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An Roinn Airgeadais
Department of Finance

Our reference: 2018-4(a)

2 October 2018

Mr Brendan Howlin, TD
The Labour Party
Leinster House
Kildare Street
Dublin, D02 A272

Dear Deputy,

I refer to the Labour Party costing request to the Department for Budget 2019 costings (submitted to us on 5 September 2018). I am pleased to enclose responses to all of the costings sought except for costing proposals number 31 & 32 which will be answered directly by our colleagues in the Department of Public Expenditure and Reform.

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.

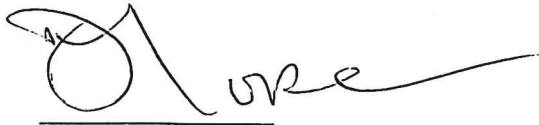
The costings, including those provided by or in conjunction with other Departments, are provided on the basis that at no time will the Department be represented as endorsing the proposals costed. Equally, the Department will not comment on the merits or otherwise of those proposals. Where caveats or 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. Costings prepared in the context of general elections or Programmes for Government will also be dealt with in accordance with relevant provisions of the Act.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Derek Moran', written over a horizontal line.

Derek Moran

Secretary General

Areas submitted to Department of Finance for costing

Proposal 1 – Corporation Tax: increase in rate

1. Detailed description of item or policy on which a costing is required:

To determine yield for the following increases in the Corporation Tax rate:

A) Increase 12.5% rate for trading profits by either 0.5% or 1%

B) Increase the 25% rate for non-trading profits by 1%, 2% or 5%.

2. What assumptions/parameters do you wish the Department to make/specify?

Can the yield be modelled under two scenarios – i) rate increase does not impact on company location or activities, and ii) if the Department has a sensitivity model as to what an increase in the corporation tax rate would have on yield to provide an estimate of the yield using that scenario.

On a straightforward mathematical basis there is a large theoretical yield from increasing the rates (in particular the trading rate). However, such changes would likely lead to lower levels of economic activity, behavioural changes in the locational decisions of multinational companies and employment in the multinational sector. On the basis of these issues and the difficulty of predicting such impacts, it is not possible to accurately or robustly estimate the potential yield from such an increase.

Proposal 2 – Corporation Tax: R&D Tax Credit

1. Detailed description of item or policy on which a costing is required:

To determine the 2019 savings that would be made by ending the refundable element of the R&D tax credit from 1st January 2019

2. What assumptions/parameters do you wish the Department to make/specify?

To provide a costing under two scenarios: A) that the refundable element would cease completely from 1st January 2019 even for those claims already in process. B) That it is phased out over 3 years with no new claims from 1st January 2019, but those currently in train can continue to receive the refundable credit as was previously available. Under

scenario B can the annual cost for 2019, 2020 and 202 of retaining the refundable element be outlined.

Based on the 2016 cost, a yield of €263m could be achieved if refundable credits were no longer allowed. It should be noted that this would largely be a temporary yield, assuming that the credit would carry forward for offset against future tax liabilities. The actual (temporary) yield would depend on future expenditure and behavioural change on the part of companies involved in research and development. Information is not available in respect of relevant expenditure for financial years 2017 and later and therefore an accurate estimate of a phased change cannot be given.

Proposal 3 – Introduction of minimum effective rates of corporation tax

1. Detailed description of item or policy on which a costing is required:

To determine the gains that would accrue to the exchequer over the years 2019-2022 from the introduction of a minimum effective corporation tax rate of 2%, 4%, 8%, 10% or 12%.

2. What assumptions/parameters do you wish the Department to make/specify?

We wish to assume that the introduction of this measure would impact on all profitable companies in each year, would be calculated as a share of total profits regardless of offsetting costs of expenses, and that the possible thresholds outlined above would be phased in over four years, as follows:

To achieve a minimum effective corporation tax rate of 2% by 2022, a rate of 0.5% would be set in 2019, increasing to 1.0% in 2020, 1.5% in 2021 and 2.0% in 2022.

To achieve a minimum effective corporation tax rate of 4% by 2022, a rate of 1% would be set in 2019, increasing to 2% in 2020, 3% in 2021 and 4% in 2022.

To achieve a minimum effective corporation tax rate of 8% by 2022, a rate of 2% would be set in 2019, increasing to 4% in 2020, 6% in 2021 and 8% in 2022.

To achieve a minimum effective corporation tax rate of 10% by 2022, a rate of 2.5% would be set in 2019, increasing to 5% in 2020, 7.5% in 2021 and 10% in 2022.

To achieve a minimum effective corporation tax rate of 12% by 2022, a rate of 3% would be set in 2019, increasing to 6% in 2020, 9% in 2021 and 12% in 2022.

Analysis undertaken by the Department of Finance, co-authored by an independent academic, in addition to a report undertaken the Comptroller and Auditor General (C&AG)

confirm that the overall effective rate of corporation tax, using the most appropriate methodology, paid by corporations in Ireland is between 10% and 11%. This is close to the headline rate of 12.5%.

As such the minimum effective rates proposed are likely to result in little or no gain to the Exchequer. A minimum effective rate of 12% may have some impact, though the yield would depend on the income definition used when introducing such a measure, as reliefs such as double tax relief and the R&D tax credit are factors in the effective rate being slightly below the headline rate of 12.5%. However, predicting behavioural responses is not possible with a sufficient degree of accuracy to enable a reliable costing estimate to be provided.

Proposal 4 – Corporation Tax: capping of capital losses

1. Detailed description of item or policy on which a costing is required:

We are seeking to (1) establish the estimated level of capital losses current held on the balance sheets of companies registered in Ireland, (2) the anticipated period of time required to bring about a situation where 80% of those losses have been recouped allowing these companies to once again make tax returns, and (3) for an estimate to be provided of the revenue likely to accrue to the state if the law was changed to cap the length of time for which such losses could be offset against tax liabilities at 2 years (scenario a), 3 years (scenario b), 5 years (scenario c) and 10 years (scenario d).

2. What assumptions/parameters do you wish the Department to make/specify?

No additional assumptions/parameters

It is assumed the proposal is referring to the losses reported in the trading panel of the Corporation Tax returns and not referring to losses in relation to capital gains. From information returned on Corporation Tax returns filed for the year 2016, there is over €221 billion losses forward claimed in the year. This includes capital allowances that are unused from earlier years as they are generally returned as losses in later years and are not separately identifiable.

It should be noted that loss relief for corporation tax is a long standing feature of the Irish Corporate Tax system. It allows for losses incurred in the course of business to be accounted

for when calculating a business' tax liabilities. This mechanism is a standard feature of corporation tax systems in all OECD countries.

These historic losses are being offset slowly and some are unlikely to ever be used. Much of these relate to substantial losses incurred by companies during the downturn, however new losses or unused capital allowances are also created each year from some companies.

While approximately €14.6 billion of income was offset in 2016 as a result of claims in respect of losses, on the basis of profits and losses returned in 2016, it is likely to take over 20 years before 80 per cent of the historic losses on file in 2016 will be used. This is because many companies with losses forward are not in a position to offset any of their losses forward at present.

Timeline information in respect of losses is not available to show the age profile of losses and unused capital allowances associated with claims on the tax returns. It is likely that restricting the use of these losses (and unused capital allowances) could lead to large theoretical gains depending on the scenario chosen. It should also be noted that if this change is made for companies, presumably it would have to be extended to self-employed taxpayers.

Proposal 5 – PRSI: Expansion of PRSI relief for low and middle income earners

1. Detailed description of item or policy on which a costing is required:

A PRSI credit was introduced in order to ameliorate the 'step effect' experienced by employees whose income is just over the threshold for liability to PRSI. We wish to explore the expansion of this credit providing relief of a maximum of €14 per week on incomes under €704 per week, or €36,608 per year. The tapering of this measure should apply at a rate of 4% per €1k income.

A PRSI credit was introduced in order to ameliorate the 'step effect' experienced by employees whose income is just over the threshold for liability to PRSI. We wish to explore the expansion of this credit providing relief of a maximum of €14 per week on incomes

under €704 per week, or €36,608 per year. The tapering of this measure should apply at a rate of 4% per €1k income.

2. What assumptions/parameters do you wish the Department to make/specify?

The impact of this measure on individuals at the below salary levels should be included in the detail provided on this costing:

€18,305

€25,000

€30,000

€35,000

€36,608

	Current Credit	Proposal 5
PRSI due on income of €352 per week	€2.08	€0
PRSI due on income of €480 per week	€19.20	€10.24
PRSI due on income of €577 per week	€23.08	€18.00
PRSI due on income of €673 per week	€26.92	€25.68
PRSI due on income of €704 per week	€28.16	€28.16

Proposal 6 – PRSI: Employer rate step effect

1. Detailed description of item or policy on which a costing is required:

The cost of increasing the income threshold that the 8.6% Employer PRSI rate impacts on from €376 per week up to €464.10 per week (ie the living wage of €11.90 by 39 hours)

2. What assumptions/parameters do you wish the Department to make/specify?

No additional assumptions, provide details of the number of employees that such a revised rate would apply to.

The cost of increasing the income threshold that the 8.6% Employer PRSI rate impacts on from €376 per week up to €464.10 per week (ie the living wage of €11.90 by 39 hours)

	Cost	Employments Affected
Raise employer higher rate threshold to €464.10 per week	€31.7m	121,388

Proposal 7 – USC and Employer PRSI

1. Detailed description of item or policy on which a costing is required:

Based on the current yield of USC, what rate of employers' PRSI would be required to raise the same amount of money if USC was abolished? In other words, employers' PRSI would be expected to raise as much as it does at present plus an additional amount equivalent to the total raised by USC.

2. What assumptions/parameters do you wish the Department to make/specify?

The calculation should be made based on the expected yield from USC in 2019 with unchanged rates.

Based on the current yield of USC, what rate of employers' PRSI would be required to raise the same amount of money if USC was abolished? In other words, employers' PRSI would be expected to raise as much as it does at present plus an additional amount equivalent to the total raised by USC.

	Rate required - excluding NTF
Change higher rate only	15.575%
Change higher and lower rates	15.14%

Proposal 8 – PRSI: employers

1. Detailed description of item or policy on which a costing is required:

At present, employers pay 8.6% Class A employer PRSI on weekly earnings up to €376.

Employers pay 10.85% Class A employer PRSI on weekly earnings over €376 (inclusive of the NTF levy).

How much revenue would be raised by setting a single rate of 10.85%, to apply on all weekly earnings?

How much revenue would be raised (/cost) by setting the rate at 10.5%, to apply on all weekly earnings?

How much revenue would be raised (/cost) by setting the rate at 9%, to apply on all weekly earnings?

2. What assumptions/parameters do you wish the Department to make/specify?

Assume no change to the level of employment.

At present, employers pay 8.6% Class A employer PRSI on weekly earnings up to €376.

Employers pay 10.85% Class A employer PRSI on weekly earnings over €376 (inclusive of the NTF levy).

Employer Rate	Increased / (Decreased) Revenue	Employments Affected
10.85%	€94.6m	801,804
10.50%	(€169.3m)	2,882,670
9%	(€1,300.0m)	2,882,670

Proposal 9 – Income Tax: Refundable Personal Tax Credits

1. Detailed description of item or policy on which a costing is required:

To determine the cost of providing refundable tax credits at the end of the financial year to both employed, and self-employed individuals who have earned at least €5,000, and if

employed made at least 40 PRSI contributions in the year, but did not earn enough income to use all the tax credits they are eligible for as detailed below.

Personal Tax Credits to be made refundable: Single Person, Married person or civil partner, widowed person or surviving civil partner with dependent child(ren) or without dependent children, one parent family, age credit, home carer's tax credit, blind tax credits, guide dog allowance, incapacitated child tax credit, earned income tax credit.

2. What assumptions/parameters do you wish the Department to make/specify?

The refundable portion would either be returned to the individual when a P21 balancing statement is issued, and can either be paid as a lump sum, or added to their salary income over the period of the following year through their employer. Also outline any other relevant personal tax credits that should be included in such a proposal.

Revenue have not undertaken an exercise to estimate a projected cost of refundable tax credits to the Exchequer or the administrative cost of establishing the necessary systems to facilitate the refund of tax credits. Any such exercise in estimation would be highly complex as it would involve assumptions about the manner in which such a system would operate, its possible effects on individuals not currently in the tax net and how such a system might interact with any social protection payments. In the absence of a fully designed scheme of refundable tax credits that addresses all of the relevant issues outlined, an estimated cost of refunding of credits is not currently available.

This matter was looked at in some detail by the Working Group established under the Programme for Prosperity and Fairness to examine the role which refundable tax credits can play in the tax and welfare system. The Group was chaired by the Department of Finance and included representatives from ICTU, IBEC, the various farming organisations, the Community and Voluntary Pillar, relevant Government Departments and the Office of the Revenue Commissioners. The Working Group found that there were significant disadvantages with such a system. These included the potential negative impacts on the incentive to work, labour supply, labour force participation and overall productivity and output. The Commission on Taxation in its 2009 report also did not recommend the introduction of refundable tax credits.

Proposal 10 – Income Tax: increase in tax credits and bands

1. Detailed description of item or policy on which a costing is required:

A) To determine the cost of increasing the personal tax credits by €100, €200 or €300 respectively. Provide a tabular breakdown.

B) The associated cost of increasing the earned income tax credit from €1,150 to €1,400, €1,650 or €1,750.

C) Increase the standard rate cut off point by i) €500, and ii) €1,000 for single, married one-earners and two earners.

D) Confirm cost of increasing home carer credit by i) €100, and ii) €200

2. What assumptions/parameters do you wish the Department to make/specify?

For A) Outline the individual cost for each personal tax credit increase.

The estimated impact to the Exchequer of increasing the personal tax credits, the earned income tax credit, the home carer credit and the standard rate cut-off point may be found in the Pre-Budget 2019 Ready Reckoner, which can be accessed at:

<http://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx>

The Ready Reckoner shows a range of scenarios, including some of those requested directly; others can be estimated on a straight-line or pro-rata basis from the information in the Ready Reckoner. These estimates are generated by reference to projected 2019 incomes, generated on actual data for the year 2016, the latest year for which returns are available, after adjustments for income, self-employment and employment trends in the interim. The estimates are provisional and may be revised.

For B) outline the number projected to benefit in 2019, 2020 and 2021 respectively, and the number that have availed of EITC in 2017 and 2018.

The number of taxpayer units availing of the earned income credit in 2016, the latest year for which data are available, was approximately 191,700. Data for the numbers availing of the EIC in each of the years requested is not available, this will become available once the tax returns for each year are filed and processed.

For C) outline the number of people impacted in each category and breakdown of costs.

The approximate number of Single Persons, Widowed Persons and surviving Civil Partners who will pay the higher rate of tax in 2019 is 280,000 and the approximate number of Married persons and Civil Partners who will pay the higher rate of tax in 2019 is 299,000. Note that Married persons or civil partners who have elected or who have been deemed to have elected for joint assessment are counted as one tax unit.

For D) Outline the number of people expected to benefit in 2019, 2020 and 2021 respectively, and the number that availed of tax credit in 2017 and 2018 respectively.

The number of taxpayers who availed of the home carer tax credit in 2016 (the latest year available) was approx. 85,900. Note that Revenue's PAYE Modernisation programme, due to come into effect from 1 January 2019, may provide more timely data after its implementation. The estimated number of taxpayers who would benefit from an increase in the home carer's credit in the medium term is not available as the take-up of the credit is not separately forecasted, however it is expected to be broadly in-line with the numbers for 2016.

Proposal 11 – Income Tax: Withdrawal of Tax Credits from High Earners

1. Detailed description of item or policy on which a costing is required:

The gain to the exchequer from a withdrawal of PAYE and Earned Income tax credits by 5% per €1k income, on all income in excess of either €80,000 (scenario 1) or €100,000 (scenario 2).

The gain to the exchequer from a withdrawal of PAYE and Earned Income tax credits by 15% per €1k income, on all income in excess of either €80,000 (scenario 3) or €100,000 (scenario 4).

The gain to the exchequer from a withdrawal of PAYE and Earned Income tax credits by 16.5% per €1k income, on all income in excess of either €80,000 (scenario 3) or €100,000 (scenario 4).

2. What assumptions/parameters do you wish the Department to make/specify?

The first two scenarios outlined in this proposal had been costed by the Tax Strategy Group in 2016 to take effect from 2019. We are seeking to have the same assumptions

and parameters applied to cost this measure updated. Scenarios 3, 4, 5 and 6 replicate this approach, but with a more rapid withdrawal of tax credits as income increases.

The data provided below provides the cost of tapering on a taxpayer unit basis (married persons or civil partners who have elected or who have been deemed to have elected for joint assessment are counted as one tax unit). These estimates have been generated by reference to 2019 incomes as calculated on the basis of actual data for the year 2016, the latest year for which returns are available, adjusted as necessary for income, self-employment and employment trends in the interim. The estimates are provisional and may be revised.

	First Year (€m)	Full Year (€m)
Scenario 1 (5%)		
EIC	38	68
PAYE	436	490
Total	475	559

	First Year (€m)	Full Year (€m)
Scenario 2 (5%)		
EIC	26	46
PAYE	257	288
Total	283	335

	First Year (€m)	Full Year (€m)
Scenario 3 (15%)		
EIC	44	78
PAYE	518	582
Total	562	660

	First Year (€m)	Full Year (€m)
Scenario 4 (15%)		
EIC	29	52
PAYE	302	339
Total	331	391

	First Year (€m)	Full Year (€m)
Scenario 5 (16.5%)		
EIC	44	78
PAYE	523	587
Total	567	666

	First Year (€m)	Full Year (€m)
Scenario 6 (16.5%)		
EIC	29	52
PAYE	304	342
Total	333	394

Proposal 12 – Income Tax: Disability Tax Credit

1. Detailed description of item or policy on which a costing is required:

How much will it cost the Exchequer to introduce a Disability Tax Credit of €1,650 per year for single people and a tax credit of €3,000 for married or cohabiting couples. The Disability Tax Credit would cover disabilities as recognised under existing social welfare entitlements criteria.

2. What assumptions/parameters do you wish the Department to make/specify?

The cost of setting up a credit, the time it would take to be implemented, the financial criteria to be applied to applicants as is applied to the Blind Person's Tax Credit.

As there is no data available on the number of taxpayers who would be eligible for the disability tax credit, or their ability to absorb the credit, there is no basis on which Revenue can estimate the cost of this measure.

Proposal 13 – Income Tax: Medical A&E Tax credit

1. Detailed description of item or policy on which a costing is required:

How much to establish a €3,300 Tax Credit for Medical Practitioners, employed or retired, to be awarded if they complete a minimum of 24 hours per quarter in A&E in their locality, to be able to treat patients presenting at A&E who could be easily treated outside of the bed areas.

2. What assumptions/parameters do you wish the Department to make/specify?

To assume that 200 people will take part in the first year, and to ensure that the tracking of such hours by hospital groups will be of a reasonable cost in this regard.

Assuming 200 claimants were entitled to claim the proposed credit, and that the claimants were able to fully absorb the proposed €3,300 tax credit, the estimated cost to the Exchequer is estimated to be in the order of €0.7 million.

Proposal 14 – Income Tax: relief on rent credit

1. Detailed description of item or policy on which a costing is required:

The cost to re-introduce a relief for rent credit as existed up to 2010 but without any age bands and available to all tax payers at the standard rate of income tax for the following amounts of rent paid: i) €2,000; ii) €4,000 or iii) €8000.

2. What assumptions/parameters do you wish the Department to make/specify?

The cost for introduction in its first year, and the full year cost, and inclusive of a sunset clause of 5 years.

The numbers availing of the rent tax credit, and the associated cost to the Exchequer, are available on the Revenue website at

<http://www.revenue.ie/en/corporate/information-about-revenue/statistics/tax-expenditures/costs-expenditures.aspx>.

The credit was available to those paying for private rented accommodation. This included rent paid for flats, apartments or houses. It did not include rent paid to local authorities. The credit was only available to be claimed by someone that started renting on or before 7 December 2010 and ended in 2017.

As the rent tax credit has been phased out since 2010, tax returns do not provide the data required for Revenue to accurately estimate the numbers of taxpayers who are tenants and would be eligible to claim the proposed relief were it to be re-introduced.

Proposal 15 – Income Tax: Relief on trade union subscriptions

1. Detailed description of item or policy on which a costing is required:

A) To outline the cost of reintroducing tax relief at the standard rate on trade union subscriptions on the same basis as applied up to its abolition in 2011.

B) To also provide in tabular form the cost of providing tax or BIK relief on subscriptions to professional bodies for each year from 2011 to 2017 and the yield from abolishing it.

2. What assumptions/parameters do you wish the Department to make/specify?

A) The cost for introduction in its first year, and the full year cost. B) The yield in the first year, and yield in a full year.

A) Tax relief on trade union subscriptions was allowed at a rate of 20% on subscriptions up to €350. This relief was discontinued in 2011. There are no data on the number of taxpayers with union subscriptions, the cost of their individual union subscription, nor the ability of the taxpayer to absorb the credit, therefore there is no basis available to Revenue on which to estimate a cost for this measure.

B) There is no information available to Revenue from tax returns to indicate the likely numbers availing or the amounts paid in fees that would enable to an estimate of the cost to be produced.

Proposal 15 - Introduction of a Minimum Unit Price on alcohol

1. Detailed description of item or policy on which a costing is required:

To assess the exchequer gains arising from the introduction of a Minimum Unit Price of 100c per 10g of alcohol, as mentioned in the report of the Tax Strategy Group.

2. What assumptions/parameters do you wish the Department to make/specify?

The tax strategy group report on this matter in 2016 and further referenced in 2017 suggested that the introduction of a minimum unit price in Ireland should await the determination of the Scottish courts, and that there could be impacts on cross-border trade. That has now been found to be legal.

We are asking for it to be assumed that the impact on cross-border trade will be negligible.

The data available to Revenue does not provide sufficient detailed information to cost this proposal.

Proposal 16 – National Training Fund Levy

1. Detailed description of item or policy on which a costing is required:

The yield (which would be held in the National Training Fund) which would arise from increases of 0.1% (scenario 1), 0.2% (scenario 2), or 0.3% (scenario 3) in the National Training Fund Levy.

2. What assumptions/parameters do you wish the Department to make/specify?

No additional assumptions.

The yield (which would be held in the National Training Fund) which would arise from increases of 0.1% (scenario 1), 0.2% (scenario 2), or 0.3% (scenario 3) in the National Training Fund Levy.

Increase in NTF	Increased Yield
0.1%	€75.4m
0.2%	€150.8m
0.3%	€226.2m

Proposal 17 – Help to Buy and replacement Save to buy scheme

1. Detailed description of item or policy on which a costing is required:

The savings in a full year from the abolition of the Help to Buy scheme with immediate effect in either i) date of Budget or ii) 1st January 2019. To also outline the cost in 2018 to date, and projected full year cost in 2018 of the incentive.

We are proposing the establishment of a 'save to buy' scheme, modelled on the SSIA, but restricted to first-time buyers and operated through a fixed-term savings account available through the post office network. A five year term would apply to these accounts, at the end of which an interest rate of 25% on savings would apply, to a maximum of i) €6,000, ii) €10,000 interest in total over the five years.

2. What assumptions/parameters do you wish the Department to make/specify?

We request costings under two scenarios:

A) The model of the number of first time buyers that would apply for the Help to Buy incentive, assuming that a similar number begin saving every year at the maximum contribution.

B) We wish to assume that the number of first-time buyers would double between now and 2022, at an even annual growth rate; that two-third of first time buyers would avail of this scheme, and that all of those participating would make the maximum contribution.

With data available for the first 8 months of 2018, the Help to Buy scheme has cost in the region of €43.9 million for this period, with approximately €1.1 million relating to retrospective claims and €42.8 million relating to claims in 2018. Therefore, assuming the number and value of claims continue at a consistent rate for the remainder of 2018, the estimated saving in 2018 would be of the order of €16 million if the scheme was abolished from the date of Budget 2019. The projected cost of the Help to Buy scheme in 2018, based on data to-date in 2018, is approximately €66 million.

Figures on the cost of the Help to Buy Scheme to date are available in Revenue's Help to buy Report which is published on a monthly basis and be accessed at:

<https://www.revenue.ie/en/corporate/information-about-revenue/statistics/tax-expenditures/htb/htb-monthly.aspx>. This document also contains data on the numbers of

claimants to-date in 2018. Revenue do not calculate projections of the numbers of claimants for this scheme in 2019, but the cost of the scheme in 2019 is given by the Department of Finance as being the same as the cost in 2018, therefore the number of claimants in 2019 would be expected to be of the same order. Based on the number of claimants to-date in 2018, the total number of claimants (reaching claim stage) in 2018 is expected to be approximately 4,500.

In relation to the proposed savings scheme, applying the assumptions as given above, the estimated cost to the Exchequer is set out in the table below. This is based on the number of savers in 2019 equating to two thirds of the number of first time buyers that have been recorded on Revenue Stamp Duty records for 2017, subsequently doubled over the period to 2022 (assuming the scheme is rolled out in 2019).

Year	Numbers	Cost at €6,000 interest (€m)	Cost at €10,000 interest (€m)
2019	8,966	N/A	N/A
2020	11,955	N/A	N/A
2021	14,943	N/A	N/A
2022	17,932	N/A	N/A
2023	N/A	N/A	N/A
2024	N/A	54	90
2025	N/A	72	120
2026	N/A	90	149
2027	N/A	108	179

Proposal 18 – CGT: Cap on Primary Private Residence Relief

1. Detailed description of item or policy on which a costing is required:

The yield to the Exchequer from capping the primary private residence relief at €1 million.

2. What assumptions/parameters do you wish the Department to make/specify?

That the disposal of all private principal residences valued at over €1 million would be subject to capital gains tax.

It is not possible to identify from tax returns data the gains in respect of disposal of all private principal residences valued at over €1 million that would be subject to capital gains tax if a cap was introduced. For this reason it is not possible to provide estimates sought.

Proposal 19 – CGT: abolition of Entrepreneurs Relief

1. Detailed description of item or policy on which a costing is required:

The yield to the Exchequer from abolishing Entrepreneurs Relief

2. What assumptions/parameters do you wish the Department to make/specify?

Abolition from 1st January 2019, reverting to 33% rate.

From claims in respect of entrepreneur relief on tax returns for 2016 and taking into account the higher rate of relief in later years, the yield to the Exchequer from abolishing Entrepreneurs Relief could be in the region of €35m.

Proposal 20 – CGT: Section 604A

1. Detailed description of item or policy on which a costing is required:

The future yield to the Exchequer from abolishing Section 604A modelled by year up to 2022.

2. What assumptions/parameters do you wish the Department to make/specify?

Can the Department outline the projected tax losses to the Exchequer from this tax relief?

Information in respect of the section 604A exemption is not available. Tax returns for the year 2018 will for the first time include information on this exemption but they are not due to be filed until late in 2019 and information on the exemption should be available when these returns have been analysed. Therefore there is no statistical basis on which to provide any information on the exemption.

Proposal 21 – Local Property Tax: second property surcharge

1. Detailed description of item or policy on which a costing is required:

The yield to the Exchequer from applying a surcharge to the local property tax of i) €100 or ii) €200 on every residential property in which the owner did not reside.

Further the yield that would accrue if this surcharge was increased to €500, and only applied to vacant, non-leased residential property.

2. What assumptions/parameters do you wish the Department to make/specify?

The same rules as applied to the NPPR, with the exemption of those who do not reside at the property they own but instead rent out a separate property as their residence. To provide the projected number of vacant, non-leased second properties.

The Revenue Pre-Budget 2019 Ready Reckoner, available at <https://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx>, shows the yield from additional charge of €100 on every Non-Principal Private Residence, (the yield from a €200 charge can be estimated on a pro rata basis).

This estimate is based on those properties indicated to be non-principal primary residencies (NPPRs) by owners in their LPT returns. However, as there is no distinction in the tax code regarding vacant properties, it is not possible from Revenue data to separate such NPPRs into vacant, holiday homes, rented homes etc.

Proposal 22 - Changes to VAT rates

1. Detailed description of item or policy on which a costing is required:

A) The cost of reducing the higher VAT rate of 23% by 1%.

The Revenue Pre-Budget 2019 Ready Reckoner, available at <https://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx>, shows the estimated impact of increases/decreases in VAT rates.

B) The cost of reducing the 13.5% VAT rate to 13%.

The Revenue Pre-Budget 2019 Ready Reckoner, available at <https://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx>, shows the estimated impact of increases/decreases in VAT rates.

C) The yield from removing the special 9% of VAT for the tourism related activities, returning it back to 13.5%.

The Revenue Pre-Budget 2019 Ready Reckoner, available at <https://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx>, shows the estimated impact of increases/decreases in VAT rates.

D) The yield for removing the special 9% rate of VAT from hotel accommodation only.

A tentative estimate, based on consumer expenditure data, of the yield generated from the restoration of the VAT rate from 9% to 13.5% for the accommodation sector overall is likely to be in the region of €235m. Separate estimates are not available for hotels and other types of accommodation provider.

E) The yield from increasing the 9% VAT rate by 1% to 10%.

The Revenue Pre-Budget 2019 Ready Reckoner, available at <https://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx>, shows the estimated impact of increases/decreases in VAT rates.

2. What assumptions/parameters do you wish the Department to make/specify?

Those as outlined in the TSG paper on VAT issues.

Proposal 23 – Home Renovation Incentive

1. Detailed description of item or policy on which a costing is required:

A) The cost in 2019 of extending the Home renovation incentive for a further 2 years to 2020

B) The cost of extending the HRI to 2020, and extending it to cover all renewable technologies including heat pumps, micro-wind and battery storage that are installed in residential properties.

2. What assumptions/parameters do you wish the Department to make/specify?

No additional assumptions.

With regard to 1A, there are still €45.77m worth of tax credits yet to be claimed (which are claimed equally over the 2yrs subsequent to the work being completed). The historical costs are as follows:

Year	Tax Expenditure €m	Number of Participants
2017	14.1	7,797
2016	24.0	12,658
2015	€28.2	€14,552
2014	€25.0	€13,271
2013	€4.2	€2,150

With regard to 1B, if the works are subject to the VAT rate of 13.5% (and we believe this to be the case with the list provided, where supplied and fitted), then HRI currently covers such items already.

Proposal 24 – Betting Tax

1. Detailed description of item or policy on which a costing is required:

The yield in 2019 from increasing the betting duty from 1% to 2%; and increasing the duty of 15% on commissions earned by betting intermediaries to 30%

2. What assumptions/parameters do you wish the Department to make/specify?

No additional assumptions

The additional yield from increasing the betting duty to 2% is estimated at €52 million in a full year. The additional yield from increasing the duty on commissions earned by betting intermediaries to 30% is estimated at €1.8 million in a full year. These figures do not take account of any potential behavioural impact.

Proposal 25 – Tobacco Products Tax

1. Detailed description of item or policy on which a costing is required:

Can the Department confirm that a 20c increase per pack of 20 cigarettes with an additional 50% for RYO would yield €23.9m in 2019?

What would the additional yield be if duty on RYO was equalized with duty on cigarettes?

Can it also be outlined what the additional yield would be if a minimum sale price of €10 per pack of 20 cigarettes was introduced, with an equivalent minimum sale price for RYO, by applying a minimum excise duty.

2. What assumptions/parameters do you wish the Department to make/specify?

Apply the same parameters as used in TSG paper.

A 20c increase per pack of 20 cigarettes with an additional 50% for RYO would yield an estimated €23.9m in 2019. However, this estimate may not fully reflect the change in behaviour of smokers following duty increases. If duty on RYO was equalized with duty on cigarettes the additional yield is estimated at €53m in a full year. This estimate is based on the Excise content for a 20 pack of cigarettes at the current most popular price category of €12.20 and it may not fully reflect the change in behaviour of smokers following any such increase. It is not possible under EU law to introduce a minimum sale price for tobacco products.

Proposal 26 – Environmental Taxes

1. Detailed description of item or policy on which a costing is required:

Confirm the costings as outlined in TSG paper 17-08 and 18-07 as follows:

A. Aggregates Levy: As proposed in the TSG paper 17-08 can it be confirmed that a levy of €2.50 per tonne on aggregates would yield €75m and can this be updated for 2019.

A figure of €75 million was given in the Budget 2018 Tax Strategy Group paper on Energy and Environmental Taxes which was published on 31 July 2017

(<https://www.finance.gov.ie/wp-content/uploads/2017/07/TSG17-08-Environmental-Taxes-Paper-Final.pdf>) for the revenue that might be derived if a levy was introduced in line with the UK rate, i.e. €2.50 per tonne, and assuming no change in behaviour.

B. BIK Electric Cars: As discussed in TSG paper 17-08 can the cost of applying a 0% benefit in kind rate for 5 years to electric cars be costed per year. Include the cost for the next 2 years of the current exemption.

Benefit-in-kind is not separately declared by benefit type on employer returns, rather, the total aggregated benefit-in-kind figure is declared to Revenue, therefore there is no basis for

compiling the costing on exempting Electric cars from BIK. Given the relatively small numbers of electric vehicles currently registered in Ireland, and the fact that many of these are privately owned, the cost of the measure proposed is likely to be low at present. The estimated cost of the measure for 2018 for the purposes of inclusion in budgetary arithmetic was €500,000 in tax foregone.

C. Diesel Excise: confirm costings in TSG 18-07 of a €71.2m per year initial yield over 5 years from equalizing petrol and diesel excise rates.

The costing in TSG 18-07 of a €71.2m initial year yield from equalizing petrol and diesel excise rates over 5 years is correct.

D. Carbon Tax. Confirm if a pro-rate €1 per tonne increase in carbon tax would yield €21.3m versus a €5 per tonne increase yielding €106.5m and a €10 per tonne increase yields €212.6m.

>A €1 per tonne increase in carbon tax would yield €21.3m versus a €5 per tonne increase yielding €106.5m in a full year.

E. VRT Electric Cars. Confirm the cost of reducing VRT on electric cars to 0%. First year and full year costs.

The cost of reducing VRT on electric cars to 0% in a full year is estimated at €10m based on the current registrations of electric cars. These figures do not take account of any potential behavioural impact or any subsequent increase in registration of electric cars. This costing refers to electric cars only and does not include hybrids. It is not possible to estimate a first year cost without a commencement date.

2. What assumptions/parameters do you wish the Department to make/specify?

The assumptions and parameters applied by the TSG.

Proposal 27 – Compliance Activity

1. Detailed description of item or policy on which a costing is required:

The yield that arise from an extra allocation of €10million to the Revenue Commissioners for extra staff and IT investment targeted at securing increased compliance, and use of big data, data analytics and a clampdown on bogus self employment.

2. What assumptions/parameters do you wish the Department to make/specify?

The same assumptions as used in Budget 2017 and 2018.

The most recent Revenue Comprehensive Review of Expenditure (CRE) (2014), available at <https://www.revenue.ie/en/corporate/documents/governance/comprehensive-expenditure-review-2014.pdf>, shows a number of different options for increasing revenue streams including the projected costs and yields from additional recruitment. Revenue's analysis of Budget 2016 compliance measures (<https://www.revenue.ie/en/corporate/documents/research/budget-2016-compliance-measures.pdf>) shows that the additional collection from these types of measures are being achieved in line with the CRE estimates.

Proposal 28 – Bank Levy

1. Detailed description of item or policy on which a costing is required:

To outline the mechanism that is used to determine the bank levy and how it can be adapted to double the levy from €150 million to €300 million.

The yield that arise from a doubling of the current rate of the bank levy to achieve an increase from €150 million, to €300 million.

2. What assumptions/parameters do you wish the Department to make/specify?

To provide the formula on how the bank levy is determined, and the individual amounts that each institution would be required to pay if the total levy was doubled.

In accordance with Section 13644 of the Stamp Duties Consolidation Act

1999, an annual levy was imposed on certain financial institutions for each of the years 2014, 2015 and 2016. The levy was charged at 35% of the Deposit Interest Retention Tax (DIRT) paid by a financial institution in 2011 and raises approximately 150 million annually for the Exchequer. In the case of a financial institution where the amount of DIRT in the base year does not exceed €100,000, the levy is not payable.

In the budget statement two years ago, the Minister announced that he intended to extend the levy for a further five years to 2021. He indicated that the overall yield from the levy would be maintained at €150 million annually but that he would undertake a review of the DIRT based methodology for calculating the levy.

That review, which included a public consultation on the issue, was undertaken by the

Department in early 2016. Following that review, the Minister decided that the DIRT based formula should be retained but that the base year for calculating the levy in 2017 and 2018 would be changed from 2011 to 2015. The Minister also decided to introduce a rolling two-year series of base years which will introduce a new base year of 2017 for calculating the levy in 2019 and 2020 and a new base year of 2019 for calculating the levy in 2021.

The introduction of the rolling two-year series of base years has a twofold effect. Firstly, it ensures that financial institutions entering the market over the five further years for which the levy will apply will be subject to the levy and financial institutions exiting the market will cease to be subject to the levy. Secondly, it will help to correct, on an ongoing basis, any anomalies for individual institutions thrown up by prevailing market conditions, such as the interest rate offering, in any one year.

In order to maintain the annual yield from the levy at €150 million, it was necessary to increase the rate at which the levy is charged from 35% to 59% for 2017. This is because the assessable amount, DIRT payments in 2015, have reduced significantly since 2011. This new rate, combined with the new 2015 base year, will preserve the existing contribution of €150 million paid by the affected financial institutions. That rate will be subject to review to ensure that the yield from the levy is not impacted from changes in interest rates and/or DIRT rates.

The current rate is 59% of the amount paid in DIRT by accounts within each institution in 2015.

We are unable to provide the individual amounts that each institution would be required to pay if the total levy was doubled, as to do so would constitute a breach of taxpayer confidentiality.”

Proposal 29 – Income Tax: Cycle to school scheme

1. Detailed description of item or policy on which a costing is required:

The cost of introducing a cycle to school scheme based on the cycle to work scheme, where a parent can claim back the cost of 1 bicycle per child through their salary.

2. What assumptions/parameters do you wish the Department to make/specify?

Up to two bicycles per child are eligible throughout their childhood, in the following age brackets from between the ages of 4 and 12; and then from 13 to 18.

The same rules that currently apply to the Bike to Work scheme would apply.

However, alternatively, for self-employed or those whose employers do not offer the current scheme, the parent could apply for a refund through MyRevenue for USC and income tax.

It would not be practical to estimate the cost of a scheme of this nature for a number of reasons. The existing Cycle To Work scheme operates on a self-administration basis and relief is automatically available provided the employer is satisfied that the conditions of their particular scheme meet the requirements of the legislation. There is no notification procedure for employers involved.

Accordingly, the Revenue Commissioners do not have statistics on the uptake of the scheme and therefore there is no annual cost figure or breakdown available.

[The annual "Report on Tax Expenditures" cites a figure of €4m but it is to be noted that this is simply an estimate.]

In addition, were such a scheme to be adopted, the cost to the Exchequer could vary widely depending on:

- level of take-up by parents;
- the amount spent on the bicycle and associated equipment;
- the tax rate at which relief would be claimed (assuming marginal relief were to be permitted)

Proposal 30 – Micro distillery excise relief exemption

1. Detailed description of item or policy on which a costing is required:

The cost of introducing an excise relief exemption similar to that of the 40,000 hectolitres for microbreweries, equivalent to 100 hectolitres for gin, whiskey, vodka and other small batch distillers in Ireland.

Based on the information provided an accurate cost for such a proposal can't be determined. It may be worth noting that article 22 of the alcohol Directive (Council Directive 92/83/EEC) limits the amount to which reduced rates of excise duty on ethyl alcohol (produced by small distillers) can apply, to 10 hectolitres of pure alcohol per year.

2. What assumptions/parameters do you wish the Department to make/specify?

No additional assumptions.