Rural Independent Group Budget pre costings

- The cost of increasing the standard rate band from €35,300 to €37,065.
  The cost of increasing the standard rate band, on a pre-Budget 2022 basis, can be found in Revenue's Ready Reckoner at: https://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx. While this exact increase is not shown in the Ready Reckoner it can be extrapolated on a straight-line or pro-rata basis from the costs shown.
  These estimated figures are based on projected 2022 incomes, calculated from actual data for the year 2018, and may be revised.

- The cost of increasing the Earned Income Tax Credit for the self-employed, from €1,650 to €1,800.
  The cost of increasing the earned income credit, on a pre-Budget 2022 basis, can be found in Revenue's Ready Reckoner at: https://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx. While this exact increase is not shown in the Ready Reckoner it can be extrapolated on a straight-line or pro-rata basis from the costs shown.
  These estimated figures are based on projected 2022 incomes, calculated from actual data for the year 2018, and may be revised.

- The cost of increasing the Relative Tax Credit from €245 to €265.
  The cost of increasing the dependent relative tax credit, on a pre-Budget 2022 basis, can be found in Revenue's Ready Reckoner at: https://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx.
  These estimated figures are based on projected 2022 incomes, calculated from actual data for the year 2018, and may be revised.

- The cost of increasing the ceiling of the 2% USC band from €20,687 to €20,987, so that the salary of a full-time worker on the minimum wage will remain outside the higher rates of USC.
  The estimated first and full year cost of increasing the ceiling of the 2% USC band from €20,687 to €20,987 is €12m and €14m, respectively. These estimated figures are based on projected 2022 incomes, calculated from actual data for the year 2018, and may be revised.

- The cost of increasing the employer's PRSI threshold from €394 to €398.
  Following clarification, this proposal was amended to a request to calculate the cost if the following PRSI thresholds were implemented:
  Current:

€352.01 - €398(**)	AX	All	4.00	8.80
€398.01 - €424(**)	AL	All	4.00	11.05

  Suggested (for which costing is required):

€352.01 - €424(**)	AX	All	4.00	8.80
More than €424	AL	All	4.00	11.05

  Currently the employer's liability for social insurance contribution in respect of an employee with weekly earnings of €398.00 or less is 8.8%.

  For employees with earnings of €398.01 or more the employer is liable for social insurance contribution at the rate of 11.05%.

  The response to the "the loss to the Social Insurance Fund if the threshold at which the higher rate of employer contribution applies was increased from €398.01 to €424.01 per week." is €27mn.

  This would affect 70,706 employees and 26,208 employers.

- The cost of providing a 50 per cent VRT reduction on all large family cars.
  It is not possible to cost this proposal based on the level of information provided.

- The cost of reducing capital gains tax to 20 per cent.
  The Exchequer impact of various changes to the Capital Gains Tax rates is published at the following 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. It should be noted that this does not include the impact of behavioural change which would be a significant factor with such a significant decrease in rate.

- The cost of reducing all VAT on insulation and renewable energy products to zero.
  The data available to Revenue from VAT returns do not identify the amount purchased or collected on specific products to be separately identified. Therefore, it is not possible to estimate the cost of the measure proposed.

- The income from moving Ireland from a 12.5 % corporation tax rate to a 15% rate.
  On a straightforward, mathematical basis there would be a yield from increasing the Corporation Tax Rate. However, such changes could 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.

- The income from introducing a ringfenced 1% tax rate on all Irish FDI companies.
  It is assumed the proposal is to impose a 1% levy on all companies resident in Ireland with a foreign parent. As 82% of Net Corporation Tax in 2020 was associated with foreign owned companies, there is a large theoretical tax yield. However, such a levy could 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.

- The cost for a full year of keeping the VAT rate in the hospitality sector at 9%. The Revenue Ready Reckoner, available at: https://www.revenue.ie/en/corporate/documents/statistics/ready-reckoner.pdf, shows on page 28 the cost of a number of VAT related measures including the annual cost of extending the 9% rate for the tourism and hospitality sector.

- A breakdown of the entire cost of all Ministerial and Taoiseach and Tánaiste advisor pay and expenses for 2021, to include the allocation to each respective Minister and Minister of State.
  This proposal is related to a matter outside the costings process and, as such, we have not provided any figures.

- The cost of the State guaranteeing a Mortgage bond of €3 billion per annum for the County Councils.
  This request requires further clarification and it is not possible to even estimate a cost without more detail on the exact nature of what is proposed.
  In the nature of assisting the requester the Department of Finance would make the following observations in response:

(i) If the intention is for the state to guarantee a bond to fund the building of additional social housing by Local Authorities (LAs) or approved housing bodies (AHBs) the issue here may actually be one more of Exchequer funded expenditure by LAs and/or Housing Finance Agency (HFA) borrowing which is already guaranteed by the State. The State, through the NTMA, is borrowing for the Exchequer funded expenditure and to fund an NTMA Loan Notes Programme for the HFA (for which the Minister guarantees repayment to the NTMA). The HFA also borrows on a state guaranteed basis from International Financial Institutions (IFIs) such as the EIB and the Council of Europe Bank (CEB). The monies borrowed are advanced through Local Authorities and the HFA to AHBs to deliver social and affordable housing. The state is guaranteeing the repayment to the Financial Markets in both cases.

(ii) While the provision of a guarantee in private commercial settings generally comes at a cost for the project requiring the guarantee the state's approach is to provide guarantees only where there is a sound policy basis, backed by statute, for doing

so. While the cost implications for the state in terms of borrowing are clear in terms of the interest charged on Irish sovereign debt by the markets and by the IFIs on the HFA's borrowing the ultimate cost of a guarantee to the state will be measurable only if any entity with repayment obligations fails to do so. In such a situation the state would have to step in a make good the shortfall. As one might expect state bodies charged with helping deliver social and affordable housing such as the HFA must consider a number of factors in trying to mitigate the risk of defaults and hence on their ability to repay any capital they have borrowed including:

- The type and the market value of the properties concerned.
- Average amount and duration of the mortgages concerned.
- Income status of those accessing the mortgages.
- Expected default rate in terms of mortgage repayments.

(iii) Impact on the State's balance sheet: Money borrowed by general government bodies, including LAs, the HFA or AHBs, is general government debt and, if used by LAs or AHBs to build housing units, the expenditure would count as general government expenditure that affects the annual general government balance. The impact on the general government balance (deficit for the foreseeable future) would need to be explored if the money were lent to individual borrowers as mortgages.

(iv) If the intention is to guarantee the mortgage repayments of individual mortgage holders for Local Authority supported social or affordable housing this would seem to encourage an unacceptable degree of 'moral hazard' from the state's perspective and a duplication because, as outlined above, the underlying borrowing by the LAs is already guaranteed and the risks involved already fall on the State in the form of the LAs.

- The cost of the State underwriting a bond through the Ireland Strategic Investment Fund (for a fee) to ensure the development of the Barryroe oil field with 365 million barrels equivalent of recoverable oil within 3km of an existing pipeline to shore.
  ISIF operates subject to the Fossil Fuel Divestment Act, 2018 which required it to divest from its fossil fuel related investments. Therefore this proposal does not align with the role/current investment strategy of ISIF and, as such, a costing is not appropriate.

- The cost of reducing the VAT rate by each 1 percent for the Music & Entertainment sector allowable in Annex III of VAT Directive 2006/112/EC.
  The data available to Revenue from VAT returns do not identify the amount purchased or collected on specific products or sectors to be separately identified. Therefore, it is not possible to estimate the cost of the measure proposed.

- The cost of a 3-month extension of the temporary 0.5% Employer PRSI following the withdrawal of the Employment Wage Subsidy Scheme (EWSS).
  On 1 June 2021, the Government announced that the EWSS would be extended until 31 December 2021. It is estimated that there will be approximately 220,000 employments supported by EWSS. The estimated cost of the reduced rate of employers' PRSI is €40m per month, amounting to €120m for a three month period. This is a broad estimate and subject to revision.

- The cost, if any, of including the corporation tax balances due in 2020/2021 in the Debt Warehousing Scheme.
  Information is not currently available to cost this proposal. It would depend on definition of companies affected and the balances due.

- The cost of reinstating the VAT rate to 21%.
  The Revenue Ready Reckoner, available at:
  https://www.revenue.ie/en/corporate/documents/statistics/ready-reckoner.pdf,
  shows on pages 27-28 the cost of a number of VAT related measures including changes to the main VAT rates.

- The cost per month, if any, of extending the temporary accelerated loss relief measures.
  For Corporation Tax and Income Tax losses, the cost would depend on the level of losses available to carry back and this is not known currently. The most recent costs for this present relief are available at:
  https://www.revenue.ie/en/corporate/documents/statistics/registrations/covid-19-support-schemes-statistics-16-september-2021.pdf

- The cost of capping statutory interest rates of 3% on overdue taxes.
  Information is not available in respect of the various rates applicable to interest paid on overdue taxes so this cost cannot be provided.

- The income raising potential of introducing a third PAYE taxation rate of 43% for incomes over €100,000.
  It is presumed that the new rate of tax would apply to all income sources, and not just PAYE income. The estimated yield from introducing a third rate of tax at 43% on incomes over €100,000 can be found on page 4 of Revenue's Ready Reckoner at:
  https://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx.
  These estimated figures are based on projected 2022 incomes, calculated from actual data for the year 2018, and may be revised.

- The revenue raising potential of introducing a USC surcharge of 3% for all PAYE workers earning over €100,000 per annum.
  The estimated first and full year yield of introducing a USC surcharge of 3% for all PAYE income over €100,000 per annum is €275m and €306m, respectively. These estimated figures are based on projected 2022 incomes, calculated from actual data for the year 2018, and may be revised.