



Consumption Taxes and Stamp Duty

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For Discussion

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Key Points

- The purpose of this paper is to provide an update to the Commission in relation to discussions to date on Consumption Taxes and potential options under consideration. The paper also presents some analysis of Stamp Duty revenues, recent trends and potential areas of focus.
- On VAT, a number of potential options are presented for the Commission to consider in the context of revenue raising, these include changes to treatment of specific goods and services, principle-based recommendations around certain categories of goods and services and potential rate changes.
- In the area of Stamp Duties, trends and yields over recent years are presented to facilitate discussion by the Commission and to help identify if there are any particular aspects of the Stamp Duty regime where reforms might be desirable.

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1. Introduction

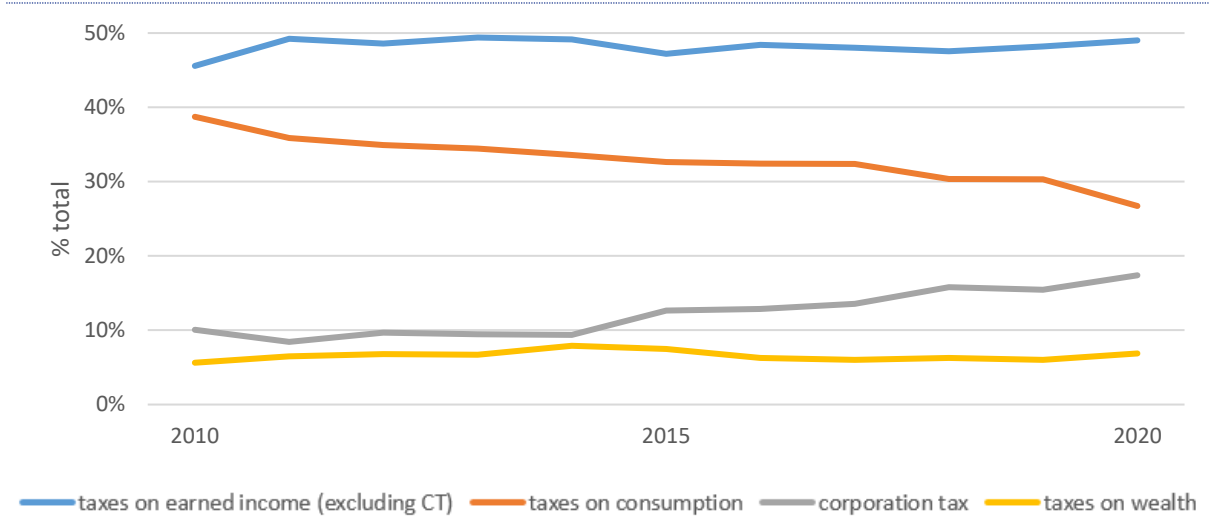
As part of its TOR the Commission has been asked to specifically consider “*options for reform on the balance between the taxation of earned income, consumption, and wealth*”. Taxes on consumption have been defined by the Secretariat as incorporating taxes on spending such as VAT and excises including carbon tax and vehicle registration tax (VRT). These issues were considered previously in a detailed [Commission paper on VAT](#) that was presented for discussion at meeting 12 in Farmleigh House and again at meeting 14 where reforms to the [balance of taxation](#) was discussed in further detail.

The purpose of this paper is to revisit the previous discussion on VAT, providing additional information requested and also to update members on recent proposals published by European Commission in December 2021 which are expected to be signed off at ECOFIN in April 2022. The implications of these changes on the Irish VAT system are also examined. Further analysis of excises, carbon tax and vehicle registration tax (VRT) are also presented however these taxes will be considered specifically as part of the upcoming draft chapter on Environmental Tax.

The Secretariat is also taking the opportunity to present a short concise briefing on the area of Stamp Duty yield in Ireland. While the issue of Stamp Duty has featured in previous Commission discussion papers, on property and capital taxes in particular, we have not to date presented a full analysis of the rates and yield across the range of different stamp duties payable in Ireland.

2. Consumption Taxes – overview and recap

Figure 1 below demonstrates the trend of Irish tax receipts over the last decade as a percentage of overall revenues. As illustrated there has been a notable increase and reliance on taxes collected from earned income (income tax from employment, including self-employment and corporation tax from multinationals in particular). Corporation tax receipts are shown separately for context given the scale of increase. Consumption taxes as a percentage of total taxes have fallen considerably over the same period.

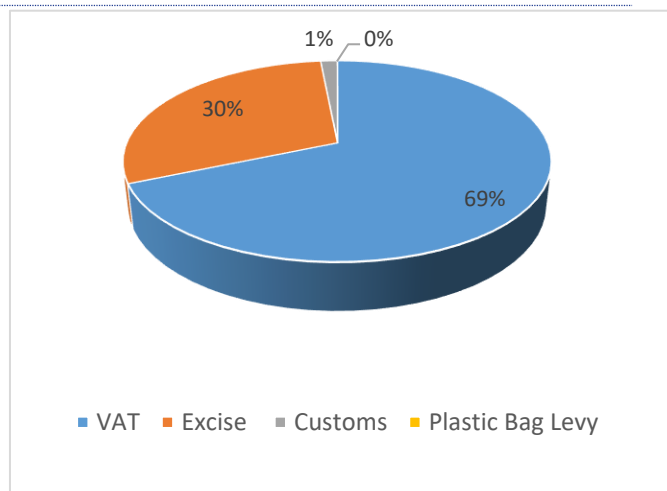
Figure 1 *Irish tax receipts from earned income, consumption and wealth 2010 to 2020*

Source: Secretariat calculations based on data from Revenue, the Department of Finance and CSO

Table 1 below provides a breakdown of overall consumption tax revenue for 2020 which totalled €18.2billion with the vast bulk representing VAT and Excise receipts.

Table 1 *Breakdown of Consumption Tax receipts 2020 (€) – Total €18.2billion*

VAT Receipts	€m	%
VAT	12,474	69%
Excise	5,427	30%
Customs	273	2%
Plastic Bag Levy	4	0%
	18,178	



Source: Secretariat calculations based on data from Revenue, the Department of Finance and CSO

3. VAT – recap and update

3.1 Meeting 12 – Farmleigh recap

A detailed paper on Value-Added Tax (VAT) was presented as part of meeting 12. The paper summarised the range of VAT rates applicable in Ireland and noted while Ireland's standard rate of VAT is relatively high compared to other EU countries, Ireland ranks 20th out of 27 EU countries by reference to VAT Revenue Ratio (% of VAT collected) due to the relatively high number of items qualifying for Zero or reduced rates of VAT.

Members made a number of observations as part of the discussion. In particular members noted:

- The limited scope for changes to the VAT regime due to constraints under EU law. Potential changes at EU level were noted and members requested that further information be provided (see section 3.2 below)
- The relatively large proportion of activity which attracts a Zero VAT rating in Ireland and that following Brexit, Ireland stands as a considerable outlier in this regard.
- The schedule of goods to which the Zero rating applies which generally included most food, children's clothes and shoes, and oral medicines. There was broad consensus that, while it may be desirable to increase rates on some items falling within this category, the scale of the jump from a Zero rate to 9%, 13.5% or 23% as required under EU law may be too great in the absence of considerable offsetting welfare measures to compensate those in lower income deciles who would suffer most. It was noted that VAT increases on essential goods would also raise inflation, a particular concern in the current environment.
- That there are a number of items linked to VAT which are relevant to other workstreams including Environment and Public Health and consideration should be given to relevant goods and services that attract Zero or reduced VAT rates in that context.
- Further detailed schedules of items attracting reduced or Zero rates should be provided so that further consideration could be given to potential recommendations to increase VAT on certain items (see section 3.3 and 3.4 below refers).
- There was also consensus that VAT should rarely be used as a stimulus measure and that where used that such measures should be short in duration due to the substantial costs and significant deadweight associated with them. Members noted in particular the experience of the 2011 reduction for tourism related goods and services.

3.2 Update on European Commission Proposals

The European Commission's proposal on VAT Rates was published in 2018 with the intention of giving much greater flexibility to Member States. Negotiations were extremely slow and no consensus was achieved on the proposals.

However, on 7 December 2021, agreement was reached by EU Finance Ministers, at the meeting of the ECOFIN Council, to update the current rules governing value added tax (VAT) rates for goods and services.

The agreement approved by ECOFIN retains a positive list of goods and services to which two reduced rates of at least 5% may be applied. This outcome is substantially different from what was originally published in 2018, where a negative list of items which may not attract reduced rates was muted. Consensus on those changes was not possible and in order to reach agreement the majority of historical derogations have been preserved. This is particularly important to Ireland as we apply more such derogations than other Member States.

The new rules will update and expand the existing positive list (Annex III to the VAT Directive) and Member States will thus enjoy more discretion. In addition it has also been agreed that Member States will now be able to apply super-reduced rates under 5% or Zero rates to the most essential of listed goods, such as foodstuffs or medicines. Many existing derogations will also be kept in place, subject to lengthy sunset clauses. The agreement will also remove the possibility, by 2030, for Member States to apply reduced rates and exemptions to goods and services deemed detrimental to the environment and to the EU's climate change objectives.

Ireland does not expect to be significantly impacted by the new proposal. Ireland will be in a position to maintain all of its existing Zero rates and parked rates under the VAT Rates proposal. In some cases they will be incorporated into the new Annex III or they will be maintained under a new provision in the compromise text, Article 105a. The compromise text includes two new limitations on the use of Annex III by Member States. The first limits Member States to using a maximum of 7 categories listed in Annex III to which a Zero rate and reduced rates lower than 5% can be applied to. The second limits Member States to using a maximum of 24 categories to which a reduced rate can be applied to. It is also expected that Ireland's existing system will be in broad compliance with these limitations. As such Ireland's current application of VAT rates has for the most part been preserved through the retention of historical derogations and exemptions or through the expansion of Annex III.

It is expected that this proposal will be formally agreed and signed off at the ECOFIN in April 2022 and should that proceed it would be published in the OJEU shortly afterwards and then come into force.

3.3 Schedule of reduced rates;

Below is a summary schedule of existing VAT rates followed by more detailed schedules outlining goods and services to which reduced or Zero rates apply

Rate (%)	Description	Activity (2020) (%)	Examples
23%	Standard Rate	50.8%	All goods and services that do not fall into the reduced rate categories are charged at this rate. They include alcohol, audio-visual equipment, car parts and accessories, CDs, computers, consultancy services, cosmetics, detergents, diesel, fridges, furniture and furnishings, hardware, jewellery, lawnmowers, machinery, medicines (non-oral), office equipment, pet food, petrol, paper, tobacco, toys, tools, washing machines, bottled water.
13.5%	Reduced Rate	27.9%	Fuel (coal, heating oil, gas), electricity, vet fees, building and building services, agricultural contracting services, short-term car hire, cleaning and maintenance services.
9%	Special Reduced Rate	10%	Newspapers and sporting facilities including e-books and electronically supplied newspapers. The VAT rate for the hospitality and tourism sector decreased from 13.5% to 9% from 1 November 2020 to the end of August 2022. This applies to various entertainment services such as admission to cinemas, theatres, museums, fairgrounds and amusement parks.
4.8%	Super Reduced Rate	0%	Unusually, in Ireland there is a super reduced rate of specifically for agriculture. The livestock rate applies to livestock in general, and to horses that are normally intended for use in the preparation of foodstuffs or for use in agricultural production
0%	Zero Rate	11.3%	All exports, tea, coffee, milk, bread, books, children's clothes and shoes, oral medicine for humans and animals, vegetable seeds and fruit trees, fertilisers, large animal feed, disability aids such as wheelchairs, crutches and hearing aids.

The flat rate refund for farmers who are not registered for VAT purposes is **5.6%**. The flat rate refund compensates unregistered farmers for VAT incurred on inputs.

Exempt from VAT: VAT is not payable on financial, medical or educational services, live theatrical and musical performances (except those where food or drink is served during all or part of the performance).

Reduced rate – 13.5%

The reduced rate of Value-Added Tax (VAT) applies to certain goods and services including:

- certain fuels
- certain building services
- repair services
- cleaning and maintenance services (generally)
- certain photographic supplies
- the importation of certain works of art and antiques
- the supply of live horses, other than those normally intended for use in the preparation of foodstuffs or in agricultural production
- hire of horses
- supply of greyhounds
- tour guide services
- short-term hire.

Second reduced rate – 9%

The second reduced rate of Value-Added Tax (VAT) applies only to certain goods and services, including:

- newspapers and periodicals
- certain eBooks, eNewspapers and ePeriodicals (excluding those which wholly or predominantly are devoted to advertising, or consist wholly or predominantly of audio or video content)
- the provision, by a person other than a non-profit making organisation, of facilities for taking part in sport.

For the period from 1 November 2020 to 31 August 2022, the following items are subject to the second reduced rate of VAT

- catering and restaurant supplies (excluding alcohol, soft drinks and bottled water)
- hot take-away food and hot tea and coffee
- hotel lettings, for example, guesthouses, caravan parks or camping sites
- admissions to cinemas, theatres, certain musical performances, museums, art galleries or exhibitions
- amusement services of the kind normally supplied in fairgrounds or amusement parks
- admission to an open farm
- hairdressing services
- certain printed matter, such as brochures, leaflets, catalogues or printed music (excluding books).

The reduced rate of VAT applies to the above items prior to 1 November 2020.

Super reduced / livestock rate – 4.8%

The livestock rate of Value-Added Tax (VAT) applies to livestock in general, this means live cattle, sheep, pigs, goats and deer. (Definition in Part 2(1) VAT Consolidation Act 2010). The rate also applies to horses that are normally intended for use in the preparation of foodstuffs or for use in agricultural production. Supply by an unregistered/flat-rate farmer to an accountable person is subject to the Livestock flat-rate addition.

Zero rate – 0%

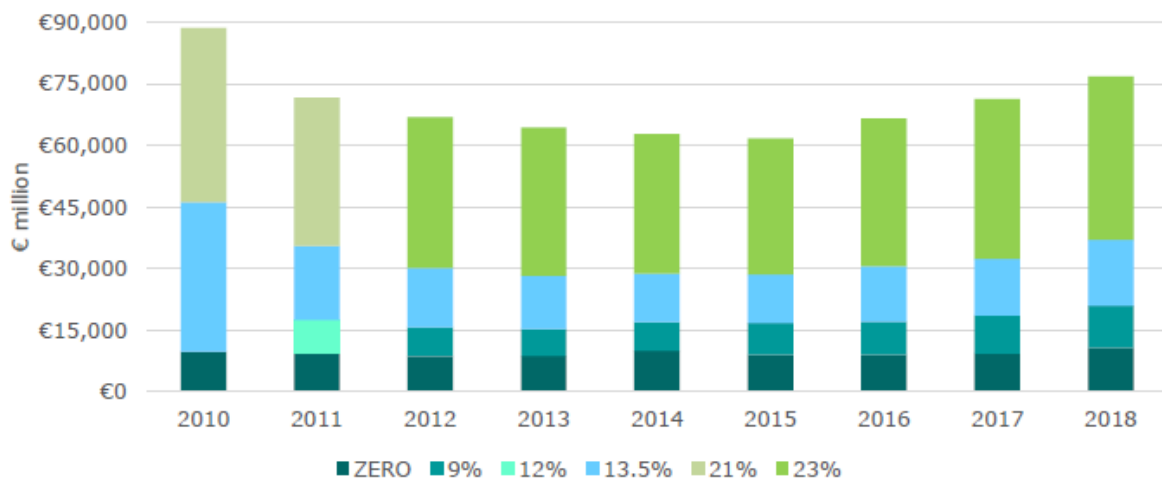
The Zero rate of Value-Added Tax (VAT) applies to certain goods and services, including:

- exports
- intra-Community supplies of goods to VAT-registered persons in other European Union (EU) Member States
- certain food and drink
- certain oral medicine
- certain books and booklets
- certain animal feeding stuffs, certain fertilisers, seeds and plants used to produce food
- clothing and footwear appropriate to children under 11 years of age
- supplies to VAT-registered persons authorised by Revenue under the Zero-rating scheme for qualifying businesses.

3.4 Breakdown of VAT Base;

Figure x below shows estimated personal consumer expenditure (“PCE”) at the Zero, reduced and standard rates from 2010 to 2018 (the most recent year with data available). €76.8 billion in overall PCE was taxable for VAT expenditure in 2018, 51.3 per cent at the standard rate. In the same year, expenditure at 9% accounted for 13.5 per cent of PCE.

Figure 2 Breakdown of VAT Base 2020 (€) – Total Estimated Personal Consumer Expenditure €76.8 billion



Source: Revenue analysis of Revenue and CSO data¹

3.5 Main VAT Personal Expenditure Areas;

Using PCE estimates produced by the CSO in combination with tax return information and other information sources, Revenue produce an estimate of total expenditure across a number of key activities annually. This is known as the “VAT Base”. The 2020 VAT Base estimates made by Revenue across some of the main expenditure items is presented in Table 2. The items shown in Table 2 account for 43 per cent of VAT Base expenditure but only 36 per cent of VAT receipts, as a result of expenditure on Zero rated item such as food and medicines.

Table 2 Breakdown of VAT Base 2020

VAT Receipts	Estimated Expenditure €m	Estimated Expenditure %	VAT Yield €m
Food	6,854	7.42	0
Alcohol	5,194	5.62	1,195
Private New Housing	5,190	5.62	701

¹ Revenue – [VAT Report 2020](#)

Restaurants, Canteens, Chip Shops, Fast Food etc	4,019	4.35	543
Private Housing - Repair & Maintenance	2,951	3.19	398
Other Building	2,569	2.78	347
Telecommunications	2,437	2.64	560
Electricity	2,337	2.53	316
Cars	2,285	2.47	526
Motor Fuel	2,152	2.33	495
Oral Medicine	2,097	2.27	0
Adult clothing	1,995	2.16	459
Total	40,080		5,540

Source: Revenue analysis of Revenue and CSO data²

4. Excise

Excise duties are indirect taxes on the consumption or use of various products. Alcoholic beverages, manufactured tobacco products, energy products such as motor and heating fuels, electricity and natural gas are subject to harmonised provisions of EU law. All EU Member States are obliged to apply excise duties to these product categories. Rates of excise are a matter for the Member State concerned, subject to compliance with minimum amounts specified in EU Directives.

The main categories of excise can be broken down into Environmental and alcohol, tobacco and sugar related taxes both of which have been covered extensively in previous Secretariat papers on [Environment](#) and [Public Health](#).

Table 3 below provides a short summary breakdown of Excise Tax receipts for 2020.

Table 3 Breakdown of Excise Tax receipts 2020 (€) – Total €5.6 billion

	€m	%		€m	%		€m	%
Environmental Taxes	2,311	41%	'Sin' related Taxes	2,436	44%	VRT	751	13%
Carbon	494	9%	Alcohol	1,203	22%	Other Excise	97	2%
Electricity	2	0%	Sugar	31	1%			
Gas	0	0%	Tobacco	1,201	21%			
Heavy oils	1,390	25%						
Light oils	425	8%						

Source: Revenue, the Department of Finance

² Revenue – [VAT Report 2020](#)

5. Stamp Duties

5.1 Overview

Stamp duty is generally a tax on documents or instruments. To be liable an instrument must be listed in Schedule 1 of the Stamp Duties Consolidation Act 1999 (No. 31 of 1999)³. It must also be executed in Ireland or, if executed outside Ireland, must relate to property situated within Ireland or something done (or to be done) in Ireland. Some instruments may benefit from a full or partial exemption or relief.

Stamp duty chargeable in Ireland falls into two main categories:

- The first comprises the duties payable on a wide range of legal and commercial documents, including (but not limited to) conveyances of property, leases of property, share transfer forms and certain agreements.
- The second category comprises duties and levies payable by reference to statements. These duties and levies mainly affect banks and insurance companies and include a duty in respect of financial cards e.g. Credit, ATM, and Charge cards, and levies on certain life and non-life insurance premiums and pension schemes.

Some stamp duties are fixed, e.g. stamp duty on credit and charge cards which is a set amount irrespective of how much the card is used, while others are levied on an ad valorem basis, i.e. according to value, for example stamp duty at 1% on the value of shares transferred (payable by the person acquiring the shares).

Stamp duty is a self-assessment tax payable by the "accountable person" e.g. the purchaser or transferee in the case of a transfer of property.

As a category of tax, stamp duty is a transaction tax (although only on certain transactions). Drawing on the principles of taxation discussed earlier, transaction taxes can intervene to discourage people from transacting when they otherwise would. In this way, they conflict with the principle of efficiency. To give an example from the table below, taxing housing transactions affects labour mobility by making people less likely to move, thereby constraining the best matches of people and jobs.

When considering equity, transaction taxes fall foul of horizontal equity: a frequent house-mover, for example, with the same income, housing wealth and identical capital gains, will pay more tax than someone who never moves house. Even aside from the labour mobility aspect highlighted above, a

³ [Schedule 1 of the Stamp Duties Consolidation Act 1999](#)

taxation system does not treat similar situations differently unless there is an underlying policy rationale for doing so.

5.2 Main stamp duties payable

Type	Description	Yield (2020) (€m)
Stamp Duty – Residential Property	1% on the transfer of ownership of property with a value of up to €1m and 2% on any balance over €1m. As of midnight on 19th May 2021, the bulk purchase of houses (not apartments) i.e. 10 or more in any 12 month period, triggers a 10% stamp duty rate that will be applied once a 10th house is acquired, and to which all 10 or more houses purchased in the 12 months will be subject. Certain conditions/exemptions apply.	159
Stamp Duty – Non Residential Property	Non-residential property transactions - 7.5% on the transfer of non-residential property. (note relief where subsequently used for residential development)	408
Stamp Duty - Receipts on Stocks and Marketable Securities	Transfers of shares in Irish registered companies - 1%	507
Non-Life Levy/Life Assurance Levy	<ul style="list-style-type: none"> - Non-Life Insurance levy on premium income - 3%; there is also a non-tax “Insurance Compensation Levy” of 2%. - Life Insurance levy - 1% on the premium payable. 	171
Other Stamp Duties (Combined Cards, Debit/Credit cards, Health insurance)	<ul style="list-style-type: none"> - Financial cards (€94m): - Credit and Charge cards – flat rate of €30 per year; ATM only or debit only cards – 12c per ATM withdrawal, capped at €2.50 per year; Combined ATM/debit cards – 12c per ATM withdrawal, capped at €5 per year - Health Insurance levy - charge is per person insured and varies according to age and the type of health insurance policy – this levy is transferred directly into the Risk Equalisation Fund, rather than into the Exchequer. 	850

	- Bank Levy - the Financial Institutions ("Bank") Levy was introduced for the three-year period 2014 to 2016 in Finance (No.2) Act 2013 with the purpose of enabling the banking sector to contribute to economic recovery, and subsequently extended to 2022 inclusive (KBC Bank Ireland plc and Ulster Bank Ireland DAC excluded for 2022). The annual yield of this levy is now approximately €87 million (down from €150 in 2021).	
Total		2,094

Table 4 below sets out the trends in stamp duty collected between 2018 and 2020. Total stamp duty collected in 2020 amounted to some €2.1 billion net, which accounted for approximately 3.7% of total tax receipts in that year, and represents a 40% increase on the 2019 figure of €1.5 billion. It should be noted that the increased "Other Stamp Duties" figure for 2020 of €831.82 million (up €620 million or 393% on the 2019 figure) is due to once off payments partially reversed in 2021. Yields from property and shares make up the majority of stamp duty receipts.

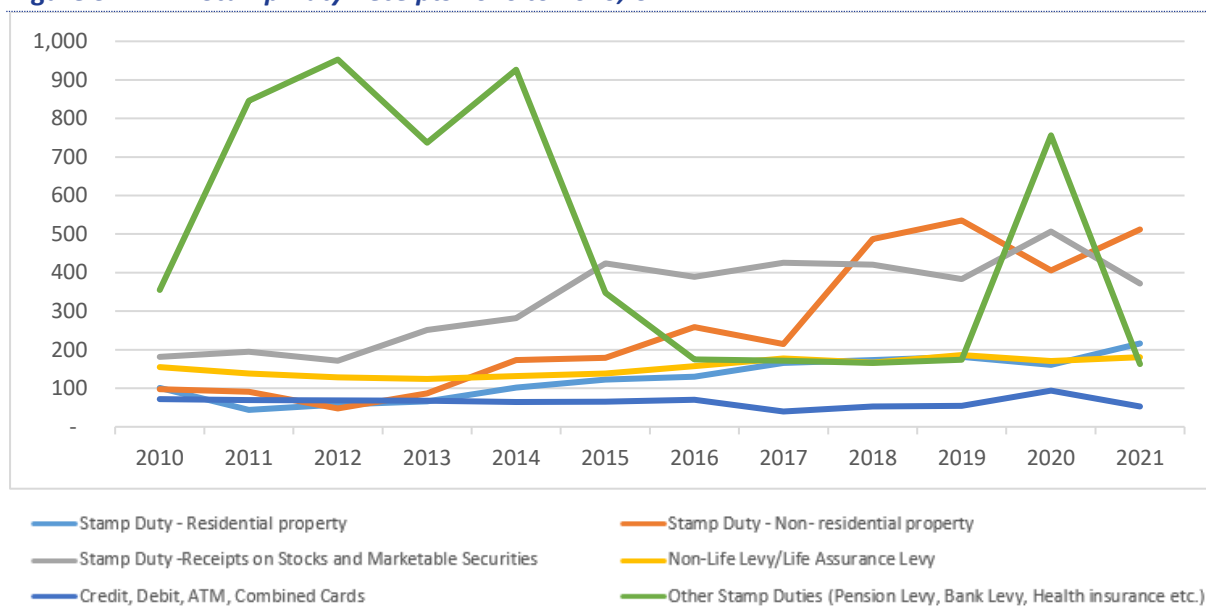
Table 4 Stamp Duty Yield (2018 – 2020) (€m)

Stamp Duty Receipts	2018	2019	2020
Stamp Duty - Residential property	172	179	159
Stamp Duty - Non- residential property	488	538	408
Stamp Duty -Receipts on Stocks and Marketable Securities	421	384	507
Non-Life Levy/Life Assurance Levy	166	186	171
Combined Cards	12	17	18
Other Stamp Duties (Debit/Credit cards, Health insurance)	206	212	832
Total	1,465	1,515	2,094

Source: Revenue ⁴

Figure 3 below illustrates stamp duty revenue over a longer period back to 2010 and illustrates the impact of temporary measures over the period including the introduction of the bank and pension levys and also the growth in yield from non-residential property and shares and marketable securities as the economy recovered from 2012.

⁴ [Revenue – Capital Taxes Profile](#)

Figure 3 *Stamp Duty Receipts 2010 to 2020, €m*

Source: Revenue ⁵

5.3 Stamp Duty – residential property

The rate of stamp duty on residential property is 1% on values up to €1 million, and 2% on any excess value above €1 million, though, as noted above, a new 10% rate on bulk purchases of houses (i.e. 10 or more in any 12 month period) was introduced in May 2021 (with certain exemptions).

Prior to the change in May 2021, the rates applicable to residential property had remained unchanged since coming into effect on 8 December 2010, and apply whether the home is being bought for occupancy by the purchaser, or to be offered for rental. The rates are also the same irrespective of whether the person/entity acquiring the property already owns one or more other residential properties, or of where that person resides or entity is registered/incorporated.

A number of potential changes to stamp duty on residential property were considered as part of the TSG process in 2021⁶. Consideration in particular was given to the UK system of stamp duty land tax introduced in 2021.

While the Department recommended the retention of the current flat stamp duty system in Ireland with few exemptions, they considered a number of potential revenue raising options. These are set out below for reference;

⁵ [Revenue – Capital Taxes Profile](#)

⁶ Department of Finance – [TSG 2021 – Stamp Duty](#)

- 1. Reducing the residential property cut-off point at which the (currently 2%) higher rate applies, for example to €750,000. This would still leave an average priced urban and rural residential properties in the 1% stamp duty bracket, while capturing a larger number of higher value acquisitions and also a greater proportion of the value involved.**

Arguments for and against such a change included;

For:

- Likely increased revenue albeit difficult to estimate due to data limitations.
- Captures larger number/greater share of higher value acquisitions, while avoiding adding to stamp duty costs faced by buyers of average value properties, and indeed of almost all residential properties outside a few limited areas (primarily in, or close to, Dublin).
- The measure could also offer some small potential to encourage a reduction in sale prices at the lower end of the high value acquisition range, as buyers seek to avoid the higher rate.

Against:

- Properties priced at or only slightly above the average in some areas of our bigger cities, Dublin in particular, might see some of their value subject to the higher rate of stamp duty. Analysis from the Property Price Register shows that in 2020, 1,816 properties nationally were sold for over €750,000, with 1,434, or 79%, occurring in Dublin. DAFT.ie report
- Possibility of increased acquisition cost being passed on to tenants of buy-to-rent properties.

- 2. Applying the 2% higher rate of stamp duty to the full value of property where it exceeds a given figure. This could be the current higher rate cut off point of €1,000,000, or a higher figure, for example €1,500,000.**

Arguments for and against such a change included;

For:

- Increased revenue - the following table based on 2020 data gives some indicative figures based on a range of trigger values.

Tentative yield figures from applying a stamp duty of 2% on the full value of a property acquired at a range of values (tentative)

Example trigger point values	>€750,000	>€1,000,000	>€1,250,000	>€1,500,000
Number of properties impacted in 2020	1,433	651	410	265
Potential Additional Revenue Generated	€13.1m	€6.2m	€3.9m	€2.7m

- Added incentive for sellers to keep property sale price below trigger point and for purchasers to seek to acquire a property with a value below the trigger point. This could also put downward pressure on house prices, not only of those at or near the chosen trigger price, but also potentially filtering down to across the whole price spectrum.

Against:

- Gives rise to a much more significant increase in the stamp duty chargeable at the trigger price than currently takes place. This cliff- edge effect may in turn create an increased perverse incentive for market participants to find ways to keep quoted property values below the trigger level, with other ways being found to transfer additional value from the purchaser to the seller outside the scope of stamp duty.

3. Introducing a stamp duty surcharge on the full value of purchases of residential property where, at the end of any set of transactions the interest in the property concerned will rest with non-resident individuals or entities.

Arguments for and against such a change included;

For:

- Increased revenue – Revenue have indicated that it is not possible for them to provide an estimate for the revenue that such a measure would generate. Such transactions are not captured by their Stamp Duty system, as there is no differential treatment applied to these taxpayers in the application of Stamp Duty on the purchase of residential property. There is little doubt however that some, albeit unquantifiable and probably small, additional revenue would be generated from such a measure.
- May act as a disincentive to residential properties being bought as holiday homes by people not resident in Ireland, so releasing housing supply for Irish purchasers, albeit that they may themselves be acquiring a holiday home or investment property.

Against:

- Potential conflict with free movement regulations if surcharge applied to EU residents
- Possible negligible revenue gain if numbers of such acquisitions are low, particularly in light of potential increased regulatory burden on Revenue and others involved.
- Could possibly act as a disincentive for workers with valuable skills seeking to relocate to Ireland for more than a short time, while still maintaining tax residency in another country.
- Disincentive for overseas investors to invest in Ireland's buy/build to rent sector.

Further information on the options presented can be found in the Department of Finance TSG papers here - <https://www.gov.ie/en/collection/d6bc7-budget-2022-tax-strategy-group-papers/>

5.4 Stamp Duty – non-residential property

Non-residential property for Stamp Duty purposes represents a significantly larger percentage of the overall stamp duty than residential property. It covers the following areas:

- Agricultural and non-agricultural land.
- Sites (other than sites purchased with a connected agreement to build a house or apartment).
- Commercial or business premises, including offices, factories, shops and public houses.
- The creation or transfer of options over land.
- Interests in land (such as wayleaves or other rights to lay cables, pipes, wires or other conduits).
- Easements (a right over someone's property such as a right of way).
- The creation or transfer of a life interest.
- The creation or transfer of a remainder interest.
- Business assets like goodwill or book debts.
- Shares, stocks and marketable securities.
- Policies of insurance.

Having been raised from 2% to 6% in Finance Act 2017 in an effort to cool the non-residential construction centre and potentially encourage a shift of funds and resources into badly needed residential construction, the rate of stamp duty on non-residential property was further increased from 6% to 7.5% in Finance Act 2019.

5.5 Bank Levy

Section 126AA of the Stamp Duties Consolidation Act 1999 imposed an annual levy totalling €150 million on certain financial institutions for each of the years to 2021 calculated on the basis of the amount of Deposit Interest Retention Tax (DIRT) paid by them in a defined base year. This means that whenever the base year (and the amount of DIRT paid) changes, the rate of charge must also be changed to maintain this constant yield set.

The levy was originally intended to operate for only three years (2014, 2015 and 2016), however, in Budget 2016, the Minister for Finance announced that he intended to extend the levy for a further five years to 2021 so bringing in an additional €750M over this period. The levy was subsequently extended in Finance Act 2021 to 2022, however, the extension excluded KBC Bank Ireland plc and Ulster Bank Ireland DAC due to their decision to exit the Irish market. Accordingly the annual yield from this levy is now approximately €87 million (down from the €150 million noted above). Under the 2021 changes, the banks remaining in the market will not pay anymore in 2022 than they paid in 2021, this was to ensure that any extra levy placed on these banks would be passed directly onto their customers.

The Minister for Finance has asked officials to examine the future of the levy and present options ahead of Budget 2023⁷.

5.6 Insurance Levies

The supplementary Budget in April 2009 introduced a new insurance levy at a rate of 1% on all life assurance premium income commencing with the quarter ending on 30 September 2009 (section 124B of SDCA 1999).

A Stamp Duty of 3% applies on the gross amount received by an insurer in respect of certain non-life insurance premiums (section 125 of SDCA 1999). The exceptions are reinsurance, voluntary health insurance, marine, aviation and transit insurance, export credit insurance

⁷ <https://www.kildarestreet.com/wrans/?id=2022-02-22a.46&s=%22bank+levy%22#g47.q>

and certain dental insurance contracts. The 3% rate of duty applies to premiums received on or after 1 June 2009 in respect of offers of insurance or notices of renewal of insurance issued by an insurer on or after 8 April 2009.

Neither of these levies are subject to a sunset clause, so they have not been formally reviewed since their introduction.

5.7 Stamp Duty Reliefs and Exemptions

Table 5 below provides a short summary of the main Stamp Duty reliefs and exemptions employed along with Revenue estimates of revenue foregone for 2020.

Table 5 Summary of Stamp Duty Reliefs and Exemptions

Relief	Description	Estimated Revenue Foregone (2020, €m)	Number of Taxpayers Availing (2020)
Certain Company Reconstructions and Amalgamations	S. 80 SDCA 99 provides an exemption from stamp duty where there is a scheme of reconstruction or amalgamation.	496.0	730
Consanguinity	Farming related relief for land transfers	51.0	2,182
Transfers Between Spouses/Civil Partners	Exemption for transfers between spouses / civil partners	45.0	4,143
Commercial Woodlands	Partial relief from stamp duty in respect of certain instruments relating to the sale or lease of land on which 'trees' are growing	37.5	254
Charities	Charitable tax exemption where the Charities Regulatory Authority (CRA) has granted charitable status to a body	16.1	1,317
Young Trained Farmer	Exemption from stamp duty (currently 7.5%) on either the transfer by gift, or purchase, of farmland (and associated buildings) where the recipient is a trained farmer under the age of 35 and meets other specified criteria	11.9	1,152
Oireachtas Funds	Exemption where stamp duty payable would be solely out of Oireachtas funds	8.4	602
Property Transfer Between Spouses/Civil partners on Foot of Court Orders	Exemption for transfers between spouses / civil partners	7.5	652
Residential Development Refund Scheme	Refund scheme where residential units are subsequently developed on non-residential land	6.9	864
Housing Authorities and Affordable Homes Partnerships	Exemption for transfers of property by Housing Authorities	4.9	1,873
Approved voluntary body	Exemption for transfers or leases of land to a voluntary body approved by the Minister for the Environment	2.9	710
Farm Consolidation	Relief for farm consolidation to a 1% rate where the land transactions qualify for a "Farm Restructuring Certificate"	1.2	105

Others		1.6	542
Total		690.9	15,126

Source: Revenue ⁸

6. Conclusion

The purpose of this paper is to provide an update to the Commission in relation to discussions to date on Consumption Taxes and potential options under consideration. It also presents some analysis of Stamp Duty revenues along with potential options for further consideration.

There are a number of areas presented where the Commission may wish to focus further on and the options below are simply presented to facilitate debate on these issues:

VAT

- Recognising that Ireland is now an outlier in the relatively large proportion of activity which attracts a Zero or reduced VAT rate are there **specific categories of good or services which the Commission recommends for increasing?**
 - **Move from Zero to higher rate bands**
 - Oral medicine or disability related products on the basis that supports already exist to limit costs for those most in need
 - Specific changes to Agricultural related products
 - **Move from Reduced to higher rate bands**
 - Breeding, Horse and Greyhound related goods/services to bring into line with other sports
 - Amusement services, cinema, theatres, music, art galleries or exhibitions on the basis that these are primarily discretionary activities
 - Agricultural related products
 - Fuel or electricity related increases linked to our climate related ambitions
 - Short term car hire or tour guide services
 - Importation of art and antiques
- Should Commission members not wish to make specific recommendations in relation to specific products or services are there some **principle-based recommendations** that might be appropriate? Some examples might include;

⁸ [Revenue – Tax Expenditure Costings](#)

- The application of Zero and reduced rates should be limited and where possible only be retained for essential goods and services or where a clear market failure can be exhibited. Commission members could consider calling out specific categories of goods and services which they feel should be changed (Entertainment services, Horse and Greyhound racing, Tourism etc.)
 - Government should accelerate the elimination of VAT related fossil fuel subsidies over time in line with overall climate policy (in line with recommendations in Chapter on environment).
 - Government should seek to reduce the number of agricultural sector related VAT exceptions over time as original policy rationale may no longer be appropriate.
- Finally, if specifically focused on revenue raising it may be preferable for the Commission to focus on potentially raising the existing reduced rates of VAT rather than making recommendations on specific products or services where the combined impact may be relatively small, and where the justifications for reduced rates are equally strong/weak. The table below summarises the effect of changes to rates.

Changes to Rates		Full Year € million
9% Reduced Rate	1% Increase / Decrease	+/- 99
13.5% Reduced Rate	1% Increase / Decrease	+/- 292
23% Standard Rate	1% Increase / Decrease	+/- 481

Source: Revenue

Stamp Duty

- Are there elements of the existing Stamp Duty regime that the Commission wishes to consider further from a revenue raising perspective?
- Having regard to the principle of horizontal equity and the distortionary nature of transactional taxes on economic activity are there particular changes or reforms that the Commission would like to consider?