

EXCHEQUER TAXATION PROFILES

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An Roinn Airgeadais
Department of Finance

EXCHEQUER TAXATION PROFILES

	page
contents	i
1. Overview	1
2. The 'big four' tax heads in 2018	2
2.1 Income tax receipts	2
2.2 VAT receipts	2
2.3 Corporation tax receipts	2
2.4 Excise duty receipts	3
Tables	4
Table 1 monthly profile of expected Exchequer tax receipts in 2018	4
Table 2 cumulative profile of expected Exchequer tax receipts in 2018	5
Figures	6
Figure 1a monthly profile for total tax receipts	6
Figure 1b cumulative monthly profile for total tax receipts	6
Figure 2a monthly profile for income tax receipts	7
Figure 2b cumulative monthly profile for income tax receipts	7
Figure 3a monthly profile for VAT receipts	8
Figure 3b cumulative monthly profile for VAT receipts	8
Figure 4a monthly profile for corporation tax receipts	9
Figure 4b cumulative monthly profile for corporation tax receipts	9
Figure 5a monthly profile for excise duties receipts	10
Figure 5b cumulative monthly profile for excise duties receipts	10
Figure 6a monthly profile for stamp duties receipts	11
Figure 6b cumulative monthly profile for stamp duties receipts	11
Figure 7a monthly profile for capital gains tax receipts	12
Figure 7b cumulative monthly profile for capital gains tax receipts	12
Figure 8a monthly profile for capital acquisition tax receipts	13
Figure 8b cumulative monthly profile for capital acquisitions tax receipts	13
Figure 9a monthly profile for customs duties receipts	14
Figure 9b cumulative monthly profile for customs duties receipts	14
Figure 10a monthly profile for motor tax receipts	15
Figure 10b cumulative monthly profile for motor tax receipts	15

Exchequer Taxation Profiles

February 2018¹

Section 1 – Overview

The purpose of this document is to outline the Department's projected monthly taxation receipts – on an Exchequer basis – over the course of 2018.

Tax receipts do not follow a linear payment pattern over the course of any year; instead, due to *inter alia* statutory requirements, the pattern of receipts has a strong seasonal dimension. The self-employed, for instance, pay the bulk of their income tax and Universal Social Charge (USC) in November. Taking these seasonal patterns as well as other factors into account, the monthly profile of receipts of the nine individual tax heads classified within the Exchequer account is compiled.

The profiles are prepared following consultation with the *Revenue Commissioners* and are adjusted for structural issues, such as timing issues, base effects and one-off events, all of which can impact upon the monthly receipts.

The tax revenue profiles are consistent with the fiscal forecast as published in October 2017 as part of *Budget 2018*, after adjustments have been made to allow for the *Water Services Act 2017*. This piece of legislation *inter alia* facilitated enhanced transparency of the fiscal accounts by reducing the complexity of cash flows between the Exchequer and the Local Government Fund (LGF) by amending the *Local Government Act 1998*.

The passing of this legislation by the *Oireachtas* – subsequent to Budget 2018 – means that, from the beginning of this year, Local Property Tax is now paid directly into the LGF (rather than being directed, in the first instance, to the Exchequer). Operating in the other direction, Motor Tax receipts are now paid directly into the Exchequer instead of into the LGF. This necessitates a minor adjustment to the Exchequer forecast because:

- Budget 2018 projected Exchequer tax revenue of €53,660 million for this year;
- Projected Local Property Tax revenue of €470 million is now excluded from the Exchequer;
- Projected Motor Tax revenue of €985 million is now included in the Exchequer.

As a result, the tax revenue forecast for 2018 is €54,175 million, 7 per cent higher than last year's outturn.

This classification change (i.e. between the Exchequer Fund and the LGF) has no impact on the general government balance. This is because both funds are classified within the general

¹ This report was produced by the Economic Division of the Department of Finance

government sector and so the revenue flows between the two funds are simply intra-general government sector flows.

In terms of compiling the monthly projections, the profiles are broadly in line with the 2014 - 2017 monthly distribution of receipts. The monthly tax profiles also take account of the actual January 2018 receipts.

As evident from Table 1, November is the single most important month of the year for tax receipts, with 16 per cent of tax revenue expected. This is because November is a VAT-due month, as well as the month in which the bulk of self-employed taxes and the final preliminary corporation tax payments are made (see below).

Section 2 – The ‘big four’ tax heads in 2018

The ‘big four’ tax heads, namely income tax, VAT, corporation tax and excise duties, account for over 90 per cent of projected receipts. Given the importance of these receipts, additional information is provided below.

2.1: income tax receipts

Income tax receipts are the largest tax revenue stream for the State, accounting for just under 40 per cent of total (Exchequer) tax revenue last year.

This tax head is a broad-church, encompassing taxes on labour income (PAYE, USC), taxes on self-employed income (so-called schedule D), as well as taxes on unearned income (such as Deposit Interest Retention Tax, Life Assurance Exit Tax).

The bulk – although not all – of income tax receipts are related to labour income: in 2017, PAYE income tax accounted for 65 per cent of total income tax receipts, total USC accounted for 19 per cent, Schedule D receipts accounted for 9 per cent, with the remaining sub-heads accounting for 7 per cent of income tax receipts.

For this year, income tax receipts are projected to amount to €21,445 million, 7 per cent higher than last year. The labour income components (PAYE, USC) are projected to move in line with their base, namely the national wage bill (which consists of the total number of employees and per capita wages). In terms of the monthly profile, the key month is November when the self-employed (schedule D) receipts are paid, in addition to the usual PAYE monthly receipts.

2.2: VAT receipts

VAT receipts are projected at €14,090 million for this year, an increase of just under 6 per cent relative to last year. This is broadly in line with the projected growth in the VAT base, namely nominal consumer expenditure.

In line with statutory requirements, the majority of VAT is paid on a bi-monthly basis. Therefore, the key payment dates relate to January, March, May, July, September and November.

2.3: Corporation tax receipts

For this year, corporation tax receipts are projected at €8,505 million. This is an increase of almost 4.0 per cent relative to last year and is in line with the projected growth rate of corporate profitability.

There are important timing dimensions to this tax head, particularly in relation to large corporations. Large corporations are required to pay preliminary tax, which is generally paid in two instalments.

The first instalment is payable in the sixth month of the accounting period and the second instalment is payable in the eleventh month. For the bulk of large companies, the sixth and eleventh months tend to be June and November as their accounting years are align to the calendar. However, May is also an important month as many large companies have selected the 30th of June as the year-end accounting period and accordingly their second instalment of preliminary tax is due in May.

2.4: excise duties receipts

Excise duties are levied upon, in the main, fuels (petrol, diesel, etc.), alcohol and tobacco. In addition, carbon tax receipts and Vehicle Registration Tax receipts are included within this tax head.

For this year, excise duty tax receipts are projected at €5,820 million. This represents a decline of just under 2 per cent relative to last year. The annual decline in receipts reflects the front-loading of excise duty payments on tobacco due to the introduction of 'plain packaging' from September of last year.

Table 1: monthly profile of expected Exchequer tax receipts in 2018, € million

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Customs	17	25	28	29	28	26	31	33	35	33	32	29	345
Excise Duties	478	373	445	421	426	516	540	525	494	562	536	504	5,820
CGT	62	62	9	12	8	8	17	11	16	21	71	547	845
CAT	13	12	14	17	19	17	21	22	29	82	204	20	470
Stamp Duties	124	115	102	104	117	100	148	126	103	319	125	186	1,670
Income Tax	1,760	1,566	1,422	1,861	1,500	1,542	1,783	1,639	1,470	1,735	3,270	1,898	21,445
Corporation Tax	25	205	307	101	1,196	1,864	106	285	763	806	2,239	607	8,505
Value Added Tax	2,454	390	1,817	215	2,146	148	2,007	287	2,147	290	2,086	104	14,090
Motor Tax	87	88	93	85	88	84	90	80	77	65	79	68	985
Total Tax Revenue	5,019	2,837	4,237	2,846	5,527	4,306	4,743	3,007	5,135	3,913	8,642	3,964	54,175

Rounding can affect totals.

CGT is capital gains tax and CAT is capital acquisitions tax.

Tax revenue profile is consistent with the tax revenue forecast of €53,660 million as published in Budget 2018, after adjustments have been made to allow for the provisions of the *Water Services Act 2017*.

January figures represent the actual tax revenue outturns as per the end-January 2018 Exchequer Statement.

Unallocated tax deposits (UTD) for January have been distributed between Income Tax and VAT. Their actual distributions to the correct tax heads will be carried out by the Revenue Commissioners in due course. For the purpose of profiling, UTD is assumed to be zero.

Source: Department of Finance.

Table 2: cumulative profile of expected Exchequer tax receipts in 2018, € million

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Customs	17	42	70	99	127	153	183	216	251	284	316	345	345
Excise Duties	478	851	1,296	1,717	2,143	2,659	3,199	3,724	4,218	4,780	5,316	5,820	5,820
CGT	62	124	133	145	153	162	178	189	205	226	298	845	845
CAT	13	25	40	57	76	93	114	136	164	246	450	470	470
Stamp Duties	124	239	341	445	562	663	811	937	1,040	1,359	1,484	1,670	1,670
Income Tax	1,760	3,326	4,748	6,609	8,109	9,651	11,434	13,072	14,542	16,278	19,547	21,445	21,445
Corporation Tax	25	230	536	637	1,834	3,698	3,805	4,090	4,853	5,658	7,898	8,505	8,505
Value Added Tax	2,454	2,844	4,661	4,876	7,021	7,170	9,176	9,463	11,610	11,900	13,986	14,090	14,090
Motor Tax	87	175	268	353	441	525	615	696	773	838	917	985	985
Total Tax Revenue	5,019	7,856	12,093	14,939	20,467	24,772	29,515	32,522	37,656	41,750	50,211	54,175	54,175

Rounding can affect totals.

CGT is capital gains tax and CAT is capital acquisitions tax.

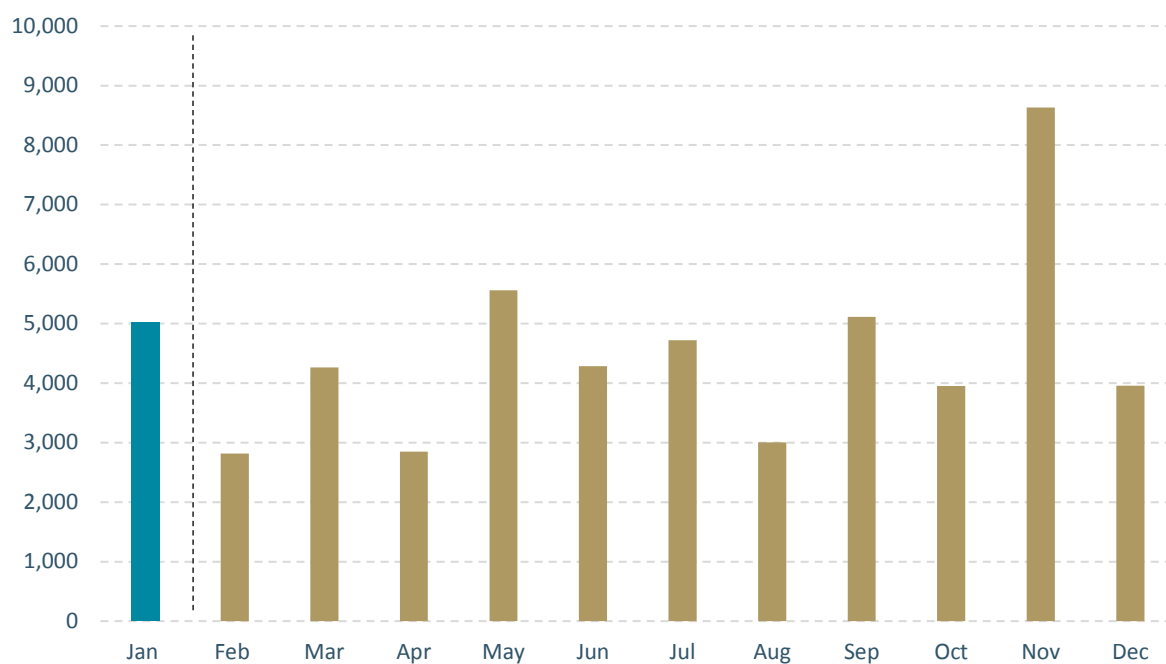
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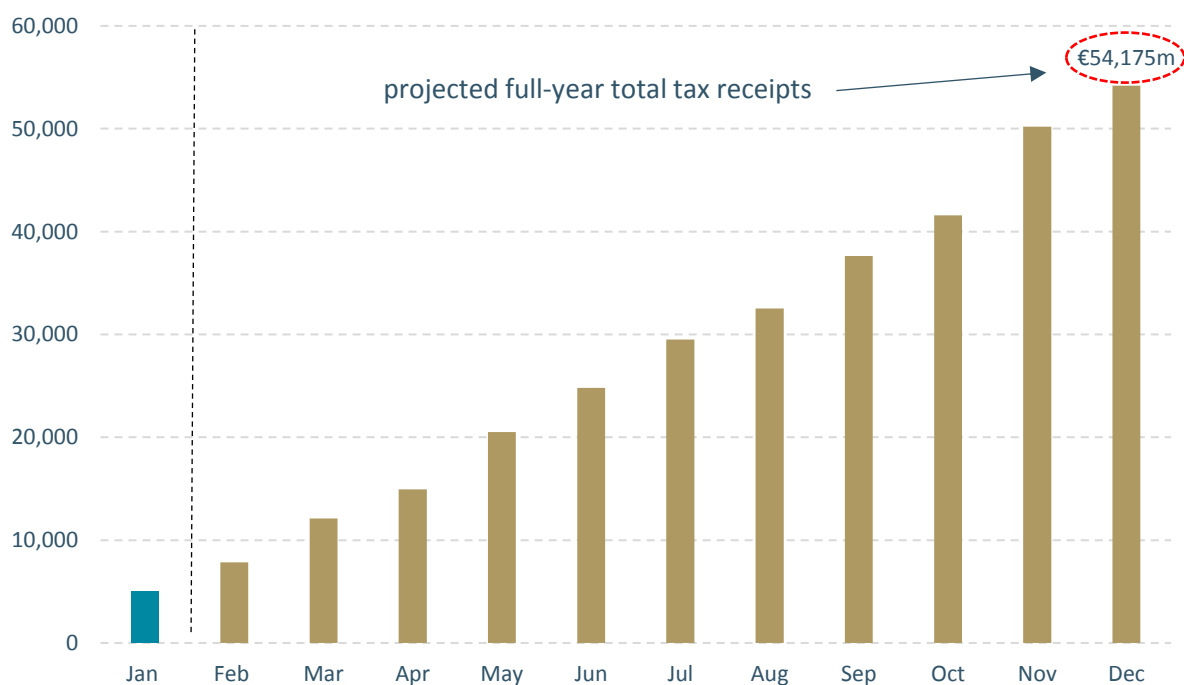
Source: Department of Finance.

Figure 1(a): monthly profile for total tax receipts, € millions



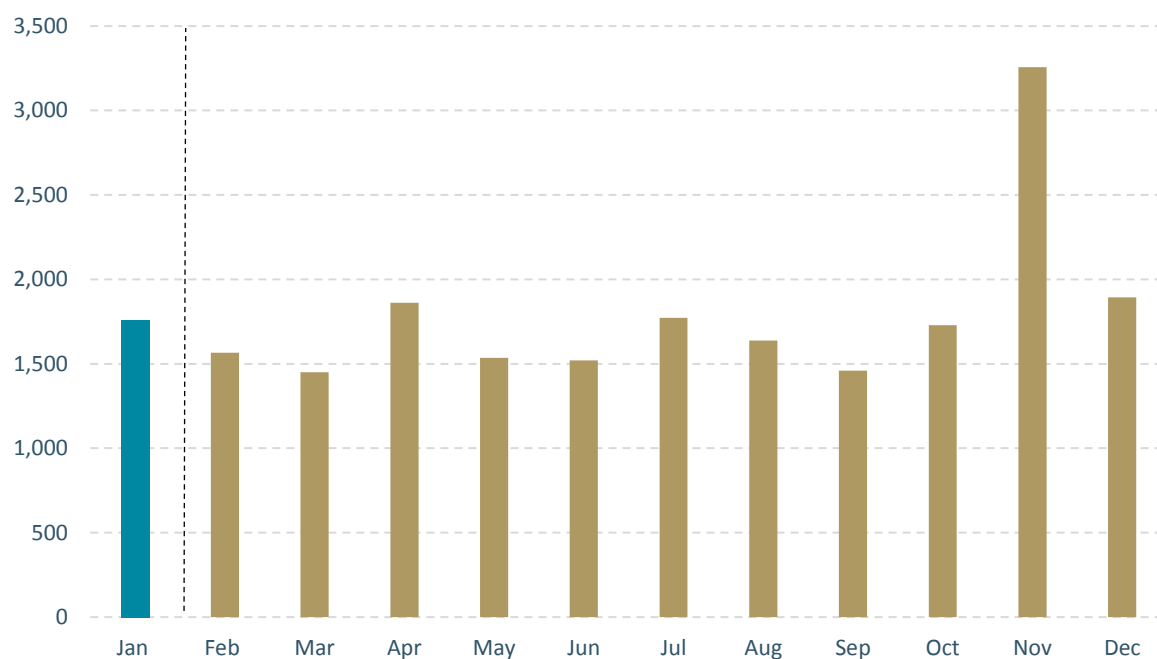
Source: Department of Finance calculations.

Figure 1(b): cumulative monthly profile for total tax receipts, € millions



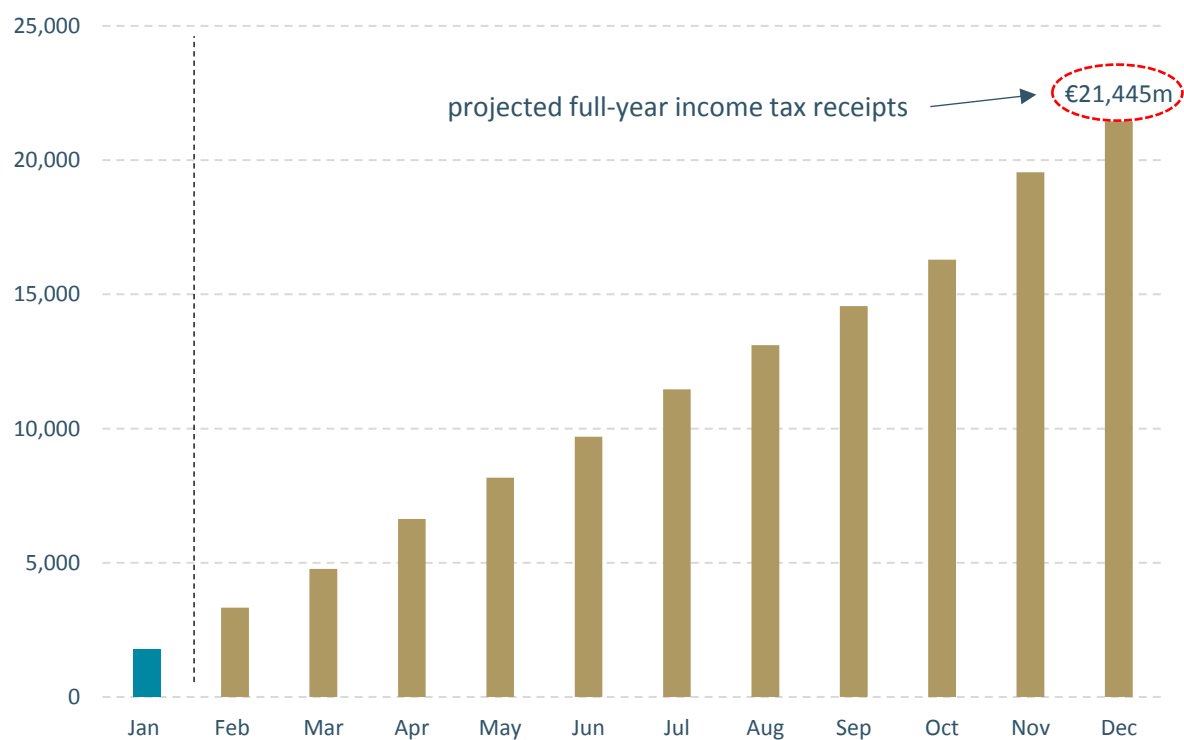
Source: Department of Finance calculations.

Figure 2(a): monthly profile for income tax receipts, € millions



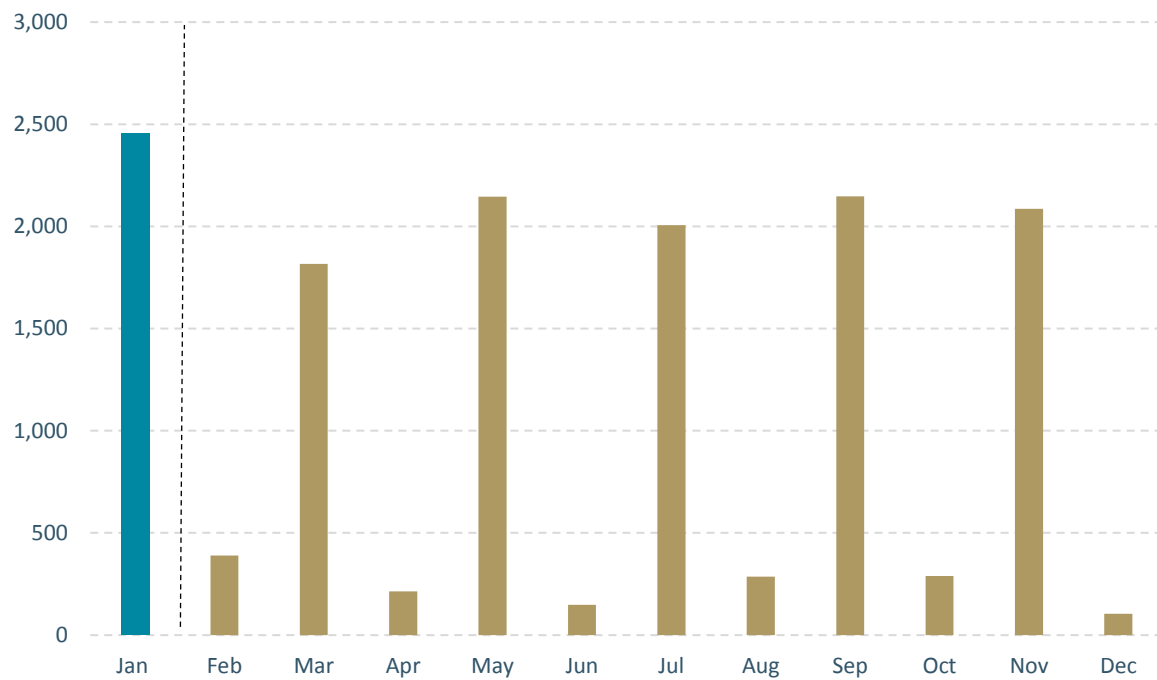
Source: Department of Finance calculations.

Figure 2(b): cumulative profile for income tax receipts, € millions



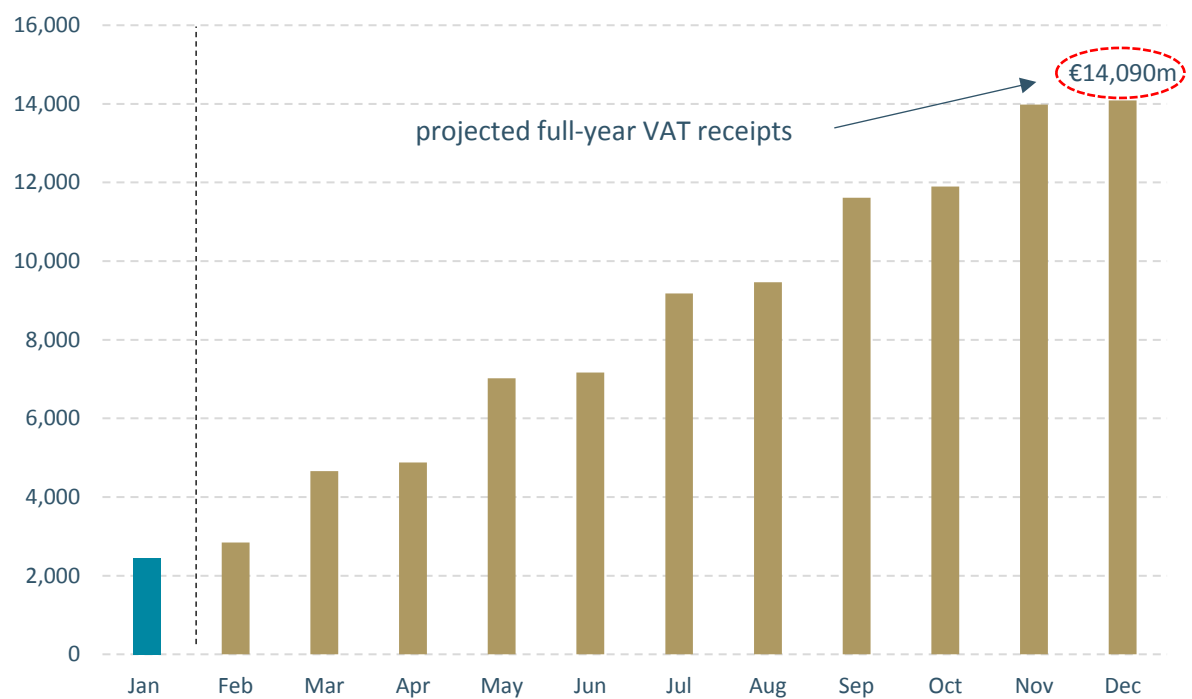
Source: Department of Finance calculations.

Figure 3(a): monthly profile for VAT receipts, € millions



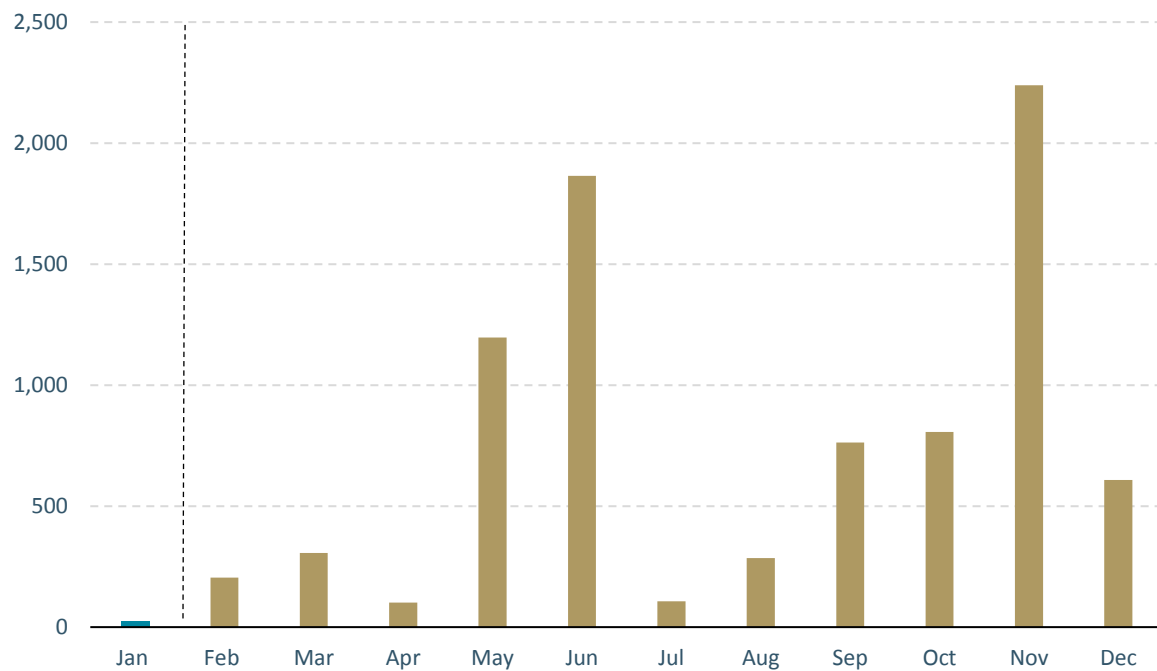
Source: Department of Finance calculations.

Figure 3(b): cumulative monthly profile for VAT receipts, € millions



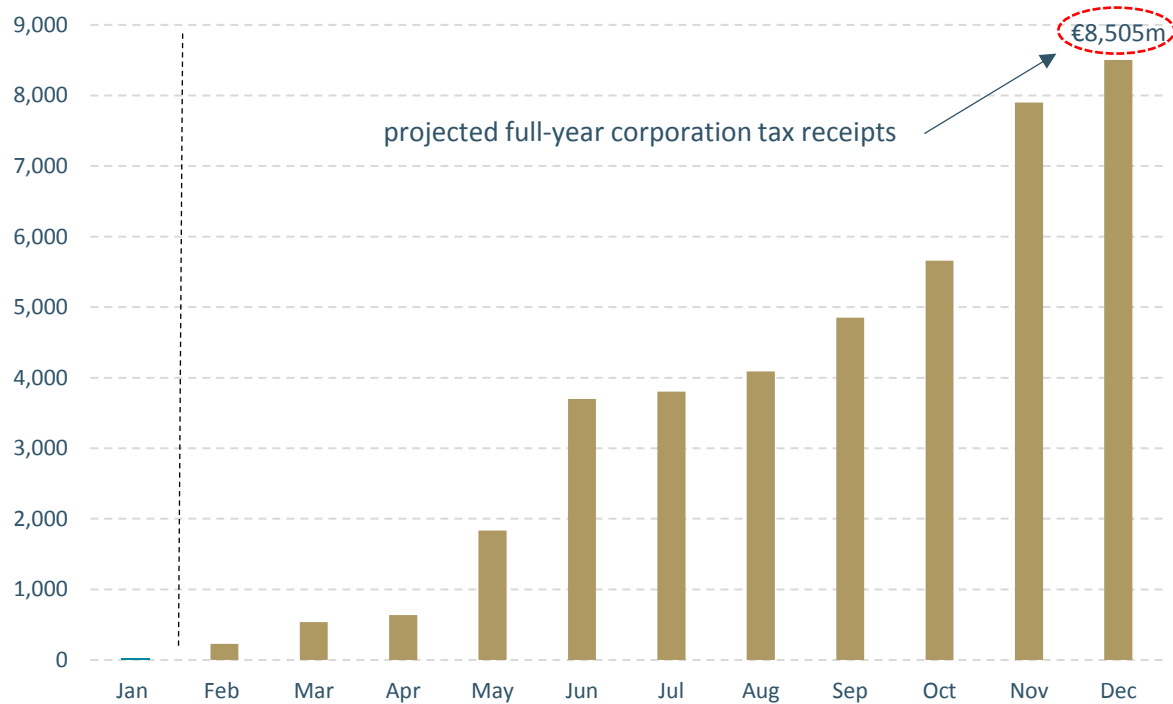
Source: Department of Finance calculations.

Figure 4(a): monthly profile for corporation tax receipts, € millions



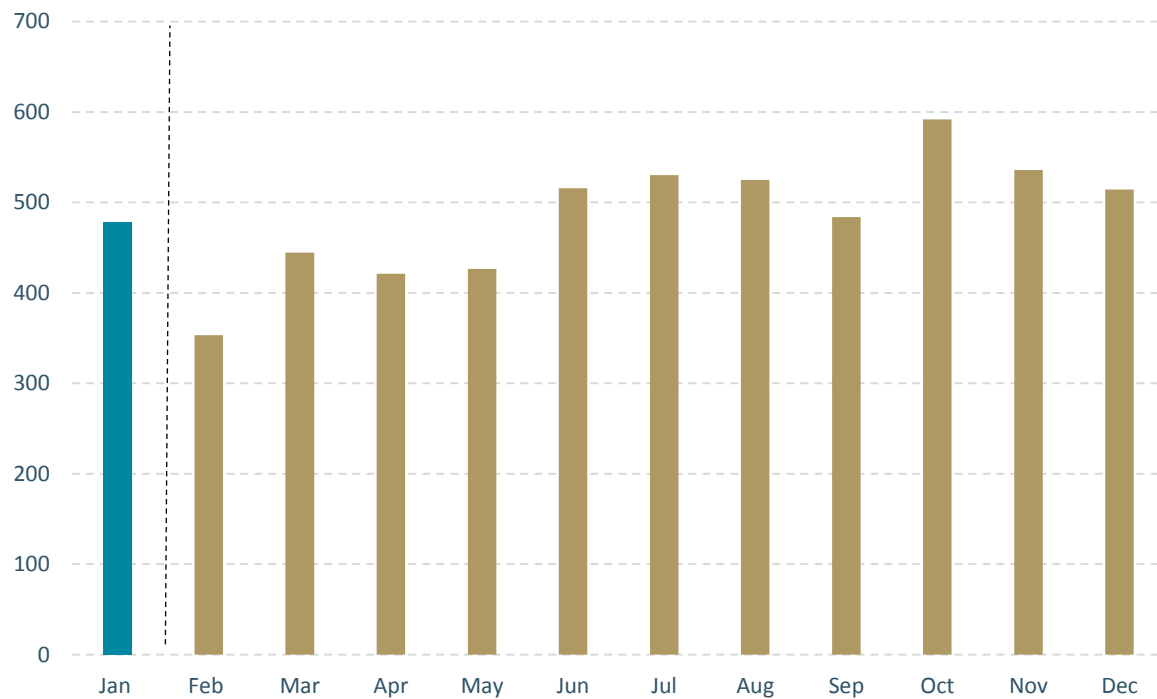
Source: Department of Finance calculations.

Figure 4(b): cumulative monthly profile for corporation tax receipts, € millions



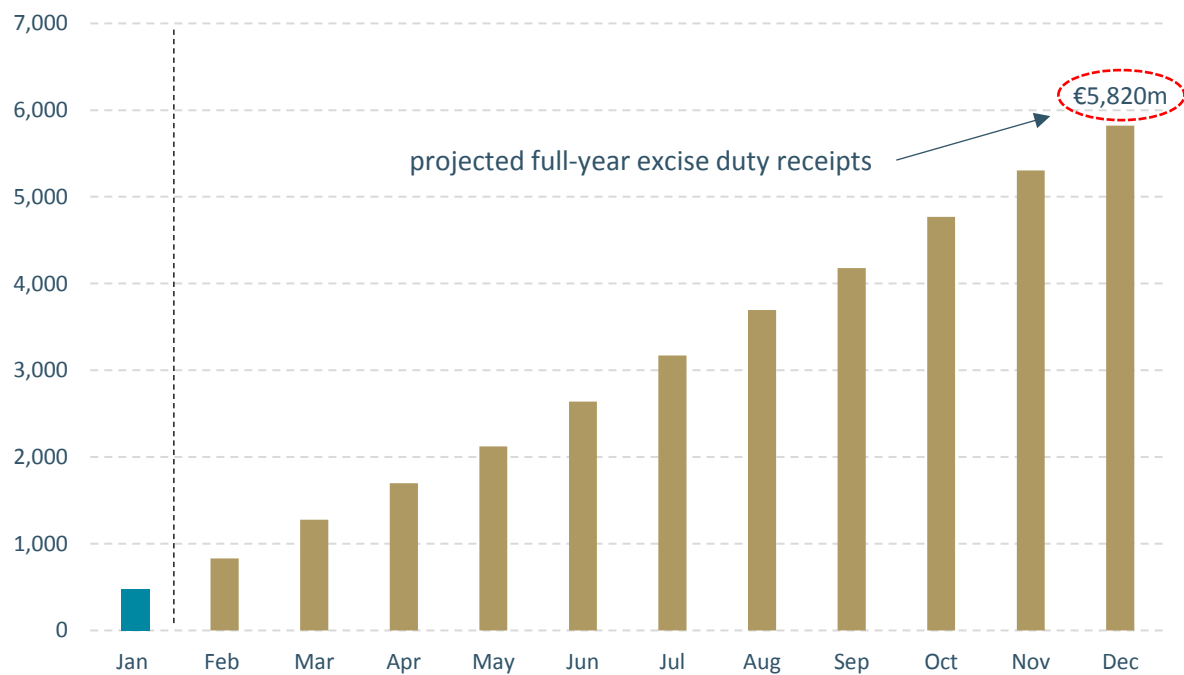
Source: Department of Finance calculations.

Figure 5(a): monthly profile for excise duties receipts, € millions



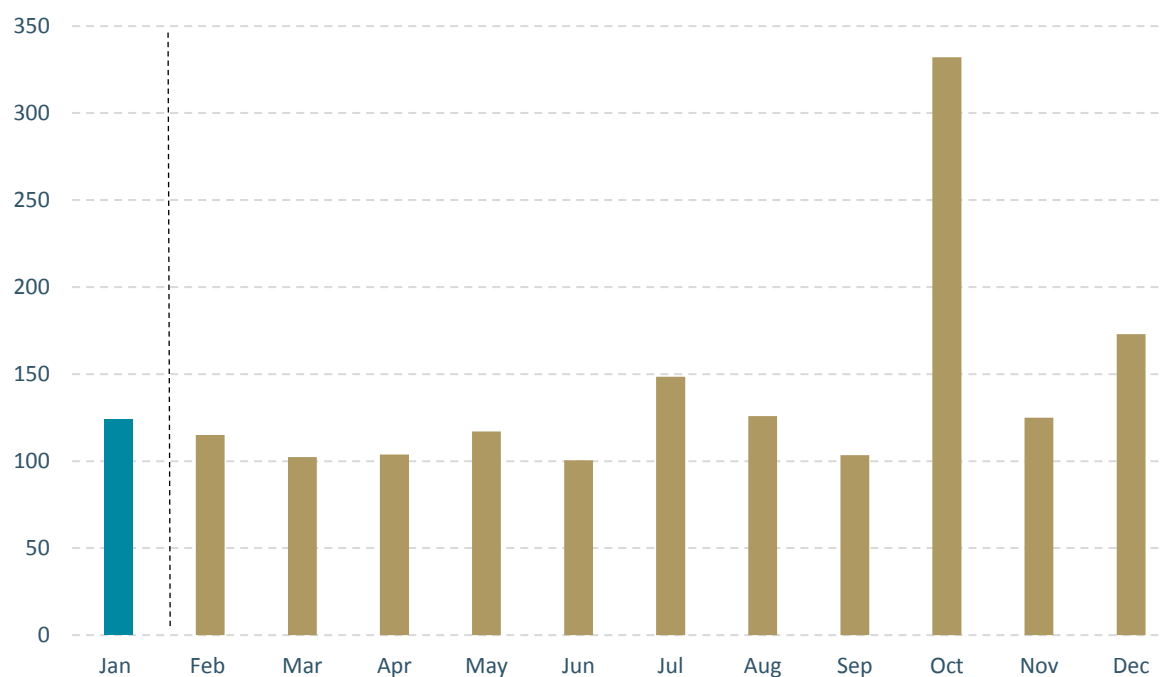
Source: Department of Finance calculations.

Figure 5(b): cumulative monthly profile for excise duties receipts, € millions



Source: Department of Finance calculations.

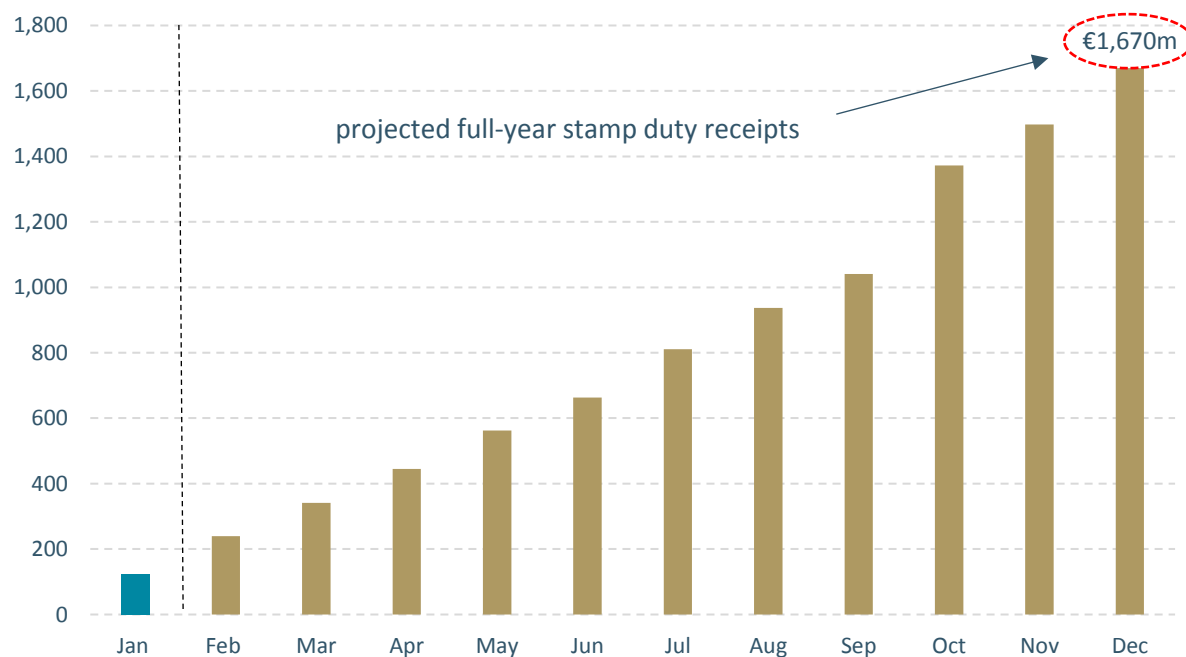
Figure 6(a): monthly profile for stamp duties receipts, € millions



Note that stamp duty receipts include the €150 million bank levy which is payable in October.

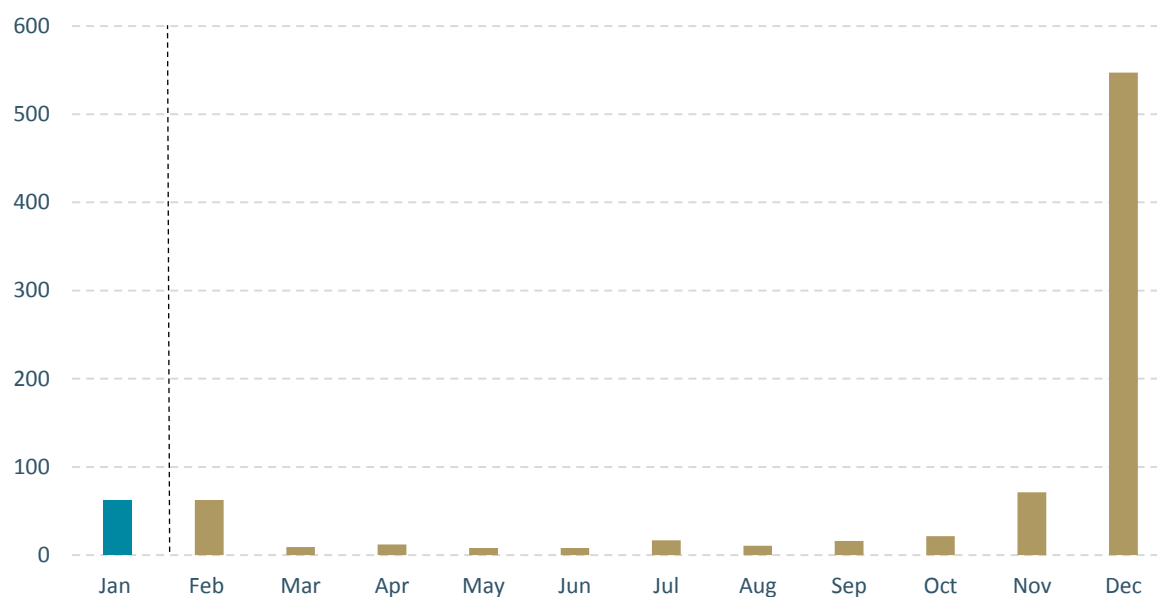
Source: Department of Finance calculations.

Figure 6(b): cumulative monthly profile for stamp duties receipts, € millions



Source: Department of Finance calculations.

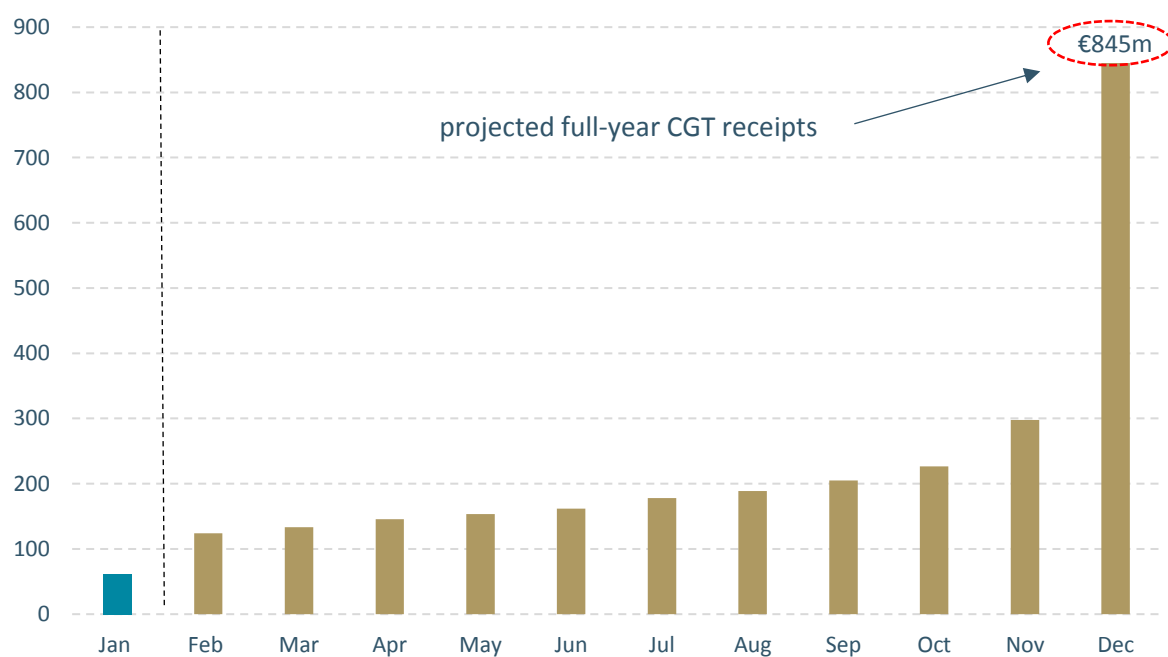
Figure 7(a): monthly profile for CGT receipts, € millions



CGT stands for capital gains tax. For disposals made between 1 January and 30 November (the initial period), payment of CGT must be completed by 15 December of the same year. For disposals made between 1 December and 31 December (the later period), payment of CGT must be completed by 31 January of the next year. For disposals made under a written contract, the time of disposal is usually the date of the contract.

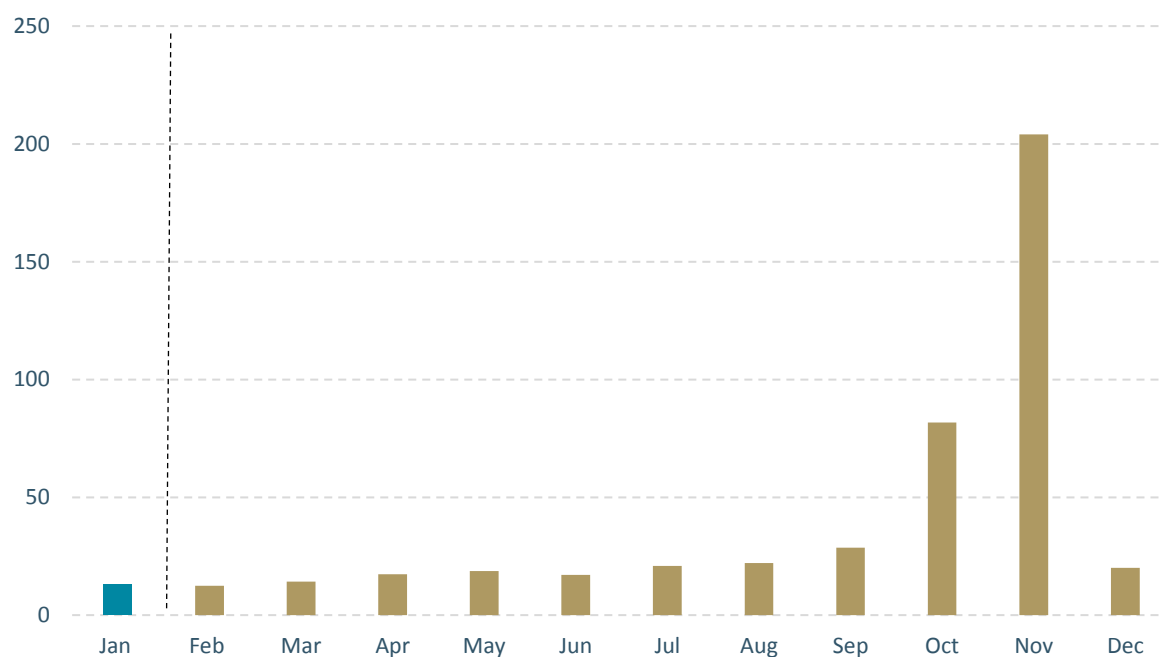
Source: Department of Finance calculations.

Figure 7(b): cumulative monthly profile for CGT receipts, € millions



Source: Department of Finance calculations.

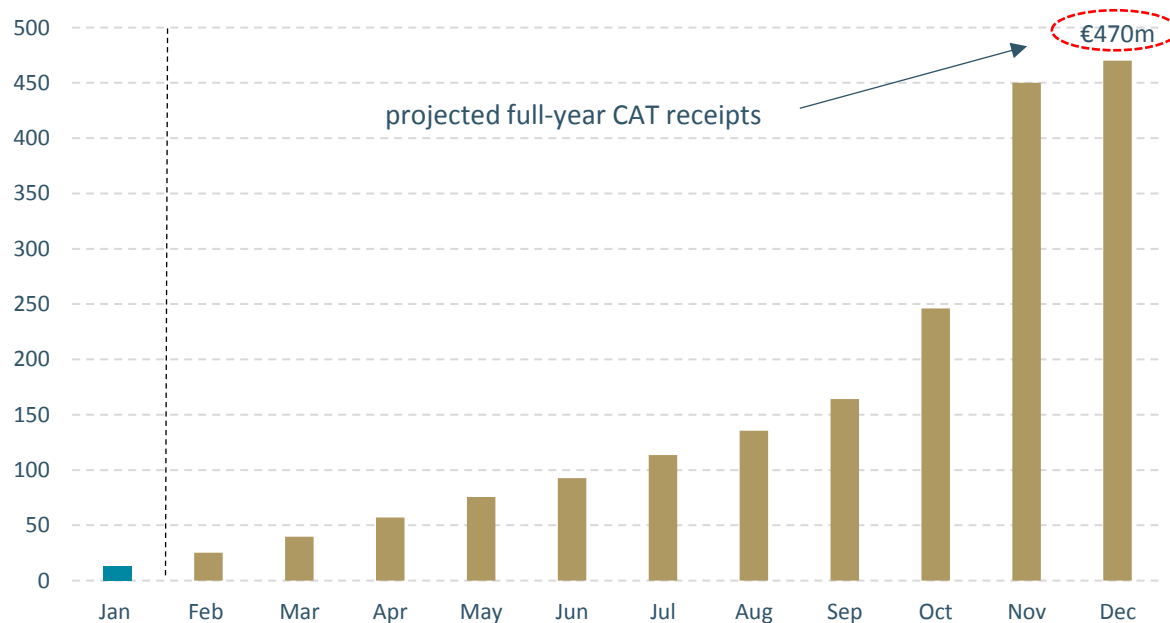
Figure 8(a): monthly profile for CAT receipts, € millions



CAT stands for capital acquisitions tax. If the valuation date is between 1 January and 31 August, the deadline for the CAT payment is 31 October in that year. If the valuation date is between 1 September and 31 December, the deadline for the CAT payment is 31 October in the following year.

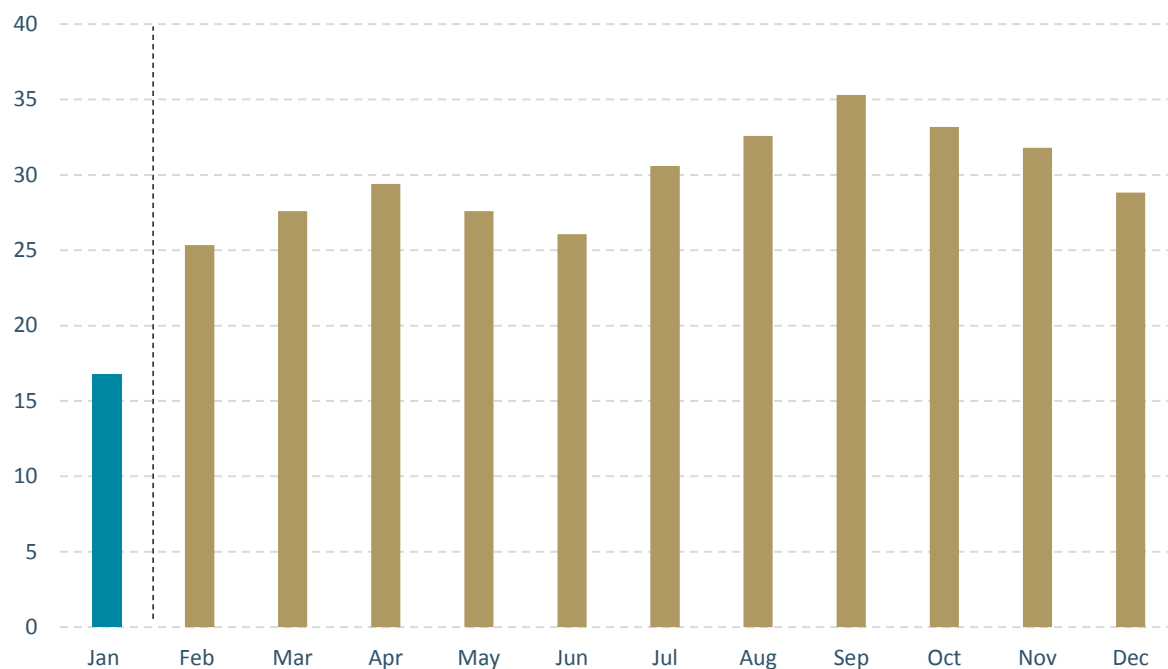
Source: Department of Finance calculations.

Figure 8(b): cumulative monthly profile for CAT receipts, € millions



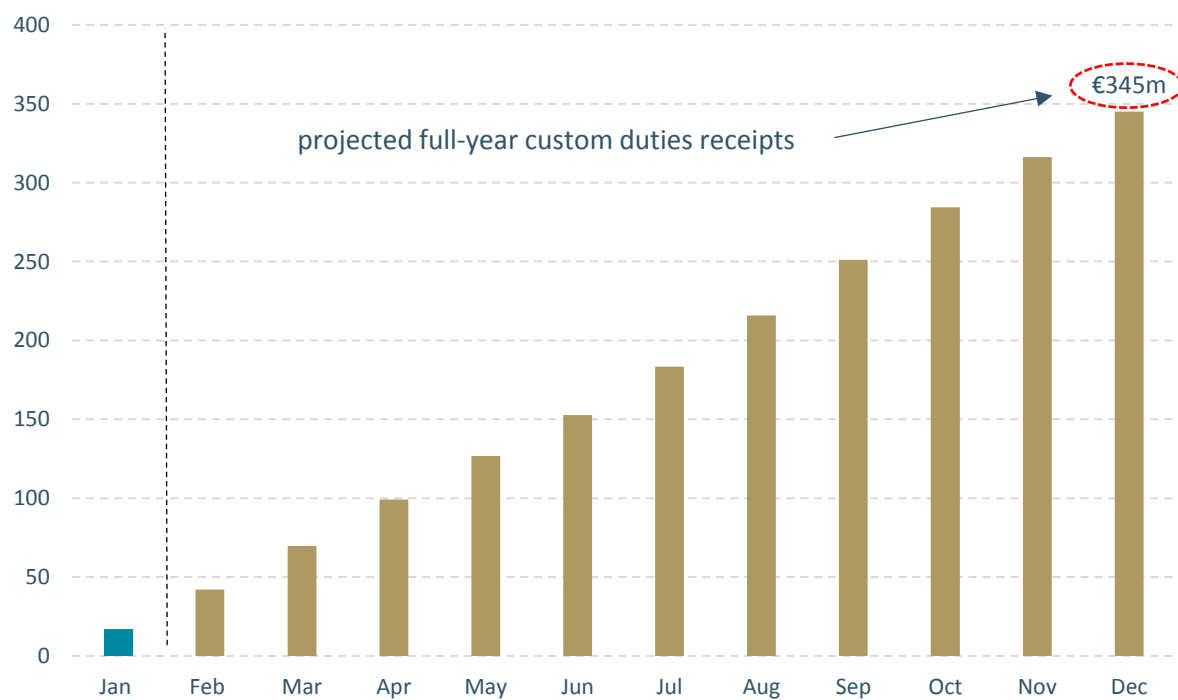
Source: Department of Finance calculations.

Figure 9(a): monthly profile for customs duties receipts, € millions



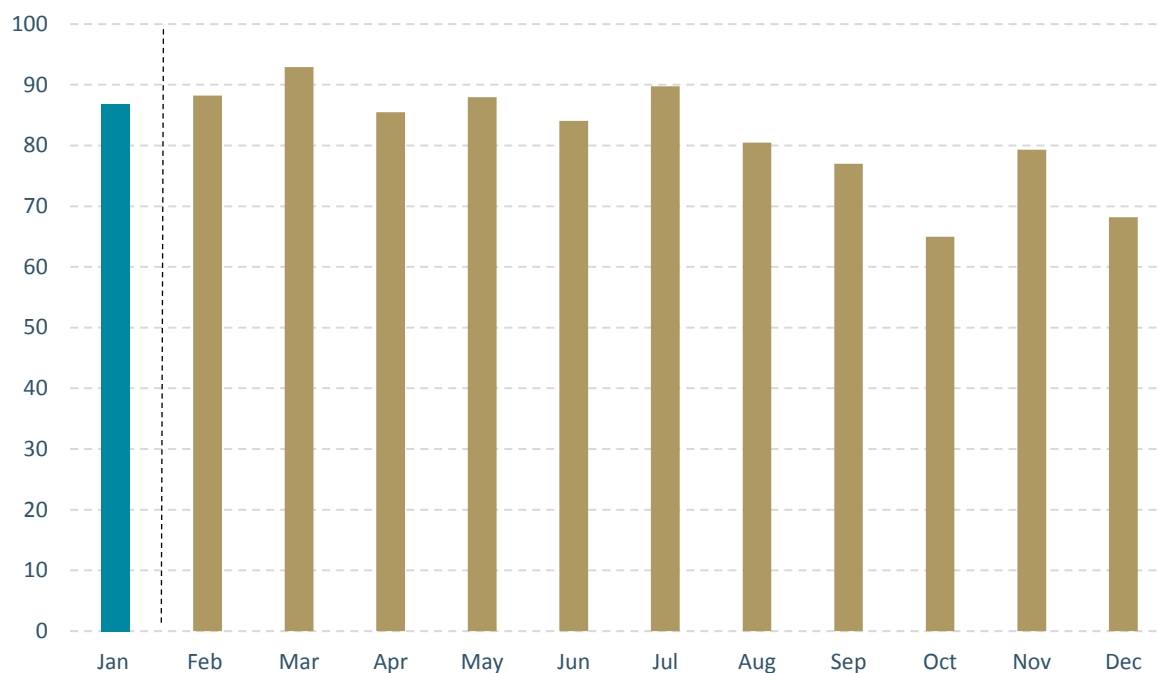
Source: Department of Finance calculations.

Figure 9(b): cumulative monthly profile for customs duties receipts, € millions



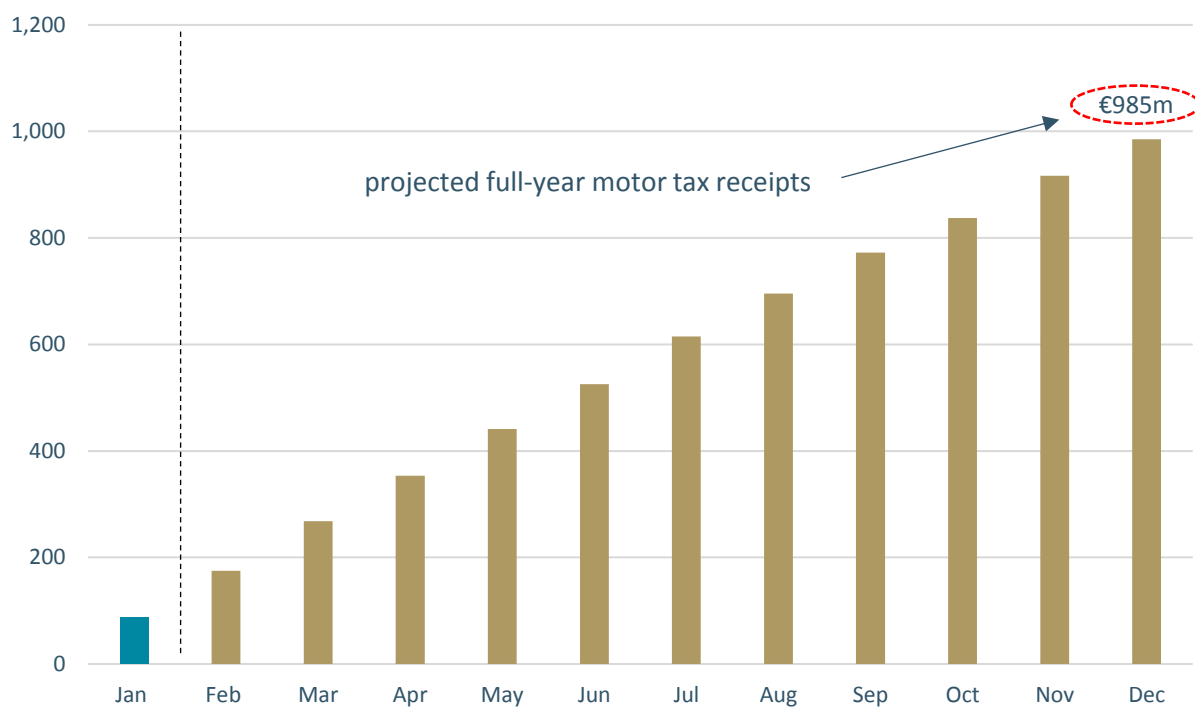
Source: Department of Finance calculations.

Figure 10(a): monthly profile for motor tax receipts, € millions



Source: Department of Finance calculations.

Figure 10(b): cumulative monthly profile for motor tax receipts, € millions



Source: Department of Finance calculations.



Tithe an Rialtais
Sráid Mhuirfean Uacht
Baile Átha Cliath 2
Éire

Government Buildings
Upper Merrion Street
Dublin 2
Ireland

T: +353 1 676 7571
www.finance.gov.ie
@IRLDeptFinance