



Our reference: Budget 2021-7(A)

3^o September 2020

Denis Naughten T.D.
The Regional Group,
Dáil Éireann,
Leinster House,
Kildare Street,
Dublin, D02 A272

Dear Deputy Naughten,

I refer to The Regional Group's request to the Department of Public Expenditure and Reform for Budget 2021 costings (submitted on 22 September, 2020). Six of those costings have been sent to the Department of Finance for answer. I am pleased to enclose responses to all six of the costings sought.

All 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 Costing 7(A) Budget 2021

1. Extend the Help to Buy and Rebuilding Ireland Home Loan Schemes to include the refurbishment cost in addition to the capital cost of the house.

There are no data available to Revenue on which to determine the uptake were refurbishments to be included in the HTB scheme (currently the scheme only applies to new builds and self-build homes). It is not possible for Revenue to provide a costing for this reason.

The Rebuilding Ireland Home Loan Schemes are provided through local authorities and no data are available to Revenue on these schemes.

2. In addition to the Help to Buy scheme provide €15,000 grant for first-time buyers purchasing existing property in a town or village with a significant residential vacancy rate.

Any such grants would be a matter for the Department of Housing, Local Government and Heritage. Moreover, there are no data available to Revenue on which to determine the uptake were such a scheme developed, therefore it is not possible for Revenue to provide a costing.

3. Reform inheritance tax rules whereby a favoured niece or nephew is treated in the same manner as a child, where they have no family.

Information is not available to Revenue that would enable a costing to be provided to change the inheritance tax rules whereby a favoured niece or nephew is treated in the same manner as a child. It is worth noting that there is already a relief available in certain circumstances known as the favourite niece or nephew relief and it applies to the inheritance of business or agricultural property in certain limited circumstances.

4. Reduce capital gains tax rate from 33% to 20% to encourage succession and transfer of business.

The cost of reducing the Capital Gains Tax rate from 33% is shown in the Revenue Ready Reckoner published at <https://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx>. Though the Ready Reckoner does not show the precise costing proposed, it can be estimated on a pro rata basis from the information provided. It should be noted that the costs shown take no account of possible behavioural change as a result of the change in rate.

5. Provide a combination of tax relief and supports to incentivise greater levels of home and remote working from hubs in regional towns. Introduce work from home tax incentives to purchase equipment and carry out home alterations.

There is not sufficient detail in the proposal or information available to Revenue that would indicate the level of possible uptake to enable a costing to be provided.

6. Increase incentives for business investment - EIIS scheme should be widened to cover all businesses in regional and rural Ireland making it easier to attract both entrepreneurs and investors.

EII is a tax relief for companies who are in a position to raise funding from individuals through share issues. There is no limitation on relevant businesses in regional and rural Ireland to prevent them from participating in the scheme.