign the Tánaiste, Deputy Eamon Gilmore, promised not to introduce a property tax on residential homes and stated, "We have to remember that many people have already paid a property tax on their residential home." In this regard, he was obviously referring to stamp duty. Many paid over tens of thousands of euro in the form of stamp duty, but the Government does not care about this. It wants to hit them again, even though they have already made their contribution. During last weekend's edition of "The Week in Politics" we received an insight into Government thinking when the Minister for Communications, Energy and Natural Resources, Deputy Pat Rabbitte, commenting on broken promises, stated, "Isn't that what you tend to do during an election?" It is clear that neither Fine Gael nor the Labour Party ever had any intention of living up to the words they had uttered during the election campaign. There is only one thing I can say about this matter - those in the parties to which I refer are absolute hypocrites and were completely cynical about what they said in order to get into office.

The House is now debating a proposed tax on the family home introduced by Deputy Eamon Gilmore and the Taoiseach, Deputy Enda Kenny. The proposal is not a property tax. A real property tax would include all assets and stocks and shares. It would include homes, land, yachts and art collections. It would be a tax on wealth. However, this Government is not in the business of taxing wealth or the wealthy. It is in the business of taxing those who are least able to pay. In many cases and for many people, this will be a tax on a liability, on a debt. The family home tax seeks to impose a charge on every single family home in the State. There are no exemptions for the one in four mortgage holders in mortgage distress. There are no exemptions for the hundreds of thousands of mortgage holders in negative equity. There are no exemptions for the tens of thousands of mortgage holders who paid tens of thousands of euro in stamp duty during the boom. Yet Fine Gael and Labour have decided that these are the people who must pay more. The Government has also ignored the advice of its own expert group - social housing, local authority housing and voluntary association housing are to be liable to pay the tax. There is little doubt that local authorities and housing associations will feel compelled to pass on this extra charge to their tenants. Therefore, tenants who do not even own their own homes will end up paying the family home tax by the back door in the form of increased rents.

Some Deputies and Ministers, particularly in the Labour Party, argue that the family home tax is progressive, that it is the kind of tax that left-wing politicians should support. Nothing could be further from the truth. I heard the Minister for Finance make the claim that left-wing politicians support a tax on assets. Perhaps the Minister might riddle me this. If I have debt on my asset which is my home, of €300,000 and my asset is only worth €200,000, can it be called an asset? Is it an asset or a liability? Deputy Peter Mathews, the banker, might be able to give the answer. It is clear in such a case that the Government is taxing a debt or a liability.

This Bill is very clear that we all must pay, irrespective of our ability or income. There are no exemptions for those on social welfare, no exemptions for those living in or at risk of poverty, no exemptions for those living in or at risk of poverty and no exemptions for those living with unsustainable debts. The only facility provided for those who will be unable to pay is to seek a deferral of the tax. This measure is available only to those on the very lowest of incomes, at €15,000 per year for a single person and €25,000 per year for a couple. Even in these cases the Government has decided to punish people. A person who cannot afford to pay and who successfully secures a deferral, will have to pay an interest penalty of 4%. Even worse, if a person cannot afford to pay and is unable to secure a deferral, the Government will charge an interest penalty of 8%. One of the most shocking elements of the legislation is the proposal to deduct the family home tax at source for those unable to pay. Extensive powers are given to the Revenue and to various Departments to have the family home tax deducted from a person's wages, from social welfare payments, pension payments, farm payments and other State payments. No consideration is given to the impact such deductions could have on the financial stability of the household. What if a deduction at source were to push a family into poverty and with it the children in that family? What if a deduction at source were to leave a family without food or a pensioner without heat? The legislation is silent on this. The Revenue is not required to take such matters into account. All Fine Gael and Labour care about is making people pay – even if paying means going without food, heat or other essentials.

This is a bad and deeply unfair tax. It is unworkable and will be the cause of hardship for hundreds of thousands of families. While the Taoiseach and Deputy Eamon Gilmore are clearly happy to break their pre-election promises, it is not too late for the backbenchers opposite to take a principled stand.

Fine Gael and Labour are not the only parties guilty of hypocrisy on the issue of the family home tax. The leader of Fianna Fáil and its spokespersons have some cheek to argue against the Government's proposal. We all know that if Deputy Micheál Martin and his Fianna Fáil gang were in government, this tax would have been introduced this year. The Fianna Fáil Government had included it in its four-year plan before the troika even arrived on our shores.. We all know that Fianna Fáil negotiated the first memorandum of understanding with the troika. That agreement contained a clear commitment to introduce a property tax for budget 2012 as part of a revenue-raising package of €1.6 billion. Indeed, Fianna Fáil's pre-budget submission last year included a proposal for a property tax to the value of €120 million. Ever the opportunists they are now opposing the very tax they proposed and advocated. Fianna Fáil Deputies say this is the wrong time and the wrong tax. The only wrong time for them is that they are not sitting on the other side of the House so that they could implement it with relish.

Fianna Fáil Deputies argue that this is the wrong time to introduce such a tax because of the mortgage crisis. There was a mortgage crisis in 2010 and in 2011. This crisis did not fall out of the sky last night or the night before or even in the last six months. Was Fianna Fáil not aware that hundreds of thousands of families were struggling under the weight of the economic crisis created by Fianna Fáil and the four austerity budgets introduced by the party? Fianna Fáil bumped up and fuelled the property boom in order to bail out its developer friends. Did the party not know that this would end in tears, as Morgan Kelly and others warned even before the crisis happened? There is never a good time to introduce a property tax. There is no doubt that if Deputy Micheál Martin were Taoiseach he would be faithfully implementing the troika agreement negotiated by the Cabinet of which he was a part.

Sinn Féin has consistently argued and campaigned against the introduction of a tax on the family home. We have also proposed credible alternatives which would allow the Government to raise the revenue it needs in a way that does not punish struggling families or hurt the domestic economy. Last month I published a wealth tax Bill. My proposal is for a real property tax, a tax on all personal wealth. There are two key tests for any new tax measure: whether the tax is fair and whether people will be able to pay it. Sinn Féin's proposal meets both of these criteria: the Government's proposal meets neither.

Across Europe, countries struggling to reduce deficits and to raise revenue for investment in public services and job creation are turning to what are truly wealth taxes. France, Sweden, Norway, Finland and Iceland successfully operate wealth taxes. In France, the socialist government has recently strengthened its existing wealth tax legislation and expects to double its yield next year. In Spain, the conservative government has reintroduced its wealth tax. In Germany, SDP, the leading opposition party and sister party of the Irish Labour Party, has drafted wealth tax legislation with a promise to introduce it if the party is successful in next September's general election. In Britain, the Liberal Democrats is currently advocating the introduction of such a tax. Wealth taxes are fair, they can be implemented and they are good for the economy. Sinn Féin's wealth tax proposal is based on aspects of the taxes currently in operation in France and Sweden. The family home tax takes no account of people's ability to pay. Sinn Féin's proposal would levy a 1% tax on those with net assets in excess of €1,000,000. The family home tax will place a significant burden on the Revenue.

Sinn Féin's wealth tax would be self-assessed and apply only to those with considerable wealth. It would, therefore, be cheaper to administer. The family home tax is on the gross value of the property, whereas, with Sinn Féin's proposal, all debts and liabilities would be taken into account.

There are almost no exemptions from the Government's family home tax, but Sinn Féin's proposal includes a considerable range of exemptions. The family home tax ignores the fact that there will be those who are asset rich and income poor. Sinn Féin's proposal, by contrast, includes safeguards for such cases.

The family home tax is designed to hit 1.9 million homes, irrespective of the financial circumstances of the families therein. Sinn Féin's proposal targets only those who can and should pay. The Government's proposal is unfair. It will push families deeper into financial hardship, debt and poverty and imake the mortgage crisis worse.

The Government's proposal will also hurt the economy. It will take money from those who are keeping the local economy alive. By taking money out of the pockets of those who spend all of their disposable income on local goods and services, the Government will further damage domestic demand. Jobs and tax revenue will be lost and the economy will suffer. The family home tax is bad for citizens, society and the economy. Sinn Féin will oppose it at every stage as it makes its way through the House. If it is introduced, we will campaign for its abolition.

The Government parties, when in opposition, promised that they would not introduce this tax. Once again, they have done a U-turn. It is not just a question of the Government's political shenanigans in the House because it is failing to understand people simply cannot afford to pay the tax. It is impossible for large sections of society to pay. Giving the Revenue Commissioners the power to dip into people's pay packets or social welfare payments is absolutely appalling.

I am sure the Minister of State and his colleagues have received letters of the kind I received in recent days from people suffering under the weight of the budgetary measures introduced thus far. Asking them to pay more is not acceptable. They simply cannot do so. I appeal to the Minister of State, even at this late stage, to consider other revenue generating options. The proposal will yield approximately €500 million in a full year. When one gets rid of the non-principal private residence tax, it will yield approximately €420 million. Sinn Féin has a proposal in this regard that was costed by the Department, that is, unless the Minister of State is willing to say his officials and the Minister for Finance are lying. Our proposal was-----

Deputy Brian Hayes: A parliamentary question.

Deputy Pearse Doherty: Are responses to parliamentary questions false?

Deputy Brian Hayes: One parliamentary question is not going to-----

Deputy Pearse Doherty: Has the Minister for Finance misled the Dáil through responses to parliamentary questions?

Deputy Brian Hayes: The Deputy doubled the figure.

Deputy Pearse Doherty: No, we have not.

Deputy Brian Hayes: The Deputy has.

Deputy Pearse Doherty: The figure is accurate.

Deputy Brian Hayes: One parliamentary question - €800 million.

Deputy Pearse Doherty: That is not even a parliamentary question. The point I was going to make, if the Minister of State had listened, was that there were other proposals that could have been considered. Reference was made to increasing taxes on higher income earners. What about a gambling levy? When I was young, I used to walk to the bookmaker's for my father to place a bet. If one bet €10, one had to pay a levy of 10%. Why not introduce a gambling levy of 5%? The Department has stated this would yield €265 million. Why ask people who simply cannot pay any more to pay more because they have a roof over their heads? It just does not make sense.

While Sinn Féin will oppose this tax vigorously, it will propose a raft of amendments to counter the worst elements of this very harsh Bill and try to strengthen it to make it more fair for those on low and middle incomes, those in negative equity and in mortgage arrears and those who simply cannot pay. Let there be no doubt that our objective is to fight this legislation tooth and nail and campaign for the abolition of the tax.

Deputy Brian Hayes: I know that.

Deputy Brian Stanley: This is supposed to be a property tax Bill, but, if we were to be honest with ourselves, we would realise it is not such a Bill but one imposing a tax on the family home. The Bill gives new draconian powers to the Revenue Commissioners, allowing the Government to take money from wages, pensions, social welfare payments and even single farm payments. The powers in the Bill are unprecedented. The financial consequences of the Bill which have been alluded to, with the harsh budget, will force many families, including children, into poverty. They will force an increasing number of families into the arms of loan sharks. In the past 20 months we have seen a seamless transfer of policy from Fianna Fáil to Fine Gael and the Labour Party. Fianna Fáil's national recovery plan for the period 2011 to 2014, produced before the dying days of its Administration, outlined how the party was committed to introducing a household charge of €100 per annum. This was to lead to a property tax yielding a total of €530 million in 2014. It is the politics of Tweedledee and Tweedledum.

Let me use this opportunity to challenge some of the untruths propagated by the Taoiseach and, in particular, the Minister for the Environment, Community and Local Government, Deputy Phil Hogan. The Minister who is not present uses the last minute of each reply at Question Time to propagate misinformation to continue to mislead people about rates in the Six Counties. It is not for me or Sinn Féin, a republican party, to defend the six county state because we are committed to Irish reunification and having a 32 county republic. It is important, however, to know the facts. The Northern Assembly does not have fiscal powers and cannot increase or decrease taxes. Taxation is the preserve of Westminster. Yesterday the Tánaiste and the Minister did not even know that social welfare rates were set in London, on the next island.

Deputy Brian Hayes: It is just as well.

Deputy Brian Stanley: We are trying to change this. If the Minister of State, Deputy Brian Hayes, can give us any help in so doing, we will be glad of it.

We want fiscal independence from London and the support of the Irish Government in this regard. In the Six Counties rates are based on the valuation of one's home. They are used to fund both local and regional services in the North. The position is not dissimilar to that which obtained in this jurisdiction up to 1977. Crucially, in the Six Counties there are considerable reliefs for the disabled, earners of low incomes, recipients of housing benefit, pensioners, and zero and low-carbon homes. There is none of these exemptions in the Government's Bill.

The Northern Ireland Statistics and Research Agency stated the average rates bill in the Six Counties was £789, not £1,400 or £2,000, as stated by the Tánaiste, Deputy Eamon Gilmore. I would have believed his officials would have known this because at times they would have gone north of the Border. If they did not do so to do anything useful, they did so to be involved in debating societies there. Another Minister claimed the rates bill was up to £2,000 in the North. This must be a reference to people who live on the Gold Coast of north County Down. I do not know too many who live there.

Rates allow for the provision of the following public facilities and services: education, including school books, transport and meals; emergency services, including fire services, for which we pay here; health care; housing; roads, on which there are no tolls; water and sewerage schemes; waste collection; desludging of septic tanks; a range of community services; arts events; environmental health services; leisure and tourism facilities; and waste management. By contrast, householders in this state must pay for all of these services separately out of their income.

Now that we have the facts, I want the Minister for the Environment, Community and Local Government, Deputy Phil Hogan, and his fellow Ministers to refrain from spinning untruths about a part of Ireland they obviously do not know anything about. The home tax has been promoted by the Government, particularly the Minister for the Environment, Community and Local Government, as a tax to fund local authorities and their services. The Government's budget, however, continues to starve local government of much needed funding. In a very cynical move, the charges outlined in the Bill will remain at the same level until after the local elections in 2014, at which time they will be increased.

2 o'clock

Sitting suspended at 2 p.m. and resumed at 2.30 p.m.

Deputy Brian Stanley: Before the break I outlined the situation in the Six Counties and I am glad it is on the record. It is a pity the Minister, Deputy Hogan, was not in the Chamber to hear it given his misrepresentation of it during the past 12 months.

The home tax has been promoted by the Government and in particular by the Minister, Deputy Hogan, who claims it will be used to fund local authorities and the services they provide. However, in the budget the Government continued to starve local government of much-needed funding. In a cynical move the charges outlined in the Bill will remain until after the forthcoming local government elections in 2014, when councillors will be elected to local government, after which time it will be safe to increase them.

The Department of the Environment, Community and Local Government has again cut funding to local government by 25% and this will further strangle the provision of local services. The local authorities' housing budget has been cut by a massive €46.7 million. This comes at the time of an unprecedented housing crisis. There are 100,000 families waiting to be housed in this State and the Government's response to that is to cut the local authorities' housing budget. The social inclusion capital budget has been cut by €2 million to €4 million and it is worth noting that in 2011 the budget was €9.3 million. Local authorities will be forced to increase the charge to compensate for the cuts imposed by the Government.

In a further attack on the elderly and people with disabilities, the Government has callously cut housing grants by €20 million. This will directly affect those people who depend on housing adaptation grants and housing aid for the elderly, and those with disabilities, who need that grant to continue living independently in their homes. What is most worrying is the blatant disregard for health and safety demonstrated in the further cut in the capital fund for the fire services. The budget now stands at €5 million, down from €12.25 million in 2011, and that must be of concern to everybody.

With one hand the Government continues to slash funding for local government while with the other hand it forces home owners, regardless of income, to compensate their local councils for these cuts. Those on disability payments and low-income families pay the same as the millionaire. The Taoiseach, one of the highest-paid politicians in the world, will be paying the same as the pensioner or those who are disabled, who have just had their telephone and electricity allowances cut. In my constituency of Laois-Offaly 130,000 local authority tenants have been brought into the loop and will face these increases through increased rent. In Laois more than 2,000 tenants will face those increases, while in Offaly more than 1,700 tenants will be crippled by having to pay the new home tax. I know from meeting these people that many of them are in dire straits. The Government is forcing local councils to depend on an unfair tax to fund services that have already been paid for in people's taxes or in direct charges, as I outlined. This is perverse, to say the least.

What makes this Bill even more unjust is the fact that there is no need to introduce it. The Government does not have to impose further punishment on those who have suffered so much and will suffer more on foot of the budget announced last week. It had choices. Sinn Féin gave it some of those choices. In the alternative budget we put forward, we spelt out exactly how the economy could be funded and how things could be turned around without the imposition of this punitive tax. We outlined 12 new tax measures that could raise €2.7 billion in additional taxation and, crucially, how more than €1 billion could be secured in savings by cutting high salaries. The Government could have done this without hitting low- and middle-income households. That is the key point. The proposals were costed based on data from Ministers and their officials. I heard talk in the House last week about fantasy policies by Sinn Féin. Surely the Minister of State is not going to say that the Minister concerned, other Ministers or their senior officials were giving out fantasy figures. He is not going to say that from the opposite side of the House because he cannot say it.

(Interruptions).

Deputy Brian Stanley: That is the fact of the matter. In the Minister's attempt to avoid being held to account, he is ramming this Bill through the Houses before the Christmas recess. That is a desperate action by a desperate Government in order that TDs can go back to their constituencies without feeling heat on this issue over the Christmas. It is a done deal before the Minister leaves the Chamber and that is shameful. We will be opposing this Bill every step of the way.

Acting Chairman (Deputy Seán Kenny): The next speaker is Deputy Ross, who is sharing his time with Deputies Catherine Murphy, Finian McGrath, Maureen O'Sullivan, Luke 'Ming' Flanagan, Joan Collins, Seamus Healy and Mattie McGrath.

Deputy Shane Ross: That is correct. I am getting very tired and very used to hearing the Government saying that this particular tax is justified on the basis that is broadening the tax base. It is doing nothing of the sort. What this tax is doing is draining those who are already empty of juice. It is hitting those in negative equity, those who have mortgage arrears, those who have already paid stamp duty, which is a form of property tax, and the vulnerable. Many people on this side of the House and on the Government benches, if the truth be known, are shattered by the news that the Revenue Commissioners will be the body specially selected to collect this tax. Why was the Revenue Commissioners selected?

Deputy Olivia Mitchell: Because it is good at it.

Deputy Shane Ross: It was selected for one reason and one reason only: because the tax cannot be collected any other way. There will be resistance to the payment of this tax on the very justifiable basis that people cannot pay it. The only way to get money out of people who cannot pay is by extortion. One extorts it quite simply by saying it is going to come out of people's pay, because they cannot pay it any other way, and it will come out of people's social welfare payments, because they cannot pay it any other way. This is an unprecedentedly cruel move against those who will have to make serious sacrifices elsewhere as a result. These are the same people who will lose child benefit, who are in mortgage arrears and who have been hit by the budget in many other ways, yet this tax will be extracted from them at base, at the point at which they cannot make any voluntary decision about whether they can pay it. They cannot resist it.

There will supposedly be what are called deferrals for those in great difficulty. The deferrals are a farce. They are only for individuals with an income of €15,000 or less a year or, in the case of a couple, an income of €25,000 a year - pitiful amounts of money. Those with an income of €16,000 will have to pay this tax. If deferrals are granted in what is a penal measure, people are being told they will have to pay a 4% interest rate on top of the debt they owe, which they cannot afford to pay. What is the point of crucifying the destitute who cannot pay already by saying they will also have to pay a 4% tax on top of that? What will happen is that the Minister will create more debt for people who are already in debt. It is creating an albatross around the necks of pensioners, who will have to carry it until the day they die. It will force people to sell their houses because they cannot raise the cash to pay this tax also.

This is not a progressive tax but a retrograde one. No one, whatever his or her ideological position, has been fooled by the so-called mansion tax introduced by the Government simply as a sop to the Labour Party to state it was doing something against those who were better off and had larger houses. This does not detract from the fact that the Government is also hitting those on social welfare and middle Ireland again. This is a cross middle Ireland is likely to resist. It will not accept the Government's argument that the IMF and the European Union are the responsible bodies for imposing this tax. It is a voluntary decision by the Government which it did not have to take. There are other sources which it could have taxed or cut.

Deputy Catherine Murphy: According to the Government, this tax is set to bring in €500 million. Let us suppose everyone pays it; it is reasonable for people to ask what they will get for it. What they get is a dysfunctional local government system. Local government fund spending has been reduced from €999 million at its peak in 2009 to €615 million in 2012, a reduction of €384 million or 38%. Local authority revenue streams such as commercial rates have contracted also. This tax will essentially fill the gap.

The historical development of local government shows a pattern of a strong, centralised authority reserving and guarding powers that would be better exercised at local level. During the years reforms have been piecemeal and timid. The Bill, far from being a departure to sustain local government, fits very well into the long line of measures from the Executive to extract funding from citizens without providing any semblance of a local service available in other countries. What is happening here is a smash and grab. The legislation will create monsters of the Revenue Commissioners by pitching them against a significant number of citizens to the point at which it will become an administrative nightmare for the Revenue Commissioners and potentially damage its ability to collect other taxes. It is easy to foresee the stampede of Revenue officials who will seek transfers or opt to leave. This is a very dangerous development.

The campaign of civil disobedience entered into by so many in respect of the household charge has filled the protest vacuum. When this measure is applied, people will see deductions from their wages or social welfare payments which, in turn, will take food off family tables. That will be the straw that will break the camel's back for those who are struggling to keep a roof over their heads.

The only part of the Bill that refers to what is local is the Title. This is a slush fund for the Minister for the Environment, Community and Local Government, who claimed that 65% of the revenue raised should be assigned to the relevant local authority. The other 35% will be distributed to other parts of the country in the same disgraceful and inequitable way the local government fund has been distributed. No developed country that is serious about proper local government goes about it this way. Abroad, local representatives vote on local taxation measures and the money stays in the locality. Here, we do it backwards.

There is a serious risk that section 143 is unconstitutional. I do not believe the family home can be invaded in the way envisaged in the section. I hope the Minister will withdraw its provisions next week.

Deputy Finian McGrath: I reject the Short Title of the Bill, Finance (Local Property Tax) Bill 2012, because this is, in fact, a home tax. In the current economic crisis this unjust tax is unacceptable for householders. As a result, I will be voting against this legislation. In the past, when he was just a Deputy, the Taoiseach said it was morally unjust and unfair to tax a person's home. Now he has done another U-turn.

The average householder is being hammered. Austerity is not working and it is bad for many young families in negative equity. During the week one constituent asked me why he had to pay a property tax when he was already paying other taxes. He outlined some of his other payments such as an annual refuse collection charge of €312, an estate management fee of €179, the television licence fee of €160 and a health insurance premium of €1,200, all of which come to €1,842 per year which is paid out of moneys already taxed. The Government will run the country into the ground unless it accepts the reality that one cannot tax or cut one's way out of recession, as has been proved across the world in different economies.

The Government is squandering taxpayers' money by pushing through excessive salaries for its advisers. However, families of people with disabilities have been hammered through the cut to the respite care grant, while poor families have suffered a cut of €10 to child benefit. Now the Government is bringing in a home tax.

Respond!, the housing association which provides 5,200 units of accommodation nationally, has slammed the legislation which will impose a local property tax on social housing organisations. It believes the tax will jeopardise the future of many of the housing charities across the country that provide accommodation for low-income and vulnerable families. It believes the move is short-sighted and could have long-term negative consequences for the future of social housing.

How dare the Government impose this tax on the people? People have already paid a property tax through stamp duty in the past 20 years. How dare anyone opposite claim this is connected to a wealth tax?

In recent weeks other measures to bring in extra revenue for the State have been proposed. Even some of the Government's backbenchers agree with some of the proposals made. I will be voting against this legislation and call on all Deputies to reject this unjust and unfair home tax.

Deputy Maureen O'Sullivan: Ireland is one of the few countries in the western world which does not have a property tax. There are examples of international best practice of fair ways of assessing and collecting property tax, how best to use it to provide essential local services and how to allow for exemptions and waivers. While everyone was delighted when the old local authority rates were abolished, there is no doubt that it was a regressive step. Abolishing rates was an election promise which was shackled to party-political whims for decades regarding local services. There is no doubt that this contributed to the speculators' property boom and planning corruption which has led us into austerity.

The problem with the property tax is that it is being introduced at the worst time in our history, during a recession when there are so many burdens on struggling families. Many reputable organisations made alternative suggestions to this tax, including the Commission on Taxation's proposal for a site value tax. Market value is problematic owing to mortgage costs being higher than the value of a home. A site value tax could have been considered to provide for more efficient use of land as well as to raise revenue. It might also have played a role in ensuring we did not have another property boom followed by a bust. A site value tax would have been a better and fairer way of assessing value.

Any measure of taxation should be based on ability to pay. The unfortunate fact is that we have the highest number of non-working households - that is, households without a working adult. We also have the highest level of household debt in the OECD. One in five mortgages is in distress and some organisations tell us that more than half of all adults have less than €100 in disposable income per month. The phrase "like taking blood from a stone" comes to mind.

Let us consider how this tax is supposedly fair. Supposedly, those who own the most valuable properties will pay most. This aspect is being lauded as one of the measures that will hurt the wealthy. However, it is reckoned that only 1% will be liable for the so-called mansion tax. Those in urban areas will pay significantly more for their houses than those with similar houses in rural areas. Older people with small pensions may be marginally above the income threshold of €15,000, which, I believe, is far too low. It is welcome that there is an exemption for people who, for reasons of old age, physical or mental disability or other causes require special accommodation. I believe the exemption should cover local authority housing tenants and tenants in the non-profit social housing sector. Housing associations are exempt in European countries and such bodies and local authorities should be exempt, as recommended in the Thornhill report, because they are in involved with people in low-income families.

In fairness, Dublin City Council has been keeping within budget, but this tax will undermine that. The council cannot impose it on its tenants, who are already struggling to pay their rent and trying to cope with other cuts, including child benefit; the privatisation of waste collection in Dublin Central has also resulted in increased charges, as predicted. Some tenants will come under the special exemption but for other tenants on similar incomes it will not be enough. There are extensive housing needs in Dublin Central. The housing associations are doing tremendous work but imposing this tax on them means certain projects might not go ahead. Clúid Housing Association has striking new plans in Cabra for senior citizens' housing but that might stop and it could affect the budget for maintenance of properties as well.

How can the Government expect people in homes affected by pyrite to pay this tax? Their homes are structurally defective and one cannot get a mortgage to buy a house with pyrite. These people who have already paid stamp duty are expected to pay a property tax as well. I notice that the budget for homeless services will be maintained at 2012 rates. However, the homeless services in Dublin maintain they have increasing demands. They cannot do the same amount of work for more people on the same money as last year.

Deputy Luke 'Ming' Flanagan: I listened to the speech of the Minister for Finance, Deputy Noonan, this morning and I thought it was interesting how he contradicted himself. Someone put it down on paper but no one seems to have spotted that he contradicted himself. He said:

> The introduction of a property tax has been a condition of the programme since it was first negotiated in November 2010, under the previous Fianna Fáil Government. It has remained a condition of the programme following subsequent reviews which are agreed by all programme partners.

He did not wait for a couple of pages before contradicting himself. He contradicted himself in the next paragraph. He continued: "It is true that the Government has some scope within the programme to use alternative methods to achieve programme targets." How can it have scope if it has no choice and there is a condition? To say there is scope to use alternative methods suggests it could do something else. The Government has not admitted that it could do something different but at the same time maintains it cannot because it would affect people in other ways. The reality is that the Government could bring in different types of taxation. The Minister said that we could increase taxation on the incomes of people who can afford it.

It must have been said here 1,000 times if it was said once that the credit union survey clearly shows that 1.8 million people have less than €100 left at the end of every month after paying their main bills. If the Government imposes this tax on people it will cripple them. Whatever about crippling them, certainly it will damage local businesses because people will not have money to spend on local businesses. Who will be hit? The local authorities will be hit because the businesses will not be able to pay rates.

The most important part of this debate relates to where this money is spent. A hard-up person who has no money left will have to pay money over to a local authority - in my case, one in which the county manager - a nice man, in fact, a gentleman - gets paid more than the Prime Minister of Spain. There are four chief fire officers in County Roscommon, costing us the guts of €450,000. By contrast, there are three chief fire officers in New York City. One might make the case that we are stuck with them, but guess what? We lost one of them in the past year. Guess what we did? We took on another one. Is this where we should be spending our money?

The Minister referred to accountability but he is not ambitious about how accountable the tax will be. He said the measure will provide local authorities with significant responsibility for raising local revenue and that this has the potential to increase the level of oversight. It has the potential but it will not fulfil the potential. I will tell the House exactly what will happen. If the Minister demands in future, even under the new local government system, that the local authorities do not waste money, what will happen to him is what happened to me several times. They will not lift the telephone to him in future. They will not fill the potholes that should be filled. They will blank him and close his local swimming pool for one month in the summer, although it has been there since 1945, and they will boot him around the place. That is not accountability. Whistleblowers should be held aloft in this country and praised, but under this system they get a kicking. No one should put any more money into that system. I believe in local taxation but it must be done right and this is not the right way to do it. The Government has dirtied the name of local taxation forever, which is a crying shame.

Deputy Joan Collins: It has been said already that this is not a property tax. No matter how many times the Minister says otherwise, this is a tax on the family home and it will be known as a tax on the family home forever. That is what people will call it rather than a property tax. It is crazy situation given that there are large numbers of distressed mortgages. Some 1.8 million households are living on €100 per month after bills have been paid. Up to 100,000 families are languishing on the social housing lists. The imposition of a tax of €3 million per year on social housing associations will cause problems. The Government and the local authorities have abdicated any responsibility to provide social housing in the coming period. This tax will impair the ability of local authorities to maintain the services they currently provide or to purchase new homes. Moreover, the housing associations will have to pay a further €90 per house to the Private Residential Tenancies Board. That will put considerable pressure on these groups in the economy.

It is a tax on low and moderate incomes. There is a section in the Bill giving powers to the Minister for Social Protection in order that tax can be deducted from welfare or State old age pensions. This is an amazing achievement by the Labour Party. It is the first time in the history of the State that welfare payments and the old age pension will be subjected to taxation. It beggars belief. It is a tax on jobs. Every euro taken from the pockets of people on low and moderate incomes reduces spending demand in the economy. Austerity is crippling the domestic economy. This measure along with the cuts to child benefit and the increase in PRSI will leave the average family with €1,000 less per year, up to €20 less per week or €80 less per month. A person struggling on €100 per month after bills are paid will be wiped out with this measure.

The Government spin on income tax is a joke. Whether a person's income is reduced by income tax or stealth tax is neither here nor there. One is still hit with the extra tax in one's pocket. This is the same pocket that the Government is dipping its greedy little hands into again and again. What is the Government trying to do to people? Is it really trying to bleed people dry? This is the view of ordinary people.

The Minister has repeated the neoliberal mantra that a tax on high incomes is a tax on jobs but there is no evidence whatsoever to back up this claim. During the height of the post-war boom, a period of high economic growth and relative full employment, there were high taxes and high incomes, especially in the United States. After taking tax advice from the multinationals - there is no trick beneath them to avoid taxes - the Minister said he was concerned that some well-paid executives or bankers might not want to live here. What about the more than 200,000 young, energetic and gifted people who want to live here but who have been forced out of the country because there is no work for them? The attempt to portray the measures as somehow progressive or as some form of wealth tax is an insult to our intelligence. The Government can railroad this through the Dáil but it will be met with mass opposition, as were the measures on septic tanks and the household charge. I will do everything I can to mobilise ordinary people to oppose and defeat this tax and the budget in general. This is nothing more than another attack on ordinary working people on behalf of the rich.

3 o'clock

Deputy Seamus Healy: This family home tax is draconian, anti-family double taxation, which represents a blunt and brutal assault on family incomes with no sense of fairness or equity. When in Opposition, the Taoiseach said: "It is morally wrong, unjust and unfair to tax a person's home," with which I agree. However, he has now done a U-turn on this issue.

Families have been hammered by this and the previous Government. They are being forced to pay for a recession the creation of which they had no hand, act or part in, and to pay this tax. These are the same families whose PRSI, child benefit and back-to-school clothing and footwear payments were cut in the recent budget. Many of these families have also had their respite care grants cut. It is not they that will not pay this tax; they cannot pay it.

As stated previously, a recent credit union survey indicated that 1.85 million people in this country have less than €100 per week left after essential bills have been paid; 630,000, or 18% of people, have no money left and 245,000, or 7%, have less than €20 left after paying essential bills, while 42% of people have had to borrow money during the past 12 months to pay bills. These are the families that are being asked to pay this shameful and disgraceful tax. They are the same families who are in mortgage distress and whose homes are in negative equity. They are the same families who paid enormous stamp duty on their homes and who are paying management fees at disgracefully high rates to management companies in this city and in other cities and towns.

There is no link between ability to pay and payment of this tax and no exemption for low-income families. While the Bill provides for deferrals, it is a sham. Also, it is a deferral with a penal rate of interest.

It is proposed that local authority tenants and tenants of voluntary housing agencies will be liable for this tax. As other speakers have said, Respond! and other voluntary housing agencies have confirmed that if they are required to pay this tax they will end up in severe financial difficulties and some may have to close. They will have no choice but to pass on this tax and, in the case of voluntary housing agencies, the €90 per house registration to the tenancies board, to families and to tenants.

There were other choices, many of which have been outlined in this House during the past month and even the past number of years. If the Labour Party had any sense of decency or commitment to the founders of its party it would have this Bill withdrawn immediately.

Deputy Mattie McGrath: I, too, welcome the opportunity to speak on this Bill. From where do the mandarins in the Department of Finance, who came up with the figure of €500 million, expect this money to come? It is not possible to get blood from a stone. The Government is being awfully generous in the exemption under section 7 from this tax in respect of accommodation provided to persons who by reason of old age, physical or mental disability or other cause require special accommodation and support. It should take a bow. Those in Government are wonderful people. That their generosity knows no bounds is demonstrated by the fact that they have opted not to throw such people into pauperism and back into the soup kitchens and poor houses. Cromwell once said, "To hell or to Connacht." We now have the Taoiseach, Deputy Kenny, and the Tánaiste, Deputy Gilmore, saying "To hell or back to the homeless agencies or the soup kitchens". This Government will drive people into penury. There will be no place for members of the Government to hide. They, too, have to return to their constituencies and meet the people. When in Opposition, the Taoiseach said it was morally unjust to tax a person's home. What has gotten into him, and in such a short time? The Taoiseach has been a Member of this House for an awful lot longer than I have but he seems to have lost all connection with the ordinary people whom he, like the rest of us, was elected to represent. It is not too long ago the Taoiseach was on this side of the House telling those in Government what they were doing wrong.

Deputy Catherine Byrne: Including Deputy Mattie McGrath.

Deputy Mattie McGrath: Yes. I accept that. I too made mistakes, but if one does not make mistakes one learns nothing. However, when on the opposite side of the House the Taoiseach thought he knew it all. We also had the gospel according to Saint Eamon then. Every day, the high priest, Deputy Gilmore, would preach from the high altar. According to him, it was Labour's way and not Frankfurt's way. He also told us that hellfire would not be hot enough to burn the bondholders.

The introduction of this tax is outrageous. I am the chairman of a voluntary housing association. Low-income families in non-profit housing have been singled out to pay the local property tax. This tax on social housing will have long-term consequences for the ability of non-profit housing associations to continue to provide housing to the most vulnerable. At a recent meeting of the board of which I am chairman I was told by the volunteers, all of whom who are older than I am and have worked hard to provide people with homes, that they were going to walk away. Why would volunteers do this while the mandarins and elected representatives are enforcing penury on people? There are many flood-damaged houses in Clonmel and others which are affected by pyrite. The owners of these houses, who cannot obtain insurance cover on them, are being asked to pay this property tax on top of the stamp duty they have paid and the service charges they continue to pay.

Members of the Government need to have a chat with their constituents and then among themselves, and then come back in here next week and take this tax off the shoulders of the people, because it is one tax too many. I hate using the word "hunchbacks" - it is a horrible term - but the Government has driven the people into penury and into the ground. Next Monday, there will be an estimates meeting in my local county council. As a result of its failed attempts to collect rates, it is obliged to consider reducing them. We now have another arm of government voting in more charges. This is the asylum, being run by the lunatics. Have respect for ordinary people, please.

Deputies: Hear, hear.

Acting Chairman (Deputy Seán Kenny): The next speaker is Deputy Olivia Mitchell, who I understand is sharing time with Deputies Mary Mitchell O'Connor, Seán Kyne and Catherine Byrne.

Deputy Olivia Mitchell: If there were no troika, I would still support the principle of a property tax. I believe there should be a firm and direct link between the service and the payment. We would all get better services if this were the case. I believe that had a property tax been introduced ten years ago we would never have had the property bubble and we might now be better able to afford to pay this tax. We need a stable tax source which does not fluctuate widely with the economic cycle and is not a disincentive to work. I also believe that we should not continue to put the burden of the provision of local services on the business community, as we have been increasingly doing for years.

I mention the above points to emphasise that in terms of what I have to say about this property tax I am coming from the perspective of someone who is supportive of the principle. This tax is a gross injustice to the people of Dublin and, to a lesser extent, people in other urban areas. It is an injustice because the method of calculation is based solely on the value of the property, with no reference to the cost of supply of local services. It is not a local service tax, nor is it a regional tax; it is a national property tax placing a single rate on all properties across the full spectrum of property values throughout the country from Dublin to Kerry and up to Donegal. Inevitably, such a valuation system opens a huge gap between the amount to be paid by those who own a large house and those who do not. However, this is not the gap to which I am objecting. I object to the gap between the amount to be paid on two precisely similar houses in different parts of the country, with, of course, the higher sum being paid by Dublin home owners. I do not object to a person in Dublin with a big house paying more than a person in Dublin who owns a smaller house. That is reasonable. I do, however, vehemently object to the owner of the small house in Dublin having to carry a multiple of the liability of the owner of a larger house elsewhere, whether it is in Leitrim, Donegal or anywhere else. The valuation method that has been chosen has nothing to do with the cost of local services. People have said to me that those in Dublin have better services than those in rural Ireland. Maybe we do; I do not know. If it is true, we will pay for them. We need only to be told what they are and, together with the business community, we will pay rates and reasonable property tax. That is not what this Bill proposes. It does not propose that we pay only for costs in Dublin but that we also pay towards the cost of services for everybody else. This is because people living outside Dublin in rural Ireland are lucky enough to be able to purchase their homes at a much more favourable, lower price. To give an example of the injustice of this and the impact of using this method of calculation, the cost *per capita* of providing services in my local authority area of Dún Laoghaire-Rathdown is exactly the same as the *per capita* cost of providing services in Donegal but the homeowner in my area will pay somewhere in the order of five times the property tax that the homeowner in Donegal will pay. This is quite simply unconscionable and people will not accept it. I fully understand that there must be a redistribution element to taxes from areas of high economic activity to areas of low economic activity and that is what we use income tax for; it should not be what we use a local property tax for.

After years of austerity a new property tax is inevitably going to be hugely unpopular and difficult but if it is not at least fair it will be more than just unpopular and difficult; it will be completely unacceptable and impossible to sustain over any length of time. This tax is being sold to us as a local tax which will go back into the council area in which it is collected. When Dubliners realise that this is not in fact the case, we will be lucky to avoid a revolution and I do not blame people for revolting if that is the case. The tax will go into a single pot, the local government fund, to be divided out according to some arcane formula that has absolutely nothing to do with the amount of money collected in an area or the cost of services provided there.

To put it crudely, lest there be any misunderstanding, Dubliners have to pay too much so that others can pay too little. That is the bottom line and that is why this tax will not fly in Dublin. There are many injustices in this. First, we pay more than those elsewhere; second, we pay more in order to subsidise other councils' services; and third, no allowance is made for those who paid the biggest stamp duty during the Celtic tiger years, that is, those who live in Dublin and other urban centres. From every perspective, this is an anti-urban tax and I cannot see why it cannot be calculated on a council by council basis, or even on a regional basis, just as is done for commercial rates, whereby the councils decide what they need to collect in an area and then strike a rate that will give them that amount, with larger homes subject to a higher rate than smaller homes. That is the way it is done in every other country that has a local charges system. I could even accept, given our current budgetary requirements and the need to raise €500 million, that we might have to pay a little bit more than the cost of local services, particularly in the early years of the tax. However, the underlying means of calculating the tax must be fair.

As a member of a Government party, despite what I am saying, I am going to support this Bill because I believe I have a better chance of changing it on this side of the House. I also realise that the budgetary arithmetic is done for this year and it is now too late to alter it. In any event, I doubt I would be able to come up with cuts and taxes to the tune of €500 million. However, I am asking the Minister to take what I have said on board and to adjust the means of calculation for next year because a tax that is so fundamentally unfair will produce such a backlash and cause such social unrest in Dublin that it will imperil all of the efforts of the Minister and the measures he has put in place to try to get our public finances back in order. I also believe this tax has the potential to undermine and devalue all of the sacrifices that the people have made over the last five years.

There have been some suggestions that councils will be allowed to retain 65% of what is collected in their area but there is nothing in the legislation about that so I do not know if it will happen. The legislation does contain a provision that each local authority can vary the tax by 15% and this merely bears out my point. It is only in urban areas of high-priced houses that 65% of what is collected will actually cover the council's costs and give the prospect of later reducing the charge by 15%. To me, this indicates that, at least initially, the property tax overpayment in Dublin will be in the order of 50%, with 35% going to rural councils and then, apparently, we will be so cash-rich that we will be able to give a discount of 15%. It is simply inequitable to ask people to overpay by 50%. I urge the Minister to listen to me in this regard. This is an issue which will not go away and we cannot hope that people will forget about it. They will not forget about it and it will not go away; neither will I.

Deputy Mary Mitchell O'Connor: Shakespeare wrote "Something is rotten in the State of Denmark" and during the Celtic tiger years there was something very rotten in the State of Ireland. However, this Government is trying to regain control. It is trying to dole out the appropriate medicine and as any patient will tell you, medicine can taste bitter. However, the medicine is working and we are closing the gap on borrowing. We are gaining control over our public finances and beginning to see the light at the end of the tunnel.

A local property tax should have been introduced during the boom but past Governments did not have the courage to do so. As a Deputy for the Dún Laoghaire constituency, I probably represent one of the highest concentrations of very expensive homes in the country. Many of the residents in these houses have the appearance of being asset rich but many are cash poor. I am aware of residents who purchased four bedroom semi-detached houses in the boom for between €1 million and €1.6 million in my constituency. These are not mansions or trophy homes. Indeed, many of these houses are equal to or smaller than semi-detached homes outside the Dublin area. I am also aware of three bedroom semi-detached houses which were sold in my constituency for €650,000 and terraced homes sold for €450,000. The families who purchased these homes are not millionaires. They are struggling, middle-class people. While I agree that a tax must be progressive and in terms of property tax policy measures, the local property tax proposed by Government is best international practice, I also believe that it is very harsh on the people in my constituency who bought modest homes but had to pay trophy home prices. A bigger house is not always indicative of a greater ability to pay. Just because one has a big house does not mean one is less prone to losing one's job, to getting sick or to tragedy. Many are in negative equity or are in mortgage arrears. This proposed tax takes account of people's ability to pay through a series of deferral arrangements but it does not take account of those who paid stamp duty of up to 9% at the top end of the market. Many of those buyers had to borrow the money to pay that stamp duty.

I acknowledge that the proposed system is, without doubt, a more employment-friendly alternative to increases in income tax or other taxes on labour which would stymie job creation. Any action taken by the Government to reduce our spending needs must be employment-proofed and this was the case in budget 2013. However, the Dún Laoghaire constituency is more than paying its way and its constituents had the highest compliance with the household charge, at 85%, while other areas only managed 55% compliance. It is only right that central Government would reward Dún Laoighaire-Rathdown County Council with its just and rightful local authority funding. As an elected representative for Dún Laoghaire, I will support this Bill but I will also lobby the Minister to ensure that Dún Laoghaire gets its fair share of central Government funding. Counties that have not paid their fair share should not get the same rewards. Those who paid the lion's share should be rewarded accordingly. Like an antibiotic, this tax may leave us a bit nauseous in Dún Laoghaire but we want a fair share of the moneys raised to be invested back into our amenities and facilities. It would be galling if other counties did not pay and expected Dún Laoghaire residents to subsidise them.

Deputy Seán Kyne: It is safe to say that most countries have some form of local property tax or charge and it is an internationally accepted way of funding local service provision. A local property tax is a steady source of income for local authorities. As former members of local authorities, I and many Deputies know that we had very little power in terms of raising local revenue. Other than setting commercial rates and, in recent years, water charges for farmers and businesses, we relied on the local government fund and grants. Motor taxes went to the Central Fund. The report on the commission on taxation recommended that at least 86% of total expenditure at local level should be raised locally. It is accepted that it was a mistake to increase income tax in the 1980s because it became a tax on jobs and investment. A local tax, as long as it is progressive and ensures those with the most expensive properties pay most, is the fairest system.

The context for this debate is the EU-IMF programme, which includes the introduction of a property tax. It is a requirement of the programme that we widen our tax collection sources. Furthermore, we are overspending as a country and the gap between revenue and expenditure has to be narrowed, with €1.5 billion more required per month. We have to look for alternative methods of raising money. Fianna Fáil negotiated and accepted the property tax as part of the troika deal.

Deputy Éamon Ó Cuív: That is incorrect.

Deputy Seán Kyne: That debate is well known.

Deputy Alex White: Get the document.

Deputy Éamon Ó Cuív: I have the document.

Deputy Seán Kyne: We have debated this issue in the constituency which Deputy Ó Cuív and I share. Last year Fianna Fáil opposed the flat rate household tax but now it wants to keep that tax and oppose this more progressive tax. There is a slight contradiction in that approach.

Sinn Féin's policies in the North differ from its approach in the South. In a partitionist policy, it supported increases of 10% to household rates between 2011 and 2014, with charges amounting to more than £1,000 at present.

It is right and proper that the Revenue Commissioners be charged with collecting this tax.

While it is important to debate the principles of the tax, once any new tax is levied, it is important that democratically elected Members uphold the law of the land. When the household charge was introduced, Deputies refused to pay it and encouraged others to do likewise. Revenue has the power to collect this tax because it is, after all, the State's tax collection body.

While I have sympathy for Deputies Mitchell and Mitchell O'Connor, local property prices reflect the area in which one lives and the services available locally. For example, in urban areas there are footpaths, lighting and access to publicly funded municipal sewerage schemes. These are not necessarily available in rural areas. People in rural areas have also paid stamp duty and taxes on the construction or purchase of their houses. They may not have paid as much but they do not get as much in return. For this reason, I agree with the proposal to allow local authorities to set the local property rate after 2016. Authorities in which expensive properties are located will probably be able to reduce local tax rates by 15% or more as we move towards a less centralised system.

Everything must be paid for either by direct taxation or through local charges. The Putting People First document on local government reform is worth reading in this regard. With greater local collection of charges it will be more necessary to monitor local government and budgets. The people who elect their councillors will have the power of scrutiny and through this and other checks and balances they will be able know what their local authorities are doing in return for the money they receive.

Deputy Catherine Byrne: The local property tax is important for supporting this economy and allowing our country to emerge from the current recession. The previous Government took the easy option of hiding the property tax under the carpet. It did not have the courage to introduce the tax because it knew it would be crippled in election. The people saw what happened in the dark, however, and they made the decision to put the country in the hands of a Government which is willing to make the hard decisions to turn the country around.

The system of levying tax according to the value of a property is a fairer and easier way of collecting local taxes. This is the norm in other parts of the world, including in Northern Ireland and Great Britain, where people pay property taxes in return for services. The payment arrangements are fair and there will be a choice of payment by instalments, from pensions or through social welfare. It is preferable to operate a system in which people can contribute by instalments rather than require them to make a one-off payment.

It is also fair that, in respect of the household charge, the Revenue Commissioners will have the opportunity to bring some of that money back into the country's coffers. People who paid it in the past were annoyed that many others did not get to pay it. Deputy Mattie McGrath told us to speak to our constituents. I speak to my constituents all the time. I am not asleep on this issue. People believe it is their duty to the State to pay taxes. They do not want anything for nothing and they certainly do not want a handout.

The Deputies opposite who encourage people not to pay this tax should remember they are the beneficiaries of State expenditure. Election to this House brings responsibilities and requires courage. Several years ago the campaign of opposition to council waste charges created chaos in our communities, brought on the privatisation of waste collection and left people with huge outstanding bills. Deputy Joan Collins stated that she would stand with the people. She did not stand with them when they could not pay the arrears on their bills. They came to my office to ask me to intervene with the local authority to relieve them of their arrears. If she is going to stand with the people this time, she will have a huge bill on her hands once she finishes. It is hypocritical that Members refuse to acknowledge the bigger picture of the future for our children and grandchildren. It is time Deputies stopped sending negative messages to communities in which people are willing to pay charges. At every public meeting it is the same round-up of cowboys and indians.

Deputy Éamon Ó Cuív: I welcome the opportunity to tease out the principles and options we face in respect of this issue. Deputy Kyne stated that the proposed tax will provide a stable form of revenue. I am sure Deputy Mathews, who is a good man with figures, will agree that if we had levied property taxes based on market prices at the height of the boom the revenue derived from it would be two to three times greater than the amount that could be taken this or next year. Property prices have, of course, collapsed. The idea that the tax as formulated by the Government is somehow more immune to the variations of the economy than any other tax is rubbish. As currently proposed, it will be totally cyclical and as the market for houses improves, the revenue from it will increase, but if the market collapses in the future, it will collapse.

The collapse in revenue on the capital tax was relatively small. If that was all that we had lost we would not have a problem. The collapse in the big three of PAYE, PRSI and VAT receipts caused the wider crisis in the public finances. Other taxes in which there was a percentage collapse may be more easily identified as connected to the collapse but the loss of income to the State was from the big three. This tax will be equally cyclical. Therefore, there is no benefit in having the wider basket of taxes if what the Minister is trying to do is create stable sources of income. The difference between this tax and rates is that the rates tax was largely immune to the cycle because it was purely the choice of those setting it.

Deputy Seán Kyne: Fianna Fáil got rid of rates.

Deputy Éamon Ó Cuív: With great support from Fine Gael. It was the prerogative of those involved to fix the rate. Therefore, there was no automatic collapse as property prices collapsed.

I hate it when some people accept the perceived wisdom without analysing it. The perceived wisdom is that because every other country has something, we must have it too. Who says every other country is right? Who says taxing family homes is a good way to go? To be honest, if the Government had stated it was going to exempt family homes but was going to place a levy on all fire and theft insurance policies on personal property over a certain value - Rembrandt paintings, jewellery and yachts - I would have said that was a fair idea because these are not necessities of life but luxuries. However, what it is doing is taxing the family home and in doing so it is hitting families.

One of the things that has made Ireland a very stable society has been the high rate of ownership of the family home. I have argued with local authorities and my colleagues when in government about this issue. Recent policies brought forward by officials in the Department of Finance and accepted by some politicians have consistently tried to undermine this aspect. I accept that local authority policy makes provision for the RAS and other such arrangements for those who do not have children. However, I do not accept that type of policy in the social housing sector for people with children because too often in my career as a politician I have seen the upset caused when people are moved from place to place and from house to house and when children must change schools and so on. We all know the more stability families have, the better it is for society. I do not agree with the elimination of the assistance we have been providing for first-time buyers of houses, particularly where children are involved. We must face up to the fact that with regard to the stability quotient, it makes a significant difference when children are involved. I have always been opposed to forced or induced apartment living where children are involved. If we seek outcomes for society to give our children a chance, these issues are important. However, what has the Government done? It is totally anti-children. Let us recall, for example, three areas that it has hit. It has hit struggling families straight between the eyes in the budget. In the case of child benefit, the bigger the family, the bigger the hit. I always remember the total lack of understanding on the part of the Minister for Finance, Deputy Michael Noonan, when he asked me, when I was Minister for Social Protection, what I had got against the third child in a family. The reason he asked that question was that I was not willing to do what the Government has done, that is, hit the third and successive children with a double decrease in one year. His comment to me in 2010 showed that he did not understand the system of child benefit. Therefore, the policy now is to hit children and the more children there are in a family, the harder they are hit.

The Government is hitting the same families with the property tax and and the changes to PRSI. This is a double hit when two parents are involved in rearing a family. This is the wrong way to go. Philosophically, we should be making houses affordable. However, we are imposing a property tax at a time when, as Deputies on the Government side have rightly pointed out, people who bought houses during the property boom paid large sums in stamp duty.

I wonder how much this will add to the bank bailout costs. There are 168,000 mortgages in arrears, or one in five. Now the Government is looking for the people affected to pay another €300 or €400. If they cannot pay their mortgages, they cannot pay this tax. What choices are they meant to make? They must choose between Revenue or the bank coming after them. There is the old saying that one cannot squeeze blood out of a turnip. Therefore, something will have to give. If the people concerned do not pay their mortgages, the banks will get into even deeper trouble and be able to lend even less money to productive enterprises and the Government will have to provide the money. If the people concerned do not pay the tax, the Government's arithmetic will come apart and Revenue will have to prosecute them.

A surprise element of the proposal was not made clear on budget day, that is, that local authorities must pay the tax on all rented local authority houses, with a few exceptions. Local authorities tell us that they do not have the money and that the only way they will be able to raise it is by upping differential rents. Anyone in a local authority knows that differential rents are already pitched at what is considered to be the highest amount that can reasonably be charged for a house for a family. Are local authorities to increase differential rents, or must the deficit of city and county councils increase? Sooner or later that chicken must come home to roost.

This is an ill-conceived tax. It is not required by the troika. If I want proof that it could be changed, all I need do is think of the extraordinary triumph of the Governmentin its first few weeks after coming to power, a triumph of which it continues to remind us. It is one I am happy it achieved in that it succeeded in raising the minimum wage. It proved its mettle at the time. It proved it could do the job and that if the bottom line was correct, the troika did not really care how the figures were achieved. The troika only cares about the bottom line and if the Government comes up realistic alternatives, it will accept them.

We brought forward a number of socially progressive alternatives in our alternative budget. We suggested a levelling off of the USC for employed persons to the same level applicable to self-employed persons on incomes over €100,000. That would still leave employed persons, compared to the self-employed, with a significant advantage in terms of the employee allowance that does not apply to self-employed persons. That would have raised a considerable amount of money. It would have been progressive. The State would not have been putting any additional burden on the self-employed.

Deputy Alex White: Fianna Fáil said in its pre-budget submission that this measure would raise €200 million, but in fact it would have raised €70 million. Is that not the case?

Deputy Tom Hayes: They got mixed up.

Deputy Alex White: The difference was €130 million.

Deputy Éamon Ó Cuív: The argument that everyone would give up working if they were taxed at 57% has been shown to be invalid. The self-employed have not stopped working since they have had to pay that level of tax, or slightly higher. We have also proposed the introduction of a 10% levy on off-licence sales, which would have a huge social benefit. Everybody in this House who has a mite of sense knows we face a huge timebomb due to the increased consumption of cheap alcohol bought in off-licences.

Deputy Alex White: Absolutely.

Deputy Éamon Ó Cuív: Whenever I say something should be done about off-licences, I am accused of being on the side of the vintners. It is well known that I am not exactly a big pub person.

Deputy Tom Hayes: What does this have to do with the property tax?

Deputy Éamon Ó Cuív: It has a lot to do with it.

Deputy Barry Cowen: We are proposing alternative ways of raising funds.

Deputy Éamon Ó Cuív: It is about alternative sources of money.

Deputy Tom Hayes: The Deputy is getting mixed up. He should address the Micheál Martin tax instead of talking about something that has nothing to do with the Bill.

Acting Chairman (Deputy Seán Kenny): Can we have order please and can we address the Bill please?

Deputy Tom Hayes: Exactly.

Deputy Éamon Ó Cuív: I am explaining why the Bill is unnecessary. I am explaining my point. Rather than imposing taxes on householders who cannot pay, I am proposing the introduction of a progressive tax that would do some good. I was very keen on the second home tax, which we introduced when we were in government. I was not 100% happy with the way we did it, but I would like to see it at a premium in this country in the case of holiday homes. Many of those who own second dwellings that are for their personal use do not even reside in this State. Four out of every ten houses in certain parts of my constituency are not the principal private residences of anybody. I have always argued that this is one of the flaws in our tax system. I believe that people who can afford that kind of luxury can afford to pay an extra tax. When we debated the non-principal private residence tax, my view was that the extra rate should not be imposed on those who rent their second houses to people for whom it is their principal private residence. At least people in such cases pass on their houses, in exchange for rent, for others to use as their homes. The reason I believe an extra tax - a surcharge tax or whatever one wants to call it - should be imposed on owners of holiday homes who are not resident in the State is that such people use our services but do not pay any taxes here, under the existing arrangements. If one bought a house in Spain, Portugal or any other country, of course one would have to pay tax on it.

Deputy Luke 'Ming' Flanagan: Unless one is the Minister, Deputy Hogan.

Deputy Tom Hayes: Everyone will pay the household tax.

Deputy Éamon Ó Cuív: They will pay it at the exact same rate. I know it shocks all the people who have second homes for personal use to hear this. I remind them that this measure will impose a tax on people who cannot afford to pay it in respect of the only home they have.

Deputy Tom Hayes: People with second and third homes will have to pay the tax.

Deputy Éamon Ó Cuív: They will be taxed at the exact same rate. We should be legislating for the difference between a luxury and a necessity.

Deputy Tom Hayes: What rate would the Deputy suggest we impose on second homes?

Acting Chairman (Deputy Seán Kenny): I ask the Deputy to allow Deputy Ó Cuív to speak.

Deputy Tom Hayes: I am seeking clarification on the rate at which he would set the tax he is proposing.

Deputy Éamon Ó Cuív: The Deputy knows that when we introduced the non-principal private residence tax, we set it at a rate of €200 and did not require anything to be paid in respect of one's primary residence. I invite him to work out on that basis what I think should happen in this instance. It is a question of the general approach or attitude of the State towards house ownership. Is it Government policy to provide that fewer and fewer people in family situations in this country own their own houses, just because that is the case in other countries? If that is not the policy of the Government, it should structure its tax reliefs, its tax policy and its charges in a way that facilitates the ownership of houses, particularly in circumstances where children are involved. The next question that arises is ability to pay. The problem with this tax is that it has no relationship with ability to pay. Another argument relates to those who bought houses at highly inflated prices and paid high levels of stamp duty. It is a Dublin argument, but it is a valid one. The people in question will pay more tax under this proposal because houses of the same square footage tend to be more expensive if they are in the capital. That will have an absolutely negative effect on those who genuinely bought houses because they needed somewhere to rear their families. That is inequitable. This proposal is ill thought-out. There is no proper philosophy behind it. The way it is constructed makes this an unstable form of finance. Most fundamentally of all, this measure breaks the golden rule of democracy, which is that one should rule with the consent of the ruled.

Deputy Alan Farrell: I would like to share time with Deputies Tom Hayes, Paschal Donohoe and Pat Breen.

Acting Chairman (Deputy Seán Kenny): Is that agreed? Agreed.

Deputy Alan Farrell: I accept this is probably not the best time to be introducing a property tax. That it is based on market value means it will clearly be slightly unfair to people in urban areas, particularly Dublin but also Cork, Galway, Limerick and places like that. It is regrettable that those in cities are subventing those in rural areas again, primarily because house values are lower where demand is lower. I understand that we are in a difficult set of economic circumstances. I understand completely that the figures for this year and the next few years are done. I did not hear what my colleague, Deputy Mitchell, may have said earlier. It was given to me second hand. I will of course support the Government on this initiative. I hope we can actively review it in the future, having analysed the figures to see precisely where the income is coming from, and try to allocate it more appropriately or more fairly.

I do not wish to attack Sinn Féin's position on the property tax. Some of its Deputies spoke earlier about being hamstrung by Westminster and all the rest of it. The fact remains that the average property tax payment north of the Border is approximately €1,000, whereas the average payment south of the Border will be approximately €400. Yet again Sinn Féin is taking a different approach to politics south of the Border, compared to north of the Border. I often find that quite ironic. Fianna Fáil now claims it is the wrong time to introduce a property tax even though it committed the State to its introduction and the raising of €530 million before the end of next year. No doubt this is a duality of position for party political and personal gain on the part of the individual Members who continue to spout that line.

I regret that so little time is being allocated to this debate.

Deputy Peter Mathews: Three hundred minutes.

Deputy Alan Farrell: I do not understand why we are rushing through this debate to get the Bill passed before Christmas. The reckoning date is May and it is not being introduced until July. I find it very odd that we are rushing through another Bill.

Deputy Peter Mathews: There is 1 minute and 38 seconds per Deputy.

Deputy Alan Farrell: The charitable housing bodies have made a cogent argument. I am sure all Deputies have received and read the e-mails. I am not sure why we are taking money from local government to give to local government, which seems pointless. The income limits for exemptions, at €15,000 for an individual and €25,000 for a couple, are clearly too low. What about the couple living next door to me who have a €300,000 mortgage and a household income of €31,000? I have seen the payslips; they pay €1,700 a month for their mortgage and are in arrears. What about the countless other families? We are simply adding a debt burden to those individuals. The income limits should be reviewed.

I welcome the Minister's proposed exemption for those in pyrite-affected estates. He alluded to this earlier when he said it would be referred to in the finance Bill. I welcome that because approximately 12,500 people living in estates such as mine in north County Dublin and dozens of others across the State are affected. These estates will be examined and the detail, of course, will be most important.

During the debate some people have mentioned that those in negative equity are somehow being unfairly treated in the introduction of a property tax. Negative equity is irrelevant in terms of the ability of a person to pay. For those not selling their houses, negative equity is not an issue. They pay their mortgage and other bills as they normally would. The only time it will affect people is when they go to sell. Obviously there are many choices to be made by people such as me, and doubtless countless others in this House and across the State, who are negative equity.

I again register my annoyance at the completely insufficient time allocated to debate the Bill.

Deputy Luke 'Ming' Flanagan: Hear, hear.

Deputy Tom Hayes: I am glad to have the opportunity to speak on the Bill. Many of us have concerns about the introduction of a tax such as this. Any extra tax that is introduced is bound to be unpopular, but the reality is that we have no other choice. I am disappointed that Deputy Ó Cuív walked out because he was a member of the Government that signed up to this. I understand new Fianna Fáil has to go about new ways of doing things. Shame on the old jokers who were in the previous Government that signed up to this and who now come in and change their story. The reality is-----

Deputy Seán Ó Fearghaíl: The remarks being made by Deputy Hayes-----

Deputy Robert Dowds: Are totally apt.

Deputy Seán Ó Fearghaíl: -----are so profound that they should be heard by some of his colleagues. Therefore, I call a quorum.

Notice taken that 20 Members were not present; House counted and 20 Members being present,

Deputy Tom Hayes: I would call it populist politics. In opposition in 1977, Fianna Fáil promised to abolish rates because it wanted to be popular. Nothing has changed in those years since 1977. Fianna Fáil, again in opposition, is against the local property tax. We need to be open-minded and fair. We can do nothing other than introduce it and apply it as fairly as we can. The challenge facing the Government is to ensure the property tax is fair. I have come across many people with mortgage and other financial difficulties. In his opening statement this morning, the Minister for Finance, Deputy Noonan, said he was considering some of those people. I am not sure that enough of them are covered. In the next Stage of the Bill I will be asking that mortgage holders in financial difficulty be considered.

Acting Chairman (Deputy Seán Kenny): The Deputy has one minute left.

Deputy Tom Hayes: Am I not allowed the time lost when the quorum was called?

Acting Chairman (Deputy Seán Kenny): We have a system that records the time and it is indicating that the Deputy has one minute left.

Deputy Tom Hayes: I beg the Acting Chairman to give me more time because I want to make a second point. When people are paying a local charge it should be transparent, such that the work that needs to be done in these areas is seen to be done. We should be able to look back on an annual basis and verify that local authorities are doing the work required, whether it be on roads, houses, footpaths or lights. Local area services need to improve now that we are introducing a tax. I call on the Government - whether it is the Minister for the Environment, Community and Local Government or the Minister for Finance - to ensure that services improve. People do not mind paying for something if the service is improved. I ask that such a provision be included and that we review it on an annual basis.

Deputy Paschal Donohoe: Is it any coincidence that Ireland is one of the few countries in the world that does not have a non-transaction-based property tax and is also a country with one of the biggest banking collapses, one of the biggest housing collapses and one of the biggest general government budget collapses in history? Not having such a tax in place or a broad enough tax base partly explains why these three traumas fell upon our country.

Many in the Opposition have said this tax will have an impact on family homes and on families who are already under terrible strain and difficulty. Of course the Government has an obligation to provide public services to the same families. The Government must also provide for social welfare payments, schools, hospitals, teachers and nurses to the benefit of those families. It also provides money to ensure their local authorities are working properly. The Government continues to face an enormous gap between what we take in in taxes and what we spend. Until we get to the point at which the level of public services we want is paid for by the level of taxes we can bring in, those same families will continue to be under pressure, vulnerable and concerned for their future.

4 o'clock

That is why the principles underlying our tax system are so important and must be well thought out.

I welcome several aspects of the proposed property tax, but I also have some concerns and observations that I would like to see addressed. As far as positives go, I welcome the role of the Revenue Commissioners in the collection of the charge. One of the main problems with the implementation of the household tax was that not enough people understood how they could furnish their payments and, moreover, the options for doing so were very limited. It was much easier for people to purchase refuse bags or top-up telephone credit in their local shop than to pay that tax to the State. Second, I welcome the progressive element of the new tax whereby houses valued at more than €1 million will be liable for a higher rate of payment. That is an essential element in any progressive tax system. In that regard, I also welcome the cancellation of the household charge. A flat-rate tax which bears no relation to the value of the asset being taxed is not ideal. Finally, I welcome the inclusion of a deferral system for families whose income circumstances are particularly tough.

On the other side of the coin, I have several concerns regarding the provisions of the Bill. Before setting them out briefly, I am anxious to move away from the notion which some of my colleagues have raised that the tax will mean that urban areas could be subsidising non-urban areas or particular areas in Dublin subsidising other areas in the same county. That is a dangerous path to go down. We already have a situation where the energy produced in one part of Ireland is consumed by another part of the country. Likewise, tax receipts from agriculture, for example, are spent in urban areas. I am wary of pursuing a line which seeks to split people into different categories based on the area or county in which they live.

My first concern regarding the proposed tax is that it will inevitably cause difficulty for people who purchased their homes at a very high price. In this context, I would like to see the date after which a local variation can be introduced brought forward from 2016 to give a greater recognition of the different circumstances throughout the country. Second, more should be done to ensure that funding streams to local authorities are protected. Third, it is important that income thresholds are reviewed. As our economic situation improves and tax revenues continue to grow, this is an area which should be prioritised when it comes to dispersing those dividends. Just as the collapse of the housing sector was one of the causes of the great difficulties we are now facing, we must ensure the implementation of the property tax does not add to the difficulty.

Deputy Pat Breen: I welcome the opportunity to contribute to the debate on this Bill. The introduction of any tax is never popular, but particularly so in the midst of the greatest recession since the foundation of the State. Property taxation is the norm throughout the world and the proposed rate of 0.18% compares favourably with the rate in other countries. I note that while Sinn Féin is opposed to the introduction of a property tax in this State, it, as a party of Government in the North, does not seem to have any difficulty with a much higher charge being levied in that jurisdiction. A householder in the North whose home is worth €200,000, for instance, is expected to pay in the region of £1,500 annually in property tax. In this State, on the other hand, the owner of a property of the same value will pay only €202 next year and €405 in a full year. The Government's success in keeping the charge to a minimum is very welcome. Furthermore, the Minister's undertaking not to increase it over the lifetime of the Government offers certainty to householders. This week's edition of *The Economist*, a very reputable publication, refers to the "modest" property tax being introduced by the Irish Government against the background of a collapse in property prices.

I recently met with a group of business people in Shannon whose concerns related mainly to local authority rates, which are a huge problem for businesses in every town and county in the country. These particular business owners, from Shannon, Ennis and Kilrush, had their premises valued at the height of the boom and the rates assessed on that basis. Despite the downturn and the reduction in property prices, they are still expected to pay the same rates. The inclusion in the Valuation (Amendment) Bill 2012 of a facility for the revaluation of business premises is particularly welcome in this context. I look forward to discussing the issue when the legislation comes back before the House.

As we know, the household charge was an interim measure. From the dealings I had with constituents last year, I would agree with my colleague, Deputy Paschal Donohoe, that the problem was not so much that people were unwilling to pay the charge but that the methods of payment were not very accommodating. In some circumstances, in fact, people found it impossible to furnish their payment. As such, I welcome the proposal that the Revenue Commissioners will conclude a service agreement with An Post whereby people can pay the property tax at their local post office. This will assist home owners in rural areas, especially the elderly, with the added benefit of enhancing the viability of community post offices.

In line with a similar provision under the household charge, section 7 includes an exemption from the new property tax for charities. Will the Minister clarify whether this includes the residences of priests? Specifically, I have been contacted by the diocese of Killaloe regarding the residences in its area which are registered in the ownership of St. Flannan's (Killaloe) Diocesan Trust, a registered charity. The concern is that the wording of the section seems to suggest that the exemption is conditional on a property being provided for special needs accommodation, which does not match the exemption criteria for the household charge. Ultimately, the charge in this case will be borne by taxpayers on behalf of the parish, so it is an issue the Minister should clarify.

Deputy Dessie Ellis: I propose to share time with Deputy Mary Lou McDonald.

An Leas-Cheann Comhairle: That is agreed.

Deputy Dessie Ellis: The proposed tax on family homes is not only an attack on those who own their own homes but also on those who rent local authority housing. It is a regressive tax which does not take into account the dire financial circumstances in which so many now find themselves, including the tens of thousands of families in negative equity. It is also an attack on the civil rights of citizens, who will be forced to pay the charge out of their wages or social welfare payment. We are told that the Government has to make tough decisions. Ordinary people are making tough decisions every day, such as whether to put bread on the table or withhold their rent, mortgage, electricity, gas or telephone bills. People are forgoing essentials to make ends meet and eke out an existence. That is how serious living has become in this country. The Government, however, is targeting the least well-off, including women, children, carers and people on low and middle incomes.

I commend Deputy Colm Keaveney and others in the Labour Party on their recognition that enough is enough and the threshold of decency has been passed. We have a serious housing problem in this State. It is a crisis that has been raging for several years, precipitated by the abject failure of every Government since the foundation of the State to deal with the shortage of social housing. The current demand, more than double the lowest levels ever recorded in the State, is approximately 100,000 applicants on the housing waiting list, with an additional 100,000 on RAS and rental supplement, which I do not consider to be housed.

Local authorities, housing bodies and co-operatives house many thousands of people in every county, borough and city. They provide that most basic of things, a roof to lie under and a place to call home. A state which fails so many in this regard is not one of which to be proud. Funding for social housing has been cut repeatedly in recent years following decades of the running down of public housing and the long-running attempt to relinquish the State of the responsibility for social housing provision. The buck has been passed on to the housing bodies which cannot meet the demand and are getting cut by the Government. The private rental market has also been enlisted, being subsidised by more than €600 million every year, as more than 100,000 families are on rental subsidy and RAS. It is a shame that we have gone down that road.

Last week, the Government cut a further €46 million from the local authority housing budget, down to €65 million from €189 million in 2011. Regeneration projects, in Cork, Dublin and Limerick in particular, have been cut by €34 million. Funding for Traveller accommodation has been virtually abolished. That is unsurprising given who is Minister for the Environment, Community and Local Government. Traveller sites and homes are to be liable for the tax. Housing is not a priority for this Government. The thousands in substandard, overcrowded, unaffordable accommodation crying out for a decent place to live, the cut after cut to housing and the increase in the number of those sleeping rough and shelters bursting at the seams are all testament to that. Now we have the home tax, which is the nail in the coffin for anyone who was naive enough to believe the Government gave a fiddler's for housing. If the Government rejects the Sinn Féin amendments, the new tax will be levied on the houses provided by local authorities and housing bodies. That will add approximately €5 to €7 a week on each council property. It is an absolute scandal. For local authorities across the State that means a bill of approximately €25 million. According to Respond! Housing Association it will cost it up to €400,000 and cost the voluntary sector €3 million as a whole. Most likely, those figures do not take into account the loss of work hours calculating the levy on these bodies for the audacity of doing a job the State has failed or shirked.

Local authorities are supposedly to benefit from the home tax. What a lot of nonsense.

What benefit will councils realise as they fork out for every home they have provided? The only conclusion is that this money will be taken from services the council provides. In Dublin, we have a crisis not just in provision but also in the upkeep of social housing. How much will the council cut from maintenance to pay its bill for the home tax? Will tenants be forced to pay higher rents? Will local authorities have to front-load the tax? Given that some tenants are already struggling and many are in arrears, one could ask how we will get money from such people.

I urge the Government to support the amendments my party has submitted. The amendments would exclude social housing from liability. It is unacceptable to force any person or family on social welfare to pay out of their payment. We would also exclude pyrite-affected homes. Families who live in homes which have serious structural problems or are threatened by them should not have to pay the tax. Such people were failed by the State which did not properly regulate to weed out materials contaminated with impurities like pyrite and there must be recognition of that. I welcome the exclusion of unfinished estates but I ask that the owners of homes in problem buildings or estates such as Priory Hall, The Laurels, Gleann Riada, Aileach Valley and Balgaddy would also be included. To do anything else would be to act irrationally and callously. We have had too much of that from the Government already.

Many of my former Labour colleagues on the council have decided to abandon the tenants for whom we all fought in the council chamber. We fought to keep rents down and to help such tenants by seeking increased funding for maintenance. Members have let tenants down. They have forgotten where they came from. There are alternatives. We have shown what they are. One such possibility is a wealth tax. It is being used more and more in Europe. Even the opposition in Germany has proposed a wealth tax. Let us look at possible alternatives and listen to proposals made by others. People have rights and it is a breach of civil rights to go after people's money. It is an outrage that we have come to this stage. There may be legislative reasons why this measure should not be allowed. It is outrageous. I call on Members to vote against the Bill, which will impose huge penalties on families, far more than people realise. In January or February people will be beating down our doors on all the other budget cuts. This tax will elicit the same response when people see what is involved. I urge Members to vote against the Bill.

Deputy Mary Lou McDonald: How much time do I have?

An Leas-Cheann Comhairle: Twelve minutes.

Deputy Peter Mathews: Deputy McDonald is lucky.

Deputy Mary Lou McDonald: Indeed. It is difficult to know where to begin. This is an unfair and unjust proposal. It comes hot on the heels of social welfare cuts rushed through the Dáil yesterday. We are all acquainted with those. I hope we are all equally acquainted with the consequences that the cuts will have on people's domestic budgets, on their standard of living and decisions they will make on whether they can pay their energy bills, pay rent or buy a new pair of shoes or a coat for a child.

I am conscious sometimes that when I raise such issues they might be considered a little mundane for a Chamber as auspicious as this one. It is worthwhile for all of us to remember that in the final analysis when all the political rhetoric has been done and dusted and people have dug themselves into whichever political trench is appropriate, we all go home and we go back into the real world. The communities I represent are no different to those of many other

Members. In the real world, people are struggling. That is not just rhetoric; that is the truth.

One could ask why the property tax is wrong and irrational. It is because people cannot pay it. Sin é. I will go into more detail in my finessed political arguments but the bottom line is that people do not have the money, end of story. In theory, the Minister for Finance, Deputy Noonan, might think it a noble thing to introduce this new form of taxation. He might make arguments about broadening the tax base and point to other jurisdictions. That is alright, but he must come back to the inescapable reality that people are not able to pay it. It is not just those people to whom my colleague, Deputy Ellis, referred, tenants of local authority flats or houses. They undoubtedly will endure a hike in their rent, or a further reduction in maintenance services. That will be a significant problem for them. However, there is a whole other category of person who bought a home of their own that is now struggling with negative equity but, more to the point, with mortgages they simply cannot pay anymore. The Central Bank figures that emerged this week inform us that one in four home owners are now unable to maintain their original mortgage contract. That is where it is at. We have come through the trauma of a property bubble that was inflated over the years, disgracefully and irresponsibly, by Fianna Fáil-led Governments. The bubble burst and we are left with the wreckage of it. There are families throughout this country, in urban and rural areas and across the classes, which, by virtue of having bought family homes, are trapped in a real nightmare of debt and of trying to muddle through, perhaps on an interest-only or other restructured arrangement. There is a need for a reality check. It must be stated repeatedly that this tax is wrong and also that it is crazy and irrational, especially as those whom the Government wants to pay it cannot do so.

This is not a measure which broadens the tax base. If the Government was truly broadening the tax base, it would be seeking to open up a new revenue stream from new sources. Of course, that is not what the measure before the House will do. Under this measure, the Government will return to the same families which find themselves in very difficult circumstances, put its hand in their pockets and say "We want some more". It is picking the pockets of the very people who carry the burden of taxes and charges and who are expected to adapt to the various cutbacks. I query any argument to the effect that this measure involves a broadening of the tax base. I just do not believe that such an argument stands up to scrutiny.

Deputy Donohoe referred to progressivity and to the mansion tax. If the latter is the token gesture towards progressivity, well then God help us all. The mansion tax issue entered the equation simply because the Labour Party unfortunately lost the argument in respect of the imposition of higher levels of income tax on those who earn in excess of €100,000. I presume the Minister, Deputy Noonan, was chief among those who resisted this very reasonable and fair proposition. It is not progressive to hammer people for more tax on their family homes when, as policymakers, those in government are aware that the individuals to whom I refer are struggling just to meet their weekly bills. There is nothing progressive in that.

It is interesting to note that very few waivers will be on offer. The deferral for which provision is made is almost like a stay of execution for people. It is as if the Government were saying: "We want your money, which you cannot give us now. However, we will lie in wait for it up to and including your death and the disposal of your property. We will come and get our cash then." This is an astonishingly callous approach. The fact that those in government could not even find the wherewithal to provide a comprehensive schedule of waivers speaks to the fact that they are deluded.

The Government had choices. The Labour Party knows that there are such choices but that when reference was made to them, a deaf ear was turned. I very much regret that. Let us not pretend that choices do not exist. The Government could choose to tax wealth, for example. That would be a fair choice, particularly in the current climate. Notwithstanding the economic collapse, we know there is still considerable wealth. The Central Bank's quarterly accounts for Ireland released in August show that net household wealth in this country in the first part of this year was in the region of €447 billion. Even taking account of the fact that wealth has been undermined, degraded and reduced year on year and that the figure might be slightly lower as 2013 approaches, there is no doubt there are substantial holdings of wealth.

If the Government is serious about broadening the tax base and creating new revenue streams and if it has the cop-on to understand that in raising revenue, one should not take actions which further damage the domestic economy and kill off confidence and spending power, it would consider the concept of a wealth tax rather than taxing family homes. The major political question which arises is why those in government have so stubbornly turned their faces away from that option, particularly when wealth taxes are accepted and levied, and are standard policy, in so many other European countries. We are not asking the Minister, Deputy Noonan, to break new ground here. Why does he so steadfastly refuse to consider, cost and investigate a wealth tax? The Minister has been extremely cavalier when it came to smacking another charge on people's family homes.

I am very conscious of the fact that we are discussing these matters in a very short timeframe and that this debate is taking place so close to Christmas. For very good reasons, people's thoughts are elsewhere because they are making preparations for themselves and their families in respect of the holiday season. I get the sense that those at leadership level within the Government may be assuming that this measure will be rushed through the Dáil, that it will send its Deputies back to their constituencies with the deal done, that they can retire to their homes and eat their turkey and ham and that everything will be done and dusted. I put them on notice that as the new year dawns, as the reality of the social welfare, health and education cutbacks hits home and as working class and middle income, middle class families do the maths on their domestic budgets, they are going to come under considerable pressure in respect of this matter. This will not be a result of the fact that people do not want to pay their taxes. Let us put that one to bed. People will pay their fair share of tax, especially as they know we are in a very difficult economic position. We are all grown ups and we all get that. However, the people know they cannot give the Government what they do not have and that it is not possible to take blood from a stone. They also know the real meaning of that four letter word "fair". This word has been gravely abused by the Government. This tax on the family home is not fair and the dogs in the street know it.

A demonstration in respect of this charge took place outside the gates of Leinster House earlier this afternoon. I was approached by one of the protestors, a man from Wexford, who asked me to tell the Minister something. I stress that this individual is not a Sinn Féin voter. He asked me to inform the Minister that he pays his taxes and will continue to do so. He also wants the Minister to know that, as far as his family is concerned, the budget is very tough medicine to take. What he wanted me to tell the Minister most of all is that placing a charge on his family home - along with everything else that has been imposed - means that this matter has now moved from the political to the personal. I suspect that this man and many more like him will be outside the gates of Leinster House and Members' constituency offices in the near future saying they cannot pay this charge, that the Minister should be fair and reasonable and that he should tax wealth and not the family home.

Deputy Brendan Ryan: I welcome the opportunity to contribute to the debate on the Bill. There are many different aspects of it in respect of which I could speak but I propose to focus on one. My colleagues, Deputies Kevin Humphreys and Dowds, will address some of the other issues to which I refer.

As the Minister is aware and as he indicated earlier, there are many houses in north County Dublin, Leinster and throughout the country which have been affected by pyrite. The effects of pyrite have been well discussed in this Dáil term by me and a number of other Deputies. Although progress towards a resolution is slow, we are moving towards a solution. We are not yet at a stage were the pyrite problem has been solved, but at the same time we are on the verge of introducing this local property tax which is to be based on the market value of a property. How much would anyone pay for a house with a pyrite problem? We all know the answer to that question. As the residents of pyrite affected properties will say, they are unable to sell their homes at any price, which, in essence, means such properties have no market value.

I ask the Minister to introduce an amendment to allow properties with a chronic structural failure caused by either pyrite or the use of substandard materials to be made exempt from the local property tax until such time as such properties are fully remediated. Such a measure would also exempt properties in complexes such as Priory Hall in Dublin. It would be very unfair for the owners of these properties to have to pay a tax on a property that has no market value. The exemption of pyrite affected properties is also recommended in the report of the pyrite panel which was published in July. I ask the Minister to consider my request. It is within his power and gift to ensure these homeowners are given some relief at a time when they are suffering so much. It has been mentioned many times in the House by many Deputies that the overwhelming majority of people who live in pyrite affected homes bought them at or near the height of the boom. They have very high mortgages and many have young families. This has been a difficult week for these middle income families. We now have an opportunity to give them a little comfort by exempting them from the local property tax. I understand there might be some technical impediments but none that cannot be overcome with enough political will, which I believe the Minister has.

I suggest the proposed lowest valuation band be changed from €0 to €100,000 to €1 to €100,000; and that a separate category of zero valuation be added. This would allow those living in pyrite affected homes, or the residents of Priory Hall, to declare a zero value rate for their properties and be exempt from the tax. The Bill, as it stands, provides that a person who declares a zero valuation for a property will be liable to pay a €90 full-year charge. I understand this would not be acceptable. The Government needs to act for those who have been the victims of cavalier builders and the light touch building regulation that defined Fianna Fáil's period in office.

The Minister for the Environment, Community and Local Government, Deputy Phil Hogan, is working on delivering a solution to the pyrite problem, generally. A solution will be achieved. However, until that moment comes, a gesture by the Government in the form of an exemption from the local property tax would be a tangible indication to the homeowners concerned that it is serious about addressing their problems. I look forward to the Minister's response and what I hope will be a commitment to exempt these hard-pressed householders.

The Minister said:

> The Government is conscious of the very real costs and difficulties faced by people

whose homes have been affected by pyrite. My colleague, the Minister for the Environment, Community and local Government has indicated that he considers that houses demonstrated to be subject to a certifiable level of pyritic heave should receive a waiver from the local property tax. I propose to address this issue in the context of the Finance Bill.

I am concerned about the phrase, "subject to a certifiable level of pyritic heave." It is proposed that householders will be required to pay for certification, but some householders may not be in a position to afford to pay for such tests. I suggest, therefore, that they be permitted to declare that their propertie have zero value. They should not be subjected to further expense to prove to Revenue that their houses have been damaged by pyrite.

The Minister referred to exemptions for properties in certain ghost estates. He should not base the exemptions on a list drawn up in respect of the household charge. Some estates have been exempted and others should be. A full review is, therefore, required.

Deputy Kevin Humphreys: It is nearly 40 years since rates were abolished. The former residential property tax was confined to Dublin. Some speakers have recommended adopting elements of taxation systems in other countries such as the wealth tax in France but not its property tax and another tax from somewhere else. Deputy Richard Boyd Barrett's views on the increase in DIRT were very balanced in the debate on the budget. He said he regarded it as a wealth tax. On the other hand, Sinn Féin does not regard the DIRT as a wealth tax. I listened to Deputy Dessie Ellis's contribution. He and I were councillors. He ran a very efficient campaign against bin charges, the outcome of which was the privatisation of waste services in the Dublin area.

Deputy Dessie Ellis: Labour Party councillors-----

Deputy Kevin Humphreys: Now we see the effects of his campaign. Therefore, I take the views of the two previous speakers with a grain of salt.

The Bill provides that commercial and residential properties will be subject to tax in order to fund local government services. I ask the Minister if he will consider a tax on land. I have concerns that the tax cheque is to be handed over to the Custom House with no clear definition on how the money is to be distributed. I, therefore, ask for regulation or legislation indicating how the funds are to be allocated.

It is clear that homeowners Dublin will subsidise those in the rest of the country. Property in Dublin is much more expensive than elsewhere. In most small towns and rural areas house valuations will be in the lower valuation bands. I believe in social solidarity. However, wealthier areas of the country will subsidise less affluent areas. We all pay the same energy charges. Electricity services cost the same in County Kerry as they do in Dublin, even though provision in County Kerry is more expensive. Approximately 48% of the housing stock in County Donegal will be valued at below €100,000. This will mean a charge of €45 per house next year, a reduction of €55 on the household charge. Approximately 43% of houses in County Mayo will be valued in the €150,000 band. The average house valuation in Dublin city will be €300,000. Approximately 33% of homes in the constituency of Carlow-Kilkenny will be valued at the lower rates. The average charge in following years will be €90, a reduction of €10 on the household charge. There will, therefore, be a need for subsidisation to rebalance county council budgets.

This tax should not be seen as a Dublin tax, a Cork tax or a Galway tax. However, it will be difficult to explain to a homeowner in Ringsend that his or her small house is valued at a higher figure than a mansion in Leitrim, that his or her property tax will be used to subsidise hedge cutting in Manorhamilton. Has the Minister considered the introduction of a charge of €5 an acre on productive land? Will he tax brown field sites and land zoned for residential use to limit the number of derelict sites and the rezoning of land in urban areas?

I refer to Deputy Dessie Ellis's views on the voluntary housing sector.

I question Deputy Ellis's figures. My calculation indicates that the cost per unit for voluntary and social housing is approximately €2. I am not sure how Deputy Ellis worked it out.

When this Bill passes through the Dáil next week, we will have a period in which to reflect, fine-tune and determine how the legislative mechanisms can be used fairly and productively. The proposed tax is a form of wealth tax. I look forward to hearing the Minister's response later in the debate.

Deputy Robert Dowds: I thank the Minister for his engagement on this matter, both inside and outside the Chamber. This Bill is one of the most important the Government will introduce and I welcome the opportunity to discuss it. As one with a keen interest in local government reform, I am particularly interested in knowing how the Bill will affect local government.

I am well aware that the Irish tend to be instinctively opposed to property tax despite the existence of the tax in pretty much every other European country. The tax has certain advantages in that it is a form of wealth tax, as Deputy Kevin Humphreys stated. This is why most left-wing parties in Europe support it. Broadly speaking, the wealthy pay the most, although I know there are some exceptions. The tax, if introduced properly, would provide an independent and stable income stream for local authorities. Transferring revenue-raising powers to local authorities would reinvigorate local democracy.

I strongly support the remarks of Deputy Brendan Ryan on homes affected by pyrite.

Since Fianna Fáil abolished rates in 1978, as one of its attempts to wreck the country, local authorities have been left without a substantial independent stream of funding. Once again, it falls to a Labour-Fine Gael Government to try to sort out the fiscal mess. Over the past decade, the absence of a local property tax contributed, in part, to the considerable property bubble. We are still dealing with the consequences of this. Fianna Fáil may attempt to attack the Government over the introduction of a property tax but I recall hearing a former Fianna Fáil Taoiseach, Mr. Brian Cowen, on "The Late Late Show" admitting ruefully that Fianna Fáil should have introduced a property tax to slow down the property bubble. Had he removed section 23 much earlier, it would have made a considerable difference. It is hypocrisy for Fianna Fáil to criticise this measure given that it agreed with the EU and IMF that it should be introduced.

I will not refer to Sinn Féin's position because everybody knows the great contrast between its views on paying local charges in Northern Ireland and paying them here.

Deputy Brian Stanley: One gets services in the North.

Deputy Mary Lou McDonald: One does not pay water charges-----

Deputy Robert Dowds: Two Sinn Féin partitionist parties.

Deputy Mary Lou McDonald: They are two different jurisdictions.

Deputy Robert Dowds: Having said that, I note there are some serious issues surrounding this Bill.

Deputy Mary Lou McDonald: Yes; people cannot pay the tax.

Deputy Robert Dowds: First, we need to be deeply conscious of the fact-----

An Leas-Cheann Comhairle: Could we calm down?

Deputy Mary Lou McDonald: The country is partitioned.

Deputy Robert Dowds: I did not interrupt Deputy Mary Lou McDonald when she was speaking.

Deputy Jonathan O'Brien: He does so every morning during Leaders' Questions.

Deputy Robert Dowds: We need to be deeply conscious of the fact that a high proportion of our population is either unemployed or affected by unsustainable debt. For this reason, deferrals of property tax for certain categories of people are essential. I welcome the deferral system, as laid out in Part 12 of the Bill. However, I ask the Minister to examine this again because there are inadequate provisions for those in serious mortgage arrears. We cannot get blood out of a stone. I support the Minister's not applying property tax for the first three years after the purchase of a house by a first-time buyer.

An issue arises regarding social housing. I suggest that all social housing, whether controlled by local authorities or housing associations, be valued in the lowest band. In other words, one would pay €90 for a full year, thus easing the operation of housing associations and the burden on low-income tenants.

We must ensure balance across urban and rural areas. I will not make my points on this matter because I largely concur with the remarks of Deputy Kevin Humphreys on the subject.

There are two sections on which I want to focus, section 20 and section 157. There is a case for considering a greater local adjustment factor than that of approximately 15%, for the reasons alluded to by Deputy Kevin Humphreys. I ask the Minister to consider whether a 25% local adjustment factor might be more appropriate given the considerable gap between certain rural and urban areas. I say this although I accept we must have some equalisation measure.

It is very important that the proportion of the property tax that will go directly to the local authority be written down in black and white. In the Minister's speech, he referred to the Thornhill report and to 65%. Why is this not written into the legislation? I suggest the figure be higher than 65%. I ask the Minister to consider this seriously. To have this legislation accepted, it must be seen as fair. As presented, I do not consider it fair in regard to the division between urban and rural areas.

Deputy Jonathan O'Brien: The Deputy should vote against it so.

Deputy Robert Dowds: With regard to section 157, I am greatly concerned that the property tax revenue, as with motor tax revenue, will go directly into the Central Fund. I would like the proportion to be given to councils to be given to them directly. Central government should have no say in how the local authorities allocate it.

As one can gather, I favour property tax, but I strongly believe the Bill is flawed. For it to succeed in the longer term, we should have more time to consider it. I agree with the Opposition in that regard. I ask that we not rush the Bill through next week.

Deputy Peter Mathews: The sum of €3.5 billion is the start of this problem. The troika states we can operate according to our own sense of justice and equity but that we must make a saving of €3.5 billion. We have all accepted that. In principle, all things being equal, a property-based tax to fund local services is acceptable in normal circumstances. We are not in normal circumstances, however, we are trying to turn a tanker in a very short period. When doing so, one looks to the strongest shoulders. As the Minister, Deputy Noonan, will know from our internal meetings, I propose that there be, for three years, a national recovery levy on high incomes, namely, incomes in excess of €120,000. I stipulate €120,000 rather than €100,000 in the interest of families. Stability and support for families have been eroded over the past 15 years, initially with the individualisation of taxation. This is a sinister form of taxation that is anti-family. Erosion has occurred in other ways although I cannot elaborate on them now.

I commend Deputy Mitchell's contribution in which she pointed out the unfairness in terms of Dublin *vis-à-vis* Donegal with regard to what it costs to run local authority services *per capita* and how they can be funded. This taxation proposal is not fair in that regard.

There are three shoulders that could bear this load. First, a three-year national recovery levy of 4% could be placed on those on high incomes - that is, salaries of more than €120,000 - across the board; second, a 2.5% levy could be placed on multinational corporations or indigenous corporates, which would raise another €600 million at a minimum. If one adds up the revenue that would be derived from those two levies, it would amount to €1 billion. Third, a 5% betting tax could be placed on turnovers of €5 billion, which would produce further revenue. Those are three simple ways this revenue could be raised - three pools of reserves that could shoulder the burden of the sudden change that is needed for the next three years.

Deputy Clare Daly: I would like to share my time with Deputies Boyd Barrett, Wallace, Donnelly and Higgins.

An Leas-Cheann Comhairle: That is agreed.

Deputy Clare Daly: As a committed socialist, I can assure the Minister that, contrary to his earlier assertion that this tax on the family home is a tax on capital assets or some form of Marxist ideology, it certainly is not. The idea that a home for which people have spent a lifetime paying or to which, in other instances, they are shackled for another 20 or 30 years is some form of asset to be sweated is a total outrage which has struck fear into the hearts of residents the length and breadth of this country. It is not good enough for backbenchers to wax lyrical and voice their concerns in a weak-kneed manner. The Government needs to get real. For many people in our State, homes are a liability that they would get rid of if they could, but they would not realise even a fraction of what they paid for them. The idea that council tenants and tenants of voluntary housing bodies will have an extra debt burden foisted on them is abhorrent. The idea that the solution to the problems facing those in mortgage arrears, who cannot make ends meet, is to foist another debt on them is outrageous. To add to that, the sop given by the Minister - that the situation of those who have houses afflicted with pyrite, whose homes are valueless, will be examined in the finance Act - is not good enough. What sort of tax relief will they be given and who will deem the granting of such relief? Who will deem the certifiable level of pyritic heave? Who will pay for the testing and so on? Apart from all those people who are in dire economic straits, to add insult to injury, it is considered that people who are poor can have the privilege of paying extra. The Government deigns that the poor can pay more and that their families can pay more when they are dead. This is one of the most draconian pieces of legislation that has ever been put before the House.

People often talk, sometimes in exaggeration, about taking food out of the mouths of families or children, but that is literally what this legislation proposes. What the Minister is proposing, unlike any of his predecessors, is to forcibly put his paw into the pockets and into wage packets of workers and take from them moneys that they would otherwise spend on electricity, food and so on. The idea that he can do this without provoking a reaction is an absolute fallacy. He has clearly chosen to wage war and it will be met with outright resistance. In my opinion, this property tax, which is a home tax, will be the match thrown into the dynamite factory of Irish society. The Minister let the cat out of the bag and exposed the backdrop to this - that the reason he is doing this is not to improve our situation but to pay for the private debts of bankers and bondholders and the deficit in this State. The idea that taking money from people will only, as he said, have a small adverse effect on economic performance is rubbish. Next year he proposes not to take half a year's property tax from people but to take a year and half's property tax.

The Minister asked what our alternative is. I will give it to him in 20 seconds. Our alternative is that if he were even to enforce the existing rate of corporation tax - he would not have to increase it - he would get €4 billion in revenue, which is the equivalent of eight years of home tax revenue. People realise this is nothing more than daylight robbery and they will strenuously resist this measure.

Deputy Richard Boyd Barrett: I believe Deputy Mitchell said that this measure might provoke a revolution and I certainly hope it does. Even short of a revolution, it may well be the rock on which this Government perishes and I hope it is for the sake of the country and our economy. If the Minister proceeds with this measure, there is no question but that he will be driving hundreds of thousands of families into poverty and despair and he will devastate the already devastated domestic economy.

When we say that people cannot pay this tax, that is clearly apparent; the facts speak for themselves. Some 1.3 million people have less than €50 a month after they pay their bills, 40% of population have to borrow to pay their bills as matters stand, and 22% of households are jobless. These figures are worse than those in Greece and Spain, for all the Minister's claims that we are in a better place than them. Some 160,000 people are in mortgage distress or have had their mortgages restructured. Those people, many of whom face an overlap of difficulties, are hit by all the different aspects of this crisis and they cannot afford to pay this tax.

If one's house in Dublin is worth €200,000, one will have to pay property tax of €405 per year or €33 per month. If one has two children, that tax liability will be on top of the loss of €20 in child benefit and, if one is working, the loss of €20 a month due to the removal of the PRSI exemption. That will push tens of thousands of people under the limit. They simply cannot afford to pay this tax. The imposition of the tax is a guaranteed sure-fire recipe for plunging hundreds of thousands of low- and middle-income families into poverty. They will have no choice but to revolt and, believe you me, they will revolt. If the Minister thought he saw a major popular explosion against the household charge, wait until he sees the revolt that will occur as a result of this.

I appeal to the Labour Party and to the Fine Gael Deputies who have rightly spoken out against this measure and appealed to the Government, even though its members have not listened, to examine fair alternatives that would involve taxing the profits of corporations or those who have the money to pay, to break ranks with the Government, because it is sending the country down the Swanee. I appeal to them to stand with the people who elected them, to stand with this country and with the ordinary citizens, and to break with this Government which will destroy the economy and devastate the lives of hundreds of thousands of families.

Deputy Mick Wallace: The property tax, at this difficult time, lacks fairness and good economic sense. The decision to give special new powers to the Revenue Commissioners to take money from people even when they may be struggling to put bread on the table is draconian in the extreme. This property tax, on top of all the existing challenges that many people face, will contribute to driving our domestic economy further into the ground, driving more of our young people out of the country and driving more people into poverty.

The political philosophy that drives this form of government thinking is not new; it is called neoliberalism. The world-renowned political writer Noam Chomsky describes it as the defining political economic model of our time. The term refers to policies and processes under which a relative handful of private interests are permitted to control as much as possible of social life in order to maximise their personal profit. Neoliberalism can rationalise anything from lowering taxes on the wealthy and scrapping environmental regulations to dismantling public education and social welfare programmes. Any activity that might interfere with corporate domination of society is automatically suspect because it would interfere with the workings of the free market, which is advanced as the only rational, fair and democratic allocator of goods and services. At their most eloquent, proponents of neoliberalism sound as though they are doing poor people, the environment and everybody else a tremendous service as they enact policies on behalf of the wealthy few. The economic consequences of these policies have been the same just about everywhere and exactly what one would expect - a massive increase in social and economic inequality, a marked increase in severe deprivation for the poorest nations and peoples of the world, a disastrous global environment, an unstable global economy and an unprecedented bonanza for the wealthy.

5 o'clock

The ultimate trump card for the defenders of neoliberalism, however, is that there is no alternative, as the Minister for Communications, Energy and Natural Resources, Deputy Rabbitte, said on RTE radio this morning. Communist societies, social democracies and even modest social welfare states have all failed, the neoliberals proclaim, and their citizens have accepted neoliberalism as the only feasible course. It may well be imperfect but it is the only economic system possible, they argue.

Neoliberalism operates not only as an economic system but as a political and cultural system. It works best when there is a formal electoral democracy but not when the population is diverted from the information, access and public fora necessary for meaningful participation in decision making. As neoliberal guru Milton Friedman put it in his *Capitalism and Freedom*, because profitmaking is the essence of democracy, any government that pursues anti-market policies is being anti-democratic.

What we are left with is a political philosophy that amounts to a trivial debate over minor issues by parties that basically pursue the same pro-business policies regardless of formal differences and campaign debate. Democracy is permissible, as long as the control of business is off limits to popular deliberation or change. The neoliberal system, therefore, has an important and necessary by-product - a depoliticised citizenry marked by apathy and cynicism. We have that by the bucketful now. Could one blame our citizens?

Deputy Stephen S. Donnelly: I would like to start by voicing my opposition to the Government's use of the guillotine on this legislation. This is the second time it has happened in two days. Yesterday, the guillotine was used on the Social Welfare Bill. Such a move intentionally stifles much-needed parliamentary debate on these two critical Bills.

Before the last general election, the government parties talked a good talk about reform, a new type of politics and a meaningful role for Dáil Éireann. It turns out that it was just that - talk. There has been no democratic revolution, no maturing of political debate nor any meaningful role devised for Dáil Éireann.

I am not trying to convince the Minister for Finance of anything on this property tax. The arrogance of this Cabinet has rendered it incapable of listening to other people's ideas. Instead, I will use the few minutes I have to give a voice to those who cannot pay and to those who should not pay this tax. Starting with those who cannot pay, one in five mortgages is now either in arrears or is being restructured. One child out of ten is now in food poverty. Two adults out of every three have less than €100 a month when bills are paid. That was before their PRSI was raised and their child benefit was cut this week. Does the Minister think they will have a few hundred euro spare at the end of next year to give him?

As for those who should not pay, on what exactly are we taxing those who paid tens of thousands of euro in stamp duty and are now in negative equity? We are taxing their debts. Before the last election, the Government promised to help people caught in that trap. Instead, it has increased their income tax, cut their child benefit and caved into the banks on finding meaningful solutions to distressed mortgages. To top it off, the Government is now going to tax them on the debt that has financially destroyed them but, somehow, it will exempt first-time buyers from the tax, an extraordinary move.

This is not a wealth tax. If it were, the Government would not tax people in negative equity. It is not to raise money for local services. If it were, the Government would tax the occupier of the house who uses the local services and it would fully adjust for regional variations in prices. It is not a progressive tax. If it were, there would not be this meaningless single jump at €1 million. This tax is not fair. If it were, stamp duty would be considered and people in Wicklow, Dublin and other urban areas would not have to pay multiples of what other areas will pay. Most of all, this tax is not necessary. The figure used for how much this tax will raise is €500 million. It is not. Taking out €500 million from the economy is going to reduce economic activity. Using the Government's own multiplier, the Government will raise €350 million from this tax. However, next year's Exchequer figures include pay rises of €700 million for public servants over the past four years. The property tax will raise half the amount needed for pay rises to public sector workers. So much for paying for vital public services.

I have tabled amendments for Committee Stage that address all the issues I have raised but not one will be taken. If those on the government backbenches believe they have a role that can influence legislation, will they tell the Minister they will not vote this Bill through next week in its current form?

Winston Churchill said, "For a nation to try to tax itself into prosperity is like a man standing in a bucket trying to lift himself up by the handle." Good luck with that.

Deputy Joe Higgins: The Finance (Local Property Tax) Bill is one of the most odious Bills to come before the Dáil in many a year. It is a tax to transfuse even more of the economic lifeblood of ordinary Irish people to the parasitic bondholders and bankers in the European financial market system and those gamblers who lost in their speculation on the Irish property bubble. Two Quisling Governments have salvaged them with a criminal austerity agenda making working class people pay instead. Labour and Fine Gael will go down in infamy for this legislation which will transform the homes of ordinary people from, what should be a place of happiness and respite from a turbulent world, into a source of constant insecurity and worry with a yearly tax demanded, along with draconian penalties and sanctions implied.

Each and every Labour Member who votes for this new home tax is guilty of sordid treachery against working class people. They have betrayed the people they pledged to protect during the general election campaign. Once the people get the opportunity, they will be swept aside and dumped as comprehensively and contemptuously as their Fianna Fáil predecessors were.

The Government cannot be allowed think that because it has given responsibility for this tax to the Revenue Commissioners, with the power to deduct it from source, that it has, therefore, an intimated population at its mercy. The Revenue Commissioners will rue the day they were given responsibility for the administration and the attempt to collect the poisoned chalice that is the property tax. Revenue will face massive, prolonged, active and organised opposition. It will face a massive boycott of the process of registration and payment for the home tax in April, May, June and July next year. Revenue, if it tries to cow and intimidate decent taxpayers with draconian penalties, interest, court action and fines, will be fought in house-to-house combat with an organised campaign with regional and national solidarity. Revenue, if it instructs employers to deduct this home tax from workers' wages, will face strike action in both public and private sector workplaces as workers will move, inevitably, to defend their already much assaulted wages from a new, unjust and unjustified imposition.

Let no one take seriously the weasel words we heard today from some government Deputies who squealed about a possible injustice and unfairness to the home tax payers of Dublin because of higher house prices there. That is a cheap ploy to divert attention from their treachery and to curry favour with the constituents they are actively betraying in voting for this Bill. This will be in vain. The Government will not face division between urban and rural on the property tax issue but the national solidarity of working people, the unemployed and pensioners. There will be a common and national fight in solidarity against injustice.

Let us have no more of the mendacious formulations that the property tax is a broadening of the tax base. Section 65 gives the lie to this once and for all since it instructs employers to take the property tax from the same wage that income tax comes out of, in the same way as income tax and at the same time. Let us have no more of this pretence that the property tax comes from some mysterious source other than workers' wages.

There is an alternative: no more of Irish workers' economic lifeblood to bondholders and bankers, tax the super wealthy, invest in public infrastructure to put hundreds of thousands of people back to work and remake this broken economy. It could then provide the taxes and resources we need for our services in health and education and for our elderly people and we could create a decent and sustainable life with dignity for all our people, young and old.

Deputy Michael Lowry: There is a reluctant but growing acceptance that a property tax will become a reality. The local property tax in its current form has sparked widespread concern and considerable anger from those who simply cannot take any more pain and who are now living in fear. The local property tax compounds the harsh effects of this budget on families, the elderly and those on lower incomes. The persistent message from my Tipperary constituents is simple: their income has been cut to the bone and any further taxes inflicted will devastate household finances. The budget has created a real fear that Revenue will come down heavily on vulnerable families for the local property tax. These families are understandably frightened at the wide-ranging powers of attachment vested in the Revenue Commissioners. Essentially, the Bill will allow Revenue to take money at source from a social welfare recipient, a farm payment, a wage packet or a bank account. These strong-arm collection tactics will lead to families sacrificing other essential needs to ensure the tax is paid. This may mean no heating will be turned on, no food will be on the table, bills will fall into arrears or the mortgage will not be paid. The deferral system built into the Bill is illogical and will serve only to saddle strained individuals with a mammoth bill later. In fact, it punishes individuals who cannot pay immediately by slapping a 4% interest charge per annum.

Many families have slogged and saved for many years to put a roof over their heads. They are now being crucified by these measures. The narrowness of the exemptions in the Bill will cause severe hardship and pain for home owners. A system based solely on the value of the property and which takes no other considerations into account is grossly unfair and inequitable. Why has no regard been given to other factors such as negative equity, stamp duty paid or an individual's ability to pay? There is no relief for those who purchased large homes in recent years but who now have limited incomes. A large home does not necessarily equate to wealth. Many such people have seen their incomes decimated and are now struggling with a large house they can no longer afford to maintain. Many of these people invested their savings in a banking system that collapsed. Why is the income and wealth of home owners not taken into account? The Government has failed to protect those crippled financially by negative equity or mortgage arrears. It has simply ignored these present-day realities in our society and intends to impose a blanket charge on everyone, irrespective of ability to pay or the impact it will have on those on lower incomes.

What consideration did the Government give to a site valuation tax? Why was a decision made to pursue a tax based on the value of the property? How are home owners with no relevant experience to determine the market value of their home? What support will be given to assist home owners with the valuation assessment? Will a commitment be given that no adverse reaction will ensue if such a home owner erroneously undervalues his house? Who will be the final arbitrator where there is a dispute over the value of a property? If this power is afforded to the Revenue Commissioners, has due reflection been given to the fact that the Revenue has no experience of valuing homes or the property market in general? Where financial resources are limited or non-existent, will the Revenue Commissioners take precedence in collecting the charge over other creditors such as the banks? We are certain to witness many situations in which banks and mortgage lenders will be in competition with the Revenue in a mad scramble to get the first squeeze on the last euro from the property owner.

An Ceann Comhairle: I call Deputy Liam Twomey, who is sharing time with Deputies O'Reilly, Lawlor, Eoghan Murphy, Heather Humphreys, Feighan and Doyle.

Deputy Liam Twomey: Many people have had a good deal to say about this property tax. A good property tax will be progressive, help to keep property prices stable in the long term and encourage the appropriate use of housing stock. This is important because in the long term we need to ensure we have a sustainable housing stock. Although this may be a difficult time to introduce such a tax, in the long term it will be useful. The Minister will have to consider where a section of people are being significantly hit.

It is difficult to discuss this in our national Parliament because the angry man politics of recent days does not encourage us to believe there could be a reasonable debate. As a matter of interest, I went through some of the Sinn Féin proposals because I found them interesting. They are somewhat cloak and dagger. It appears that even a Deputy would be better off under the Sinn Féin budget than under the Fine Gael and Labour Party budget, an interesting interpretation. In the past half hour I have heard voodoo economics and people encouraging revolution, and it has hit a low point. Clearly, Deputy Boyd Barrett never read a book about revolution, on what can actually happen to people in a revolution and who is most affected. He would be better off spending his time coming up with more sensible solutions which we could read over and examine to see if they make more sense than the nonsense we have listened to for the past half an hour.

We understand what people are suffering. We understand that concerns have been raised about the property tax and many of the other budget measures. However, at least we are trying to give a fair stab at looking after people in a proper way and we are trying to get ourselves out of this mess, rather than the raw meat we have been forced to listen to. It is easy to see why a Government would want a guillotine debate in the House if that is the quality of the debate we are listening to.

Deputy Joe Higgins: Back to the blueshirts, is that it?

Deputy Liam Twomey: The issue is the quality of the debate from Deputy Higgins. It is absolute nonsense and it makes absolutely no sense. It is voodoo economics with no solutions and nothing solid, only lectures about revolution and asking people to go out on the streets and destroy property and lives. We have long since put that behind us.

Deputy Joe Higgins: What property has been destroyed of late?

Deputy Liam Twomey: We are trying to find proper solutions. Why does Deputy Higgins not put forward a balanced budget and shows us what he believes in?

Deputy Joe Higgins: Deputy Twomey should read our website.

Deputy Liam Twomey: We will do so. I have read the Sinn Féin website. I hope there is more clarity than in the Sinn Féin website where there was no clarity. It is anti-democratic to use the Dáil Chamber to stoke fear and anger in people. There should be a more solid debate about these measures and I hope there will be next week. There are problems with this legislation and many people on this side of the House have acknowledged that, rather than the derision and hatred from those in the Opposition when they mention these things. That is not the way a national parliament is supposed to work. I expected more with regard to this debate.

We know that many people in negative equity will face a serious crisis with regard to how they will pay this property tax. There will be some solutions produced beyond what the Minister has proposed to help people out. At least there is a game plan to what the Government seeks to do with the property tax rather than the Fianna Fáil flip-flopping. That party agreed to this with the IMF and that is wrong.

Those in Sinn Féin must think that no one in Derry listens to the "Six-one" news show. People in Derry are paying £1,500 for what is basically a property tax. The same party down here maintains that we should not have anything like it. That is hypocrisy and it amounts to misleading the people. It is contributing to the anger and frustration that people legitimately feel because we are going through the worst crisis the country has ever seen since the State was founded.

I had expected to say more about it but there is no possibility of holding a reasonable debate in the House, of discussing how to impose rates on businesses, how to tax the profits of businesses, how to help businesses that are struggling, how to apply the same rules to households under pressure, whether we should ask people who can pay more to do so or of holding a proper discussion about issues such as child benefit. Clearly, this will not happen when those in opposition are simply lazy and all they want to do is stoke up anger or pretend they are angry. That is all I have to say.

Deputy Luke 'Ming' Flanagan: That was inspirational.

Deputy Joe O'Reilly: A reasonable bystander in the Gallery this afternoon could only be struck by the hypocrisy and cynicism of the people speaking on the Opposition benches and by the quality of their debating skills. In listening to Sinn Féin they will be aware that it supports the average £1,000 per annum property tax in the North. They will also be aware that Fianna Fáil accepted the concept of a property tax in the EU-IMF deal and that in its alternative budget which was not costed by the Department of Finance it proposed the continuation of the household charge which it laterally stated was unfair. The reasonable bystander will also be aware that the Members on the back benches who purport to be socialists are being contradictory in opposing the first reasonable attempt in a long time to establish a progressive form of taxation, one which has some relationship to property, wealth and so on, is a feature of virtually all modern democracies and vital in any meaningful form of local government. It is an appalling position to be in for people who propose to be left wing. It is accepted by the OECD, the ESRI and the Commission on Taxation that this form of taxation to reach our targets is the least threatening to employment. It is the safest option in our attempts to retain jobs. The bands are reasonable in that the bulk of people, whom Members on the benches opposite purport to represent, tend to live in houses worth €200,000, in respect of which the property tax next year will be only €112.50. In a full year it will be €225 and in 2014, €315. Homes worth more than €200,000 - let us be reasonable and fair - are in different terrain.

Deputy Michael Lowry asked how people would know how much they were to pay. There will be a direction from the Revenue Commissioners in this regard. The reason a site tax would not be inequitable is that there could be a mansion with a swimming pool, etc on one site, while on the adjacent site which would be of the same value, there could be a modest dwelling. We will never have real local government until local government can raise revenue, which will be ultimate outcome of the introduction of this tax, is accountable to the people for how it spends revenue and until such time, as in the case of America and most other European democracies, as there is a relationship between local services and local taxation gathering.

While this proposal is not perfect and will require tweaking and monitoring, it is an attempt to achieve a progressive system of taxation and give teeth to local government. It is a real attempt at equity in that the lower bands are unthreatening. We are all aware that people are enduring hardship. That is not being questioned.

An Ceann Comhairle: The Deputy is over time.

Deputy Joe O'Reilly: In this House we have a moral responsibility to face up to the facts. We are either going to correct the finances and give future generations an opportunity or squander it on the face of opportunism. The responses of the Opposition have been hugely hypocritical.

Deputy Anthony Lawlor: I must ensure in the future that I do not follow Deputy Joe O'Reilly.

An Ceann Comhairle: The Deputy is wasting time.

Deputy Anthony Lawlor: When I was young, I often accompanied my father who was a rates collector when he went to collect rates in Kilcock. Everybody paid them, regardless of whether they were living in a local authority house, on a farm or in a large property in a rural area. They were collected on behalf of the local authority and spent by it. People want to be assured that whatever they pay to the Revenue Commissioners will be paid over to the local authority in their area. As stated by Deputy Joe O'Reilly, it is important that there be a connection between the person paying for services through his or her taxes and the local authorities.

I would like to raise a couple of issues with the Minister. I have tabled an amendment to section 133 which deals with executors of wills. The Bill, as drafted, provides that an executor must pay the property tax, even though he or she might not be a beneficiary. Perhaps the Minister might consider allowing the executor to defer payment until such time as the will has been dealt with.

Another issue of concern to me is that people living in housing estates who, like those living in apartments, pay management fees in respect of street lighting, internal sewers, repairs to footpaths, water systems and so on. These issues are not addressed by local authorities. Perhaps the Minister might consider an exemption for people living in estates already paying management fees in respect of repairs.

Despite the rhetoric of the Opposition, people throughout Europe pay property tax. It is extremely difficult to listen to Sinn Féin speak against the introduction of a property tax here while it supports such a charge in the North. Those socialists who have expressed their opposition to the introduction of a property tax here are at odds with their brethren elsewhere in Europe. I welcome the introduction of the property tax, in respect of which some tweaking will be required in the future.

Deputy Eoghan Murphy: While I understand the property tax has been designed in this way because it is, perhaps, the most efficient and effective way to collect it, I regret that I do not agree with it. Looking at it from a perspective that would be different from that of the Revenue Commissioners and from the point of view of reform of local government, the introduction of local service charges for households, thus shifting some of the burden from local businesses in bridging the democratic deficit at the local level, and from an urban perspective, I would not have designed the tax in this way. I admit, however, that I have not been able to design a property tax that would meet all of the necessary requirements. In that regard, I note the proposals brought forward by the Dublin Chamber of Commerce, in particular its idea of banding rural and urban properties together.

No one likes paying taxes. However, they are an essential element of the social contract.

It is important to recognise some truths in this matter, even though they might not fit with the agenda that some in public life are trying to promote. In this economy those who earn more pay more, which is how it should be. We have a larger social transfer of wealth in this country than in any other European country, from the higher to the lower paid. This is achieved through the income tax system. We should not now be providing for a fiscal transfer from urban areas to rural areas by way of a national property tax as this undermines what is already being achieved through the payment of income taxes. Also, it poses a danger to social cohesion and is unfair.

While we want property prices in general to rise in order that some of those in negative equity can be lifted out of it, we do not want a return to the mentality of the past, when booming property prices were seen as a sign of progress and the property market was taken as an indicator of economic and general prosperity. There is a risk that levying this tax on the perceived market value of a property may do this. There is a further risk in relying on a tax designed in this way as a stable source of revenue, as we did in the boom years because it will be procyclical and, in a recession, will lead to an impact in terms of declining government revenues, as happened recently.

On the particulars of the tax, we should attempt in some way to take into account those who in recent years paid stamp duty. This would only be fair, given the significant amounts paid.

On the concept of a mansions tax, this additional levy is not justified, as it is not based on the size of the property or its state of repair. It is notional and a penalty for which there is no real economic justification. It is grossly unfair to people living in Dublin who may be paying much more than those living outside the capital on a far smaller property. This also applies to the lower levy, not just the mansions tax.

On deferrals and exemptions, more work needs to be done in this regard. I support Deputy Anthony Lawlor's amendment on the executors of wills. As for occupiers, I they, not only the owner, should bear part of the burden.

I have corresponded with the Minister on this issue on a number of occasions this year. He knows where I stand on the matter. While I will support him in his decision on this matter, I will continue to work constructively to try to address some of my concerns with the current design before the tax is introduced. When it is implemented, we should move immediately to reform it to have a proper local services charge, to be raised locally and administered by the local authorities, one which would reflect the real costs of providing services for the people who use them.

Deputy Heather Humphreys: I welcome the opportunity to contribute to this debate. Having considered the Bill, I would like to raise three specific issues which have been raised with me by my constituents in counties Cavan and Monaghan.

Will consideration be given to people living alone who have no source of income other than the State pension? I appreciate there is a provision to defer the tax, but for many older people, it is not in their nature to leave debt behind. Perhaps the Minister could look at some mechanism to take account of elderly people living alone. I also ask the Minister to consider also those who paid high levels of stamp duty that was subsequently squandered by the previous Government.

I wish to raise the issue regarding the executor of a will who has been charged with selling a house and dividing the sale proceeds between those who stand to inherit the moneys. Is it possible to ensure that persons acting in the capacity of executors of wills be included in the list of persons allowed to defer payment of the property tax, save where the executor of the will - and his or her spouse or partner - is the sole or joint beneficiary of the property concerned? This would eliminate persons deferring the payment of the tax indefinitely because they are also the only beneficiary of the property. This would also eliminate the need for executors to pay their own moneys in settlement of the property tax liability and while liability would continue to accrue, it would not become due until the property was disposed of. In such circumstances, would the Minister consider not applying a penalty?

Deputy Frank Feighan: After 14 years of reckless financial mismanagement of our economy, this country was in peril. This Government has a difficult job in trying to get the country working again. Taxes such as this one are very difficult to introduce. There is a very loud minority but there is also a silent majority who appreciate what needs to be done. They are sharing the pain, which is very difficult for each and every citizen.

There are no easy fixes and no soundbites that will get us back to where we were, but we must work together with a programme to get our country working again. It is not easy to introduce any tax but it must be fair and the Minister has done everything possible to ensure this property tax is fair. Many people have got into a frenzy and perhaps it is time for those in the media and on the social media to reflect the fact that we are trying to do a job in the most difficult circumstances. Tomorrow I will have 200 to 300 farmers at my door, but that is fine. I am able to face up to that because I believe I am part of a Government, with the Labour Party, that will ensure our country will be working again. I have no problem with standing up and fighting to ensure this country is back working again.

Deputy Andrew Doyle: I thank the Ceann Comhairle for the opportunity to speak on this Bill. We tend to forget that in 1977, when rates were abolished, their abolition was ridiculed as a political ploy and as economic recklessness. At the time I did not have a vote but I do remember people giving out, not about the rates *per se* but about the valuation method used. The old poor law valuation method was deemed to be archaic and out of date, which it was, and what it needed was reform rather than abolition. In 1977 we were recent entrants to the European Union, or the European Economic Community as it was then, and money seemed to be flowing in. It appears that we came to the conclusion, on the basis of money coming into Ireland in a never-ending stream, that we did not need the money collected by way of rates. We had the same situation after the advent of the euro, when people thought that money would flow in indefinitely. It was very easy and the Germans, the banks and others, who must bear some responsibility, decided that we were a good case for credit. Credit came in too freely without any proper oversight and we saw what happened.

Deputy Murphy and others have referred to the property tax as a services tax and I would like this tax to be called thus. I would also have preferred it if occupiers were duty bound to pay some of the tax because that would have given a far stronger signal that the tax is for the provision of services. Fundamentally, the tax should be for services for householders. The money raised should be ring-fenced, as far as possible, for the local authority in the area in which it is collected. Furthermore, the people who collect it and are charged with spending it should be accountable to the public.

We need to look at fine-tuning the deferrals because there are many people who do not have an ability to pay and who paid dearly in terms of stamp duty on their houses. I know of a person who was not a first-time buyer and one third of his significant mortgage was for stamp duty. We must also evaluate the tax on an ongoing basis. Finally, I ask the Minister to clarify the issue concerning how far the powers of the Revenue Commissioners extend with regard to collecting the tax.

Deputy Robert Troy: As a relatively new Member of this House, I am deeply frustrated and disappointed by the manner in which the Government has scheduled debate in the House this week. As an elected representative of my constituency, I was given a mandate to represent the views of the constituents of Longford-Westmeath. This week, two very important issues which will affect every family, not just this year but for many years to come, have been guillotined. I was lucky enough to get five minutes to speak on the Social Welfare Bill and now I am lucky enough to get seven or eight minutes to speak on the Finance (Local Property Tax) Bill. The latter legislation will have serious ramifications for years to come but is being rushed through this House, despite that it will not come into effect until June 2013. This legislation should have been debated in the context of the Thornhill Report, which has been sitting on the Minister's desk for months and which he has not had the courtesy to make available to other Members of the House. By curtailing debate in this House, the Government is effectively telling the people it purports to represent that it does not wish to hear their views. Are we living in a dictatorship?

Admittedly a form of property tax was part of the original memorandum of understanding with the troika, but this Government has proven that the memorandum can be renegotiated. To its credit, the Government renegotiated on the minimum wage, on which I congratulate it. We all know the troika wants the targets to be met and my party supported the Government in its €3.5 billion correction this year. We also produced a costed alternative, A Fairer Way to Recovery. When Government party Deputies claim our proposals were not costed, are they telling the people that the replies to parliamentary questions are inaccurate? All our information was obtained through the Department of Finance and through parliamentary questions.

When the Government parties drew up their 2011 election manifestos, what did they say? Fine Gael said "an annual recurring residential property tax on the family home is unfair". The Labour Party, while it agreed with a site valuation tax, argued that further detailed study would be required to provide a fair basis for such a charge that would take account of the value of the property in different regions, the need to exempt some categories of home owners and the need to take account of those who recently paid large sums in stamp duty or who are in negative equity. That party's manifesto stated that such a charge could not be put in place "before 2014". Both party's positions have changed quite significantly since then, but then again, their position on many policy issues has changed significantly since 2011. The Minister for Communications, Energy and Natural Resources, Deputy Rabbitte, said on television last weekend that it is okay for politicians to say one thing in the lead-up to an election and, once elected, to do a totally different thing.

My party's position has changed from where it was then. We believe this is a wrong tax at a wrong time. It is a tax on the family home which will hit struggling home owners at a time when they can least afford it. It will further suffocate a property market which is on its knees. It will reduce domestic spending and will, ultimately, damage the economy.

Let us look at the people who cannot pay this household tax. Figures released this week by the Central Bank show the true extent of the mortgage arrears crisis. One in four family home mortgages are either in arrears or have been restructured. The simple reality is that 180,000 mortgage holders are experiencing difficulties in repaying their mortgages. How can the Minister expect them to pay a household tax when they cannot pay their mortgages? This comes on top of the Government's failure to support people facing mortgage difficulties. It has permitted the State-owned banks to increase mortgage interest rates and has given them a veto on the Personal Insolvency Bill. It has changed the qualifying criteria for people who apply for mortgage interest relief to make it much more difficult for those who are most in need of support. Now it is arguing that it is fair to tax their family homes because it is done in other countries. It is like giving a glass of water to a drowning person.

I have more to say about those who paid stamp duty or are in negative equity. This is a regressive tax. Take two houses in Mullingar valued at €150,000. In one house a family earns €20,000 per annum while the family in other house comprises a working couple who earn €70,000 or €80,000. Both families will pay the same household tax and both will take the same hit to child benefit payments, fuel surtaxes and PRSI charges. This tax takes no account of people's ability to pay it.

The budget was regressive, just like the last one. Is the Government that out of touch with the people it purports to represent? We proposed a fairer route to recovery which involves taxing those who earn more than €100,000 because they have broader shoulders, but the Government does not care about that. It wants to treat everyone the same, whether rich or poor. It is disgraceful that I will not even get ten minutes to speak on this Bill because of the guillotine. The Government does not want to hear the hard truths about how many people are suffering. How many members of the Cabinet know what it is like to live in a negative equity house? How many know what it is like to be unable to put food on the table? How many know what it is like for old people to turn the heat off in their homes at night because they cannot afford oil? I suspect that not one member knows or cares. What they are doing is utterly disgraceful.

Deputy Charlie McConalogue: How much time have I left?

An Ceann Comhairle: I am supposed to call the Minister at 5.45 p.m.

Deputy Phil Hogan: I hope Deputy McConalogue will make a better contribution than the previous speaker.

Deputy Charlie McConalogue: I hope the Minister was listening to the previous speaker because, unfortunately, the Minister has not been listening to the points raised by others. This is yet another regressive tax in a regressive budget. It will hit families on small and medium incomes in the same way it will impact on those on higher incomes. Other regressive measures in this budget include the removal of PRSI exemption on lower incomes and changes to the car tax regime. These measures will impact on all families and, unfortunately, they are being introduced in a way that rolls back on the promises made by Fine Gael and the Labour Party. I join my colleagues in objecting to the way in which business was ordered for the House this week. I do not doubt the Government guillotined this Bill and the Social Welfare Bill because it does not want to allow the Opposition to challenge it on its failure to stick to the promises it made 18 months ago. Its efforts to stifle debate show it does not want the public to be reminded of the approach it is taking.

Deputy Troy noted that one in ten mortgages is more than 90 days in arrears. Those people, who cannot afford their mortgages, will be forced to pay the property tax. However, those who have not yet purchased a house are to be given an exemption from the tax for several years, even though they will be purchasing at the bottom of the market.

I ask the Minister to address an issue with the penalty system for the second home tax whereby some people who were not aware of the tax for genuine reasons which were not their own fault are now facing arrears of several thousand euro. Local authorities are taking a non-negotiable position on the payment of these arrears. I understand the Minister intends to keep the second home tax for another year. I ask him to consider the arrears issue and, at a minimum, draw a line underneath the accrual of arrears by the small number of people who are only now finding out about the tax.

Overall, I am disappointed to see the cavalier attitude with which Fine Gael and the Labour Party have treated their mandate and the promises they made to the public when they entered government only 18 months ago. I object to the Bill and to the property tax.

Minister for the Environment, Community and Local Government (Deputy Phil Hogan): In preparing for my contribution on this debate, I reflected on the passage of the legislation which gave effect to the household charge one year ago. Dire predictions were made at that time by certain Deputies, some of whom augured or even advocated mass civil disobedience. Nobody in any government of which I am aware would desire to introduce a new tax, but it has to be done if we are to comply with the memorandum of understanding which was negotiated by our predecessors.

Deputy Michael McGrath: That is not what the Minister for Finance says.

Deputy Phil Hogan: The need for it arose due to the economic and fiscal difficulties which we inherited. People were coming in the door from the troika and the Members of the then Government did not even know they were on their way. This is the serious matter we have inherited.

Deputy Charlie McConalogue: Why did Fine Gael promise not to introduce a property tax?

An Ceann Comhairle: Please allow the Minister to reply. I do not want to keep interrupting.

Deputy Phil Hogan: I recognise that certain Fianna Fáil Deputies are suffering confusion about the matter. They negotiated this tax with the troika but now they are in Opposition, they are against it.

Deputy Charlie McConalogue: Fine Gael promised in its election manifesto that it would not introduce a property tax.

Deputy Phil Hogan: We still have a bit to go on the new Fianna Fáil. Despite grave warnings about doomsday scenarios by people who regard themselves as socialists, I am pleased to report the household charge has been a success.

Deputy Robert Troy: The Minister is operating under an illusion.

Deputy Barry Cowen: In his rush to Brussels, he will say anything.

Deputy Phil Hogan: Deputy Cowen should know better than anyone how this was negotiated. The household tax has raised almost €113 million and 70% of liable owners have registered to pay it. That is a big difference from the 30% Deputy Healy predicted last year. I take this opportunity to thank the silent majority of the people who understand the difficulties we face and are prepared to contribute to local services.

Deputy Clare Daly: They will not thank the Minister.

Deputy Phil Hogan: Despite the efforts and rhetoric of Deputy Higgins and others, the majority have complied with this law. They are legally compliant because they want to be responsible citizens in helping us to overcome our economic and financial difficulties. The politics of realism of so many people have prevailed over the politics of scaremongering and intimidation. The people who advocated against it have been roundly defeated by the law-abiding citizens of this country.

People who have paid the charge are right to ask what about the people who have not paid. Those who have not settled their household charge liability by 30 June 2013 will pay an additional €200 in addition to their local property tax liability. Already, we have witnessed a major increase in household charge compliance since the announcement that the local property tax will include outstanding household charge liabilities. Approximately 5,000 households per week continue to register for the household charge and the percentage of non-compliant households continues to reduce. A 70% compliance rate in the first year of any new charge represents a significant achievement. It is all the more notable when compared to the historic experience of compliance rates with other more established forms of taxation. I know Deputy McGrath, as a student of accountancy would understand that better than I would.

In its paper No. 98/20, the tax strategy group found that in 1987-88 approximately 60% of income tax payers filed returns for the financial year in question and that just 43% of companies filed returns of corporation tax by the due date. It is also interesting to note that since 1988, Revenue introduced a self-assessment system and tax compliance rates have improved dramatically.

I accept that in these difficult times €100 is a lot of money for anybody to have to pay and I applaud the majority of people who are mindful, despite the difficulties they have, of the need for compliance and that we have a 70% compliance rate so far. In this day and age, I do not expect people to pay money to local authorities without reform of local government. In the document I published some weeks ago, I set out clearly a more effective and efficient way of delivering local government services and of how in doing so we should be mindful of the fact that people who contribute locally expect no more nor no less than that from their elected representatives and their national government.

It is appropriate to reflect on some of the debate going on in the context of exemptions. With the household charge, we reflected on the difficulties people have, especially the vulnerable, and significant exemptions were made, particularly with regard to local authority and voluntary housing, for people on mortgage interest supplement and people in nursing homes and mental institutions. Vulnerable people in our community were not liable for the charge. I met a lot of people protesting outside my office and offices of other Deputies who were not liable for the charge at all. Perhaps the information campaign was lacking in some way so that people did not realise that.

I established a group under the chairmanship of Dr. Thornhill which went through the issues in regard to a local property tax in detail. All the details on what that group examined are on the website and can be accessed. It is not easy to come up with a system that will please everybody. The group looked at a lot of systems, including at a site valuation tax, a system which has been advocated. However, I do not know of any other jurisdiction where it has been implemented, so there is not a model we can go on that would be fair or progressive. Market value, whether we like it or not, brings up all of the various issues relating to the location of the dwelling and amenities it does or does not enjoy.

The diverse services being provided by local authorities must be maintained, such as road maintenance, libraries and fire services, but these are often taken for granted. As a member of a local authority for 21 years, I was often frustrated by the fact that the authority continually had to write to the relevant Department to seek moneys for various projects. Now local authorities will have the opportunity to vary the tax at local level, from 2015 - after the local elections - by plus or minus 15%. Hopefully, councillors will be responsible and be able to deal with the variations in value they see in their areas.

The democratic nature of a local property tax is something we have again now, having been abolished in 1977 by Fianna Fáil. We will watch how it develops over the next couple of years, in terms of local government funding. The relationship between local and central government must change. We cannot have a system of local government that is top-down. We want to see a bottom-up approach, where people will have access to funding for services and in terms of the authority of those democratically elected members of local authorities.

The issue of exemptions was mentioned by various Deputies, particularly for people on high mortgages. We have proposed a voluntary deferral scheme, which will provide for a situation where people with mortgage difficulties can have that recognised and be permitted to defer payment for a period of time. The same will apply to people on low incomes and social welfare.

The tax on property will be efficiently collected through the Revenue and the default position of the Revenue Commission will be that the tax will be deducted at source in the event it is not paid voluntarily. The introduction of the local property tax is an advance towards our national economic recovery. It is an advance towards giving people discretion at local level to provide services, without having to seek permission from national Government. Revenue from the tax will be put to good use and it is up to local authorities and local councillors to make sure that is the situation.

6 o'clock

Question put.

The Dail divided by electronic means.

Deputy Aengus Ó Snodaigh: As a teller, under Standing Order 69 I propose that the vote be taken by other than electronic means.

An Ceann Comhairle: As Deputy Aengus Ó Snodaigh is a Whip, under Standing Order 69 he is entitled to call a vote through the lobby.

Question again put: "That the Bill be now read a Second Time."

The Dáil divided: Tá, 79; Níl, 44.	
Tá	Níl
Bannon, James.	Adams, Gerry.
Breen, Pat.	Boyd Barrett, Richard.
Burton, Joan.	Broughan, Thomas P.
Butler, Ray.	Calleary, Dara.

Buttimer, Jerry.	Collins, Joan.
Byrne, Catherine.	Colreavy, Michael.
Byrne, Eric.	Cowen, Barry.
Carey, Joe.	Crowe, Seán.
Coffey, Paudie.	Daly, Clare.
Conaghan, Michael.	Doherty, Pearse.
Conlan, Seán.	Donnelly, Stephen S.
Connaughton, Paul J.	Dooley, Timmy.
Conway, Ciara.	Ellis, Dessie.
Coonan, Noel.	Ferris, Martin.
Corcoran Kennedy, Marcella.	Flanagan, Luke 'Ming'.
Coveney, Simon.	Fleming, Tom.
Deering, Pat.	Halligan, John.
Donohoe, Paschal.	Healy, Seamus.
Dowds, Robert.	Higgins, Joe.
Doyle, Andrew.	Kelleher, Billy.
Durkan, Bernard J.	Kirk, Seamus.
English, Damien.	Lowry, Michael.
Farrell, Alan.	McConalogue, Charlie.
Feighan, Frank.	McDonald, Mary Lou.
Fitzgerald, Frances.	McGrath, Mattie.
Fitzpatrick, Peter.	McGrath, Michael.
Flanagan, Charles.	McLellan, Sandra.
Gilmore, Eamon.	Martin, Micheál.
Griffin, Brendan.	Murphy, Catherine.
Harris, Simon.	Nulty, Patrick.
Hayes, Brian.	Ó Caoláin, Caoimhghín.
Hayes, Tom.	Ó Cuív, Éamon.
Heydon, Martin.	Ó Fearghaíl, Seán.
Hogan, Phil.	Ó Snodaigh, Aengus.
Howlin, Brendan.	O'Brien, Jonathan.
Humphreys, Heather.	O'Dea, Willie.
Humphreys, Kevin.	O'Sullivan, Maureen.
Keating, Derek.	Ross, Shane.
Kehoe, Paul.	Shortall, Róisín.
Kelly, Alan.	Smith, Brendan.
Kenny, Enda.	Stanley, Brian.
Kenny, Seán.	Tóibín, Peadar.
Kyne, Seán.	Troy, Robert.
Lawlor, Anthony.	Wallace, Mick.
Lyons, John.	
McCarthy, Michael.	

McEntee, Shane.	
McGinley, Dinny.	
McLoughlin, Tony.	
McNamara, Michael.	
Maloney, Eamonn.	
Mathews, Peter.	
Mitchell O’Connor, Mary.	
Mitchell, Olivia.	
Murphy, Eoghan.	
Nash, Gerald.	
Neville, Dan.	
Nolan, Derek.	
Noonan, Michael.	
Ó Ríordáin, Aodhán.	
O’Donnell, Kieran.	
O’Donovan, Patrick.	
O’Reilly, Joe.	
Phelan, Ann.	
Phelan, John Paul.	
Rabbitte, Pat.	
Reilly, James.	
Ring, Michael.	
Ryan, Brendan.	
Sherlock, Sean.	
Stagg, Emmet.	
Stanton, David.	
Timmins, Billy.	
Tuffy, Joanna.	
Twomey, Liam.	
Varadkar, Leo.	
Wall, Jack.	
Walsh, Brian.	
White, Alex.	

Tellers: Tá, Deputies Paul Kehoe and Emmet Stagg; Níl, Seán Ó Fearghaíl and Aengus Ó Snodaigh.

Question again declared carried.

The Dáil adjourned at 6.20 p.m. until 10.30 a.m. on Monday, 17 December 2012.