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An Roinn Airgeadais
Department of Finance

Our reference: 2018-5(a)

1 October 2018

Mr Tommy Broughan, TD
Leinster House
Kildare Street
Dublin, D02 A272

Dear Deputy,

I refer to your costing request to the Department for Budget 2019 costings (submitted to us on 13 September 2018). I am pleased to enclose responses to all of the costings sought.

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,

Derek Moran

Secretary General

Costing 5A

5. The likely costs of any State Savings Scheme (on the Minister Charlie McCreevy model) from 2019 and the likely impact on overall demand;

> The previous SSIA scheme was in place for 5 years from 2001 to 2006. The total Exchequer cost of the scheme was in excess of €3 billion, with annual costs ranging from €400 – 600 million. The cost of any future scheme would depend on a number of design variables, but the above should give an indication of the likely scale

8. Current estimated additional costs to the Exchequer from development of an EU Digital Tax or moves to CCCTB in 2019;

>It is tentatively estimated the implementation of an EU digital services tax could cost the Exchequer approximately €75m - €115m per annum. This cost is based on various assumptions and costings done by the Commission in the first place. It is not possible to estimate the cost of implementation of CCTB or Significant Digital Presence tax at the moment as it not fully clear how these would be implemented and/or the proposal is still under discussion.

9. Current estimated additional costs to the Exchequer from changes to the Irish EU Budget contribution and CAP in 2019;

>Unable to cost at present as the data is not yet available.

13. The revenue for Health and Disability which might be raised by a hypothecated income tax increase of 1% on all taxpayers earning under €60,000, of 2% on all taxpayers earning between €60,000 and €100,000 and of 5% on all taxpayers earning more than €100,000;

>The estimated impact to the Exchequer of introducing an income tax of 1% on all taxpayers earning under €60,000, 2% on taxpayers earning between €60,000 and €100,000 and 5% on taxpayers earning more than €100,000 is in the order of approximately €2bn yield for a full year. This estimate is done on a taxpayer unit basis based on actual 2016 income tax data. It is assumed that no credits, reliefs or exemptions apply to this additional tax and that there is no change in taxpayer behaviour as a result of these increases. It is assumed that this tax rate is a flat rate of tax applied to all gross income.

14. The full revenue which would be raised by an income tax top rate of 43% on earnings over €80,000 - the ready reckoner, Parliamentary Budget Office and other sources appear to give widely differing figures for this;

The estimated impact to the Exchequer of introducing an additional income tax rate of 43% for incomes over €80,000 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 estimates within the Ready Reckoner have been generated by reference to projected 2019 incomes, calculated on the basis of actual data for the year 2016, the latest year for which returns are available, and adjusted as necessary for income, self-employment and employment trends in the interim. The estimates are based on taxpayer units and not individual taxpayers and assume no change in taxpayer behaviour.

Revenue is not aware of other estimates that vary significantly from the costs provided in the Ready Reckoner.

15. The revenue which might be raised by a €2.50 per tonne construction aggregates levy (as per the UK);

> 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

17. Likely additional revenue which would be gained by partial restorations (e.g. to 10, 11, 12%) or full restoration of the 13.5% VAT rate;

The Revenue Pre-Budget 2019 Ready Reckoner, available at http://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx, shows the estimated impact of increases in VAT rates including the 9% VAT rate.

18. Likely additional revenue which would be gained by partial or full equalisation of excise on Diesel and Petrol;

The Revenue Pre-Budget 2019 Ready Reckoner, available at http://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx, shows the estimated impact equalising the Excise rates applied on diesel to those applied on petrol.

19. Any estimates by the Department of revenue which would be raised if the proposed 0.11% Local Property Tax was extended to all land in Ireland;

>It is assumed that the proposed measure would apply to zoned residential land. The Department does not collect statistics on current market value of residential land. As such it is not possible to estimate the requested figure.

20. The Department's current estimate of the full cost of all tax expenditures and the current revenue from an unchanged Capital Gains Tax;

>Information in respect of the current estimate of the cost of all tax expenditures, where available, are published on the Revenue website at http://www.revenue.ie/en/corporate/information-about-revenue/statistics/tax-expenditures/costs-expenditures.aspx. Information in respect of the tax cost of CGT reliefs and exemptions are not available in many instances as the tax returns do not separately identify the gain associated with disposals that are the subject of these reliefs. The estimated net yield from an unchanged Capital Gains Tax for 2018 is €843 million; Yields for previous years are published at https://www.revenue.ie/en/corporate/information-about-revenue/statistics/receipts/receipts-taxhead.aspx