



Our reference: Budget 2021-4(B), 4(C) & 4 (D)

6 October 2020

Ms. Mary Lou McDonald, TD
Sinn Féin
Leinster House
Kildare Street
Dublin, D02 A272

Dear Deputy McDonald,

I refer to Sinn Féin's Costing requests to the Department of Public Expenditure and Reform for Budget 2021 costings, some of which have been forwarded to this Department for direct reply. The Department of Public Expenditure and Reform received Costings 4(B) and 4(C) on 31 July and Costing 4(D) on 7 August.

Please see attached a response to the costings which the Department has received via the Department of Public Expenditure and Reform. The attached costings were provided with the assistance of our colleagues in Revenue.

Please note that the costing exercise did not examine the interaction of individual measures with other tax and/or expenditure measures.

No account has been taken of the second round impact of measures proposed, such as their positive or negative impact on economic growth, job creation, inflation or their impact on tax buoyancy.

It should be borne in mind that under the preventive arm of the Stability and Growth Pact, until Ireland has reached its objective of a balanced budget in structural terms, we may not introduce discretionary revenue reductions, over and above the available fiscal space permitted under the expenditure benchmark, unless they are matched by other revenue increases or expenditure reductions. Accordingly, tax reductions may have to be offset elsewhere.

The costings, including those provided by or in conjunction with other Departments, are provided on the basis that at no time will the Department be represented as endorsing the proposals costed. Equally, the Department will not comment on the merits or otherwise of those proposals. Where caveats or assumptions have been made in this response, the Departments' positions on such issues must be accurately, fully and fairly represented.

The Freedom of Information Act 2014 does not provide for an exemption for the costings of political parties proposals. Costings prepared by the Department in the context of the Budget will be treated in the same manner as all other pre-Budget submissions/requests. As is normal practice, the Department will publish the responses issued to these requests on its website, redacting on the basis of the Freedom of Information exemptions as appropriate.

If you have any queries on any of the above matters or costings, please do not hesitate to contact me.

Yours sincerely,



Derek Moran
Secretary General

Political Party Costings 4(B), 4 (C) & 4 (D) Budget 2021.

Each of the below costings have been received by the Department of Public Expenditure and Reform but answered by the Department of Finance.

Our Reference: Political Party Costing 4(B) Budget 2021

The cost to funding a refundable tax credit for renters in the private rented sector worth one month's rents up to a maximum refund of €1500.00

Response:

Estimated Cost of €450m

Our Reference: Political Party Costing 4(C) Budget 2021

The estimated cost of paying TWSS & TWSCS for 2021 if both schemes are extended or re-introduced respectively for the year 2021.

The estimated cost of paying TWSS & TWSCS for 2021 if both schemes are extended or re-introduced respectively for the year 2021, and assuming that the scheme is amended to relate to annualised gross pay rather than net and that a €350 minimum payment is no longer applicable.

Response:

Between March and August 2020, over 65,000 employers received a subsidy under the Temporary Wage Subsidy Scheme (TWSS) with payments worth over €2.8 billion paid out to a total of 663,100 workers. The average monthly cost of the TWSS was around €500m which would be the expected cost per month if the measure was to be retained beyond the end date of 31 August 2020.

The Employment Wage Subsidy Scheme (EWSS) was legislated for in the recently enacted Financial Provisions (Covid-19) (No. 2) Act 2020, replacing the TWSS from 1 September 2020 until March 2021. It provides a flat-rate subsidy to qualifying employers, based on the number of qualifying employees on the payroll. This adaptation from the TWSS will allow employers to rely on the continuation of support over a longer period of 8 months while also ensuring

such support is sustainable and affordable. The EWSS has been deliberately designed as an economy wide measure that is open to all sectors as was the case for the TWSS before it.

The availability of the support by reference to a turnover test means that the scheme can be applied across the whole economy while at the same time remain targeted at employers who are considered to be most in need of support.

It is expected that the EWSS will support around 350,000 jobs into the beginning of 2021. On this basis, it is estimated that the EWSS will cost €2.25 billion (€1.35 billion in 2020 inclusive of seasonal workers and €0.9 billion in 2021). The scheme is demand led and a significant surge in claims may require a policy review and re-evaluation of the terms of the scheme. These cost predictions are therefore subject to review and for every additional 50,000 qualifying employments, the cost increases by €0.25 billion.

The tentative costs per month between EWSS and TWSS are set out in the table below but it is emphasised that the cost of the EWSS is a projection and subject to review. Further, in both cases, the costs are on the basis of the schemes as implemented in their totality and individual elements of the scheme (such as the rates of payment) have not been disaggregated. It is not possible to provide a reliable estimate of the cost of applying TWSS rates of payment to the EWSS as currently configured.

	EWSS	TWSS
Total Cost	€2.25 billion (8 months)	€2.8 billion (6 months)
Monthly Cost	~€300 million	~€500 million

The TWSS is a matter for the Department of Children.

Our Reference: Political Party Costing 4D Budget 2021

The cost of reducing VAT for the Tourism and Hospitality sector from 13.5-9% on average per month

Given the seasonality of the tourism and hospitality sector, and the two month liability period for most VAT returns, a monthly average is unlikely to be an accurate reflection of the actual cost in any given month. However, an average can be estimated from the below response if desired.

The cost of reducing VAT for the Tourism and Hospitality sector from 13.5-9% from October 2019 to January 31st 2022

Assuming the intention of the question is to refer to October 2020 rather than October 2019, and given the two month liability period for most VAT returns, it is possible to consider a reduction from 1 November 2020 to 31 December 2021. The estimated cost for such a reduction is approximately €409m, €343m in 2021 and €66m in 2022.

The estimated cost of full VAT reclamation on all Covid19 related health and safety works carried out by SMEs and microbusinesses

Traders are not required to identify the nature of their activity on their VAT returns, therefore it is not possible to estimate the value related to this very specific activity