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Executive Summary

At nearly €60 billion, Irish taxation revenues reached their highest level ever last year. Moreover, the level of receipts has effectively doubled since the crisis-era low-point recorded in mid-2010. Taxation receipts are the single most important revenue stream for the State, and the recovery in receipts has been the main factor behind the improvement in the budgetary accounts in recent years.

The fiscal imbalances that emerged during the first half of the 2000s, and which were exposed with the bursting of the property bubble, imposed large costs on the Irish economy, not least the large debt-stock that has been left in their wake. This highlights the importance of monitoring, and reporting on, revenue developments in order to identify, at the earliest possible stage, any emerging budgetary imbalances.

The analysis in this document shows that tax revenue increases in recent years are broadly in line with what would have been expected given the evolution of the tax base. That said, a shock to the tax base would clearly affect the associated revenue stream. The most exposed tax base would appear to be corporate profitability: a negative shock to this would reduce corporation tax receipts. More recently, the Department has highlighted how a sudden reduction in receipts from corporation tax, via changes to the international tax regime, would severely impact the public finances. This highlights the importance of continuing to re-build fiscal buffers and of ensuring that the economy is sufficiently flexible to be able to absorb the inevitable shocks.

Increasing global uncertainty, including the possibility of UK-EU trade taking place on World Trade Organisation terms from next year, reinforces the importance of formulating budgetary policy based on sustainable, and predictable, revenue streams.
Section 1
Introduction and background

At nearly €60 billion, Irish taxation revenues reached their highest level ever last year. Moreover, the level of receipts has effectively doubled since the crisis-era low-point recorded in mid-2010. Taxation receipts are the single most important revenue stream for the State, and the recovery in receipts has been the main factor behind the improvement in the budgetary accounts in recent years.

The fiscal imbalances that emerged during the first half of the 2000s, and which were exposed with the bursting of the property bubble, imposed large costs on the Irish economy, not least the large debt-stock that has been left in their wake. This highlights the importance of monitoring, and reporting on, revenue developments in order to identify, at the earliest possible stage, any emerging budgetary imbalances.

This is the Department’s third Annual Taxation Report. The purpose of the document is to provide a longer-term, strategic perspective on the evolution in taxation receipts. As outlined above, it is motivated by the need to regularly monitor, and report on, the sustainability of receipts in order to minimise fiscal vulnerabilities.

The remainder of this document is structured as follows. Section 2 provides historic context, by outlining developments in taxation revenue over the past two decades. Section 3 details the recovery of tax revenues from their low-point at the height of the crisis to their current levels and highlights some key features of the individual tax headings. Section 4 complements analysis of Exchequer taxation trends with general government taxation trends. The latter is the comparable measure across the European Union and the purpose of this section is to provide additional clarity on this important metric. Section 5 concludes.

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1 This report was produced by the Economic Division of the Department of Finance, and does not necessarily reflect the views of the Minister for Finance or the Irish Government. The analysis in the report is based on data available as of mid-February 2020.
3 A more comprehensive review of the collapse in taxation revenues during the crisis can be found in the 2018 report at: https://www.gov.ie/en/publication/f70fa5-annual-taxation-report-january-2018/
Section 2
Taxation receipts: 2000-present

2.1 Aggregate Trends

The evolution of taxation receipts since the turn of the millennium is set out in figure 1. As recently as 2000, aggregate receipts amounted to just under €24 billion. Between then and mid-2007, receipts increased at an annual average rate of 8.4 per cent so that, at the height of the bubble, the level of receipts had reached €47 billion, almost double the level at the beginning of that decade. Equally important was the change in composition of receipts, with the share of ‘other’ taxes rising over this period; this would have serious consequences once the bubble burst.

Figure 1: taxation revenue, 2000 – present, € millions

The onset of the crisis had a serious impact on taxation receipts, with sharp declines recorded across all major tax heads (with the notable exception of excise duties). In aggregate terms, receipts declined by 34 per cent, before bottoming out at €31.2 billion in mid-2010. Indeed, the decline would have been even larger but for the impact of revenue consolidation measures implemented at the time.

In 2011, the economy began to stabilise and subsequently embark on a modest recovery path, initially driven by the exporting sectors. Tax revenues began to increase in tandem, at least initially, with nominal GDP growth. As economic recovery gained traction and gradually spread to the domestic sectors – which are typically more ‘tax-rich’ than the exporting sectors – tax revenues increased also.

4 The figures in this document are presented on an annualised basis, i.e. as 12-month or 4-quarter rolling sums, in order to smooth volatility and to address seasonal effects.
These revenues increased at an annual average rate of over 7 per cent between 2011 and 2019, with the level of receipts at the end of the decade reaching €59.3 billion, the highest level ever. Having said that, several relatively new factors have had a disproportionate impact on Irish GDP with less of an impact on revenues: this has resulted in some decoupling of tax revenue growth from nominal GDP growth.\(^5\)

**Box 1: Taxation receipts as a share of national income**

Tax revenue as a share of national income is a commonly used metric to assess the burden of taxation over time and across countries. The European Commission (Eurostat), for instance, routinely publishes tax-to-GDP ratios for each of the European Union Member States.\(^6\) The data show *prima facie* that the tax burden in Ireland is the lowest in the Union.

As is often the case, however, this cross-country comparison is not straightforward in an Irish context. As has been well documented, the large multinational footprint in Ireland means that GDP overstates Irish income levels and this disconnect between measured GDP and actual income levels has been increasing in recent years. To address this, an alternative measure known as modified Gross National Income (GNI*) is now published which better captures income levels in Ireland. As GNI* provides a more accurate depiction of activity in the domestic economy, a tax-to-income provides a more accurate reflection of the tax burden.

**Figure 2: tax-to-income ratios\(^*\), per cent**

*All of the above are denominated in GDP unless otherwise stated.

Note: For comparative purposes, the measure of Ireland’s tax in the tax-to-GNI* ratio is Eurostat’s definition, which includes net social contributions.

Source: Eurostat, CSO.

Figure 2 presents tax-to-GNI* data for Ireland and compares this with developments elsewhere in the EU. As evident, the tax burden in Ireland is not dissimilar to the EU norm: for Ireland the tax burden was 38 per cent in 2018 compared with the EU average of 40 per cent. Over time, Ireland’s tax burden has remained close to EU trends, not deviating from the EU average by more than 3 percentage points.

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2.2 Dis-aggregate trends

Figure 1 also shows the evolution over time of the five main tax categories: the "big four"7 (income tax, value added tax, corporation tax, excise duties) and ‘other’ taxes. The ‘other’ category is primarily composed of stamp duties (taxes on a broad range of written documents), capital taxes (taxes on capital gains and on capital acquisitions) and customs duties (taxes on imports from outside the European Union). The composition of this ‘other’ category can change over time as smaller tax heads are moved to and from the Exchequer Fund.

Figure 1 shows that in the period prior to the crisis, tax revenues in Ireland had become increasingly reliant on receipts in the ‘other’ category, much of which was directly related to the domestic property market. As residential and commercial property sector moved into bubble territory from around 2003/04, this gave rise to additional revenue streams that were to prove temporary. In terms of quantifying these imbalances, the share of receipts from the ‘other’ category had doubled from 8 to 16 per cent between 2000-2007 while, concurrently, the income tax base was narrowed. Indeed, such was the narrowing of the income tax base that, by 2003, VAT had become the largest single tax head; this was the first time that income tax was not the single largest tax revenue stream.

Figure 3: share of taxation revenue in 2019, € millions

The time-series showing the share of each tax heading within total taxation is set out in the appendix.
Source: Department of Finance calculations.

Since the crisis, and particularly since the ‘level shift’ in receipts following the introduction of measures such as the Universal Social Charge (USC) in 2011, income tax has consistently been the largest single tax head, followed by VAT. For much of the 2000-14 period excise and corporation tax revenues were of a similar magnitude but, in recent years, the very strong growth observed in the latter has seen corporation tax established as, by some distance, the third-largest tax revenue stream. Having said

7 The yield from the ‘big four’ accounted for c. 93 per cent of total tax receipts in 2019.
that, the Department has highlighted the potentially unsustainable nature of such receipts, and identified receipts in the region of €2-6 billion as possibly at risk.¹⁸

In contrast to some other revenue streams, excise receipts have remained remarkably consistent since 2000, exhibiting only a modest decline during the crisis years and stabilising at an average of approximately €5 billion since 2010.

The ‘other’ category has recovered from its 2010 trough, but has not returned to the unsustainable levels observed immediately prior to the onset of the crisis. Significantly, the composition of this category is different to that seen in the pre-crisis peak, with stamp duties – the tax head most directly linked to the property market – finishing 2019 at less than half the 2006 level.

Section 3
The recovery in taxation receipts

Figure 4 charts the cumulative change in taxation receipts from the low-point in mid-2010 to the end of last year. Overall tax revenue increased by €28.1 billion over this period, an increase of over 70 per cent. Of this, €24.2 billion (over four-fifths) of the increase was due to higher income tax (€11.7 billion), VAT (€4.9 billion) and corporation tax (€7.6 billion) receipts.

The step change in revenue over the past decade reflects two main factors. Firstly, discretionary revenue-raising measures introduced to stabilise the public finances following the bursting of the property market bubble played an important role. In addition to raising revenue, many of these tax changes were aimed at addressing the imbalances in the Irish taxation system – such as the narrowing of the income tax base – that had contributed to the severity of the crash. Prominent base-broadening reforms included the Universal Social Charge (USC)\(^9\) in 2011 and Local Property Tax (LPT). Simultaneously, several tax expenditures – that is expenditure conducted through the taxation system – were curtailed over this period.\(^{10}\)

**Figure 4: from trough-to-current – cumulative change in tax receipts**

\[\text{CT} = \text{corporation tax.}\]
\[\text{Source: Department of Finance.}\]

The second factor behind the recovery in tax revenue is, of course, the economic turnaround. At an aggregate level, tax revenue will tend to track nominal income growth (where income growth is GDP, GNP or GNI\(^*\)); in other words, national income is the tax base. At a disaggregate level, revenue developments are also related to their respective bases: the national wage bill for income tax, personal

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\(^9\) It is important to note that much of the USC was effectively a technical, administrative change consolidating existing levies into a single tax.

\(^{10}\) Evidence shows that tax expenditures are not only costly to the State (including deadweight costs) but can, in many cases, be regressive.
consumer spending for VAT, etc. The remainder of this section looks at each of the main tax headings and compares them with developments in their respective base.

### 3.1 Direct tax receipts

#### 3.1.1 Income tax receipts

The largest increase in receipts since the crisis has been in the income tax yield which, at the end of last year, amounted to just over €22.9 billion, more than doubling since its low-point in 2010, when receipts ended the year at €11.3 billion. Income tax receipts are the largest source of taxation revenue.

![Figure 5: income tax receipts and the national wage bill, 2001 – 2019, € million](chart)

Source: Department of Finance

Figure 5 shows the evolution of income tax (vertical axis) and compensation of employees (horizontal axis) over the period 2001 to 2019; the latter is the national accounts definition for the economy-wide wage bill (composed of the number of employees, the number of hours worked per employee and average per capita earnings). Three distinct phases can be observed.

First, between 2001 and 2008 (blue dots), income tax receipts evolved in line with the wage bill so that, on an economy-wide basis, the effective rate of income tax hovered at around 20 per cent. Second, with falling employment and (to a lesser extent) wages during the crisis, income tax receipts declined. Policy responded by way of discretionary revenue-raising measures, including the USC (brown dots). During this time, the national pay bill was largely unchanged while income tax receipts increased: in other words, the effective rate of income tax was increased.

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By 2012, the structural increase in the effective rate of income tax was completed and from then until end-2019 (green dots), the whole-economy effective rate of income tax has been broadly steady at around 23 per cent.

**Box 2: Income Tax: a broad church**

While much attention has, rightly, focussed on corporation tax receipts in recent years, it is important to highlight that income tax receipts are the single largest tax revenue stream for the State, accounting for €23.0 billion (c. 40 per cent of total tax receipts) last year. To put this in context, this is more than double the overall corporation tax take.

The income tax heading encompasses several components, including taxes on labour income, on self-employed income and on so-called ‘unearned’ income (figure 6). The bulk of income tax receipts arise from labour income: ‘Pay As You Earn’ or PAYE revenue is, by a considerable distance, the largest single component of income tax, accounting for €15.8 billion or just under 70 per cent of all income tax receipts last year.

Total receipts from the **Universal Social Charge** (USC) accounted for a further €3.8 billion (17 per cent of the total), while **Schedule D**\(^\text{12}\) receipts, levied on self-assessed income, amounted to €1.9 billion (8 per cent of income tax receipts) last year.

**Figure 6: distribution of income tax receipts in 2019, per cent of total**

- 68.6% PAYE
- 16.5% USC
- 11.1% Schedule D Income Tax
- 8.4% Professional Services Witholding Tax
- 2.2% Dividend Witholding Tax
- 1.1% Other

Revenue data are on a net receipts basis and can differ from Exchequer figures.
Source: Revenue Commissioners (provisional data)

A number of smaller sub-headings accounted for the remainder of income tax receipts in 2019. These include the **Professional Services Witholding Tax** (paid by public bodies for certain professional services) which amounted to €0.7 billion (3 per cent of overall income tax), and the **Dividend Witholding Tax** (paid by State-resident companies on dividend payments) which amounted to €0.5 billion (c. 2 per cent of income tax receipts). Finally, the **other** category of receipts, which aggregates several relatively minor revenue streams such as **Deposit Interest Retention Tax** and **Life Assurance Exit Tax**, amounted to €0.2 billion (1.1 per cent of total income tax head) last year.

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\(^\text{12}\) The term Schedule D refers to the income tax sub-heading under which income from business activity is taxed.
Box 3: Distribution of income tax payments

The main purpose of taxation is to fund the provision of goods and services by Government. However, the taxation system – particularly the income tax system – can also play an important role in achieving broader goals, such as a more equal distribution of net income.

The OECD\textsuperscript{13} has highlighted that market income inequality in Ireland is relatively high – in no small part because a relatively large number of households have no market income (they are dependent upon income transfers). Importantly, however, Ireland’s tax and welfare system mean that overall income inequality is very much in line with the OECD average. In other words, the progressivity of Ireland’s income tax system (one of the most progressive in the OECD) plays an important role in reducing market income inequality.

The progressivity of the income tax system is evident from figure 7 which shows the ‘cumulative income distribution function’, i.e. the share of income tax paid by different income cohorts. Low income earners, defined as those earning up to €17,000 a year and constituting around 30 per cent of earners, pay a small fraction of income tax paid. Of the remaining 70 per cent of taxpayers, around four-fifths of overall income tax revenue is paid by the top 25 per cent of income earners. The top 1 per cent of income tax payers, about 28,000 tax cases, paid over one-fifth of income tax revenue in 2017.

Figure 7: distribution of income tax payments, 2017

Rounding can affect totals. Data are on a tax case basis, i.e. a jointly-assessed married couple or civil partnership may be treated as one tax unit. Income tax includes USC.
Source: CSO, Revenue Commissioners

That the distribution of income tax receipts is so concentrated among a relatively small number of high earners, even after the implementation of the base-broadening income tax reforms detailed previously, is indicative of the significant level of progressivity in the tax system.

\textsuperscript{13} See OECD (2016) OECD Economic Surveys: Ireland, available at:
3.1.2 Corporation tax receipts

Figure 8 plots corporate tax receipts (vertical axis) and net operating surplus (horizontal axis); the latter is the national accounts term for corporate profitability (after allowance for depreciation of the stock of capital assets held by the corporate sector).

**Figure 8: CT receipts and net operating surplus, 2001-2019, € millions**

Two distinct phases are apparent. During the first phase (blue dots), corporation tax receipts moved in line with corporate profitability, with the latter moving gradually upwards between 2010 and 2014. During the second phase (green dots), corporation tax receipts also moved in line with profitability, but the latter making a ‘level shift’ in 2015. This ‘level shift’ in corporate profitability is explained in further detail in box 4 and the risks to profitability in the future are summarised in box 5. To address these risks, the previous Government committed to running budgetary surpluses of 1 per cent or more from 2021 onwards and re-calibrated the budgetary rules in terms of GNI*.
Box 4: Evolution of corporation tax receipts

The significant increase in CT receipts in recent years has been driven by an increase in corporate profitability. However, due to factors such as *inter alia* the increased use of capital allowances, the increase in CT has not tracked profitability on a one-for-one basis. Table 1 shows the ‘walk’ from gross corporate profitability to CT received by the Exchequer in the years 2012 to 2017. The 2015 ‘level shift’ is clearly visible in the table, with a c. 51 per cent jump in gross trading profits.

| Table 1: calculation of corporation tax liability, 2012-2017, € millions |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                             | 2012                | 2013                | 2014                | 2015                | 2016                | 2017                |
| gross trading profits       | 76,426              | 83,234              | 98,422              | 149,099             | 164,204             | 167,090             |
| less allowances             |                     |                     |                     |                     |                     |                     |
| capital allowances used     | 8,475               | 15,955              | 18,621              | 46,153              | 59,254              | 61,926              |
| trade losses carried forward| 10,094              | 10,120              | 14,685              | 20,213              | 14,627              | 13,974              |
| net trading income          | 57,858              | 57,160              | 65,117              | 82,734              | 90,323              | 91,190              |
| plus other income           | 6,463               | 6,893               | 8,874               | 12,956              | 13,294              | 15,309              |
| total income                | 64,321              | 64,052              | 73,991              | 95,689              | 103,617             | 106,499             |
| less deductions and expenses| 21,078              | 23,590              | 23,287              | 30,613              | 32,142              | 26,844              |
| taxable income              | 43,243              | 40,462              | 50,703              | 65,077              | 71,476              | 79,655              |
| amount chargeable at 12.5%  | 41,575              | 38,580              | 48,249              | 63,000              | 67,350              | 75,246              |
| amount chargeable at 25.0%  | 1,664               | 1,883               | 2,454               | 2,077               | 4,126               | 4,409               |
| gross tax due               | 5,614               | 5,293               | 6,645               | 8,394               | 9,450               | 10,508              |
| less reliefs & credits      | 1,239               | 1,214               | 1,714               | 2,146               | 2,291               | 2,403               |
| TAX DUE                     | 4,375               | 4,079               | 4,931               | 6,249               | 7,159               | 8,105               |

Source: Revenue Commissioners. 2018 data will be published in April 2020.

Another point to note in the table is the growth in capital allowances used between 2014 and 2015. The ‘level shift’ in corporate profitability was mirrored in the quantity of allowances used. Capital allowances are one of the three main ways in which firms can reduce their taxable income, the others being Trade Losses Carried Forward and Trade Charges. In 2015, allowances claimed for intangible assets such as intellectual property were the primary driver of the substantial increase in allowances used. The increase resulted in the growth in taxable income to be far less than the growth in gross trading profits. In other words, the use of capital allowances prevents the full translation of gross trading profits into taxable income and government revenue.
Box 5: OECD international tax reform

Building on the achievements of the OECD BEPS process, work continues at the OECD Inclusive Framework seeking to address the taxation challenges posed by the digitalisation of the economy. These proposals are split into two distinct pillars. The first, Pillar One, focuses on a limited change to the existing balance of taxing rights with a view to ensuring greater taxation in market countries for large global business. Digitalisation has brought change to how business is conducted and the Pillar One proposal seeks to update the international tax framework based on the ‘unified approach’ of profit allocation to market jurisdictions which seeks to incorporate the concerns of members of the inclusive Framework.

The second set of proposals, Pillar Two, is focussed on potentially agreeing a global minimum effective taxation regime. The recently published Pillar Two document is a progress note which takes stock of discussions to date. The document notes that there are differing views within the BEPS Inclusive Framework and notes that significant work remains to be undertaken on the proposal. The details of this proposal remain under discussion and a number of design features are being considered but significant technical consideration remains to be carried out.

Following the publication of a work plan in May 2019, on 31 January 2020, the OECD published the latest phase of documents in this ongoing process. The publication includes an overview statement and documents on both Pillar 1 and Pillar 2 of the proposal. The overview statement notes that all of the work remains on a ‘without prejudice’ basis and that no agreements have yet been reached. The next significant step will be the next meeting of the BEPS Inclusive Framework in July 2020.

The overview statement also reaffirms all countries’ commitment to try and find agreement on the OECD work by the end of 2020, with global implementation to take a number of further years. As such, these proposals introduce additional uncertainty and volatility in corporation tax receipts over the forecast horizon.
3.2 Indirect tax receipts

3.2.1 VAT

Personal consumer spending is the VAT base – VAT is (for the most part) paid by consumers of goods and services. Figure 9 shows VAT receipts (vertical axis) and the value of personal expenditure (horizontal axis). The blue dots show pre-crisis and crises levels while the green dots show the recovery.

As noted earlier, VAT is payable on new housing, so the increase in housing output since its nadir is also contributing to VAT revenue. However, the level of housing output remains comparatively low, with the result that the contribution from this component is relatively small.

Figure 9: changes in VAT receipts and consumption, 2001-2019, € millions

Last observation is 2019Q3.
Source: CSO and Department of Finance calculations.
3.2.2 Excise duties

Excise duties are levied on the consumption of certain goods, such as alcohol, tobacco and fuels. These duties are imposed on the quantum rather than on the value and, as such, the Department uses the volume of consumption of non-auto goods as a proxy for the tax base for this tax heading. Figure 10 shows the evolution of excise duty receipts (vertical axis) and the volume of non-auto goods consumption (horizontal axis). Unlike some of the other main tax headings, there has been no major change in the relationship over the past two decades.

Figure 10: changes in excise receipts and consumption 2001 – 2019, € millions

Last observation is 2019Q3.
Source: CSO and Department of Finance calculations.

3.3 Other taxes

Finally, receipts from the ‘other’ tax category amounted to €4.4 billion at the end of last year, some €2.6 billion higher than at the low-point in 2010. Receipts from the ‘other’ category now account for around 7.5 per cent of total receipts, compared with the peak of 16 per cent at the height of the bubble, a proportion which is not indicative of imbalances at this stage.
Section 4
General government taxes

4.1 General government definition

The general government sector is a broader definition which incorporates all arms of government, rather than the sometimes better understood Exchequer (Central Fund), the latter covering just central government. As well as the income and expenditure of central government, the general government sector includes the income and expenditure of non-commercial semi-state companies, extra budgetary funds (e.g. Ireland Strategic Investment Fund) and local authorities. Commercial semi-State bodies are not included as part of the general government sector.

The Central Statistics Office (CSO) is responsible for classification of the general government sector in Ireland within the framework of the European System of Accounts (ESA) 2010. In order to ensure harmonisation and comparability across European Union Member States, the reporting requirements under the Stability and Growth Pact are set in general government terms.

In 2018, Exchequer taxes accounted for just under 70 per cent of total general government revenue. When Pay Related Social Insurance (PRSI) receipts are taken into account, more than 80 per cent of general government revenue is accounted for. Accordingly, the performance of Exchequer taxes has a significant bearing on general government revenue.

Figure 11: composition of general government revenue, 2000 – 2018, € millions

Exchequer taxes and PRSI on a cash basis.
Source: CSO, Department of Finance calculations.
4.2 General government taxes

The ESA framework provides both a codification structure for recording taxes and also sets out the time period in which they should be recorded. Specifically, ESA requires that taxes are recorded at the time “…when the activities, transactions or other events occur which create the liabilities to pay taxes”.

In practice, this means that a time adjustment is made to the cash based data. For example, Value Added Tax is adjusted by two months to account for the delay between the sales transaction and the due date for remittance by retailers to the Revenue Commissioners (figure 12). The other significant taxes subject to time adjustment are pay as you earn (PAYE) and Excise duties.

![Figure 12: VAT - Exchequer (cash) and ESA, 2000 – 2018, € millions](image)

Source: CSO.

4.3 Classification of taxes

The ESA framework codifies taxes between direct taxes, such as income tax and corporation tax, and indirect taxes, for example VAT. A direct tax is one which is levied on income and/or wealth. Figure 14 below sets out the main Exchequer components of ESA-based direct taxes. Excluding the financial crisis years, corporation tax accounted for c.25 per cent of direct taxes. With the recent strong performance in corporation tax receipts the share increased to c. 30 per cent of direct tax receipts in 2018.
Table 2: summary of classification of taxes

<table>
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<td><strong>Direct taxes (taxes on income, profits and capital gains)</strong></td>
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<tr>
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<td>Exchequer</td>
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<td>Corporation tax</td>
<td>Exchequer</td>
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<tr>
<td>Capital gains tax</td>
<td>Exchequer</td>
</tr>
<tr>
<td>Motor tax^ (households)</td>
<td>Exchequer</td>
</tr>
<tr>
<td><strong>Indirect taxes (taxes on production and imports)</strong></td>
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<td>Exchequer</td>
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<td>Motor tax^ (businesses)</td>
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<td>Local authority rates</td>
<td>Local authorities</td>
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<tr>
<td>Risk equalisation (community rating)</td>
<td>Risk equalisation fund</td>
</tr>
</tbody>
</table>

^ Until end-2017, motor tax was paid into the Local Government Fund (LGF) while Local Property Tax was paid into the Exchequer. As a result of a number of reforms encompassed by the Water Services Act 2017, LPT is now paid into the LGF while motor tax is paid directly into the Exchequer. Under ESA, motor tax on business vehicles is an indirect tax; for households, it is a direct tax.

* Within the ESA framework, LPT on vacant properties is classified as a direct tax.

Source: CSO and Department of Finance.

Figure 13: direct taxes and selected cash-based tax heads, 2000 – 2018, € millions

*The full amount of cash-based motor tax receipts is shown here. Strictly speaking, motor tax paid by businesses should be recorded as indirect taxes.

2019 data will be published by the CSO in April.

Source: CSO, Department of Finance calculations.
Indirect taxes are levied on enterprises as a result of engaging in the production and importation of goods and services. As evident from figure 13, VAT and excise duties terms account for the majority, c. 80 per cent, of indirect taxes (on an ESA basis).

Figure 14: indirect taxes and selected cash tax heads, 2000 – 2018, € millions

*Local Property Tax on vacant homes is a direct tax within the ESA framework. For simplicity, the full amount of LPT receipts is shown as an indirect tax here.
2019 data will be published by the CSO in April.
Source: CSO, Department of Finance calculations.
Section 5
Conclusion

Tax receipts of just under €60 billion are near-double their crisis ear low point, and this has helped to finance increases in public expenditure and, at the same time, eliminate the headline deficit.

Risks to the State’s tax revenue remain. Unprecedented levels of corporation tax receipts have greatly benefitted the Exchequer balance but also display an inherent volatility. This volatility is heightened by the highly concentrated nature of the corporation tax base, which leaves this revenue stream vulnerable to the activity of a small number of large multinational firms, and, additionally, to the prospect of forthcoming changes to the international tax regime that will negatively impact on Ireland’s corporation tax revenues.

Fiscal crises are costly but, unfortunately, are not rare in an Irish context. Prevention of fiscal crises must be a priority. In particular, it is imperative that expenditure is not financed by revenue streams that prove temporary.
Appendix: Additional variables

Figure A.1: share of tax revenue 2008-2019, per cent

Source: Department of Finance calculations

Figure A.2: share of corporation tax receipts, per cent of total

Source: Department of Finance calculations.
Figure A.3: share of CT paid by the largest ten firms, € millions

Source: Revenue Commissioners