An Roinn Airgeadais
Department of Finance

Stamp Duty
Tax Strategy Group – 20/11

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Prepared by Tax Division,
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1. Stamp Duty: A Background

1.1 Introduction

Total stamp duty collected in 2019 amounted to some €1.5 billion which accounted for approximately 2.55 % of total tax receipts in that year. The total tax receipts for 2019 were € 59.1 billion (up almost €4 billion on 2018).

The consequences of the Covid-19 pandemic and the measures associated with it, for stamp duty revenues are not yet known, but potentially significant. This applies particularly to its impact on the number and value of property transactions (both residential and non-residential) and on the level and value of trading in the shares of Irish registered companies. The value of stamp duty receipts in 2020 and possibly for a number of years after that, may be impacted upon. It is within this context that we continue to examine each of the main stamp duties currently in place with a view to ensuring that the rates, reliefs and exemptions continue to be appropriate.

Table 1: Stamp Duty Yield, €m. Figures provided by Revenue

Year	**2018 (Jan – June)**	**2018 (12 months)**	**2019 (Jan - June)**	**2019 (12 months)**	**2020 (Jan to June)**
Stamp Duty Residential property	**70.81**	**171.54**	**78.97**	**179.22**	**71.58**
Stamp Duty Non- residential property	**201.52**	**488.21**	**213.52**	**537.64**	**214.73**
Stamp Duty Receipts on Stocks and Marketable Securities	**223.18**	**420.66**	**189.68**	**383.62**	**253.25**
Non-Life Levy/Life Assurance Levy	**90.56**	**166.45**	**82.13**	**186.11**	**92.34**
Combined Cards	**7.15**	**11.99**	**12.84**	**17.01**	**8.68**
Other Stamp Duties (Debit/Credit cards, Health insurance)	**22.65**	**206.12**	**29.61**	**211.56**	**48.64**
Stamp duty (Total)	**615.87**	**1464.98**	**606.75**	**1515.16**	**689.22**

1.2 Description of tax

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

Stamp duty chargeable in Ireland falls into two main categories:

- The first comprises the duties payable on a wide range of legal and commercial documents, including (but not limited to) conveyances of property, leases of property, share transfer forms and certain agreements.

- The second category comprises duties and levies payable by reference to statements. These duties and levies mainly affect banks and insurance companies and include a duty in respect of financial cards e.g. Credit, ATM, and Charge cards, and levies on certain life and non-life insurance premiums and pension schemes.

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

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

The main stamp duties are payable on the following:

- Residential property transactions - 1% on the transfer of ownership of property with a value of up to €1m and 2% on any balance over €1m

- Non-residential property transactions – 7.5%[1] on the transfer of non-residential property.

- Transfers of shares in Irish registered companies - 1%[2]

- Financial cards: - Credit and Charge cards – flat rate of €30 per year; ATM only or debit only cards – 12c per ATM withdrawal, capped at €2.50 per

[1] For stamp duty purposes non-residential property includes: land (agricultural and non-agricultural); sites (other than sites purchased with a connected agreement to build a house or apartment); commercial or business premises, including offices, factories, shops and public houses; options over land.

[2] As of 5th June 2017 trading in shares of companies listed on the Enterprise Securities Market (ESM) of the Irish Stock Exchange is exempt from the 1% stamp duty charge.

year; Combined ATM/debit cards – 12c per ATM withdrawal, capped at €5 per year

- Cheques or “Bills of Exchange” - 50c per cheque

- Non-Life Insurance levy on premium income - 3%; there is also a non-tax “Insurance Compensation Levy” of 2%

- Life Insurance levy - 1% on the premium payable

- Health Insurance levy - charge is per person insured and varies according to age and the type of health insurance policy – this levy is transferred directly into the Risk Equalisation Fund, rather than into the Exchequer

- Bank Levy - the Financial Institutions ("Bank") Levy was introduced for the three-year period 2014 to 2016 in Finance (No.2) Act 2013 with the purpose of enabling the banking sector to contribute to economic recovery, and subsequently extended to 2021. The annual yield of this levy is approximately €150 million. (Section 126AA of the Stamp Duties Consolidation Act 1999 refers).

2. Residential Property

2.1 Performance

According to Revenue figures residential transactions fell slightly in 2019 with a total of 56,397 transactions when compared to 63,036 transactions recorded in 2018. This activity generated approximately €179.22 million in stamp duty compared to €172 million in 2018.

Outlook for the residential property sales market in 2020 is still uncertain due to the effects of Covid-19. There have been 19,315 (to end June) residential transactions in 2020, this equates to €71.58 million in stamp duty (provisional figure June 2020).The most recent CSO release on the Residential Property Price Index (RPPI) (17 June) notes that in the year to April residential property prices increased by 0.5 per cent, indicating that, to date, property prices have remained relatively stable in the context of a significant reduction in the number of transactions due to the Covid-19 restrictions.

The Covid-19 outbreak represented a significant shock to the housing market. At this stage the overall impact on supply, demand and prices for residential properties for the year as a whole remains unclear. In terms of supply, it is clear that the pandemic will negatively impact the supply of new homes throughout 2020. The shut-down in March and April and the gradual return to activity in May is expected to result in fewer than 16,000 new dwelling completions this year according to most independent market sources, a figure significantly lower than the 24,000 unit completions envisaged prior to the onset of the pandemic.

In addition, the introduction of new social distancing protocols is expected to have an impact on output. In May the Construction Industry Federation noted that new working protocols on building sites could add to the cost per unit of building a new home and could also add up to 10 weeks to the time required to build a property[3].

The impact of the pandemic on demand within the market is less clear. High levels of pent-up demand evident in the market prior to the pandemic are likely to remain, the extent to which this demand is reflected in purchases will depend on the impact on affordability and access to new mortgages among prospective home buyers.

Recent analysis by Myhome.ie shows that new home buyers remain confident with 68 per cent still planning to purchase in the next year. While a sharp rise in sales activity was evident in early June and new listings were up 17 per cent on 2019 levels. According to Myhome.ie property searches also increased by 161 per cent in the first week of June

[3]

relative to the same period in 2019, reflecting a high level of interest among prospective buyers.

In June, the Banking and Payments Federation Ireland (BPFI) highlighted that the drop in employment as a result of the pandemic had primarily affected part-time and low paid workers. The BPFI argued that sectors where average pay exceeded €50,000 per annum accounted for just 14 per cent of Pandemic Unemployment Payments (PUP) claimants. In addition, first time buyers with incomes of less than €50,000 per annum accounted for some 17 per cent of mortgage drawdowns in 2019.

In May, the Economic and Social Research Institute (ESRI) predicted that house prices would fall by as much as 12 per cent over the next 18 months before recovering to current levels. A number of commentaries are predicting significantly reduced activity in the residential market over the period ahead including Sherry Fitzgerald which considered there was a strong possibility that overall sales in 2020 will be down by a minimum of 25 per cent in the full calendar year. A recent MyHome.ie / Davy survey published in June this year showed 37 per cent of potential home buyers expect prices to fall by over 10 per cent in the next year. However, a report published in July by Daft.ie [4] indicates that “Sale prices for residential units rose by 2.3% on average between June and July, a sharp monthly rise and the second in three months, following a 5.3% dip in April.

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Table 2: Residential Stamp Duty Yield 2013-2020

Year	2013	2014	2015	2016	2017	2018	2019	2020 (June)
Stamp Duty (Millions)	**€65.51**	**€101.77**	**€123.45**	**€131.84**	**€175.26**	**€172**	**€179.22**	**€71.58**

[4] https://www.daft.ie/report/2020-july-housingmarket-daftreport.pdf

2.2 Examination of the Residential Rate

As previously noted, the rate of stamp duty on residential property is 1% on values up to €1 million, and 2% on any excess value above €1 million.

These rates have been unchanged since coming into effect on 8 December 2010, and apply whether the home is being bought for occupancy by the purchaser, or to be offered for rental.

In view of government policy to prioritise the delivery of housing to as many citizens as possible at affordable prices, the rate of 1% on properties valued at or below €1 million remains appropriate.

When compared to our nearest neighbour, the UK, Ireland's 2% stamp duty rate on any value above €1 million is low. In the UK a maximum rate of up to 17% will soon apply (delayed due to Covid-19) in the case of the purchase(r) meeting certain criteria (top rate of 12% on value over £1.5 million plus a 3% surcharge on second homes, plus a 2% surcharge on non-UK residents with effect from April 2021).

In the UK Budget announced earlier this year a 2% Stamp duty (SDLT) surcharge on non-UK residents purchasing residential property in England and Northern Ireland will apply from 1 April 2021. The stated government objective is to help to control house price inflation and to support UK residents to get onto and move up the housing ladder. Reaction to the surcharge has been mixed, as reflected in the following extract from a media report:

"*Many will see this having a major impact on property demand in major cities across England, potentially causing a shortage in rental homes as overseas-based landlords try elsewhere. The flip side of this, of course, is that it could also free-up competition for domestic landlords, encouraging them to invest and providing more homes for the UK's swelling tenant population*"[5].

Due to Covid-19 the Stamp duty rate in the UK has temporarily been suspended for properties under £500,000 but they continue to charge 5% on any houses valued at over £500,000.There are mixed reports as to the effectiveness of this stamp duty holiday, with house prices (under £500,000) increasing in July this year by 3.8% compared to July 2019[6], however it has also been reported that there has been no increase in demand for mortgages, with applications remaining at a steady level compared to 2019[7].

[5] https://www.propertyreporter.co.uk/property/property-industry-reacts-to-the-budge.html
[6] https://www.bloomberg.com/news/articles/2020-08-07/u-k-house-prices-jump-amid-pent-up-demand-stamp-duty-cut
[7] https://www.propertywire.com/news/stamp-duty-holiday-failing-to-motivate-uk-mortgage-applications/

Even at this lower end on their range of rates, the 5% rate applied to homes over £500,000 is considerably higher than the maximum 2% rate of residential stamp duty here, as we have determined that lower rates applied on a relatively flat basis, with few if any exemptions, provide for a more transparent and equitable structure.

The Department will continue to monitor any impact the UK Budget 2020 changes on the property market there

There may be a case for examining the potential to raise additional revenue from residential property transactions with a value in excess of €1 million which would also capture much of the large investment transactions. The average price paid for all property transactions over €1 million in 2019 was €3,375,725.

Table 2 shows the overall number of property transactions in recent years and the number of properties transacted over €1 million. Data from the Residential Property Price Register and the CSO show that in recent years the total number of property transactions increased from 45,448 in 2015 to 58,251 in 2019. The number of transactions over €1 million represent only a small proportion of the overall market (527 in 2015 and 918 in 2019) and ranging between 1.2 per cent and 1.6per cent of total transactions over the period.

Table 3 Transactions of properties over €1 million

Year	Total Residential transactions	Total transactions over €1m	Share of total
2015	45,448	527	1.2%
2016	46,658	632	1.4%
2017	51,200	825	1.6%
2018	54,018	924	1.7%
2019	58,251	918	1.6%

Source: CSO and Property Price Register

Potential implications of a change in stamp duty on values above €1 million

- Increased revenue – an estimation, provided by Revenue is that each further 1% added to the rate of stamp duty on transactions valued at over €1 million would raise an additional €9 million per annum[8], while Revenue tentatively estimate that a 1% surcharge added to acquisitions by investment funds would have raised in excess of €3 million in 2019. Revenue were not in a position to estimate the revenue that might arise from adding a 1% surcharge to the stamp duty payable on second and subsequent homes, as their databases do not capture a separate identifier on such purchases.

[8] Page 18 of revenue.ie/en/corporate/documents/statistics/ready-reckoner.pdf

- Increased costs entailed in the acquisition of residential property that is purchased with the intention to place it on the rental market by investment funds or private individuals is likely to be passed on to tenants in the form of higher rents or service costs.
- Many of the housing units being bought by the investment funds might not have been built otherwise, so actively seeking to disincentivise such acquisitions may result in a reduction in the supply of badly needed new rental accommodation entering the market.
- Institutional investors have played a critical role in recent times in financing and increasing housing supply and this is expected to continue. The investment provided by institutional investors is important at a time when a key challenge in addressing both housing availability and affordability is to increase supply on a long-term and sustainable basis.
- In recent years, institutional investment has contributed to increasing the supply of accommodation particularly high density apartments in Dublin. The most recent data show that apartment planning permissions have increased by 274.2% in the year to Q1 2020 (2,592 in Q1 2019 versus 9,698 in Q1 2020) with 82% of these in Dublin. The equity being provided by investors is an important factor in this increase in apartment output. According to commercial real estate services firm CBRE[9] Q1 2020 saw €672m of investment in the Irish residential investment sector, compared to less than €115m of investment in the same quarter of the previous year.

It should however be borne in mind that it is widely accepted that a range of housing options are necessary to ensure a supply of accommodation to meet different types of housing need including social, affordable and private. Institutional investment is an important factor in the supply of both commercial and residential property, particularly the supply of urban apartments. The construction of apartments requires a significant initial investment. In this context institutional investment has the potential to significantly increase the supply of high quality, high density and well-located units. Rebuilding Ireland[10] identified the encouragement of the build-to-rent sector as a key factor in improving the rental sector. However, this investment can only be part of a multi-pronged response to addressing challenges in the housing market.

[9] CBRE Ireland Residential Investment Marketview, Q1 2020. Available at: http://cbre.vo.llnwd.net/grgservices/secure/CBRE%20Q1%20Residential%20Capital%20Markets%202020.pdf?e=1592462232&h=c51d4b6809d117dac11eedfd43c694f9

[10] Pages 74-75 of https://rebuildingireland.ie/wp-content/uploads/2016/07/Rebuilding-Ireland_Action-Plan.pdf

2.3 The Stamp Duty Refund Scheme

The Stamp Duty Refund Scheme (section 83D of SDCA 1999) was introduced as part of Finance Act 2017. It provides for a refund of a portion of the stamp duty paid on non-residential land, where that land is subsequently developed for residential purposes. It is designed to incentivise residential development, and is subject to criteria which include a requirement for the efficient use of the land concerned in that a specified proportion of the site must be developed for residential units, and that a commencement notice must be submitted by the developers to the local authority within 30 months of the acquisition of the land, and the dwelling units so commenced must be completed within two years from the date of that commencement.

The refund of the stamp duty paid is designed so as to bring the net effective rate down to a minimum of 2%.

Under current provisions, to be eligible for a refund, construction must commence on a one-off house, on a residential development or on a phase of one before the end of 2021 and be completed within two years of commencement. This means that the latest date for the completion of eligible developments is currently the end of 2023.

A certain proportion of a site must be developed for dwelling units. There are two alternative tests to be satisfied in this respect for multi-unit developments. Either at least 75% of the area of a site must be occupied by residential units or the gross floor space of the residential units constructed must account for at least 75% of the area of a site.

While the deadline for commencement of building projects that intend to avail of the refund scheme under its current terms and conditions is end-2021 (some 17 months away), it may be considered timely to review this relief now. Concerns have been expressed by industry regarding the timeframes and density requirements that must be met to be eligible for this relief, and these have been amplified by the impact of the Covid-19 related restrictions on construction activity, which effectively closed sites from end-March to mid-May, and the requirement for social distancing measures once sites reopened. The latter requirement has resulted in the introduction of new on-site working practices which may impact the time taken to complete construction projects, with delays of up to 10 weeks in the construction of a house foreseen by some in the industry[11].

[11] https://extra.ie/2020/05/20/news/irish-news/coronavirus-safety-measures-house

Take-up/Revenue foregone:

Since its introduction and up until 14 July 2020, the number of successful applications (which should not be confused with the number of dwelling units involved, as only one application is required for a multi-unit development) under the residential development stamp duty refund scheme is 1,765.

The total amount of stamp duty that has been refunded under the scheme, up to and including 14 July 2020, is €15,164,488.57

Most applications, 1617 [92%], were in relation to single dwelling units i.e. the construction of one-off dwelling houses. The remainder of the applications, 148 [8% of overall total], were in relation to Multiple development units.

In relation to multiple development units, Revenue records confirm that a total of 3,783 units were planned and have been claimed for and refunded as at 8 April 2020.

Table 4: Stamp Duty Refund Scheme

Type of Application	Count	Percentage of Total Applications	Refund Value	Percentage of Total Refunded
Single Dwelling Unit	1,617	92%	€3,582,352.23	24%
Multiple Dwelling Unit	148	8%	€11,582,136.34	76%
Total	1,765	100%	€15,164,488.57	100%

At 8 April there were 4,536 housing units for which claims have been submitted under the scheme. Of those, 679 units are in claims not yet approved.

Issues arising:

As mentioned above, developers, institutional investors and others have raised concerns on their part as to the viability of both the density requirements for, and the timeframe applicable to, the delivery of housing units under the current rules applying to the refund scheme.

In a submission to this Department in response to the 2019 TSG paper on CGT, CAT and Stamp Duty, Irish Institutional Property (IIP), a representative body of institutionally financed investors, sought the review of two conditions of the relief, as well as calling for this relief to be extended to cover projects commencing before 31 December 2023. The changes to the main conditions sought were as follows:

1. The 24 months allowed between commencement and completion of construction – which the IIP note can be insufficient in respect of large projects under a single commencement notice, but particularly so terms of multi-phase developments, even those availing of separate commencement notices. Such developments may share a single podium or underground car park, the commencement of which could mark the beginning of the 24 month construction period allowed under this relief. They ask that the 24 months be extended to 48 months.

2. That the 75% test be amended so that roads, footpaths, parking bays and green spaces are subtracted from the site area before the 75% is calculated. They say the inclusion of such amenities in the site area against which the 75% requirement is calculated discriminates against certain types of residential development (i.e. lower density, more traditional type housing).

   It should be noted that the 75% test was introduced to ensure the efficient use of sites for residential development with a suitably high density of housing being provided, and the refund scheme was not designed to assist in the development of low density detached/semi-detached type housing schemes.

Review of relief

In light of the concerns that have been expressed, as well as the impact of Covid-19, the Department of Finance is currently reviewing this relief and may make recommendations on it to the Minister in advance of Budget 2021/Finance Bill 2020.

3. Non-Residential Property

The rate of stamp duty paid on non-residential property was increased from 6% to 7.5% in Finance Bill 2019. This was primarily a revenue-raising measure, supported by an assessment that the commercial property market continues to perform strongly and could bear the increase without any significant impact.

Non-residential property for Stamp Duty purposes includes:

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

Table 5: Non Residential Stamp Duty Yield 2013-2020

Year	2013	2014	2015	2016	2017	2018	2019	2020 (June)
Stamp Duty (Millions)	**€86.85**	**€173.28**	**€177.64**	**€255.92**	**€202.96**	**€489**	**€537.64**	**€214.73**

3.1 Recent changes in the rate of commercial stamp duty

During the passage of Finance Act 2019, the Minister for Finance undertook to carry out a review of the effect of the recent increases in the rate (which have seen it increase from 2% to 7.5% between Budget 2017 and Budget 2020).This section of this paper represents the outcome of that review.

The increase in non-residential stamp duty from 2% to 6% introduced in Budget 2018 did not appear to cause a decrease in investment and demand and it is too early to note any impact of the increase from 6% to 7.5% in Budget 2020 to changes on activity. For Q1 2020 the market continued to perform strongly. The number of non-residential transactions however has fallen for the first half of 2020 (11,487 transactions January-June 2020) when compared with the first six months of 2019 (13,812 transactions January -June 2019). However, it is likely that this fall may be directly attributed to Covid-19 and the uncertainties caused by this pandemic since March.

Based on the 2019 Revenue Ready Reckoner each 0.5% increase in non-residential property stamp duty is estimated to yield €31m per annum but this does not take account of any behavioural effects nor the recent impact of Covid-19.

Stamp duty is a transaction tax, and activity in the sector can be uneven and difficult to predict. As a transactional revenue source there are inherent risks should there be a deterioration in the performance of the sector.

Stamp duty on non-residential property applies more broadly than just commercial property. Therefore, changes in the rate of stamp duty on non-residential property may also have an impact on property transfers in agriculture, small business, sports and the voluntary sector as well as an impact on the value of private sector pensions.

The certainty and stability of the tax regime is important in maintaining the attractiveness of Irish property to international investors of scale, and further changes to the regime could undermine this.

COMMERCIAL PROPERTY

The commercial property market has experienced strong growth in recent years with a strong demand for office space and continuing growth in investment.

Latest available data from the commercial property sector would suggest the market continued to perform well in the first half of 2020, notwithstanding the Covid-19 containment measures introduced towards the end of the first quarter of 2020. Market analysts CBRE estimate that the value of office market investment transactions (extending to more than €1 million) completed during Q1 2020 was more than €492m, equating to 39% of total investment activity of €1.26m in the Irish market in Q1 2020.

A report on Dublin office market activity by commercial estate agent, Savills' was released in June. While highlighting the strong leasing environment that prevailed prior to Covid-19, the report also highlighted the negative impact of COVID-19 on leasing activity. Savills now estimates that 17% (15,460 sqm of a total 88,448 sqm) of leases agreed at the end of Q1 had fallen through, while a further 16% (13,730 sqm) were confirmed as on hold pending clarity on the impact of the pandemic. The estate agency now expects a one-third reduction in the level of new office completions in 2020 (to 205,000 sqm -down from the 308,400 sqm Savills originally anticipated for 2020[12]).

Dublin market

According to CBRE, take-up in the Dublin office market in Q1 reached almost 100,000 square metres - 50% higher than the 5-year average leasing activity for Q1. This activity was also boosted by the carryover of some transactions from 2019. It is likely that the true impact of Covid-19 on transaction volumes in the sector will not fully manifest in the figures until Q2 figures are released (expected mid-July). The overall vacancy rate in Dublin stood at 5.06 % in Q1 2020, relatively unchanged from Q4 2019 and down from 6.1 % recorded at the end of 2018.

In terms of demand, the computers and technology sector has accounted for the largest share of take up in Dublin in Q1 (51%) followed by financial services (25%), business services (14%) all of which account for 90% of leasing activing in Dublin.

Prime headline rents remain stable at €700 per square metre (€65 per sq. ft.) at the end of the first quarter with little change since 2017, while prime yields remain steady at just over 4%.

Growth in planning permissions for non-residential construction has eased in recent years. However, total floor area granted for non-residential construction has increased in 2017 and 2018. As a share of total planning permissions granted, non-residential share has fallen from 25% in 2016 to less than 20% in 2019 and from 49% to 37% over the period in terms of floor space.

While there is some evidence of weakening in rental values of 0.6% in 2019 according to JLL, prime headline commercial rents in Q1 2020 appear to remain stable according to CBRE market analysists who also note that rents have been broadly unchanged since 2017.

[12] https://pdf.euro.savills.co.uk/ireland-research/dublin-office-mim-june-2020.pdf

Retail

According to recent CSO data, the volume of retail sales in April 2020 declined by 43 per cent relative to April 2019.[13] In May, the CBRE Ireland Bi-Monthly Research Report noted that the outlook for the retail sector remains uncertain after Covid-19 restrictions are eased.[14] The report noted that retail is likely to face a significant reduction in footfall due to weaker consumer demand, restricted opening hours and social distancing requirements. As a result of the reduction in demand and uncertain outlook, fewer transactions were signed in the retail market in March and April. This was reiterated further in the CBRE Ireland Bi-Monthly Research Report released in July[15] which stated that "Following the initial euphoria when stores first reopened, many retailers are now realising the extent to which consumer behaviour, footfall and ultimately turnover have been impacted."

Hotel sector

The hotel sector has faced significant difficulties during the Covid-19 pandemic with unprecedented declines in both international and domestic tourism. CBRE estimate that with non-essential construction halted during the pandemic, new hotels will take an additional three to six months to complete. However, CBRE also noted that there is strong demand for hotel development projects, demonstrating confidence from investors in the long-run viability of the sector.

Planning permissions for hotels and retail

Data from the CSO on the number of planning permissions granted for the construction of new hotels, restaurants and cafes show that demand remained robust in these sectors before the introduction of the Covid-19 restrictions. There were 34 planning permissions granted for the construction of new hotels, restaurants and cafes in Q1 2020, double the number that was granted in the same quarter last year. The total floor area for which

[13] Annual retail sales declines were recorded in 11 of the 13 retail sectors recorded by the CSO. The only sectors which experienced annual increases in April 2020 increases were in the areas of expenditure on Food and Beverages which increased by 17 and 16.5 per cent for specialised and non-specialised stores(which includes supermarkets) respectively. The annual declines in other sectors were as high as 90 per cent for bars, 86 per cent for textiles, clothing and footwear and 78 per cent for department stores.

[14] See: http://cbre.vo.llnwd.net/grgservices/secure/CBRE%20Ireland%20Bi-Monthly%20Research%20Report%20May%202020.pdf?e=1592813737&h=6f540c9451c46a79772099035f649134

[15] http://cbre.vo.llnwd.net/grgservices/secure/CBRE%20Ireland%20Bi-Monthly%20Research%20Report%20July%202020.pdf?e=1597919225&h=0c7f395259d88e317e818fdd8dc99e62

permission was granted for these sectors also increased to 26,000 sqm in Q1 2020, an increase of 24 percent on Q1 2019.

AGRICULTURAL LAND

In terms of agricultural land, according to the CSO, there has been a significant reduction in both the number of transactions, volumes and values of land sold in recent years although activity and values picked up in 2018[16]. While CSO data on agricultural land is not yet available for 2019, predictions from market analysis appear to suggest a weakening in prices and transactions in 2019, albeit stabilising since their steep fall in 2009. It is noted that prices across counties are substantially influenced by access, location, quality and the purchasing power of local farmers.

The CSO produce data on the value and volume of sales of agricultural land sourced from Revenue's stamp duty returns. The data relate solely to land sold for agricultural use.[17]

Table 6: *Agricultural land transactions and values*

	2013	2014	2015	2016	2017	2018
Number of transactions	3,005	3,098	2,656	1,719	1,591	2,095
Volume of land sold Acres	51,857	56,322	53,861	33,982	32,990	37,436
Value of land sold (€m)	349	371	321	191	161	210

Source: CSO

Table 7: agricultural land transactions and values, *percentage change (y-o-y)*

	2014	2015	2016	2017	2018	% Diff (2013-18)
Number of transactions	3	-14	-35	-7	32	-30
Volume of land sold Acres	9	-4	-37	-3	13	-28
Value of land sold (€m)	6	-13	-40	-16	30	-40

Source: CSO

[16] It should be noted that these transactions represent land sold purely for agricultural use and there are a number of exclusions from the statistics. For example, any land sold with a dwelling attached to the land or transactions for non-agricultural purposes e.g. for the construction of residential property is not included in the CSO data.

[17] See CSO: https://www.cso.ie/en/methods/surveybackgroundnotes/agriculturallandprices/

Activity in sales of agricultural land each year is limited as shown in the table above, e.g. a total of 2,095 transactions in 2018. The CSO highlight that the volume of eligible land (i.e. all agricultural land minus excluded transactions) sold in 2015 was only 0.4% of total agricultural land. Therefore, similar to commercial property, reliance on surveys from professional bodies and real estate agents are important for monitoring recent developments in agricultural land prices.

Teagasc and the Irish Farmers Journal Agricultural Land Price also report values for the average price paid for land in Ireland and these can differ due to the methodologies used in their surveys[18].

- **Table 8: latest indicators of performance of agricultural land**

	Teagasc/SCSI	Irish Farmers Journal	% Change since 2018*	CSO (2018)	% Change since 2017
Number of transactions	1,286	1,331	- (-10)	2,095	+31
Average price per acre without residence (€)	8,823	8,971	-6 (-1.1)	5,630	+15
Average price per acre land with a residence (€)	9,638	-	-	-	-
Volume of land sold (acres)	-	33,292	(-4.6)	37,436	+13.4
Value of land sold (€m)	-			210	+31

Source: CSO. Note: * Percentage change in brackets relates to y-o-y % change according to the Farmers Journal report. According to the Irish Farmers Journal report 1,331 farms/land parcels were put on the market in 2019 with 783 completed transactions. The total number of farms reported in the Farmers journal on the market amounted to 61,206 acres offered for sale and comprise a mix of tillage land, grazing ground, hill land and commonage. For the Teagasc SCSI survey, roughly 47% of agents reported the number of transactions in 2019 as being the same as 2018, while 28% saw an increase and 17% saw a decline in the volume of transactions.

[18] The Irish Farmers Journal surveys auctioneers involved in the sale of agricultural land. They ascertain the total amount of land sold and total price paid for that land and simply divide the two figures to get the national average price of agricultural land per acre. Teagasc Survey Chartered Surveyors through the SCSI (Society of Chartered Surveyors Ireland) ask for their estimates on the average value of farmland. Teagasc take all the figures received from surveyors and get an average from all the responses to use as their estimate for the average price per acre of agricultural land.

POTENTIAL IMPACT OF COVID-19

Similar to the rest of Europe, it is expected that the Irish investment market was largely frozen in April and May and the lack of transactional activity will pose problems for pricing. According to CBRE, once liquidity returns there is expected to be a strong appetite for office, industrial and residential investments.

It is expected that significantly lower transaction volumes will be recorded within all areas of commercial property in 2020. Transactions in the hotel and retail sectors are likely to be severely disrupted over the period ahead. With the exception of grocery and pharmacy sectors which have witnessed increased activity throughout the lockdown, all non-essential retailers have had to close their physical premises. A combination of weaker consumer demand, physical distancing and restricted trading hours are likely to remain in place for some time and it is likely that transaction activity in the retail sector will continue to remain subdued for the foreseeable future.

ITEMS FOR CONSIDERATION

As the non-residential rate was increased from 6% to 7.5% in the most recent Finance Act (Finance Act 2019), whilst it appears that the commercial sector has borne the rate of the increase, there are uncertain times ahead for the sector with a risk of decline. The demand for the hotel and hospitality sector remains strong at present, however retail and agriculture wil to decline further faced with such uncertainty. The sector may also find office developments see a decrease in demand as working from home becomes the normality in the middle of this pandemic. Construction output is also expected to decline which in turn will have a further negative effect on the non-residential market.

The impact of Covid-19 in tandem with the change in rate, will however have an impact on the non-residential market as a whole and the stamp duty revenue generated by the Department and will be monitored closely.

4. Farming Reliefs

4.1 Agri-Tax and Stamp Duty Overview

The agri-food sector is Ireland's largest indigenous sector contributing 7.5percent of GNI*[1] in 2018, 7.1% of total employment and 9.5% of all merchandise exports in 2019. Agri-food exports have grown by over 60% from 2010 to 2019 when they reached 14.5billion. The sector faces a number of challenges in the near future, from the UK departure from the European Union, to reforms to the Common Agricultural Policy (CAP) and climate change, and most recently the impact of the Covid-19 pandemic. In 2019, the UK market received 38% of the exports from the agri-food and fisheries sectors; uncertainties regarding market access in the future as well as currency volatility have the potential to cause issues for those operating in the sector. The decoupling of farm payments and the abolition of milk quotas has contributed to volatility of incomes in recent years, especially in the dairy sector. At the same time, agriculture is predicted to account for the largest share of Ireland's non-ETS8 emissions in 2020 at approximately 44 percent of Green-house Gas (GHG) emission.

Food Wise 2025, launched in 2015, sets out the current ten-year plan for the industry. The plan aims for an 85% increase in exports, the creation of 23,000 additional jobs, a 70% increase in value added and a 60% increase in primary production by 2025. Work is under way on the next ten-year strategy which will underpin development of the agri-food sector to 2030."

As part of its support for the sector, the government has sustained and/or introduced a suite of targeted tax reliefs across various tax heads, of which a number are in respect of stamp duty.

[1] GNI* or Modified Gross National Income is a measure developed to exclude globalisation effects that disproportionally impact the measurement of the size of the Irish economy.

4.2 Farm Consolidation Relief

Farm consolidation stamp duty relief (as provided under section 81C of the Stamp Duties Consolidation Act 1999 (SDCA 1999)) provides that a reduced rate of 1% rate of stamp duty (general rate on non-residential property is 7.5%) can apply to the instruments giving effect to acquisitions and disposals of agricultural land[19] where the instruments are executed (signed, sealed or both) in the period 1 January 2018 to 31 December 2020. The acquisition and disposal must be executed within 24 months, and where the land transactions qualify for a 'Farm Restructuring Certificate' from Teagasc. The reduced stamp duty rate only applies to to the excess of the value of the land acquired over the value of the land disposed of.

Purpose and benefits

Many farms in Ireland are fragmented with farm holdings made up of an average 3.8 separate parcels of land and this fragmentation can result in both operational inefficiencies and increased costs. Food Wise 2025[20] has identified that the fragmented structure of Irish family farms is limiting the capacity of the sector to develop sustainable and viable business enterprises.

The relevance of farm consolidation to improved efficiency is echoed by reports on the development of the agri-food economy and agri-taxation in Ireland which recognise that in order to meet the competitive challenges of the future Irish farms should be operating to the highest standards of efficiency and sustainability; and that a tax policy approach which seeks to encourage farm consolidation to increase efficiency is appropriate[21]. As the relief assists in this process, it is considered to be relevant to helping achieve this objective.

Consolidated parcels in a livestock farm facilitate better use of rotational grazing practices which results in more efficient use of grass in feeding those stock which suits Irelands grass based product image and facilitates more efficient use of chemical and organic fertiliser.

Furthermore, the scheme has a positive effect on the environment through the carbon emission reduction achieved by farmers spending less time travelling by road drawing slurry, silage, stock etc. on a more consolidated holding.

[19] As defined in Section 604B of the Taxes Consolidation Act 1997

[20] https://www.agriculture.gov.ie/foodwise2025/

[21] Agri-Taxation Review 2014 (https://igees.gov.ie/publications/economic-analysis/agriculture/agri-taxation-review)
- *Recommendations to improve farm efficiency and restructuring*

A consolidation relief in respect of capital gains tax (CGT) is also available under section 604B of the Taxes Consolidation Act 1997. This relief was extended to 31 December 2022 by section 35 of Finance Act 2019.

Uptake & revenue foregone

Farm consolidation is not commonplace owing to the complexity of the transactions concerned, though the data below (provided by Revenue) covering the two full years that the current relief has been in effect appears to indicate that uptake is increasing.

Table 9:Stamp Duty Revenue Forgone and Number of Successful Claims (Source: Revenue)

	2018	**2019**
Cost €m	0.3	0.63
Number of successful claims	45	90

As it is due to lapse at the end of 2020, the Department of Finance is currently engaged in an ex- post evaluation of the relief which will consider the case for an extension of the relief beyond this date, as well as whether it requires any amendment(s). The views of the IFA, the ICMSA and Macra na Feirme have been sought and received as part of this process, as well as those of the Department of Agriculture, Food and the Marine, and Revenue.

The farming bodies and the Department of Agriculture, Food and the Marine strongly support the continuation of this relief in light of its important role in relation to efforts to encourage increased farm efficiency, and to reduce the environmental impacts of farming.

There is an equivalent CGT relief which is was renewed for a further three years to end-2022 in Finance Act 2019 (section 604B of the Taxes Consolidation Act 2017). Revenue have confirmed that the number of claims in 2018 was 15 with an estimated tax cost of €0.5m. Tax returns for 2019 are not due to be filed until the end of this year. The discrepancy between the take up of the reliefs in 2018 (15 for CGT and 45 for stamp) is believed to be due to a number of factors, including chargeable capital gains not arising in the case of some claims under the relief, whereas stamp would apply to all acquisitions of this type, as well as some timing and data issues

The Department's review has been completed and has been submitted to the Minister for his consideration in advance of Budget 2021.

4.3 Consanguinity Relief

Consanguinity relief is the relief that applies in relation to transfers of farmland between certain blood relatives whereby the applicable rate of stamp duty is reduced from 7.5% to 1%. The details and conditions of the relief are set out in Schedule 1(5) of the Stamp Duties Consolidation Act 1999. The relief is due to expire on 31 December 2020.

The relevant relationships for this relief include:

- Lineal descendent (child, step-child, grandchild etc.)
- Parent, step-parent and grandparent
- Husband, wife and civil partners
- Brother, sister, step-brother and step-sister
- Aunt and uncle
- Nephew and niece

It is not available on leases or on transactions involving cousins and/or in-laws, and only applies to agricultural land including farm buildings, but not farm-houses.

Other qualifying conditions include that the transferee must farm the land for a period of at least 6 years following the date of the conveyance or transfer of the land or lease it for a period of at least 6 years to someone who farms the land. The person farming the land must do so on a commercial basis and with a view to making profits for at least half of the person's normal working time or be the holder (or become the holder within four years) of one of the young trained farmer relevant agricultural qualifications. The 67 years upper limit on the age of the transferor of the land was removed by Finance Act 2017 (section 60) with effect from 25 December 2017.

As the relief is due to expire this year, the Department is currently carrying out an ex-post evaluation of the relief which is considering the case for any amendment or extension of the relief beyond the end of this year. In this context it may be appropriate to reconsider the age limit in order to underpin the policy objective of promoting succession. The views of the IFA, the ICMSA and Macra na Feirme have been sought and received as part of this process, as well as those of the Department of Agriculture, Food and the Marine, and Revenue.

The farming bodies and the Department of Agriculture, Food and the Marine strongly support the continuation of this relief in light of its important role in encouraging and facilitating intergenerational farm transfers.

The Department's review has been completed and submitted to the Minister for his consideration in advance of Budget 2021.

Rationale and uptake

Boosting the rate of intergenerational transfer of farms has long been a policy objective of both the Government and the EU. In the majority of EU countries, the average age of farmers is increasing, while the number of farmers under 40 years of age is decreasing. There is growing concern that this demographic trend may have negative impacts on the agricultural industry because it is younger and not older farmers who are associated with more efficient and effective production practices[22].

It should be noted that the primary rationale for this relief is the encouragement of intergenerational farm transfer, which has widely recognised benefits for farm efficiency etc. In the absence of the consanguinity relief the full non-residential stamp duty rate of 7.5% would apply to acquisitions by/transfers to the family members covered by the relief, whereas if the acquisition/transfer was deferred until the death of the transferee, no stamp duty would apply[23] and the Capital Acquisitions Tax (CAT) agricultural relief (which reduces the farms taxable value by 90%[24]) could be availed of. .

Table 10: Revenue Forgone and Number of Successful Claims under Consanguinity Relief (Source: Revenue)

	Cost €m	Number of successful claims
2016	2.9	1,406
2017	3.81	1,018
2018	22*	1,647
2019	28.76*	1,777

* The significant increase in revenue foregone in 2018 and 2019 is linked to the increase in the stamp duty rate on non-residential property to 6% in Budget 2018 (it was again increased to 7.5% in Budget 2020), and possibly the removal of the age cap of 67 for transferors in Finance Act 2017.

[22] "Policy drivers of farm succession and inheritance" Leonard, Kinsella et al, Land Use & Policy, February 2017 https://doi.org/10.1016/j.landusepol.2016.09.006

[23] https://www.revenue.ie/en/property/stamp-duty/gifts-and-inheritances/index.aspx#:~:text=You%20do%20not%20pay%20Stamp,over%20and%20above%20your%20entitlement.

[24] https://www.revenue.ie/en/gains-gifts-and-inheritance/cat-reliefs/agricultural-relief/index.aspx

4.4 Educational Qualifications & Age Limits for Young Trained Farmers

A number of stamp duty reliefs (e.g. the young trained farmers stamp duty relief – section 81A of SDCA 1999) and other tax reliefs (e.g. stock relief for young trained farmers – section 667B of TCA 1997) designed to benefit "young trained farmers" currently require that the applicant for the relief hold one of a list of specified agricultural qualifications.

The lists of such qualifications are currently provided in Schedules 2, 2A and 2B of SDCA 1999, and in the relevant sections of other tax acts such as the Taxes Consolidation Act 1997 and the Capital Acquisitions Tax Consolidation Act 2003.

Given the constant need to keep the lists of qualifications up to date, and the various lists determining what qualifications are required to qualify, discrepancies have developed across the various reliefs. With changes in courses being offered, new courses being developed and others discontinued, it is administratively difficult to ensure the qualifications listed are kept up to date. It is considered, therefore that listing the qualifications in primary legislation may no longer be appropriate and that a current list of approved courses might instead be maintained centrally by the Department of Agriculture, Food and the Marine, with Teagasc retaining responsibility for approving the courses.

Another option might be self-certification in terms of educational qualification; where rather than requiring that an applicant for one of these reliefs hold at least one from a list of recognised and acceptable qualifications, it may be sufficient for them to self-certify that they have finished, and received a pass mark in, a course of education in agriculture achieving an award at FETAC level 6 or its equivalent (such as the Green Cert), a list of which is being maintained by Teagasc. An appropriate level of monitoring by Teagasc might be incorporated to seek to ensure that a self-certification option is not abused.

A form of self-certification does already exist, in that claims for this relief are made on a self-assessment basis, though there are some cases where applicants with particular old courses have to obtain a 'letter of equivalence' from Teagasc.

Another area where possible inconsistencies have been noted is in terms of the age at which one ceases to qualify as a "young trained farmer". For example, one must be no older than 34 years of age (i.e. "*not attained the age of 35*") to be eligible for the stamp duty relief for young trained farmers, whereas for the Succession Farm Partnership relief (section 667D TCA 1997) the successor(s) must be under 40 years of age in any year of assessment under the scheme (this is however reflective of the 5 year duration of such schemes, meaning the maximum age for claimants entering into such a scheme is also 34). For the Young Farmer Scheme element of EU's Basic Payment Scheme, you must be no more than 40 years of age at any time during the calendar year in which you first submit an application for it.

There may be valid policy reasons for the application of differing age limits to tax reliefs, grant schemes etc. targeted at the farming sector, such as desire to designing them in such a way as to encourage intergenerational farm transfers. It is possible that some or all of the young trained farmer type tax reliefs would not be permitted under the EU's state aid rules if they were not subject to age limits, and so deemed to encourage and support the goal of the intergenerational transfer of farms.

Criteria in respect of educational qualifications and age limits apply to a number of measures across various tax heads and associated legislation. Given the likely complexity of these matters, including the need to examine the interaction between the various reliefs and schemes, the Department of Finance will further examine this issue in advance of the 2021 Tax Strategy Group, and potentially providing for any necessary legislative and administrative changes in the context of Finance Bill 2021.

5. Other Stamp Duties

5.1 Stamp duty on the acquisition of shares

Central Securities Depositories (CSDs) are specialist institutions which settle securities such as equities or debt instruments. Ireland is the only member state in the EU that does not currently have its own CSD and we currently use London to settle securities traded on the Irish Stock Exchange.

A stamp duty of 1% is payable on the acquisition of the stocks and marketable securities of Irish incorporated firms. It yielded €425.34 in 2017, €413.48 million in 2018 and €383.62 million in 2019.

Currently a significant portion (e.g. 81% in 2017) of this stamp duty is collected using a London based system called CREST. This system will no longer be accessible post-Brexit.

As part of its Brexit contingency planning, the European Commission adopted a temporary and conditional equivalence decision in December 2018 for UK based Central Securities Depositories that will allow the Irish market to continue using the current settlement system based in London until March 2021 if the UK leaves the European Union without a withdrawal agreement, allowing time to develop an alternative system.

In October 2018, Euronext (the owners of the Irish Stock Exchange) announced that it had selected Euroclear Bank (EB) Belgium as its preferred long-term settlement provider post Brexit. This decision was noted at the time by the CBI.

Since the announcement, efforts have focused on establishing the new settlement model for the Irish market and identifying any potential legal or legislative issues related to the new model, taxation and the actual migration process.

Euroclear and Euronext established a Working Group (now the Market Implementation Group) with membership drawn from a range of industry stakeholders to work on the technical aspects of the model. A number of issue specific sub-groups were also established covering specific issues related to company registrars and legal issues.

The Migration of Participating Securities Act 2019, which was enacted 26 December 2019, facilitates the migration of Irish listed securities from Euroclear UK & Ireland and will allow for the coordinated migration of the relevant Irish securities to a CSD based in the EU on a single day. This measure will reduce the legal and administrative burden on issuers to effect migration individually. This Act also makes consequential amendments to certain provisions in the Companies Act 2014 to take into account the changes in the settlement model.

In relation to collection of stamp duty, a model has been agreed and is in the process of being finalised by the Department of Finance in cooperation with Euroclear Bank, and Revenue.

This resolution will enable the stamp duty payable on such trades to be collected, and any necessary legislative changes to SDCA 1999 and any consequential changes to the tax code in that regard and will be provided for in Finance Bill 2020 and the associated guidance.

5.3 Stamp on Credit & ATM Cards

Stamp Duty is levied on financial cards, charge cards and credit card accounts.

For ATM only and combined ATM/debit cards, the financial institutions collect the duty from cardholders (by charging it to the cardholder's account each year) and pass it on to Revenue.

The rate for ATM cards (also known as cash cards) is €0.12 per ATM withdrawal to a maximum of €2.50 per card per year (where a year is 1st January to 31st December).

The rate for combined cards (ATM & debit) is €0.12 per ATM withdrawal to a maximum of €2.50 per card where only the ATM function is used during the year.

The rate for both functions used in a year is €0.12 per ATM withdrawal to a maximum of €5.00 per card. There is no charge where only a card's debit function is used over the course of a year.

For credit cards, financial institutions are charged €30 stamp duty for each active card account on 1 April each year under Part 9 of the Stamp Duty Consolidation Act 1999, which they pass on to their customers.

In light of the impact of the COVID 19 pandemic, the Banking and Payments Federation Ireland (BPFI) requested a delay or stand-down in the application of the Government Stamp Duty for Credit Cards that was due in April 2020.

Following a meeting between the Minister for Finance, the BPFI and the main banks on 18 March, the Minister announced that the collection of stamp duty from credit card accounts would be deferred to 1 July 2020.

5.4 Bank Levy

Section 126AA of the Stamp Duties Consolidation Act 1999 imposes an annual levy totalling €150 million on certain financial institutions for each of the years to 2021 calculated on the basis of the amount of deposit interest retention tax (DIRT) paid by them in a defined base year.

The levy was originally intended to operate for only three years (2014, 2015 and 2016), however, in Budget 2016, the Minister for Finance announced that he intended to extend the levy for a further five years to 2021 so bringing in an additional €750M over this period.

The year 2015 was the base year for the levy due in the years 2017 and 2018, while the base year for 2019 and 2020 is 2017, so Finance Bill 2019 provided that the rate at which the levy is charged will increase from 59% DIRT paid in 2015 to 170% of DIRT paid in 2017. The new rate, combined with the 2017 base year, is designed to preserve the existing contribution of €150 million paid each year by the affected financial institutions.

The base year for 2021 is 2019, and Finance Bill 2020 will provide for the appropriate percentage-rate of the DIRT paid by the institutions in the base year in order to ensure that the targeted €150 million yield is maintained under the levy for 2021.

5.6 The Health Insurance Levy

The Health Insurance Levy is a stamp duty paid by health insurance companies to support the Risk Equalisation Fund (REF). It is charged as a fixed amount on each health insurance policy, with the amount paid dependent on the nature of the policy. The fixed amount can vary from year to year. The Levy operates in accordance with section 125A of SDCA 1999. The Health Insurance Levy has been paid into the Risk Equalisation Fund since 2013, and in 2019 the REF received €750 million from Revenue in respect of the duty.

In autumn each year the Department of Health receives an annual analysis of the market from the Health Insurance Authority (HIA), outlining, among other items, the Stamp Duty levies required to fund the level of risk equalisation for the following year, taking into account the changing demographic profile of those insured and other market developments. Following consultation with the Minister for Finance, the Minister for Health then proposes revised credits and makes a recommendation for the corresponding Stamp

Duty levies to the Minister for Finance. The revised risk equalisation credits and Stamp Duty levies are enacted under health insurance legislation.

The annual Health Insurance (Amendment) Bill sets out the risk equalisation credits and Stamp Duty levy applicable for the following 12 month (1 April 2020 to 31 March2021) period. The level of Stamp Duty to be applied to advanced and non-advanced products for adults and children is then calculated on that basis by the Health Insurance Authority (HIA).

For example, in 2019 the Minister for Health accepted the HIA's recommendation of a decrease for non-advanced health insurance contracts and a slight increase in advanced health insurance contracts as shown below.

Table 11: HIA contracts effective 1 April 2020

From 1 April 2020	Non-advanced health insurance contracts	Advanced health insurance contracts
17 and under	€52 (decrease of €7)	€150 (increase of €2)
18 and over	€157 (decrease of €20)	€449 (increase of €5)

The arrangements for the collection of the stamp duty are currently under examination with a view to streamlining the process in the future.

5.7 Levies on insurance policies

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

The levy was introduced as one element of the Government's concerted effort to raise revenue necessary to help address the serious decline in the public finances evident in 2009. It was understood that in common with other taxation measures, the operation of the levy would be kept under review.

A Stamp Duty of 3% applies on the gross amount received by an insurer in respect of certain non-life insurance premiums. The exceptions are reinsurance, voluntary health insurance, marine, aviation and transit insurance, export credit insurance and certain dental insurance contracts. The 3% rate of duty applies to premiums received on or after 1 June 2009 in respect of offers of insurance or notices of renewal of insurance issued by an insurer on or after 8 April 2009.

6. Other matters

6.1 Financial Transaction Tax

An EU wide Financial Transaction Tax (FTT) was initially proposed by the EU Commission in 2011, but agreement has yet to be reached. Ten Member States are engaged in an enhanced cooperation procedure for the negotiation of a draft directive. The ten are Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia, and Slovakia.

France and Germany have been the main proponents of this project since it was initially proposed in 2011, and it has been deemed a priority file for the German Presidency (commenced 1 July 2020).

The latest proposal emerging provides for a minimum rate of 0.2%, with the tax applying only to financial instruments issues by firms with a market capitalisation in excess of €1 billion, with a wide range of instruments covered, including derivatives. This criteria would mean the tax would apply to very few Irish companies.

One of the key issues on the file, which remains unresolved, is that the funds collected be mutualised in an EU/Eurozone budget. Under the current proposal, member states that are expected to generate relatively little revenue from the FTT will be guaranteed a minimum share of the tax take (guaranteed minimum revenue) to cover the fixed costs associated with establishing and maintaining infrastructure for the collection of an EU-wide FTT. The funding for this would be drawn from the revenue of those member states that receive over €100 million from FTT.

Ireland (like some other member states) has a tax on financial transactions, a Stamp Duty on transfers of shares in Irish incorporated companies, which currently stands at 1%. This stamp duty yielded, €420.66 million in 2018, and €382.62 million in 2019.

Instruments used in the financial services industry such as derivatives are generally exempt from Irish stamp duty, unless they relate to immovable property in Ireland or shares in Irish registered companies.

Ireland's position has consistently been that a FTT would be best applied on a wide international basis to include the major financial centres to prevent the danger of activities gravitating to jurisdictions where taxes are not levied on financial transactions.

The Department of Finance continues to closely monitor developments in this area at both an EU and global level.

6.2 Wealth Tax

Although Ireland does not have a specific 'wealth tax', Ireland already taxes wealth in a variety of ways, such as:

- Capital Gains Tax (CGT) and Capital Acquisitions Tax (CAT) which are levied on an individual or company on the disposal of an asset in the case of CGT, or the acquisition of an asset through gift or inheritance, in the case of CAT. (CGT raised €1.075bn in 2019 an €865m (provisional figure for May) in 2020, CAT which provisionally raised a net €533m in 2019 and €106.41m (provisional figure for June) 2020, with the projected CAT target for 2020 is €415m. Both are currently charged at 33%.
- Deposit Interest Retention Tax (DIRT) is charged at 33%, with limited exemptions, on interest earned on deposit accounts. This raised a net €64 for the Exchequer in 2019
- The Local Property Tax (LPT), which was introduced in 2013, is a tax based on the market value of residential properties. LPT raised a provisional net €473m in 2019.
- As mentioned elsewhere in this paper, the 1% Stamp duty charged on Shares, Stocks and Marketable Securities of Irish registered companies, raised €383.62m in 2019, while stamp duty on land and property raised €716.86m in 2019.

In 2013 the Central Statistics Office conducted the first comprehensive survey of household wealth in Ireland (the Household Finance and Consumption Survey (HFCS)). The survey provides information on the ownership and values of different types of assets and liabilities along with more general information on income, employment and household composition.

It is important to note that a significant portion of net household wealth in Ireland is directly related to housing assets. The CSO released an updated press release for the Household Finance and Consumption Survey 2018[25].

The value of the household's main residence is a key component of wealth. In Ireland, 68.8% of households own their own residence. In 2018, the median value for households'

25 https://www.cso.ie/en/csolatestnews/pressreleases/2020pressreleases/pressstatementhouseholdfinanceandconsumptionsurvey2018/

main residence was €250,000, up from €150,000 in 2013.The median net wealth of households that own their own home is €287,800

The Department continues to monitor the position in relation to the taxation of wealth.

During both 2016 and 2018, the Department, jointly with the Economic and Social Research Institute (ESRI), conducted two research projects (the 2016 report was updated further in 2018) into the distribution of wealth in Ireland and the potential implications of a wealth tax using the CSO's HFCS. The resulting research papers, "Scenarios and Distributional Implications of a Household Wealth Tax in Ireland" are available on the ESRI website[26]. Both papers presented results on the composition of net wealth (i.e. assets less liabilities) across both the wealth and income distributions in Ireland. A number of wealth tax scenarios, including regimes from other jurisdictions and hypothetical scenarios, were then applied to the Irish data. In each case, the associated tax bases and revenue yields, the number of liable households across the income distribution, and the characteristics of the households affected were outlined.

The ESRI/Department of Finance paper further details a variety of concerns which would have to be addressed regarding a wealth tax. In the first instance the revenue raised from a wealth tax may not be additional to the existing related forms of wealth taxation which are currently in place in Ireland. In other words, revenues from these taxes would possibly be affected by the introduction of a wealth tax.

It was found that if a wealth tax were to be applied in addition to the related forms of wealth taxation, this could have the disincentive effect of causing large changes in the level and type of assets held by Irish households: Households could be expected to respond to high effective rates of tax on capital income by, for example, reducing their holding of assets in Ireland or reallocating their wealth holdings to asset types facing a lower wealth tax charge.

In addition, the distributional implications of a wealth tax across different types of household should be taken into account: a larger proportion of the wealth tax burden would fall on older households than their share of net wealth might indicate.

Regarding taxes on high income earners, in 2020 it is projected that the top 1.5 per cent of taxpayer units, who are those with annual income in excess of €200,000, will pay 26.5% of total Income Tax and USC. This is a very large proportion of the total Income Tax and

[26] https://www.esri.ie/publications/scenarios-and-distributional-implications-of-a-household-wealth-tax-in-ireland and https://www.esri.ie/publications/scenarios-and-distributional-implications-of-a-household-wealth-tax-in-ireland-2

USC take for such a small cohort of taxpayers. In comparison, 72 per cent of taxpayer units, which is the cohort of those with annual income of less than €50,000, will pay 15 per cent of total Income Tax and USC.

To further demonstrate the high amount of tax being paid by high earners under the current Income Tax and USC system, in 2020, it is expected that there will be approximately 2.78 million taxpayer units, including married couples under joint assessment, and that total yield from Income Tax and USC will be just over €24 billion. Of that yield, approximately €7.2 billion will be paid in total by approximately 2.34 million taxpayer units with incomes of under €70,000 per annum. The remaining yield, over €17 billion, will be paid by less than 440,500 taxpayer units earning over €70,000.

Given how much wealth is tied up in property, particularly people's principal private residence (which for many is their main or even sole asset), if a wealth tax were to be proposed for Ireland, it would almost certainly have to take account of the value of people's homes. However, the vast majority of properties/property transactions are already subject to stamp duty, Local Property Tax and Capital Acquisitions Tax.

Generally, a wealth tax is hard to calculate and collect, and there is currently no basis on which to model any such tax. From an operational perspective, valuation may be a problem, especially where an actual sale of the asset does not take place. Although an individual's assets and liabilities are declared to the Revenue in a number of specific circumstances (for example, after a death), this information is not a complete measure of assets and liabilities in the State, nor is it recorded in a manner that would allow analysis of the implications of an overarching wealth based tax.

6.3 Gender and Equality Implications

There are no specific gender or equality implications with regard to the tax issues covered in this paper.

Stamp duty applies, and reliefs from it are available, to all taxpayers irrespective of gender, age, civil/family status, sexual orientation, religion, race/ethnicity (including to members of the Traveller Community) and level of physical and/or mental ability.

Requirements that apply to some reliefs such as those stipulating that one must fall within a certain age category, hold one of a list of educational qualifications or have been engaged in a certain profession for a minimum period of time in order to be eligible to benefit from them relief are not, as and of itself, unnecessarily exclusionary or inequitable.

These requirements seek to ensure that reliefs are targeted in order to best achieve the underlying policy objective and that the revenue foregone under the reliefs is used to deliver desirable outcomes.

An Roinn Airgeadais
Department of Finance

Tithe an Rialtas. Sráid Mhuirfean Uacht,
Baile Átha Cliath 2, D02 R583, Éire
Government Buildings, Upper Merrion Street,
Dublin 2, D02 R583, Ireland

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