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Areas submitted to Department of Finance for costing

Proposal 1 – Corporation Tax: increase in rate

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

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

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

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

C) Increase 12.5% rate to 15%.

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

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

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

Proposal 2 – Global Minimum Effective Tax Rate from OECD

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

The additional yield from the introduction of a global minimum effective tax rate of 15% for multinationals as proposed by the OECD.

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

If the proposal was implemented from 1st January 2022, based on the parameters of the proposal as published what the additional yield or cost to the Exchequer would be in 2022, or 2023 respectively.

Response: Technical work remains ongoing at the OECD and as many of the features of the proposals remain undetermined, it is not possible to estimate the yield from the introduction of the new proposals for a global minimum effective tax, particularly as

the interactions with proposed reforms to national tax systems will be of key importance.

The OECD previously undertook work on an impact assessment of the proposals presented in 2020. This found that the application of a global minimum tax by Ireland could result in revenue gains on a static *–no behavioural change* – basis. However the OECD's impact assessment also notes that the overall impact for jurisdictions such as Ireland could be a loss in tax revenues when the behavioural change of firms is included.

Proposal 3 – OECD Pillar One implementation

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

The additional yield or loss to the Exchequer if Pillar One of the OECD proposal on global tax reform was implemented from 1st January 2022, or 2023 respectively.

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

Based on the modelling carried out to date on the proposals, what would the cost be for these to be brought in from 2022, or 2023 respectively

Response: It is anticipated that the Pillar One proposals will result in a reallocation of profit from Ireland to market jurisdictions. The Department of Finance, using input from Revenue, previously estimated that "*the overall risk from BEPS-related changes could be in the range of €800m to €2 billion*". More specifically, the Department of Finance has assumed that where corporation tax receipts are concerned, implementation of the OECD's Base Erosion and Profit Shifting (BEPS) initiative is estimated to reduce corporation tax receipts by €1 billion in 2023 and then an incremental €500 million per annum, i.e. increasing to €2 billion in 2025. This analysis predates notable recent changes in the scope of the proposed Pillar One rules. The Department of Finance, in conjunction with the Revenue Commissioners, is currently re-assessing the potential cost of Pillar One based on the new set of proposals.

Proposal 4 – Corporation Tax: R&D Tax Credit

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

A) To determine the 2021 savings that would be made by ending the refundable element of the R&D tax credit from 1st January 2022.

B) Confirm that the cost of refundable tax credits in 2019 was €200 million.

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

For (A) to provide a costing under two scenarios: i) that the refundable element would cease completely from 1st January 2022 even for those claims already in process. ii) That it is phased out over 3 years with no new claims from 1st January 2022, but those currently in train can continue to receive the refundable credit as was previously available. Under scenario (ii) can the annual cost for 2022, 2023 and 2024 of retaining the refundable element be outlined.

In all cases, we would like the costing to be based on Revenue projections, and not on the 2019 figure.

Response: The most recent information available to Revenue is the claims for refundable tax credits for the tax year 2019. These are as published on the Revenue website and show refundable credits of €200 million for that year. The actual yield from the abolition would depend on future expenditure and profitability as well as the behaviour of companies involved in research and development.

Proposal 5 – Introduction of minimum effective rates of corporation tax

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

To determine the gains that would accrue to the exchequer over the years 2022-2025 from the introduction of a minimum effective corporation tax rate of A) 6% and B) 12%.

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

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

To also provide a costing that would achieve a minimum effective corporation tax rate of 12% by 2026, a rate of 3% would be set in 2022, increasing to 6% in 2023, 9% in 2024 and 12% in 2025.

Response: On a straightforward, mathematical basis there is a large theoretical yield from introducing such measures (though the yield would depend on the income definition used when introducing such a measure, in particular whether capital allowances, losses etc. would still be allowed). However, this yield is highly unlikely to be realised as companies adjust their behaviour and activities in response. Predicting these responses is not possible with a sufficient degree of accuracy to enable a reliable costing estimate to be provided

Proposal 6 – Corporation Tax: capping of capital and trading losses

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

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

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

Confirm what the current legal requirements are for the reporting of trading or capital losses in Ireland to the Revenue Commissioners, and that there is currently no time restriction on the use of losses.

Response: It is assumed the proposal is referring to the losses reported on Corporation Tax returns (and not referring to losses in relation to capital gains). From information returned on Corporation Tax returns filed for the year 2019, there are over €215 billion losses forward claimed in the year. This includes capital allowances that are unused from earlier years, as they are generally returned as losses in later years and are not separately identifiable. These historic losses are being offset slowly and some are unlikely to ever be used. Much of these relate to substantial losses incurred by companies during the financial crisis, however new losses or unused capital allowances are also created each year by some companies. On the basis of profits and losses returned in 2019, it is likely to take over 12 years before 80 per cent of the existing historic losses on file in 2019 could be used. This is because some companies with losses forward are not in a position to offset any of their losses forward at present. As timeline information in respect of losses is not available from tax returns to show the age profile of losses and unused capital allowances, it is not possible to provide estimates of the tax gain from timeline caps in respect of losses.

There is no time restriction on the use of losses, however losses carried forward may only be offset against trading income of the same trade in future periods. Furthermore, there are provisions to deny relief for losses carried forward where there has been a change in ownership and a major change in the nature or conduct of the trade.

Proposal 7 – Digital Services Tax

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

The yield for Ireland from introducing a Digital Services Tax on the same basis as France, Italy and Spain; with a 3% tax rate, where a digital interface is provided and advertising services are based on user's data, with a €750m global revenue threshold and a domestic revenue threshold of A) €25m and B) €5m.

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

Assuming Pillar One of the OECD process is not agreed or implemented. To also provide what the impact on the Irish Exchequer corporation tax returns would be if an EU digital services tax as previously proposed was implemented in 2022; and what the projected impact on Ireland of the rollout of a 3% DST in France, and other countries in the EU such as Austria, Belgium Spain and Italy etc.

Response: Although the Digital Services Taxes introduced in France, Italy, and Spain are not precisely the same as each other, all three share substantial overlaps with the Digital Services Tax proposed by the European Commission in 2018. It would be reasonable to assume that Ireland's share of that estimated yield could be calculated in proportion to the population of Ireland as a share of the population of the EU overall. Eurostat has estimated the population of Ireland to be 0.9% of the total population of the EU. Applying this to the Commission's overall estimated yield would mean that Ireland could collect approximately €45 million from introducing a Digital Services Tax of the type mentioned. The net yield would be reduced to the extent that deductions from company profits for Digital Services Tax paid would reduce corporation tax receipts. The European Commission's proposal was based on (1) a €750 million global revenue threshold and (2) an EU-wide €50 million revenue from in-scope services threshold. Based on available data, it is not possible to estimate the potential yield of a Digital Services Tax with different thresholds.

In relation to Digital Services Taxes introduced unilaterally by other Member States - the available data is not sufficiently detailed to enable a calculation of the likely tax loss as a result of a digital tax in any specific EU Member State.

Proposal 8 – PRSI: Expansion of PRSI relief for low and middle income earners

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

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

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

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

€18,305

€25,000

€30,000

€35,000

€36,608

Response: The estimated cost to the exchequer from expanding the PRSI credit to incomes under €704 per week with a maximum relief of €14 per week is €231 million.

The following table provides the impact of expanding the PRSI credit to incomes under €704 per week with a maximum relief of €14 per week with the tapering being applied at a rate of 4% per €1k income for the supplied salary levels.

Annual Salary	Weekly	Annual PRSI liability with no credit	Annual PRSI liability with €12 credit	Weekly Credit (max €12)	Annual PRSI liability with €14 credit	Weekly Credit (max €14)
€18,305	€352.02	€732.20	€108.37	€12.00	€4.24	€14.00
€25,000	€480.77	€1,000.00	€1,000.00	€0.00	€538.32	€8.88
€30,000	€576.92	€1,200.00	€1,200.00	€0.00	€937.18	€5.05
€35,000	€673.08	€1,400.00	€1,400.00	€0.00	€1,336.05	€1.23
€36,608	€704.00	€1,464.32	€1,464.32	€0.00	€1,464.32	€0.00

Proposal 9 – PRSI and the Minimum wage

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

The cost of increasing the higher rate weekly earnings threshold bands for Employers' PRSI to reflect a 39 hour weekly wage under the following scenarios:

A) A Minimum wage of €10.50 per hour (weekly threshold of €410)
B) A minimum wage of €11.00 per hour (weekly threshold of €429)
C) A living wage of €12.30 per hour (weekly threshold of €480)

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

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

Response: The following table provides the estimated annual cost arising from increasing the threshold to which the lower rate of employer PRSI applies.

Increased Employer Threshold	**Cost (€m)**	**Number of employees affected**
€410	€12.5	33,288
€429	€32.6	84,359
€480	€95.0	225,906

Proposal 10 – USC and Employer PRSI

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

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

Also provide a costing for the PRSI yield in the first year, if this was introduced over 4 years with the overall percentage increase divided by 4, allowing for a minimum increase of 1% in the first year, and what the equivalent reduction in USC rates would be from this yield.

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

The calculation should be made based on the expected yield from USC in 2022 with unchanged rates.

Response: The information provided by Dept. of Finance is that the projected 2022 yield of USC will be €4.1 billion.

There are two employer contribution rates for class A: 8.80% and 11.05%. These figures are based on the assumption that both of these rates would be equalised to one new single rate.

The single rate of employers' social insurance contribution that would be required to raise the same amount if USC was abolished based on the 2022 projected yield of €4.1 billion is 15.95%.

This is 4.90% above the higher 11.05% rate. A quarter of this is 1.225%. Equalising both rates at 11.05% and increasing this by 1.225% (note this is above the 1% min) to 12.275% would result in a gain of €1.14bn in the first year. To give the reduction in USC rates necessary to reduce receipts by €1.14bn, would require further guidance on what proposal to model as it could be achieved through a number of different rates or threshold changes options.

Proposal 11 – PRSI: employers rate

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

At present, employers pay 8.8% Class A employer PRSI on weekly earnings up to €398. Employers pay 11.05% Class A employer PRSI on weekly earnings over €398 (inclusive of the NTF levy).

Response: It should be noted that currently the employers' rate of social insurance contribution stands at 8.8% for workers with a weekly income of between €38 and €398.00. The higher rate of employer's rate of social insurance contribution stands at 11.05% for workers with a weekly income of €398.01 or over. The higher rate applies to all income – not just the amount over €398.00

A) What is the PRSI additional yield that would be raised by setting a single rate of Employers PRSI of 11.05%, to apply on all weekly earnings?

Scenario	ER_EST	Gain
Baseline (ER 8.8%/11.05%)	€8,735,452,224	€0
Proposal (ER 8.8%/11.05%)	€8,888,997,941	€153,545,717

B) How much would be raised with a 1% increase to both rates respectively.

Scenario	ER_EST	Gain
Baseline (ER 8.8%/11.05%)	€8,735,452,224	€0
Proposal (ER 9.8%/12.05%)	€9,539,886,427	€804,434,203

C) What would the yield be from a new Employers PRSI rate of 12.5%, 13.5%, 14.5% and 15.5 % on all income in excess of either €80,000 or €100,000 or €120,000 respectively.

Scenario	ER_EST	Gain
Baseline (ER 8.8%/11.05%)	€8,735,452,224	€0
Proposal (ER 8.8%/11.05%/12.5% >80k)	€8,853,256,487	€117,804,263
Proposal (ER 8.8%/11.05%/13.5% >80k)	€8,934,500,807	€199,048,582
Proposal (ER 8.8%/11.05%/14.5% >80k)	€9,015,745,126	€280,292,901
Proposal (ER 8.8%/11.05%/15.5% >80k)	€9,096,989,445	€361,537,220
Proposal (ER 8.8%/11.05%/12.5% >100k)	€8,820,028,264	€84,576,040
Proposal (ER 8.8%/11.05%/13.5% >100k)	€8,878,356,567	€142,904,343
Proposal (ER 8.8%/11.05%/14.5% >100k)	€8,936,684,870	€201,232,646
Proposal (ER 8.8%/11.05%/15.5% >100k)	€8,995,013,173	€259,560,949
Proposal (ER 8.8%/11.05%/12.5% >120k)	€8,800,453,948	€65,001,723
Proposal (ER 8.8%/11.05%/13.5% >120k)	€8,845,282,722	€109,830,498
Proposal (ER 8.8%/11.05%/14.5% >120k)	€8,890,111,497	€154,659,272
Proposal (ER 8.8%/11.05%/15.5% >120k)	€8,934,940,271	€199,488,047

D) The yield to the Exchequer from a 0.5%, 1%, 3% and 5% increase in the higher rate of employer's PRSI on those employed in salaries of €120,000, €110,000, €90,000 and €80,000 respectively.

E)

Scenario	ER_EST	Gain
Baseline (ER 8.8%/11.05%)	€8,735,452,224	€0
Proposal (ER 8.8%/11.05%/11.55% >80k)	€8,776,074,384	€40,622,160
Proposal (ER 8.8%/11.05%/12.05% >80k)	€8,816,696,544	€81,244,320
Proposal (ER 8.8%/11.05%/14.05% >80k)	€8,979,185,182	€243,732,958
Proposal (ER 8.8%/11.05%/16.05% >80k)	€9,141,673,820	€406,221,596
Proposal (ER 8.8%/11.05%/11.55% >90k)	€8,769,487,044	€34,034,820
Proposal (ER 8.8%/11.05%/12.05% >90k)	€8,803,521,864	€68,069,639
Proposal (ER 8.8%/11.05%/14.05% >90k)	€8,939,661,142	€204,208,917
Proposal (ER 8.8%/11.05%/16.05% >90k)	€9,075,800,420	€340,348,195
Proposal (ER 8.8%/11.05%/11.55% >110k)	€8,760,860,447	€25,408,223
Proposal (ER 8.8%/11.05%/12.05% >110k)	€8,786,268,670	€50,816,445
Proposal (ER 8.8%/11.05%/14.05% >110k)	€8,887,901,559	€152,449,335
Proposal (ER 8.8%/11.05%/16.05% >110k)	€8,989,534,449	€254,082,225
Proposal (ER 8.8%/11.05%/11.55% >120k)	€8,757,866,612	€22,414,387
Proposal (ER 8.8%/11.05%/12.05% >120k)	€8,780,280,999	€44,828,775
Proposal (ER 8.8%/11.05%/14.05% >120k)	€8,869,938,548	€134,486,324
Proposal (ER 8.8%/11.05%/16.05% >120k)	€8,959,596,097	€224,143,873

F) The amount of revenue which could be raised if Ireland's rate of employer PRSI contributions was raised in line with the EU average (21.34%) from the current employers PRSI rate of 8.8% (plus the National Training Fund Level 1%) on a phased basis from 2021 to 2025.

Whilst it is noted that the costing request asks for the rate of employers' social insurance contribution be increased on a phased basis from 2021 to 2025 the request does not specify the level of phasing envisaged and therefore the figure supplied is a one year total. If further information is required then please indicate the level of phasing sought.

Additionally, please note that the information supplied is in respect of increasing rates from 8.80% and 11.05% respectively to 21.34%.

Whilst it is noted that the costing request asks for the rate of employers' social insurance contribution be increased on a phased basis from 2021 to 2025 the request does not specify the level of phasing envisaged and therefore the figure supplied is a one year total. If further information is required then please indicate the level of phasing sought.

Additionally, please note that the information supplied is in respect of increasing rates from 8.80% and 11.05% respectively to 21.34%.

Scenario	ER_EST	Gain
Baseline (ER 8.8%/11.05%)	€8,735,452,224	€0
Proposal (ER 21.34%/21.34%)	€17,166,625,888	€8,431,173,664

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

Assume no change to the level of employment.

Proposal 12 – National Training Fund Levy

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

The yield (which would be held in the National Training Fund) which would arise from an increase of 0.1% in 2022, first year, and full year yield. Include the yield from the public sector.

Please also provide a table of the projected and additional yield in each year from the individual budget increases in the NTF since 2016.

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

No additional assumptions. provide the additional public sector yield as well.

Response: This matter has been forwarded to the Department of Public Expenditure and Reform for their direct response.

Proposal 13 – Income Tax: Refundable Personal Tax Credits

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

To determine the cost of providing refundable tax credits at the end of the financial year to both employed, and self-employed individuals who have earned at least €5,000, and if employed made at least 40 PRSI contributions in the year, but did not earn enough income to use all the tax credits they are eligible for as detailed below.

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

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

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

While we appreciate that Revenue have not previously undertaken such an exercise, the concept has been conceded for the R&D tax credit for corporation tax and we are asking for a reasonable estimate based on the criteria outlined.

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

Proposal 14 – Income Tax: increase in tax credits and bands

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

A) To determine the cost of increasing the personal tax credits by €50, €100, €200 or €300 respectively. Provide a tabular breakdown.

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

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

D) Cost of indexing increases to income tax credits, and income tax and USC bands to the rate of inflation (HICP) in 2022.

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

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

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

For C) Outline the number of people expected to benefit in 2022, 2023 and 2024 respectively, and the number that availed of tax credit in 2020 and 2021 respectively.

For D) provide in tabular form the projected required increases for each tax credit and band.

Response: The cost of increasing the personal tax credit, the home carer credit and standard rate band cut off point, on a post-Budget 2021 basis, can be found in Revenue's Ready Reckoner at link: https://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx.

The cost of increases to these credits/bands by amounts other than those given in the Ready Reckoner can be extrapolated on a straight-line basis. In the case of large relative changes to tax credits or bands, the cost or yield may not be directly in line with estimates shown.

The numbers of taxpayer units of each category of taxpayer that would benefit from the standard rate band increase in 2021 is estimated to be:

Increase to standard rate cut off point	Single	Married 2 Earner	Married 1 Earner	Widowed
€500	406,000	263,000	154,000	33,000
€1,000	406,000	264,000	154,000	33,000

Figures have been rounded to the nearest 1,000.

The number of taxpayer units that availed of the home carer credit and the earned income credit in 2018 (the latest available data), can be found in the Cost of Tax Expenditures table at link: https://www.revenue.ie/en/corporate/information-about-revenue/statistics/tax-expenditures/costs-expenditures.aspx.

It is estimated that the number of taxpayer units who would benefit from an increase in the home carer credit in 2021 would be approximately 85,000. Revenue does not have estimates beyond 2021.

The annual cost of 1% indexing of the main income tax credits (Personal, PAYE, Home carers and EIC), exemption limits, tax bands and USC bands and exemption limits can be found on page 10 of Revenue's Ready Reckoner, available at link https://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx.

Proposal 15 – Income Tax: Withdrawal of Tax Credits from High Earners

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

The gain to the exchequer from a withdrawal of personal, PAYE and Earned Income tax credits by 2.5% per €1k income, on all income in excess of €100,000 (scenario 1).

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

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

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

We would like the costings to be provided on both a tax unit, and an individualised basis based on most up to date revenue statistics.

Response: The estimates are provisional and may be revised. Data and costs are for 2018, the latest year available. It is not possible to estimate the yield for this policy proposal using our standard modelling tool, Tax Modeller.

	Individualised Basis		**Taxpayer Unit Basis**	
	First Year (€m)	**Full Year (€m)**	**First Year (€m)**	**Full Year (€m)**
Scenario 1	232	282	399	474
Scenario 2	276	333	404	484
Scenario 3	317	382	471	562

Proposal 16 - Income Tax: High Income Individuals' Restriction

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

A. The additional yield obtained from an ending of specified reliefs (as set out in Analysis of High Income Individuals' Restriction 2017 report).

https://www.revenue.ie/en/corporate/documents/research/ror-2017-report.pdf

B. The additional yield from increasing the effective rate to i) 33%, ii) 35% and iii) 40% for all those earning in excess of €200,000 with and without current specified reliefs applied respectively.

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

In all cases, we would like the costing to be based on Revenue projections, and not on the 2017 figure.

Response: The annual report on the High Income Individuals' Restriction (HIIR), is published at link https://www.revenue.ie/en/corporate/information-about-revenue/research/statistical-reports/high-income-earners-reports.aspx. Currently the 2018 report is the latest available.

Table 3 in the report sets out the specified reliefs, and the amounts claimed. Taxpayers subject to the HIIR are required to complete form RR1, which breaks down the reliefs into the detail provided in the report. While the amounts claimed represent the amount by which the taxpayer's liability can be reduced, these amounts represent the value prior to restriction of the reliefs under the HIIR, therefore the full tax cost does not accrue. Furthermore, while these specified reliefs can be restricted for those earning above a certain income, availing of these reliefs is not confined only to taxpayers' subject to the HIIR. For those taxpayers availing of these reliefs but not subject to the HIIR, and therefore not completing form RR1, data on these reliefs in the level of detail provided in Table 3 is not available. Therefore, it is not possible to provide the yield associated with the removal of each of the reliefs listed individually in Table 3. Instead, the available information of the cost of various tax reliefs is available in Revenue's Cost of Tax Expenditures publication, available at

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

Table 1A of the HIIR report shows that those on adjusted incomes of €400,000 or more already have, on average, an effective rate of 40% after the application of these restrictions. Therefore, no additional yield would accrue by adjusting this to either of 33%, 35% or 40%. Likewise, Table 2A shows that those on adjusted incomes of between €200,000 and €400,000 already have, on average, an effective rate of about 35%. Therefore, no additional yield would accrue by adjusting this to either of 33% or 35%. If this was adjusted to 40% the additional yield would be approximately €2m.

Proposal 17 - Income Tax: Special Assignee Relief Programme (SARP)

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

To provide in tabular form the annual cost of the Special Assignee Relief Programme (SARP) for 2019, 2020 and 2021 estimated, and then the projected yield accrued from abolishing the special assignee relief programme in 2022, 2023, 2024 and 2025 respectively (in tabular form).

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

No additional assumptions.

Response: The annual cost of the Special Assignee Relief Programme (SARP) from 2012 (year introduced) to 2018 (the most recent year for which data are currently available) are available at:

https://www.revenue.ie/en/corporate/information-about-revenue/research/statistical-reports/special-assignee-relief-programme.aspx.

While the cost (€42.4 million in 2018, the most recent year for which data is currently available) may represent a saving to the Exchequer in a given year were SARP abolished. This could be indicative of a possible savings if the scheme terminated. However, there could likely be losses resulting from lower employment levels (and related tax receipts) and other indirect effects within the activities that are supported by the Programme.

Proposal 18 – Income Tax: relief on rent credit

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

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

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

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

Response: The rent relief tax credit has been in the process of being phased out since 2010, as such tax returns do not provide a reliable basis to accurately predict the numbers of tenants who could be eligible to claim a rent credit were it to be re-introduced or the degree to which potential claimants could absorb the full amount of

the credit. Therefore, there is no basis available to Revenue to estimate the potential cost of the re-introduction of the rent credit.

Proposal 19 – Income Tax: Relief on trade union subscriptions

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

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

B) To also provide in tabular form the cost of providing tax or BIK relief on subscriptions to professional bodies for each year from 2011 to 2019 and the yield from abolishing it.

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

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

Response:

A) There are no data available to Revenue on the number of taxpayers with union subscriptions, the cost of their individual union subscription, nor the ability of the taxpayer to absorb the credit, therefore there is no basis available to Revenue on which to estimate a cost for this measure.

B) There is no requirement for workers or self-employed persons to declare their professional subscriptions separately in their tax returns; allowable subscriptions are included in their allowable expenses. It is therefore not possible to provide a tax cost for the exemption to BIK for subscriptions to professional bodies.

Your attention is also drawn to the reply given to Parliamentary Question 351 on 27/07/2021 (asked by Deputy Ged Nash: Tax Data – Tuesday, 27 Jul 2021 – Parliamentary Questions (33rd Dáil) – Houses of the Oireachtas)

Proposal 20 – Income Tax: Help to Buy initiative

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

A: The projected revenue raised in 2022 from abolishing the Help to Buy scheme.

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

No additional assumptions assume the scheme would end at announcement of Budget apart from those applications already in progress or approved. Provide details of a full year yield/saving.

Response: The following factual data may be helpful in addressing the question.

The cost of the Help to Buy (HTB) scheme in 2020 was approximately €126m.The 2020 cost can be used as a guide to estimate the yield if the Help to Buy Scheme were abolished. A temporary enhancement was announced in the July 2020 Stimulus package last year. The cost of the HTB scheme in the 6 month period from July to December 2020 was approximately €87m. This enhanced HTB relief has been extended to 31 December 2021 in Finance Act 2020.

Note: HTB is a demand led scheme.

Proposal 21 – Income Tax: Cycle to school scheme

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

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

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

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

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

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

Response: The annual cost of this proposal is estimated at €1 million. It should be noted that there is no information provided in tax returns or otherwise available to Revenue to give data on which to base an estimate so this should be seen as tentative. In addition, there is also likely to be an initial surge on the introduction of the proposed system. See also reply to PQ dated 27 July 2021

Proposal 22 – CGT: Cap on Primary Private Residence Relief

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

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

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

That the disposal of all private principal residencies valued at over €1 million would be subject to capital gains tax A) on the balance over €1m; and B) on the entire sale amount.

To provide in the reply a costing based on sales of homes over €1m from stamp duty returns, cross referenced to LPT returns for existing homes (as new homes wouldn't be subject to CGT), using projections for an average holding of 20 years.

Response: It is not possible to identify from tax returns data the gains in respect of disposal of all private principal residencies valued at over €1 million that would be subject to CGT if a cap was introduced. For this reason, it is not possible for Revenue to provide estimates sought. Using LPT and Stamp Duty returns is not an option for this costing as the capital gain is not available therein.

Proposal 23 – CGT: abolition of Entrepreneurs Relief

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

The yield to the Exchequer from abolishing Entrepreneurs Relief as provided under section 597AA of the Taxes Consolidation Act 1997

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

Abolition from Budget day, reverting to 33% rate but provide a breakdown of the full year yield from 1st January 2022 and the balance for the rest of 2021. Would appreciate if costing was based on projections for cost of the relief in 2022, and not the known cost of the relief in 2018/2019.

Also provide additional yield from abolition of relief for every 1% increase in the rate of CGT, and specifically what yield would be in 2022 if CGT rate was 36%.

Response: From claims in respect of entrepreneur relief on tax returns for 2018 and taking into account the higher rate of relief in later years, the yield to the Exchequer from abolishing Entrepreneurs Relief could be in the region of €95m. Projections for later years are not available as likely future disposals of gains in respect of entrepreneurial relief are not possible to predict.

Proposal 24 – CGT: abolition of Section 604A

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

The future yield to the Exchequer from abolishing Section 604A modelled by year up to 2024. and the additional yield if the CGT rate was 36%.

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

Can the Department outline the projected tax losses to the Exchequer from this tax relief based on returns from 2019 and projected returns in 2021 and 2022.

Response: From information included on 2019 tax returns in respect of 604A (disposal of certain buildings/land), the cost of this relief was €177m in 2019. However, it is not possible to accurately estimate the gain from the abolition as information is not available in respect of other assets still held.

Proposal 25 – CGT: rate increase

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

A: The yield raised from each 1% increase in the rate of CGT up to 40% in tabular form

B: The yield raised from increasing gains from venture capital funds for individuals and partnerships from 15% to 33%, and each 1% increase up to 40%.

C: The yield raised from increasing gains from venture capital funds for companies from 12.5% to 33%, and each 1% increase up to 40%.

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

No additional assumptions.

Response: The Revenue Ready Reckoner (page 14) shows the cost of various changes to the CGT rate at link https://www.revenue.ie/en/corporate/documents/statistics/ready-reckoner.pdf, While the Ready Reckoner does not show each specific costing requested, these can be estimated on a straight-line basis from those provided. Costs are not available separately in respect of venture capital funds.

Proposal 26 – Capital Acquisition Tax (CAT): rate and thresholds

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

A. The yield respectively from reducing the three tax-free thresholds for CAT to the following pre-existing rates respectively:

		Group A	Group B	Group C
i)	October 2016 - October 2018	€310,000	€32,500	€16,250
ii)	October 2015 - October 2016	€280,000	€30,150	€15,075

B: The estimated revenue that would be raised at these new thresholds at the existing CAT rate of 33%, and at an increased rate of 34%, 36%, 38%, and 40% respectively.

C: Yield from reducing the scale of Agriculture and Business relief respectively from 90% to either 80%, or 75% of the taxable value of the relevant assets and capping the relief at €3 million (under the above scenarios) at 33%, and 36% rate respectively.

D: Additional yield from ending the Favourite Nephew or Niece Relief.

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

No additional assumptions.

Response: For (A) and (B), the Exchequer impact of various changes to the Capital Acquisitions Tax thresholds and rates is published at link:

https://www.revenue.ie/en/corporate/documents/statistics/ready-reckoner.pdf.

While the exact changes in the question are not shown in all cases, the Exchequer yield from the changes can be estimated using this table.

For (C): The Exchequer impact of reducing the Business Relief to 80% and capping the relief at €3 million at a rate of 33% is €6.9 million and at a rate of 36% is €7.5 million. The impact of reducing the relief to 75% and capping the relief at €3 million at a rate of 33% is €11 million and at a rate of 36% is €11.5 million.

The Exchequer impact of reducing the Agricultural Relief to 80% and capping the relief at €3 million at a rate of 33% is €8 million and at a rate of 36% is €9 million. The impact of reducing the relief to 75% and capping the relief at €3 million at a rate of 33% is €13.5 million and at a rate of 36% is €15 million.

For (D): Information from the latest year available indicates that the cost of this relief is in the region of €2.5 million. The yield from the abolition is likely to be of similar scale.

Proposal 27 – Stamp Duty on non-residential property

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

A: The yield respectively from a 1%, or a 2% increase in the rate of stamp duty on non-residential property, and further the yield that would accrue if these rates were subject to sales above A) €500,000; and B) €1,000,000.

B: The revenue raised from increasing commercial stamp duty from 7.5% to either 10% or 12.5%

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

No additional assumptions.

Response: The estimated yield from increases in the rate of stamp duty on non-residential property is shown at page 19 of the Revenue Ready Reckoner:

https://www.revenue.ie/en/corporate/documents/statistics/ready-reckoner.pdf.

While the exact changes outlined in the question are not included, the changes can be estimated on a straight-line mathematical basis using the ready reckoner (using a threshold of 1 million instead of the published 900,000 does not significantly change the results). It should be noted making significant changes to rates can have a behavioural impact that is not reflected in the ready reckoner.

Proposal 28 – Stamp Duty on residential property

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

A) The yield that would arise from applying the 10% special stamp duty rate on apartments sold to institutional investors.

B) The yield that would arise from applying a rate of either 5%, or 10% on the balance of the value of a residential property worth over €1m.

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

No additional assumptions.

Response: A rate of 10% already applies to bulk buying of 10 or more houses (generally by institutional investors). The rate does not apply to bulk buying of apartments. It is not possible to predict the possible yield from introducing a rate of 10% for bulk buying of apartments by institutional investors as it would depend on

future sales of apartments to these institutions and also behavioural change on the part of these investors is likely to be a factor.

In relation to increasing the rate to 5% or 10% on the balance of the value of residential property over €1m, your attention is drawn to the Revenue Ready Reckoner, published at:

https://www.revenue.ie/en/corporate/documents/statistics/ready-reckoner.pdf

This shows on page 18 the estimated yield from increasing the rate on the value of residential property over €1m. While increasing the rate to 10% is not shown, it can be estimated using the information on the ready reckoner. It should be noted that these yields do not include the impact of behavioural change which is likely to be a factor as the rate increases significantly.

Proposal 29 – Stamp Duty on transfers of shares

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

The additional yield to the Exchequer from a 0.1% and a 1% increase in the stamp duty applicable to transfers of shares, stocks and marketable securities in Irish incorporated companies.

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

Provide a costing based on 2019, 2020 and 2021 projections.

Response: Your attention is drawn to the Revenue Ready Reckoner, published at:

https://www.revenue.ie/en/corporate/documents/statistics/ready-reckoner.pdf

This shows on page 20 the estimated yield from changes to the rate of Stamp Duty on shares. The current rate of Stamp Duty on the transfers of shares is 1% and the proposed increases can be derived on a pro rata basis from the published table. Stamp Duty liabilities in respect of the transfer of shares are not returned separately by place of incorporation, information specifically in relation to Irish incorporated companies is not available.

Proposal 30 – Bank Levy

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

To provide the rate required for the current levy to provide a yield of €400 million.

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

Based on current rate of 170% on DIRT payments made in 2017 to yield €150m

Response: Section 126AA of the Stamp Duties Consolidation Act 1999 imposes an annual levy on banks for each of the years 2017 to 2021. The levy is calculated by reference to the amount of Deposit Interest Retention Tax (DIRT) paid by the bank in a specified year referred to as the "base year". The levy is designed to produce a fixed annual yield of €150m, which means that whenever the base year (and the amount of DIRT paid) changes, the rate of charge must also be adjusted to maintain this constant yield.

For the year 2021, the levy is chargeable at a rate of 308% of DIRT payable by the liable banks in 2019 (2019 being the base year for 2021), and, as outlined in PQ 359 (39917/2021), answered on 27//07/2021, it is estimated based on DIRT receipts in 2020 that the rate would have to be increased to 639% to maintain the annual yield of €150 million in 2022. We have made the assumption that you would prefer the more up to date figure based on the estimated 2020 base year figure, rather than the 2017 figure referenced.

There is currently no statutory basis in place for charging a bank levy for 2022. However, were the levy to be extended to 2022, all other things being equal, amending the targeted revenue to €400 million on a 2020 base year for DIRT receipts (the most up to date figure available) which has been estimated to cause a rate of 639% to be required to generate €150 million, would lead to a figure of 1,704% (639/150).400) of DIRT payable in 2020 to generate the higher figure outlined.

Proposal 31 – Wealth Tax

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

The estimated yield from a 1% levy applied to wealth in excess of €1 million for a single adult (double that for a couple).

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

Based on the wealth tax proposals in the ESRI paper
https://www.esri.ie/system/files/publications/BP202201.pdf

Response: In order to estimate the potential revenue from a wealth tax, it would first be necessary to identify the wealth held by individuals. The Revenue Commissioners currently have no statistical basis for compiling estimates in relation to a potential wealth tax. 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 financial assets in the State, nor is it recorded in a manner that would allow analysis of the implications of an overarching wealth based tax. Therefore the costing requested cannot be provided.

Proposal 32 – Local Property Tax (LPT)

1. Detailed description of item or policy on which a costing is required
   A. The additional yield from the application of a LPT rate of 0.3% on the balance of property worth over €1.05m.

   B. The additional yield from the application of a LPT rate of 0.3% on the balance of property worth over €1.05m up to €1.75 million ;and a rate of 0.4% on the balance over €1.75 million

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

All costings based on most recent annual property values under which the most recent reforms were made.

In the absence of such valuations please provide a costing based on the number of homes valued at over €1m in 2013 and from stamp duty returns since.

Response: The Local Property Tax (LPT) valuation model is currently being updated for the purpose of implementing the new bands and rates. It is not possible to cost changes to the new regime until LPT returns are filed and the data processed.

Proposal 33 – Local Property Tax: second property surcharge

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

A) The yield to the Exchequer from applying a surcharge to the local property tax of €100 on every residential property in which the owner does not reside.

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

B) The yield of applying a €1,000 surcharge levy on any property used for short term 'Airbnb' style lets.

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

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

For B) based on any property that is let out for more than 90 days per year for short term stays of less than 14 days.

Response: LPT returns require owners to indicate whether their properties are principal or non-principal primary residences (NPPR**).**The Local Property Tax (LPT) valuation model is currently being updated for the purpose of implementing the new bands and rates. Limited additional information will be collected as part of revaluation on the level of occupancy (as well as the reasons for non-occupancy). This is information will not be available for analysis until after LPT returns are filed and the data processed. However, the additional information gathered will not include details that would enable the proposal to be costed on the basis of the assumptions/parameters specified.

Proposal 34 - Changes to VAT rates

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

A) The full year cost of reducing the higher VAT rate of 23% by 1 or 2% in 2022.

B) The additional full year cost of retaining the special 9% VAR rate for hospitality in 2022 beyond 1st September, and what the cost is for the first 9 months.

C) The cost of a VAT reduction for social housing materials from 23% to 13%; selling from 13.5% to 9%.

D) The cost of zero-rating newspapers and digital newspaper and periodical subscriptions for VAT, and the same cost for e-books.

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

To provide the figures based on latest modelling.

For B) confirm if the cost of the 9% rate up to 1st September is already accounted for in the Summer Economic Statement. and what the cost of it is.

For C) to provide costing under two scenarios:

i) That a VAT reduction be applied to social housing and AHB developed units exclusively.
ii) That a VAT reduction be applied to developments of less than 20 units.

Response:

(A) The cost of reducing the VAT rate in 2022 to 22% and 21% would result in a cost to the Exchequer in the region of €500m and €1,000m respectively.
(B) The cost of extending the 9% reduction in VAT to September 2022 has been accounted for in the Summer Economic Statement, at approximately €350m, which was based on data available at the time of publication. €300m is the estimated cost for the first 9 months.
(C) Using available data on expenditure across the construction sector, a tentative estimate of the revenue loss from the reduction of the VAT rate from 13.5% to 9% is likely to be in the region of €130m for the social housing sector. Please note in relation to the two scenarios specified for point C that the VAT Directive does not permit either restriction outlined.
(D) The cost of zero-rating newspapers/digital newspapers, news oriented periodical subscriptions and other periodicals for VAT in 2022 is estimated at €48m. Regarding zero rating eBooks', a tentative estimate would be approximately €4m. Please note that such a reduction is not permitted under the VAT Directive.

Proposal 35 – Betting Tax

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

A) The most up to date yield that would arise in 2022 from increasing the betting duty from 2% to 3%; and increasing the duty of 25% on commissions earned by betting intermediaries to 30%

Further, what the yield would be if a betting duty levy of 1% was applied to all pay-outs to customers from bookmakers, online platforms, and betting intermediaries.

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

No additional assumptions

Response: The additional yield from increasing Betting Duty to 3% is estimated at €50 million in a full year. The additional yield from increasing the duty on commissions earned by betting intermediaries to 30% is estimated at €0.9 million in a full year. These figures do not take account of any potential behavioural impact.

It is not possible using tax returns data to calculate the yield from a betting duty levy of 1% applied on all pay-outs to customers as neither the value of pay-outs or the overall the pay-out ratio is required on a tax return.

Proposal 36 – Tobacco Products Tax

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

Can the Department confirm what the yield from A) a 25c increase per pack of 20 cigarettes with an additional 50% for RYO would yield; and B) a 50c increase with an additional 50% for RYO would yield.

In each case can the costing outline what would the additional yield be if duty on RYO was equalized with duty on cigarettes?

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

No additional assumptions.

Response: A 25c increase per pack of 20 cigarettes with an additional 50% for RYO would yield an estimated €29m in a full year. A 50c increase per pack of 20 cigarettes with an additional 50% for RYO would yield an estimated €58m in a full year. If duty on RYO was equalized in each case with duty on cigarettes the additional yield is estimated at €64 and €66m respectively in a full year. These estimates are unlikely to reflect the change in the behaviour of smokers following any such price increases.

Proposal 37 – Introduction of a Minimum Unit Price on alcohol

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

What the projected additional exchequer yield in 2022 is projected to be arising from the introduction of Minimum Unit Pricing in January at the set rate, and to also provide the amount of additional VAT receipts projected in 2022.

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

None.

Response: It is not possible to provide a costing as tax returns do not require the individual unit price of goods or the VAT generated on the sale of a specific commodity type.

Proposal 38 – Compliance Activity

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

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

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

The same assumptions as used in Budget 2018, 2019 and 2020.

Response: The available information is the reviews of the outcomes of the additional Budget resources provided over since 2016, which are published at:

https://www.revenue.ie/en/corporate/information-about-revenue/research/reviews/index.aspx.

As summarised in the most recent (the evaluation of Budget 2020 measures), these measures cover a range of activities and initiatives of Revenue.

Proposal 39 – Incineration levy

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

The yield from introducing an incineration levy at the same rate as currently applies to landfill (€75 per tonne) To also provide the yield from a rate of €50 per tonne.

A similar levy would apply to waste exported for incineration.

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

Based on the tonnage of waste incinerated in 2018 and 2019, and the projected volume in 2020 from EPA statistics.

Response: This matter has been forwarded to the Department of Public Expenditure and Reform for their direct response.

Proposal 40 – Plastics Levy

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

A: The yield from a 10 cent levy on every plastic bottle sold in Ireland.

B: The yield from a 10 cent levy on every fruit and vegetable sold in plastic in Ireland.

C: The yield from expanding the plastic bag levy to include medium--weight plastic bags and increasing the tax from 22c to 25c from 1st January 2022.

D: A coffee cup levy at 10c or 20c or 25c placed on disposable coffee cups.

E: A levy on disposable takeaway food containers at 10c or 20c or 25c.

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

C: Bags for life remain exempt.

Response: This matter has been forwarded to the Department of Public Expenditure and Reform for their direct response.

Proposal 41 – Aggregates Levy

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

Can you update the costing for an aggregates levy as proposed in the TSG paper 17-08 that a levy of €2.50 per tonne on aggregates would yield approximately €75m and can this be updated for 2022?

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

The assumptions and parameters applied by the TSG in recent years.

Response: This matter has been forwarded to the Department of Public Expenditure and Reform for their direct response.

Proposal 42 – Diesel Excise

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

Provide a costing pathway with first year yield for equalisation of diesel and petrol excise rates over five years.

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

None.

Response: Equalising petrol and diesel Excise rates over 5 years would yield an additional €81 million in the first year. The full five-year pathway is as follows:

Excise Rate per 1,000 litres	Petrol 541.84	Diesel 425.72	€m	€m	€m	€m	€m	Cumulative Yield €m
Year 1	541.84	448.94	81	-	-	-	-	81
Year 2	541.84	472.17	81	81	-	-	-	162
Year 3	541.84	495.39	81	81	81	-	-	243
Year 4	541.84	518.62	81	81	81	80	-	323
Year 5	541.84	541.84	81	81	81	80	80	403

Proposal 43 – Carbon Tax

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

The projected 2022 yield from a €7.50 or a €10 per tonne increase in the Carbon Tax.

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

If the Department could provide the actual, up to date costing, rather than a link to the November 2020 Ready Reckoner.

Response: Your attention is drawn to the Revenue Ready Reckoner:

https://www.revenue.ie/en/corporate/documents/statistics/ready-reckoner.pdf,

The estimates on page 23 are the most recent figures.

Proposal 44 – Ending all fossil fuel tax subsidies.

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

A. The projected annual savings accrued to the exchequer form eliminating individual items of fossil fuel tax subsidies in tabular form

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

Where there is no legal impediment to eliminating the majority of fossil fuel tax subsidies.

Response: The estimated cost of fossil fuel subsidies for 2020 is shown in the table below. The savings to the Exchequer in 2022 from eliminating these subsidies is

estimated to be in the region of €1.5 billion, but this does not factor in any subsequent change in consumption due to the increased Excise rates that would arise. It should be noted that receipts in 2020 were impacted due to Covid-19 and the consequent lockdown.

Fossil Fuels	**2020 €m**
Excise forgone: Excise rate on Auto-diesel*	366.1
Excise forgone: Excise rate on Marked Gas Oil*	488.3
Excise forgone: Excise rate on Kerosene*	680.9
Excise forgone: Excise rate on Fuel Oil*	24.9
Diesel Rebate Scheme	8.2
Marine Diesel Scheme	2.5
Commercial Sea Navigation	14.1
Horticulture Excise Duty Repayment	0.06
Fuel Excise Repayments for Disabled Drivers and Disabled Passengers	9.9

*Excise compared to the rate for Petrol

Proposal 45 – Regulation of Financial & Insurance Sector

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

A: The estimated saving that would accrue to the Exchequer from moving the entire cost of regulation of the financial sector onto the industry.

Response: The latest figures available are for 2020. In that year the total cost of the Central Bank's financial regulation activities amounted to €212.7m. Of this, €174.4m was funded via the industry funding levy and other levies and fees, with the remaining €38.3m funded by a subvention from the Central Bank.

If industry was fully charged, there would be no subvention. The Central Bank's surplus income would be correspondingly larger, and approximately 80% of that additional income would be paid to the Exchequer (€30.6m)

It should be noted, however, that there are certain costs (e.g. markets supervision) which it may be appropriate to continue to subvent on an ongoing basis where the costs cannot be attributed to specific firms but do relate to the orderly function of markets and the financial stability agenda.

B: The estimated saving that would accrue to the Exchequer from moving the entire cost of regulation of the insurance sector (as outlined in the Programme for Government 2020) onto the industry

Response: In 2015, the Department of Finance and Central Bank of Ireland issued a joint public consultation on 'Funding the cost of Financial Regulation' (CP95).

In response to that consultation, the then Minister for Finance, Michael Noonan, agreed to a phased movement towards 100 per cent Industry Funding in order to eliminate subvention, by the taxpayer, of regulatory costs. Since then, recovery rates have increased in stages across most industry sectors, determined on a yearly basis.

In April 2019, in order to give greater clarity to industry, Minister Donohoe approved the trajectory to bring the recovery rate of levies across sectors to 100 per cent over the coming years. This change in policy will apply the user pays principle to the regulation of financial services.

The table below shows the planned trajectory for levy rates across all sectors. Credit Union recovery rates from 2022 onwards will be subject to review and a public consultation to guide strategy once 50% recovery rates have been achieved.

Insurance undertakings moved to 100% industry funding in 2020.

Levy Year	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Levied in	*2017*	*2018*	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*
ELG Banks	100%	100%	100%	100%	100%	100%	100%	100%
Banks	65%	80%	90%	100%	100%	100%	100%	100%
Insurance Undertakings	65%	80%	90%	100%	100%	100%	100%	100%
Investment Firms & Fund Service Providers	65%	80%	90%	100%	100%	100%	100%	100%
Funds	65%	65%	80%	90%	100%	100%	100%	100%

Levy Year	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Retail Intermediaries & Debt Management Co's	50%	65%	70%	75%	80%	90%	100%	100%
Moneylenders	65%	65%	70%	75%	80%	90%	100%	100%
Approved Professional Bodies	65%	65%	70%	75%	80%	90%	100%	100%
Bureau de Change/Money Transmitters	65%	65%	70%	75%	80%	90%	100%	100%
Retail Credit / Home Reversion / Credit Servicing Firms	65%	65%	70%	75%	80%	90%	100%	100%
Payment & EMoney Institutions	65%	65%	70%	75%	80%	90%	100%	100%
Credit Unions	0.1% of total assets	0.1% of total assets	20%	35%	50%	TBC	TBC	TBC

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

That public sector regulatory costs would be met by the respective industries.

Proposal 46 – Exit Tax Provisions Part 20-02-01

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

The annual projected additional yield in 2022, 2023 and 2024 respectively from increasing the standard rate of the Section 627 exit tax charge (12.5%) to 25%, 33% and 41% respectively.

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

No additional assumptions. Please provide rationale for current rate in response.

Response: Information in relation to Section 627 has been included for the first time on corporation tax returns for 2019. There are no cases indicating usage in returns at present, and therefore no basis to estimate a potential yield.

Proposal 47 – Tax Expenditures

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

The additional revenue that would be raised in 2022 through making all discretionary income tax reliefs available only at the standard 20% rate in tabular form.

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

No additional assumptions.

Response: The estimated yields from standard-rating discretionary tax reliefs currently available at the marginal rate are as shown in the following table. The estimates are tentative and do not account for possible alterations in taxpayer behaviour.

Reliefs and Expenditures	**Full Year Yield (€m)**
Allowance for Seafarers	0.1
Covenants	0.4
Dispositions such as Maintenance Payments	4
Donations to Approved Sporting Bodies	0.2

Employing a Carer	3
Health Expenses (Nursing Homes)	8
Carry forward of excess relief under the High-Income Earners Restriction	37
Employee Pension Contribution	423
Rental Deduction for Leasing of Farm Land	6
Relief for expenditure on significant buildings and gardens	0.9
Stock Relief (General) (S666 Taxes Consolidation Act 1997)	1
Stock Relief (for Young Trained Farmers) (S667B Taxes Consolidation Act 1997)	0.4
Stock Relief (for Registered Farm Partnerships) (S667C Taxes Consolidation Act 1997)	0.1
Permanent Health Benefit Premiums	2
Foreign Earnings Deduction	3
Start-up Relief for Entrepreneurs	0.4
Donations to Charities and Approved Bodies	10

Proposal 48 – Stamp Duty Surcharge on Properties Bought by Non-Residents

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

A: The yield accrued by a 1%, 12.5%, 25% and 33% surcharge on residential and commercial properties respectively bought by people who are non-resident in the State from January 1st 2022 in tabular form.

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

It includes certain Irish-resident companies controlled by non-residents.

Legislation similar to the UK equivalent:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/902594/SDLT_increased_rates_for_non-resident_transactions_EN.pdf

Response: There is nothing on the Stamp Duty return made to Revenue to request or indicate the residential status of the accountable person and there are no indicators on their systems to flag whether an Irish resident company is controlled by non-residents, so it is not possible to provide a costing on this proposal.

Proposal 49 – Dividend Withholding Tax on Rental Income

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

The yield from a dividend withholding tax rate of 33% or 41% on all dividends paid by REITs and IREFs.

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

Based on most recent returns, to provide a potential yield based on the information available to the Department and the Revenue.

Response: Dividends from shares in Real Estate Investment Trusts (REITs) are not separately identified in Revenue's Dividend Withholding Tax (DWT) data and therefore the information requested by cannot be provided.

In respect of Irish Real Estimate Funds (IREFs), IREFs are not required to operate DWT in the same manner as REITs. The IREF withholding tax rate is currently 20% whereas the DWT rate for all other dividends was increased to 25% in Finance Act 2019. Given the uneven nature of the distributions from IREFs and the relatively small number of entities involved, it is not possible to accurately forecast the potential yield from an increase in the IREF withholding rate.

Proposal 50 – Vacant Site Levy

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

A: The revenue raised from increasing the vacant site levy from 7% to 10%, 15% or 20% respectively.

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

No additional assumptions.

Response: It is not possible to provide an exact estimate of the annual levies that may be raised by planning authorities in the operation of the vacant site levy due to a number of factors:

- The registers are a live document with sites being added and removed by the local authorities as appropriate.
- Some planning authorities have yet to include the market values of the newer sites on their registers;
- A number of sites are on appeal and if successful will be removed from the registers;
- Sites may be brought into use before the demand for payment is made and will therefore be removed from the registers.

DHLGH proactively engages with local authorities with a view to ensuring that the vacant site levy achieves its full potential in terms of bringing concerned sites into productive use. In this regard, the Department issued Circular Letter PL 03/2021 on 8 March 2021 requesting the submission of a progress report on the collection of the levy by each local authority.

The Department received a return from each of the 31 local authorities which indicated that as of 1 January 2020 there were 215 sites with market valuations of €268m listed on local authority registers and were liable to the levy in 2021. These sites will be levied at 7% market valuation rate in 2021 unless works commenced in the interim or their inclusion on the registers is successfully appealed. Based on the information from the recent progress reports, it is estimated that the levy proceeds nationally could be of the order of:

- €18.76m at a rate of 7%,
- €26.8m at a rate of 10%,
- €40.2m at a rate of 15%, and
- €53.6m at a rate of 20%.

The levy is not intended to be a revenue generating measure with the proceeds accruing to the relevant local authority rather than the Exchequer. The levy proceeds generated are specifically intended to be used by local authorities for the provision of housing and regeneration development in the local area in which vacant sites are located. No more than 10% of the levy monies received by planning authorities may be used on their administration costs in collecting the levy.

Proposal 51 – Reinstatement of Rezoning Windfall Tax

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

The yield accrued from the reinstatement of the 80 per cent rate of tax to certain profits or gains from land disposals or land development where those gains were attributable to a relevant planning decision.

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

No additional assumptions.

Response: There is no basis available to Revenue to provide an estimate of the yield that would arise to the Exchequer from the reintroduction of this tax. Additionally, based on information provided in Income Tax returns and Corporation Tax returns for the years 2010 to 2014, there is no record of any such profits or gains having been returned when the tax was in force. The policy rationale behind the introduction of windfall gains was primarily to discourage overheating of the property market by way of speculative transactions involving rezoned land rather than as a revenue raising measure.

Proposal 52 – Claims for Allowable Expenses Against Rental Income

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

A. The cost to the exchequer of claims for each individual item of allowable expenses against rental income in 2019 and 2020 in tabular form.

B. The expected savings to the exchequer from eliminating individual items of allowable expenses against rental income from 1st January 2022 in tabular form.

C. The expected savings to the exchequer from excluding individual items of allowable expenses against rental income for non-resident landlords from 1st January 2022 in tabular form.

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

No additional assumptions.

Response: As tax liability is calculated based on the combination of all incomes, reliefs, credits and deductions in the whole, it is not possible to provide an exact tax cost for the items outlined. In order to estimate tentative costs, it is possible to look at the amounts claimed under each item and apply an average marginal rate of tax.

The table below sets out the estimated tax cost of the allowable expenses against rental income, separated into each individual item as declared on tax returns and separated into residential and commercial properties, both for all claimants (B) and for non-resident claimants (C).

	All Claimed		Non-Resident Claimed Only	
Expense Category	Residential Properties €m	Commercial Properties €m	Residential Properties €m	Commercial Properties €m
Repairs	87	15	7	1
Interest	97	47	11	3
Section 23 Relief	1.7	NA	0.04	NA
Pre-Letting Expenditure	0.6	NA	0.1	NA
Leasing of Farmland	NA	28	NA	0.7
Other	123	40	14	4

N/A means not applicable. Note that these costs are based on the amounts claimed regardless of the rental income, if the rental income was lower than the expenses declared then the full cost of each item would not accrue.

Proposal 53 – Abolishing Motor Tax Half-Yearly & Quarterly Rate

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

The cost to the exchequer of abolishing the punitive premium attached to the quarterly and half-year rate of motor tax respective to the full annual rate.

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

That the half year, and quarterly rate would be a straight line proportion of the annual rate.

Response: €41.3m based on the number of quarterly and half-yearly transactions in 2020.

Proposal 54 – New levy on insurance company profits

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

The yield to the exchequer from an annual levy on insurance firm profits at a rate of 1%, 2.5% and 5% respectively in 2022 taking effect from 1st January 2022.

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

No additional assumptions.

Response: On a straightforward mathematical basis and assuming no behavioural changes by companies, the potential yield from imposing a 1%, 2.5% or 5% levy on the profits of insurance firms, is tentatively estimated to be in the region of €48m, €120m and €240m in a year respectively.

Proposal 55 – Discretionary Trust Tax (DTT)

1. Detailed description of items policy on which a costing is required

A: Yield gained from an increase in the initial once-off 6% charge to 12.5%, 25%, 33% and 41% respectively in tabular form

B: Yield gained from increasing the annual charge from 1% by 0.5% and 1% respectively.

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

No additional assumptions.

Response: The yield from discretionary trust is shown at link:

https://www.revenue.ie/en/corporate/documents/statistics/receipts/cat-receipts.pdf.

A breakdown is not available between the initial once off charge of 6% and the annual charge of 1% on the value of the assets in the trust. This means it is not possible to accurately estimate the potential yield from the changes mentioned.

Proposal 56 – Ceilings Earnings Cap for Occupational Pension Schemes.

1. Detailed description of items policy on which a costing is required

The revenue raised for the exchequer by reducing the annual ceiling for occupational pension schemes, RACSs and PRSAs from €115,000 to €100,000, €80,000 and €60,000 respectively.

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

No additional assumptions.

Response: Scenarios for changes to Income Tax Relief on Pensions are shown (on page 10) in the Post-Budget 2021 Ready Reckoner available at:

https://www.revenue.ie/en/corporate/documents/statistics/ready-reckoner.pdf.

Based on these estimates, by reducing the ceiling for ceiling/earnings cap for occupational pension schemes, RACs and PRSAs from €115,000 to €100,000, the yield would be €37m, from €115,000 to €80,000 the yield would be €100m, and from €115,000 to €60,000 the yield would be €187m.

Proposal 57 – Capital Allowances for Self Employed

1. Detailed description of items policy on which a costing is required

The revenue raised from a reduction in the standard rate of all tax reliefs on capital allowances for the self-employed.

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

No additional assumptions.

Response: Capital allowances in relation to industrial buildings and plant & machinery are available as deductions in taxing trading income and rental income. The estimated yield from restricting this relief to 20% based on 2018 data (the latest year for which data are available) is approximately €88m.

Proposal 58 – Pensions Standard Fund Threshold

1. Detailed description of items policy on which a costing is required

The yield that would accrue from reducing the Standard Fund Threshold to A) €1.7m, or B) €1 million.

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

The Department and the Revenue have in recent years direct experience of the additional yield arising when the SFT was reduced to €2m in 2014, and previously from €5.4m to €2.3m so the technical data, and knowledge that was developed then should be applied to arrive at a costing for this measure in the same way.

Response: The Standard Fund Threshold is the maximum allowable pension fund on retirement for tax purposes, which was introduced in Finance Act 2006 to prevent over-funding of pensions through tax-relieved arrangements. Information on the numbers and values of individual pension funds or on individual accrued benefits in pension schemes are not generally required to be supplied to Revenue. Therefore, there is no readily available underlying data or methodology on which to base reliable estimates of any possible yield which might be realised from the reduction in the Standard Fund Threshold outlined.

The numbers affected by previous changes to the threshold would not be a reliable indicator as to the numbers affected by a further altering of the threshold.

Proposal 59 – Pensions Tax Relief

1. Detailed description of items policy on which a costing is required

The yield that would accrue from reducing income tax relief on pension contributions to A) the standard 20% rate, or B) a blended rate of 31%.

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

For B) apply the same criteria as for tax relief on charitable donations.

No additional assumptions.

Response: Scenarios for changes to Income Tax Relief on Pensions are shown (on page 10) in the Post-Budget 2021 Ready Reckoner available at

https://www.revenue.ie/en/corporate/documents/statistics/ready-reckoner.pdf.

Based on these estimates, reducing pension relief to the standard rate of 20% and maintaining the current total earnings limit (i.e. the maximum amount of earnings that can be taking into account for the purposes of calculating tax relief) of €115,000 per year, the yield would be €423 million.

While the yield associated with a change to a rate of 31% is not displayed specifically in the Ready Reckoner, it can be estimated on a straight-line basis from the yields shown.

Proposal 60 – Pensions Tax Free Lump Sum

1. Detailed description of items policy on which a costing is required

The yield that would arise from reducing the tax free lump sum on retirement from €200,000 to A) €100,000 or (B) abolishing it.

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

No additional assumptions.

It is not possible, based on the information available in tax returns, to estimate the savings that might accrue to the Exchequer from reducing or abolishing the lifelong limit on the tax-free lump sum on retirement.

Proposal 61 – Levy on Rental Profits

1. Detailed description of items policy on which a costing is required

The yield that would arise from applying an additional levy on profits arising from the rental of residential property whether trading income or personal income.

The yield that would arise respectively from a rate of 1%, 5%, 10% or 25%.

The levy would also apply to the profits of REITS, IREFs,Section 110s, and any other tax structures where the proceeds arise from the rental of residential property.

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

No additional assumptions.

Response: From Corporation Tax returns, the imposition of an additional levy of 1% on net rental income (case V) could yield in the region of €8 million per year. This does not include the impact of the levy on IREFs as a separate method of taxation applies to profits in respect of IREFs and the relevant information is not separately available.

The yield that would arise from applying an additional levy on net profits (before capital allowances and losses) from the rental of residential property, as declared on income tax returns, would be approximately €19m, €95m, €190m and €475m respectively, with respect to levy rates of 1%, 5%, 10% and 25%.

Proposal 62 – Home Retrofit Incentive

2. Detailed description of items policy on which a costing is required

A tax expenditure modelled on the previous home renovation incentive, based on the proposal outlined in TSG Climate paper from 2020 for retrofitting.

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

No additional assumptions. Provide expected first year and full year costs in 2022 updated based on the modelling from 2020.

Response: As noted in the in the TSG climate paper (2019) referred to in the question, Tax expenditure measures such as this proposal are demand led and it is therefore very difficult to estimate uptake and cost with any certainty. Using the following assumptions: 50,000 homes retrofitted each year at an average cost per retrofit of €10,000; the annual tax cost could reach €40 million per annum. If the deep retrofit pilot programme (i.e. projects involving multiple energy efficient works designed to achieve an A-rated home) was used as a reference point for estimating the potential cost involved in terms of annual tax foregone, the tax incentive element could cost up to €90 million per year.

(https://assets.gov.ie/19116/c447474fea5e422080a6384b7a84fbed.pdf)