An Roinn Airgeadais
Department of Finance

Our reference: 2017-4(a)

24 August 2017

Mr Pearse Doherty, TD
Leinster House
Kildare Street
Dublin, D02 A272

Dear Deputy,

I refer to Sinn Féin's first request to the Department for Budget 2018 costings (submitted to us on 31 July, 2017). I am pleased to enclose responses to most of the costings sought. We hope to have responses on the outstanding costings (questions 9, 13, 14, 24, and 27) ready to send to you shortly.

Also as topics 1 and 32 relate to PRSI matters, the responses to them have been supplied by the Department of Social Protection and are contained in a separate return, also enclosed.

Please note that the costing exercise did not examine the interaction of individual measures with other tax and/or expenditure measures.

No account has been taken of the second round impact of measures proposed, such as their positive or negative impact on economic growth, job creation, inflation or their impact on tax buoyancy.

It should be borne in mind that under the preventive arm of the Stability and Growth Pact, until Ireland has reached its objective of a balanced budget in structural terms, we may not introduce discretionary revenue reductions, over and above the available fiscal space permitted under the expenditure benchmark, unless they are matched by other revenue increases or expenditure reductions. Accordingly, tax reductions may have to be offset elsewhere.

The costings, including those provided by or in conjunction with other Departments, are provided on the basis that at no time will the Department be represented as endorsing the proposals costed. Equally, the Department will not comment on the merits or otherwise of those proposals. Where caveats or assumptions have been made in this response, the Departments' positions on such issues must be accurately, fully and fairly represented.

The Freedom of Information Act 2014 does not provide for an exemption for the costings of political parties proposals. Costings prepared by the Department in the

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context of the Budget will be treated in the same manner as all other pre–Budget submissions/requests. As is normal practice, the Department will publish the responses issued to these requests on its website, redacting on the basis of the Freedom of Information exemptions as appropriate. Costings prepared in the context of general elections or Programmes for Government will also be dealt with in accordance with relevant provisions of the Act.

If you have any queries on any of the above matters or costings, please do not hesitate to contact me.

Yours sincerely,

Derek Moran

Secretary General

Budget Costing Finance – July 2017

Please send copies of replies to eolan.deburca@sinnfein.ie as well as pearse.doherty @oireachats.ie

Unless otherwise stated each query presumes no change in any other parameters.

Please provide the first and full year cost of each of the following measures for 2018.

Please ensure costing replies are numbered to correspond with the costings below.

1. PRSI change:

Q: The revenue that would be raised for the Exchequer by introducing a new employers' rate of Pay Related Social Insurance of 15.75% on the portion of salary paid in excess of €100,000 per annum.

Note: See separate material from the Department of Social Protection.

2. Second Home Tax

Q: The tax raised by a tax on second and subsequent homes levied at €400 per property.

A: The additional yield from proposed charge of €400 per property on second and subsequent homes is estimated at €105m.

3. Private Pension tax relief changes

Q: The savings made by reducing the maximum tax relief available on private pension contributions to each of 35%, 32%, 30%, 28%, 25%, 22% and 20%.

A: The estimated impacts to the Exchequer on the reduction of the marginal rate of tax relief are shown in the Pre-Budget 2018 Ready Reckoner at:

http://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx.

The Ready Reckoner shows a range of scenarios including some of those requested, others can be estimated on a straight-line or pro-rata basis from the information in the Ready Reckoner.

4. Earnings cap for pension contributions

Q: The revenue that would be raised for the Exchequer by reducing the earnings cap for pension contributions from €115,000 to €70,000 / €65,000/ €60,000.

A: Scenarios for changes to the earners cap are shown in the Pre-Budget 2018 Ready Reckoner (http://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx). The Ready Reckoner shows a range of scenarios including some of those requested, others can be estimated on a straight-line or pro-rata basis from the information in the Ready Reckoner.

5. Standard Fund Threshold

Q: The revenue that would be raised from reducing the Standard Fund Threshold from €2 million to €1.7 million / €1.5 million / €1.3 million.

A: The Standard Fund Threshold (SFT) is the maximum allowable pension fund on retirement for tax purposes which was introduced in Budget and 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 the Revenue Commissioners.

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 SFT outlined.

Q: The number of private sector individuals with a pension capital values in excess of €2 million to €1.7 million / €1.5 million / €1.3 million.

A: 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 the Revenue Commissioners. Therefore there is no readily available underlying data or methodology on which to base reliable estimates of the numbers requested.

Q: The number of public and civil servants that retired in 2010/2011/2012/2013/2014/2015/2016 and 2017 with a pension capital values in excess of €2 million to €1.7 million / €1.5 million / €1.3 million.

A: This information is not available to us or to Revenue. The Department of Public Expenditure and Reform may be in a position to supply this information in response to a PQ or representation.

6. Tax Free Lump Sum

Q: The revenue that would be raised by reducing the tax free lump sum limit from €200,000 to €180,000/ €150,000/ €120,000 / €100,000

A: As there is no general requirement for data on the number of persons who are receiving payments of retirement lump sums of less than €200,000 (the current life-time limit on tax-free retirement lump sums) to be returned to the Revenue Commissioners, Revenue has no basis on which to provide an estimate.

7. Pension measure taken together

Q: The revenue that would be raised for the Exchequer by reducing the earnings cap for pension contributions from €115,000 to €60,000

&

Q: The revenue that would be raised from reducing the Standard Fund Threshold from €2 million to €1.65million

&

Q: The revenue that would be raised by reducing the tax free lump sum limit from €200,000 to €150,000.

A: As per the responses to questions 5 and 6 above, there is no basis for Revenue to provide a cost for 2 of these 3 measures; therefore it is not possible to provide a combined cost for all 3 measures.

8. Increase in Revenue Resources:

Q: The estimated amount the tax take would increase by in 2018 and the impact on the net fiscal space in 2018 by hiring 125 qualified Revenue Commissioners staff to tackle black market activity and tax evasion with 100 additional staff allocated to Audit departments and 25 additional staff allocated to compliance projects in areas such as fuel, tobacco and alcohol.

A: The table below shows the estimated yield of additional qualified 125 Revenue staff to target evasion and black market activity. These estimates are based on Revenue's Comprehensive Review of Expenditure 2014.

	Number of Staff (Full Time Equivalent)	Year 1	Year 2	Year 3	Year 4	Year 5
Audit resource	100	€25m	€50m	€50m	€50m	€50m
Compliance project resource on areas such as oils, tobacco, alcohol	25	€2.5m	€5m	€5m	€5m	€5m
Total	125	€27.5m	€55m	€55m	€55m	€55m

Revenue's Comprehensive Review of Expenditure 2014 estimated that by increasing audit staffing resources by c.100 staff, an additional Exchequer yield of €50m per annum could be achieved. It estimated that by increasing staff on compliance projects such as oils, tobacco and alcohol by 25 could raise €5m per annum.

It should be noted that the recruitment of staff and their training and development is addressed as part of an overall workforce planning process in Revenue. The investment in the training and development of a Revenue auditor or investigator can take up to three years, depending on previous relevant experience.

Subject to being able to demonstrate that these are policy measures involving additional staff and deploying additional investment this proposal should increase fiscal space by an additional €27.5 million in 2018, less the cost of hiring, paying and training the 125 staff.

9. Legislated changes

Q: An itemised list of legislated tax changes which are due to take effect in 2018, their cost and their impact on net fiscal space in 2018 e.g pre committed plans regarding the mortgage interest deduction for landlords.

10. Abolition of Local Property Tax

Q: The net cost to the Exchequer of abolishing the Local Property Tax.

A: The net cost from proposed abolition of Local Property Tax is €460m based on Department of Finance forecasts for 2017 receipts.

Q: The cost to the Exchequer of abolishing the Local Property Tax less administrative savings from abolition of same.

A: The cost from a proposed abolition of Local Property Tax less administrative savings is estimated at around €445m.

11. Carryover

Q: The expected net effect of any carryover measures, carried over for next year as a result of Budget 2017 measures; and a detailed breakdown thereof including how it is accounted for in the Fiscal; Space projections.

A: As set out in the 2017 Summer Economic Statement in terms of the preparations for Budget 2018 there is a carryover cost for measures from prior years. The table below illustrates this position with the €1.2 billion in available fiscal space representing a nominal €1.5 billion package. Adjusting this for the carry-forward from existing current spending and taxation measures totalling €0.65 billion and a further €0.33 billion in capital commitments for the Action Plan on Housing, this implies that of the fiscal space, prior to update in this Summer Economic Statement, approximately €0.53 billion is available for a Budget 2018 package.

It should be noted that this amount is before taking into consideration the additional costs of €0.18 billion arising from the proposed Public Service Stability Agreement 2018-2020, recently agreed by Government and subject to approval by the membership of the public service unions and staff associations. The SES indicates this estimate of fiscal space will be reviewed as part of the budgetary process.

Impact of Budget 2017 on available fiscal space

€billions	**Current**	**Capital^**	**Revenue**	**Total**
a. Net 2018 Indicative Fiscal Space as per Budget 2017	*0.61*	0.19	0.39	1.2
... Translates into				
b. Nominal Budget 2018 package~	0.61	0.5	0.39	1.5
Less impact of policy decisions pre SPU				
c. Carry-over of pre-committed Budget measures	**0.47**	**0.00**	**0.17**	**0.65**
d. Nominal Resources available for B2018 package [b-c]	**0.14**	**0.50**	**0.22**	**0.86**
Less impact of other significant policy commitments				

e. Action Plan for Housing		0.33		
f. Remaining Nominal Resources for new B2018 Initiatives [d-e]#	**0.14**	**0.18**	**0.22**	**0.53**

Note rounding may affect totals

^Majority of this fiscal space is already utilised due to capital formation increase in recent years.

~Capital smoothing increases nominal amount available

As outlined above, this does not account for additional cost from the extension of the LRA.

Q: Are there any upcoming changes which will affect the Exchequer, in terms of EU reclassifications and accounting reclassifications.

A: The Central Statistics Office (CSO) at the request of Eurostat are currently reviewing the classification of Approved Housing Bodies in the context of Social Housing PPP Programmes.

Eurostat have also requested the CSO to reflect on whether Irish universities should be considered private or public. Please note the outcome of this does not automatically result in classifying within General Government accounts. Further testing would be required.

As these are both ongoing, it is not yet possible to quantify what if any impact this could have on the exchequer.

12. Regulation of the financial industry:

Q: the savings that would accrue from moving the entire cost of regulation of the financial sector onto the industry, as opposed to the current rate and the impact of this on the net fiscal space for 2018, with current exceptions maintained.

A: The Central Bank's total funding requirement for financial regulation activity is determined on an annual basis by the resources required to discharge its legal responsibilities under domestic and EU law. Section 32D and 32E of the Central Bank Act 1942, as amended, provide that the Central Bank Commission may make regulations relating to the imposition of levies and fees on the financial services sector in respect of the recoupment of the costs of financial regulation.

As it stands, the financial services industry currently funds 50% of the costs incurred by the Central Bank for financial regulation, with certain exceptions including the banks which had participated in the Eligible Liabilities Guarantee (ELG) Scheme, namely AIB, Bank of Ireland and Permanent TSB, which are required to fund 100% of the Central Bank's regulatory costs. Credit Unions currently contribute approximately 8% to the cost of their regulation.

The current 50% funding arrangement translates into a corresponding reduction in the annual surplus remitted by the Central Bank to the Exchequer. The total cost of financial regulation in 2016 was approximately €150 million; industry levies were €79m and subvention was €71 million. Therefore in the order of €71 million of the Central Bank's 2016 surplus income was redirected to make up for the difference between the costs of regulation and the funding received from the financial services industry, which would otherwise have been surrendered to the Exchequer.

Following on from a joint Department/Central Bank Public Consultation on funding the costs of financial regulation in 2016, the Minister for Finance approved an increase to 65% of the costs of financial regulation being borne by industry, with certain exceptions (for instance, the ELG banks and credit unions will maintain their existing funding arrangements, among other exemptions). This will be implemented in the 2017 industry funding levy regulations. The arguments in favour of a move to a funding model where industry bear a greater proportion of the costs of financial regulation were articulated in the public consultation paper. These include, the scale of resources devoted to regulation, the escalating costs that are borne by the taxpayer, and the changing landscape of the industry where consumers are located both here and abroad.

Therefore, the 2017 industry funding levies will recoup 65% of the costs of financial regulation from industry (with certain sectoral exceptions). This means that the subvention from the Central Bank will amount to approximately 35% of the total cost rather than 50%. What this translates to in monetary terms will be determined by the resources required by the Bank to discharge its legal responsibilities during the year.

13. Betting Duty:

Q: the revenue generated by each of the following measures:

i) applying 2.6%/ 3% betting duty on remote and in shop bets

ii) increasing the Commission based tax on betting intermediaries to 20%/ 24% and to 30%

---- In the case of (i) the difference in Revenue between placing the 3% on each bet and placing the 3% duty on winnings

14. Excise Duty

Q. The revenue that would be generated through increasing the tax on cigarettes by €0.10/ €0.20 / €0.50 per packet of 20, with a pro rate increase on other tobacco products and the impact on the net fiscal space for 2018.

15. Sugar tax

Q: The revenue raised by placing a tax on soft sugary drinks, as set out in the 2017 Tax Strategy Papers, which would apply to water-based and juice-based drinks which have an added sugar content of 5grams/100ml and above and levied at the following rates per hectolitre, as seen in the 2017 Tax Strategy Paper €2.46/ €4.93/ €7.39/ €9.85/ €12.32/ €24.64/ €36.96/ & €49.27, as of 1 January 2018 and 1 April 2018 respectively.

A: Further to continued industry reformulation, the current estimated yield from introducing the sugar tax at the below rates is detailed in the below table.

It should be noted this estimate does not include price elasticities and is based on a current estimate of products which will be liable to the tax once introduced.

Rate per hl	€2.46	€4.93	€7.39	€9.85	€12.32	€24.64	€36.96	€49.27
Full year From 01/01/18	€4m	€8m	€12m	€16m	€20m	€40m	€60m	€80m
¾ of full year	€3m	€6m	€9m	€12m	€15m	€30m	€45m	€60m

From 01/04/18								

16. A new USC rate

The separate and cumulative revenue from the below (for each of the below also assume that the 3% self-employed levy remains in places):

Q a: the revenue that would be raised for the Exchequer from the introduction of an additional USC rate of 1%/2%/3%/4%/5%/6%/7% on an individual's income in excess of €100,000.

A: The first and full year yields from the introduction of the additional USC rates on income in excess of €100,000, as set out, are provided in the following table:

Additional USC rate on income >€100,000	First Year Yield (€ Million)	Full Year Yield (€ Million)
1%	95	127
2%	189	254
3%	284	381
4%	378	508
5%	473	635
6%	568	762
7%	662	889

Q b: the revenue that would be raised for the Exchequer from the introduction of an additional USC rate of 1%/2%/3%/4%/5%/6%/7% on an individual's income in excess of €120,000.

A: The first and full year yields from the introduction of the additional USC rates on income in excess of €120,000, as set out, are provided in the following table:

Additional USC rate on income >€120,000	First Year Yield (€ Million)	Full Year Yield (€ Million)
1%	80	109

2%	160	218
3%	239	327
4%	319	436
5%	399	545
6%	479	654
7%	559	763

Q c: the revenue that would be raised for the Exchequer from the introduction of an additional USC rate of 1%/2%/3%/4%/5%/6%/7% on an individual's income in excess of €140,000.

A: The first and full year yields from the introduction of the additional USC rates on income in excess of €140,000, as set out, are provided in the following table:

Additional USC rate on income >€140,000	First Year Yield (€ Million)	Full Year Yield (€ Million)
1%	70	96
2%	139	193
3%	209	289
4%	278	386
5%	348	482
6%	418	578
7%	487	675

Q d: the revenue that would be raised for the Exchequer from the introduction of an additional USC rate of 1%/2%/3%/4%/5%/6%/7% on an individual's income in excess of €150,000.

A: The first and full year yields from the introduction of the additional USC rates on income in excess of €150,000, as set out, are provided in the following table:

Additional USC rate on income >€150,000	First Year Yield (€ Million)	Full Year Yield (€ Million)
1%	66	91
2%	131	183
3%	197	274

4%	262	365
5%	328	457
6%	394	548
7%	459	640

Note: The cumulative revenue raised as a result of the measures is provided in the table below:

Additional USC levy on each of the following levels of income Combined: €100,000, €120,000, €140,000, and €150,000	First Year Yield (€ Million)	Full Year Yield (€ Million)
1%	310	424
2%	619	848
3%	929	1,271
4%	1,238	1,695
5%	1,548	2,119
6%	1,858	2,543
7%	2,167	2,967

17. Tapering out PAYE, earned income credit and personal tax credits

The separate and cumulative revenue from the below assessing individual income to below descriptions (for each of the below also assume that the 3% self-employed levy remains in places)

Note: It is not possible to provide a cumulative figure for all of the following measures combined, as it is not possible to simultaneously implement different values for the starting point of the tapering and the rate of the tapering. Note also that it is not possible to provide the requested analysis on an individual basis, only on a taxpayer unit basis (a married couple or a couple in a civil partnership who have elected or have been deemed to have elected for joint assessment are counted as one taxpayer unit) – it is on this basis that the following analysis is performed.

Q a: The revenue from tapering the personal. Pay-As-You-Earn, and Earned Income Credits by 0.7 per cent per €1,000 on individual income between €100,000 and €170,000 per year, resulting in no entitlement to these tax credits when income is in excess of €170,000.

A: Following clarification, the analysis was performed using a tapering rate of 1.43% per €1,000. The estimated first and full year yields are €390 million and €461 million respectively.

Q b: The revenue from tapering out the Single Personal, that is, no taper for married portion of credit entitlements €1,650 Pay As You Earn, and Earned Income Credits by 0.7 per cent per €1,000 on individual income between €100,000 and €170,000 per year, resulting in no entitlement to these tax credits when income is in excess of €170,000.

A: Following clarification, the analysis was performed using a tapering rate of 1.43% per €1,000. The estimated first and full year yields are €167 million and €191 million respectively. Note that the tapering of the personal credit was carried out on single and widowed only, with no tapering for the married 2 earners and married 1 earners cases. The tapering of the PAYE credit and the Earned Income Credit was carried out on all cases.

Q c: The revenue from tapering out the personal, PAYE and Earned Income credit by 2.5% per €1,000 on individual income between €100,000 and €140,000 per year, resulting in no entitlement to these tax credits when income is in excess of €140,000.

A: The estimated first and full year yields are €496 million and €586 million respectively.

Q d: The revenue from tapering out the personal, PAYE and Earned Income credit by 2% per €1,000 on individual income between €100,000 and €150,000 per year, resulting in no entitlement to these tax credits when income is in excess of €150,000.

A: The estimated first and full year yields are €455 million and €537 million respectively.

Q e: The revenue from tapering out the PAYE and Earned Income credit by 5% per €1,000 on individual income between €100,000 and €120,000 per year, resulting in no entitlement to these tax credits when income is in excess of €120,000.

A: The estimated first and full year yields are €240 million and €271 million respectively.

Q f: The revenue from tapering out the PAYE and Earned Income credit by 5% per €1,000 on individual income between €100,000 and €120,000 per year, resulting in no entitlement to these tax credits when income is in excess of €120,000, coupled with this an additional USC rate of 2%/ 3%/ 4%/ 5%/ 6%/ 7% in excess of €120,000.

A: The estimated first and full year yields are provided in the following table:

Additional USC rate applied	First Year (€ million)	Full year (€ million)
2%	400	489
3%	479	598
4%	559	707
5%	639	816
6%	719	925
7%	799	1,034

Q g: The revenue from tapering out the personal, PAYE and Earned Income credit by 2.5% per €1,000 on individual income between €100,000 and €140,000 per year, resulting in no entitlement to these tax credits when income is in excess of €140,000, coupled with this an additional USC rate of 2%/ 3%/ 4%/ 5%/ 6%/ 7% in excess of €140,000.

A: The estimated first and full year yields are provided in the following table:

Additional USC rate applied	First Year (€ million)	Full year (€ million)
2%	635	779
3%	705	875
4%	774	972

5%	844	1,068
6%	914	1,164
7%	983	1,261

Q h: The revenue from tapering out the personal, PAYE and Earned Income credit by 2% per €1,000 on individual income between €100,000 and €150,000 per year, resulting in no entitlement to these tax credits when income is in excess of €150,000, coupled with this an additional USC rate of 2%/ 3%/ 4%/ 5%/ 6%/ 7% in excess of €150,000.

A: The estimated first and full year yields are provided in the following table:

Additional USC rate applied	First Year (€ million)	Full year (€ million)
2%	586	720
3%	652	811
4%	717	902
5%	783	994
6%	849	1,085
7%	914	1,177

Q i: The revenue from tapering out the and PAYE credit and earned income credit from income in excess of €80,000, a reduced credit, by 5% per €1,000, for gross income between €80,000 and €100,000, and a 0% credit on gross income in excess of €100.000.

A: The estimated first and full year yields are €408 million and €462 million respectively.

Note: The estimates above have been generated by reference to projected 2018 incomes, generated on actual data for the year 2015, the latest year for which returns are available, after adjustments for income, self-employment and employment trends in the interim. The estimates are provisional and may be revised.

Given the current tax structures, major issues would need to be resolved as to how in practice such credit tapering could be integrated into the current system and how this would affect the relative position of different types of income earners.

18. Increasing the Earned Income Credit and taper of increase and full

The separate and cumulative revenue from the below assessing individual income to below descriptions

Note: It is not possible to provide a cumulative figure for all of the following measures combined as it is not possible to implement different values for the EIC at the same time. Note also that it is not possible to provide the requested analysis on an individual basis, only on a taxpayer unit basis (a married couple or a couple in a civil partnership who have elected or have been deemed to have elected for joint assessment are counted as one taxpayer unit) – it is on this basis that the following analysis is performed.

Q a: The first and full year cost of increasing the earned income credit from €950 of €1,400, which tapers out the INCREASE of €450, from income in excess of €80,000, a reduced credit, by 5% per €1,000, for gross income between €80,000 and €100,000, and a 0% credit on gross income in excess of €100.000

A: Assuming that the increase in the credit tapers out from €80,000 to €100,000 such that those on incomes in excess of €100,000 are entitled to a credit of €950, the estimated first and full year cost of the measures set out are €34 and €61 million respectively.

Q b: The first and full year cost of increasing the earned income credit from €950 of €1,500, which tapers out the INCREASE of €550, from income in excess of €80,000, a reduced credit, by 5% per €1,000, for gross income between €80,000 and €100,000, and a 0% credit on gross income in excess of €100.000

A: Assuming that the increase in the credit tapers out from €80,000 to €100,000 such that those on incomes in excess of €100,000 are entitled to a credit of €950, the estimated first and full year cost of the measures set out are €42 and €75 million respectively.

Q c: The first and full year cost of increasing the earned income credit from

€950 of €1,600, which tapers out the INCREASE of €650, from income in excess of €80,000, a reduced credit, by 5% per €1,000, for gross income between €80,000 and €100,000, and a 0% credit on gross income in excess of €100.000.

A: Assuming that the increase in the credit tapers out from €80,000 to €100,000 such that those on incomes in excess of €100,000 are entitled to a credit of €950, the estimated first and full year cost of the measures set out are €49 and €88 million respectively.

Q: The first and full year cost of increasing the self-employed tax credit to €1,200/ €1,300/ €1,400/€1,500/€1,600

A: The estimated first and full year costs are given in the following table:

Increase the EIC to:	First Year Cost (€ million)	Full Year Cost (€ million)
€1,200	21	38
€1,300	29.4	53.2
€1,400	37.8	68.4
€1,500	46.2	83.6
€1,600	54.6	98.8

19. CAT:

Q: The revenue that would be raised for the Exchequer by increasing Capital Acquisitions Tax to 36%, 35% and 34%.

A: Scenarios for changes in CAT rates are shown in the Pre-Budget 2018 Ready Reckoner (http://www.revenue.ie/en/corporate/documents/statistics/ready-reckoner.pdf). The Ready Reckoner shows a range of scenarios including some of those requested, others can be estimated on a straight-line or pro-rata basis from the information in the Ready Reckoner.

20. Financial Institutions Levy:

Q: The Revenue that would; be raised by introducing each of 1/3/5/10 percentage points increase of the Financial Institutions Levy while maintaining the current base year.

A: In accordance with Section 126AA of the Stamp Duties Consolidation Act 1999, an annual levy was imposed on certain financial institutions for each of the years 2014, 2015 and 2016. The levy was charged at 35% of the Deposit Interest Retention Tax (DIRT) paid by a financial institution in 2011 and raises approximately €150 million annually for the Exchequer. In the case of a financial institution where the amount of DIRT in the base year does not exceed €100,000, the levy is not payable.

In the budget statement two years ago, the Minister announced that he intended to extend the levy for a further five years to 2021. He indicated that the overall yield from the levy would be maintained at €150 million annually but that he would undertake a review of the DIRT based methodology for calculating the levy.

That review, which included a public consultation on the issue, was undertaken by the Department in early 2016. Following that review, the Minister decided that the DIRT based formula should be retained but that the base year for calculating the levy in 2017 and 2018 would be changed from 2011 to 2015. The Minister also decided to introduce a rolling two-year series of base years which will introduce a new base year of 2017 for calculating the levy in 2019 and 2020 and a new base year of 2019 for calculating the levy in 2021.

The introduction of the rolling two-year series of base years has a twofold effect. Firstly, it ensures that financial institutions entering the market over the five further years for which the levy will apply will be subject to the levy and financial institutions exiting the market will cease to be subject to the levy. Secondly, it will help to correct, on an ongoing basis, any anomalies for individual institutions thrown up by prevailing market conditions, such as the interest rate offering, in any one year.

In order to maintain the annual yield from the levy at €150 million, it was necessary to increase the rate at which the levy is charged from 35% to 59% for 2017. This is because the assessable amount, DIRT payments in 2015, have reduced significantly since 2011. This new rate, combined with the new 2015 base year, will preserve the existing contribution of €150 million paid by the affected financial institutions. That rate will be subject to review to ensure that the yield from the levy is not impacted from changes in interest rates and/or DIRT rates.

The current rate is 59% of the amount paid in DIRT by accounts within each institution in 2015.

Increasing the current rate by 1 percentage point would give a rate of 60%. If everything else was held equal, a rate of 60% would give an approximate yield of €153 million.

Increasing the current rate by 3 percentage points would give a rate of 62%. If everything else was held equal, a rate of 62% would give an approximate yield of €158 million.

Increasing the current rate by 5 percentage points would give a rate of 64%. If everything else was held equal, a rate of 64% would give an approximate yield of €163 million.

Increasing the current rate by 10 percentage points would give a rate of 69%. If everything else was held equal, a rate of 69% would give an approximate yield of €175 million.

These figures are the total amounts that would be collected in the scenario of the increases in rates suggested.

21. Private Health Insurance

Q: Revenue raised from (a) the abolition of tax relief for private health insurance premiums and (b) the capping of such relief at 5%/10%/12%/15%/18%/19%

A: The potential yield to the Exchequer of abolishing tax relief on private medical insurance policies is tentatively estimated to be of the order of €330 million.

The net yield of restricting tax relief on private medical insurance policies to 5%/10%/12%/15%/18%/19% is tentatively estimated to be of the order of €247m/€165m/€132m/€82m/€33m/€16m respectively.

These estimates are based on 2016 data, the latest year for which data are available.

22. Stamp Duty

Q: Revenue from increasing the rate of commercial stamp duty to the following amounts, 2.5%/3%/3.5%/ 4%.

A: Scenarios for changes in Stamp Duty rates for non-residential property are shown in the Pre-Budget 2018 Ready Reckoner:
(http://www.revenue.ie/en/corporate/documents/statistics/ready-reckoner.pdf).

The Ready Reckoner shows a range of scenarios including some of those requested, others can be estimated on a straightline or pro-rata basis from the information in the Ready Reckoner.

23. Stamp Duty on Share Transactions:

Q: The revenue that would be raised by increasing the Stamp Duty on share transactions from 1% to each of 1.1%, 1.2%, 1.3% and 1.4%.

A: Scenarios for changes in Stamp Duty rates on shares are shown in the Pre-Budget 2018 Ready Reckoner:
(http://www.revenue.ie/en/corporate/documents/statistics/ready-reckoner.pdf).

The Ready Reckoner shows a range of scenarios including some of those requested, others can be estimated on a straight-line or pro-rata basis from the information in the Ready Reckoner.

24. Motor Tax

Q: The cost of abolishing the punitive charge of an excess where you tax your vehicle for less than 12 months. i.e a motor being more expensive when charged for 6 months as opposed to 12 months.

Q: The cost changing the rates applicable for the half-yearly and quarterly options for motor tax renewal from 55.5% to 51% for half and 26.25% for quarter of the annual charge.

Q: The cost changing the rates applicable for the half-yearly and quarterly options for motor tax renewal from 55.5% to 50.5% for half and 26% for quarter of the annual charge.

Q: The cost changing the rates applicable for the half-yearly and quarterly options for motor tax renewal from 55.5% to 50.25% for half and 25.5% for quarter of the annual charge.

25. State holding in bank shares

Q: To disclose a breakdown of the value of the States holding in each of the pillar banks and the intended sales plan i.e over how many years will the state off load shares are quantity of disposal in each year.

A:

Bank	**Our stake**	**Current valuation***
AIB	71%	€9.8bn
BOI	14%	€1.1bn
PTSB	75%	€0.6bn
Total		**€11.5bn**

**Current valuation – ISE close 22nd August 2017*

26. Retrospective recapitalisation

Q: The revenue to the state were we to apply for European Stability Mechanism retrospective recapitalisation of AIB and BoI.

A: The previous Minister has stated in the past that he saw no benefit in making an application for retrospective use of the ESM's direct recapitalisation instrument (DRI). Furthermore, he commented that the terms and conditions attaching to the DRI are onerous as it is designed to be used almost as a last resort after the creditor waterfall has been applied and other options have been exhausted.

With the significant improvement in the Irish economy in recent years, and the improvement in the banks' financial performance, the views of the international investment community of the Irish banks have been very positive. Given this backdrop, the Government's approach to the monetisation of the State's investments in the banks is the execution of transactions in the market in a measured way, and over time, which will maximise the return for the taxpayer.

We have already availed of favourable market conditions to execute a number of transactions which have resulted in the monetisation of a considerable portion of the original investments in the banks. Within this context, it is not possible to provide an estimate as requested for what is essentially a theoretical exercise.

The State's total investment in AIB, BOI and PTSB amounted to €29.4m. To date, the cash returned to the State from disposals (including the recent successful IPO of AIB) amounts to €12.6bn. In addition, the State has received €6.0bn in the form of investment income and liability guarantee fees.

Summary of the current position in relation to the State's investments in the three banks:

	€bn
Total invested	**29.4**
Proceeds from disposals (including accrued interest)	12.6
Investment income	2.0
Liability guarantee fees	4.0
Net cash position – In/(out)	**(10.8)**
Current valuation of remaining investments	11.5
Net position – including current valuation of remaining investments	**0.7**

27. Gambling

Q: The expected revenue from any expected changes to legislation which have been modelled by the Department of Finance around taxing some forms of tax exempt income such as gambling in casinos etc.

28. Wealth tax:

Q: the revenue that would be raised for the Exchequer by the introduction of a new 1% wealth tax on net assets in excess of €1million, excluding qualified provisions such as working farmland, the first 20% of a family home, capital sums in pension funds, and business assets; and applying to global assets for those domiciled or ordinarily resident in the State, and to domestic assets for those resident in the State for tax purposes.

A: In order to estimate the potential revenue from a wealth tax, it is necessary to identify the wealth held by individuals. As there is currently no such wealth tax in operation in Ireland, the Department of Finance understands that the Revenue Commissioners have no basis or requirement to compile the data needed to produce 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 assets and liabilities in the State, nor is it recorded in a manner that would allow analysis of the implications of an overarching wealth based tax.

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

During 2016, the Department of Finance, jointly with the Economic and Social Research Institute (ESRI), conducted a research project into the distribution of wealth in Ireland and the potential implications of a wealth tax using the HFCS. The research formed part of an on-going joint-research programme with the ESRI on the Macro-Economy and Taxation. The research paper (https://www.esri.ie/publications/scenarios-and-distributional-implications-of-a-household-wealth-tax-in-ireland/) presented results on the composition of wealth across both the wealth and income distributions in Ireland. A number of wealth tax scenarios were then applied to the Irish data (wealth tax regimes from other jurisdictions and hypothetical scenarios). In each case, the associated tax bases and revenue yields, the number of liable households across the income distribution, and the characteristics of the households affected are outlined.

The wealth tax scenario in the research paper that is closest to the wealth tax as outlined in the costing request is the high threshold-large exemptions scenario as outlined in Table 5 of the Department of Finance/ESRI study. This scenario has a personal threshold of €1.0 million (doubled if married and a €500,000 increase per child), applies a 1% tax rate and excludes farms, the household main residence, business and pension assets. Given it is not identical to the scenario outlined in the question, care should be taken in interpreting the revenue estimates. This scenario, given the distribution of household wealth in Ireland in 2013, is estimated to raise €53 million as outlined in Table 8 of the Department of Finance/ESRI study. The research notes that its tax revenue estimates are static; in other words, no behavioural response to the tax is modelled. The estimate of €53 million, therefore, is likely to be an upper estimate of the revenue that could be raised.

In order to estimate the yield from a tax with the precise parameters as outlined in the costing request, it would be necessary to seek the agreement of the CSO to revisit its original survey data for this specified purpose. This would be a significant undertaking that would take considerable time and resources to complete. It is also noted that the HFCS does not include specific data on the global assets for those domiciled or ordinarily resident and the domestic assets for those resident for tax purposes. As such, any estimate on the yield obtained from HFCS data would not fully capture the parameters outlined in the costing request.

29. USC

Q. Loss of revenue from abolishing the Universal Social Charge in full.

Q. The cost of exempting earners at or below €20,800 from the USC.

Q. The cost of exempting earners at or below €19,698 from the USC.

Q. The cost of exempting earners at or below €20,176 from the USC.

Q. The cost of exempting earners at or below €20,384 from the USC.

Q. The cost of exempting earners at or below €20,592 from the USC.

Q. The cost of exempting earners at or below €20,280 from the USC

A: The cost of exempting earners at or below the various income levels, as set out, from USC is given in the following table:

Cost of exempting earners at or below:	First Year Cost (€ Million)	Full Year Cost (€ Million)
€20,800	-71	-84
€19,698	-56	-66
€20,176	-62	-73
€20,384	-65	-77
€20,592	-68	-80
€20,280	-64	-75

30. Knowledge Development Box

Q: The revenue from abolishing the Knowledge Development Box.

A: At the time of its announcement in Budget 2016, it was estimated that the Knowledge Development Box could potentially cost the Exchequer €50m, therefore suggesting a potential saving of the same amount. However, the earliest point at which statistics for the actual cost to the Exchequer will be available is once tax returns for 2016 have been filed and processed in late 2017/early 2018.

31. The Research and Development Tax Credit

Q: The revenue from limiting The R&D tax credit to a company's corporate liability in a given period. Hence ending the cash refund element of the current offering which allows company's wich do not have sufficient profits and to receive a cash refund from Revenue related to their R&D spend.

A: On the assumption that the proposal would be introduced for expenditure from January 2018, and on the basis of claims on the 2015 tax returns (the most recent year for which data are available), the gain from the proposal is in the region of €300m: €100m of this gain would impact in 2019 with a further €100m in 2020 and the remainder in 2021. This costing assumes no behavioural change in investment in R&D by companies.

32. PRSI – Minimum wages

Q: The cost of increasing the earnings bracket for employee PRSI, which is now subject to a tapering PRSI Credit for PRSI Class A and Class H employees earning between €352.01 and €424.00 in a week, increasing the employee earning bracket to between €382.01 and €454.00 in a week. All other charging variables being constant (minimum wage of €9.55).

Q: The cost of increasing the earnings bracket for employee PRSI, which is now subject to a tapering PRSI Credit for PRSI Class A and Class H employees earning between €352.01 and €424.00 in a week, increasing the employee earning bracket to between €390.01 and €462.00 in a week. All other charging variables being constant (minimum wage of €9.75).

Q: The cost of increasing the earnings bracket for employee PRSI, which is now subject to a tapering PRSI Credit for PRSI Class A and Class H employees earning between €352.01 and €424.00 in a week, increasing the employee earning bracket to between €394 and €466 in a week. All other charging variables being constant (minimum wage of €9.85).

Q: The cost of increasing the earnings bracket for employee PRSI, which is now subject to a tapering PRSI Credit for PRSI Class A and Class H employees earning between €352.01 and €424.00 in a week, increasing the employee earning bracket to between €400 and €472 in a week. All other charging variables being constant (minimum wage of €10).

Q: To cost of increasing the upper threshold for paying the 8.5% Class A rate of employer PRSI was increased from €376 to €406 per week.

Q: To cost of increasing the upper threshold for paying the 8.5% Class A rate of employer PRSI was increased from €376 to €418 per week.

Q: To cost of increasing the upper threshold for paying the 8.5% Class A rate of employer PRSI was increased from €376 to €424 per week.

Note: See separate material from the Department of Social Protection.

33. SURE Scheme

Q: The estimated cost of extending the Start Up Refunds for Entrepreneurs to the self-employed.

A: There is no statistical basis available to Revenue on which to estimate the cost of broadening SURE start-up relief to formerly self-employed taxpayers. This is because it is not known ex ante how many self-employed individuals could potentially claim the relief were it changed as proposed. It should be noted also that a separate scheme (Start your Own Business Relief) provides for an exemption from income in certain circumstances for new businesses.

Q: The total cost Start Up Refunds for Entrepreneurs and the number of recipients of the scheme in the past 4 years.

A: The numbers of recipients and the cost to the Exchequer are published on the Revenue statistics website (http://www.revenue.ie/en/corporate/information-about-revenue/statistics/tax-expenditures/costs-expenditures.aspx) under the heading "Start Up Relief".

34. Withholding tax for overseas artists performing in Ireland

Q: The revenue from applying a withholding tax of 20% to visiting artists earning income from performances in Ireland (as is the case in most other EU countries).

A: There is no basis available to Revenue to provide an estimate of the yield which might be realised from the introduction of the withholding tax as suggested. Information on tax returns filed in Ireland does not provide the information necessary to produce an estimate.

35. Help to buy

Q: The impact on the 2018 fiscal space of abolishing the Help to Buy scheme from (i) the 1st January 2018 and (ii) from the 10th October 2017

A: (i) The Help to Buy scheme was estimated in Budget 2017 to cost €50 million in 2017 and €40 million in 2018. Therefore the estimated saving from abolishing the Help to Buy scheme on the 1st of January 2018 is of the order of €40 million. It has the same impact in relation to fiscal space, i.e. it increases it by €40 million.

(ii) With data available for the first 7 months of 2017, to-date the Help to Buy scheme has cost in the region of €36 million, with approximately €13 million relating to retrospective claims and €23 million relating to claims in 2017. Therefore, assuming an even distribution of claims until the 10th of October 2017 the estimated saving in 2017 could be of the order of €9 million for the remaining period of 2017. This assumes claims continue at a consistent rate. As per (i) above, in both cases, no payments would issue in 2018 and therefore it would have the same fiscal space impact.

36. REITs

Q: The expected revenue from ending the CGT exemption from the sale of property held within REITs.

Q: The expected revenue from introducing a minimum DWT rate of 25% on all dividends paid by REITs.

A: As a result of the low number of REITS established under Irish Law (part 25A of TCA 1997, as amended), Revenue is unable to provide this information due to the obligation to preserve the confidentiality of taxpayer information.

Information in respect of potential future capital gains from the sale of property of REITs is not available to enable an accurate estimate of the potential gain from the ending of the exemption to be provided.

It is also worth noting that REITs are specially designed to focus on the long-term holding of income producing property. They are not designed to hold development activities, or as a vehicle for short term speculative gains.

37. Irish Real Estate Investment Funds

Q: The expected revenue from ending the CGT exemption from the sale of property held within an IREF.

A: Information in respect of potential future capital gains from the sale of property of IREFs is not available to enable an accurate estimate of the potential gain from the ending of the exemption to be provided.

Q: The expected revenue from ending the DWT exemption for non-resident IREF shareholders from dividends related to the sale of property held within a IREF for 5 years.

Q: The expected revenue from introducing a minimum DWT rate of 25% on all dividends paid by IREFs.

A: Data in respect of potential revenue related to ending the exemption from withholding tax for non-resident IREF shareholders, from dividends related to the sale of property held within an IREF for five years, is not available.

Furthermore, to estimate the yield from this amendment into the future requires predicting changes in property prices. This, coupled with the behavioural changes, mean it would be premature to predict the expected revenue from introducing a minimum rate of 25% withholding tax at this point.

Q: The revenue from ending the exemption IREF funds from stamp duty on the transfer of shares and introducing a 1%/2%/3%/4%/5% rate of stamp duty.

A: It is not possible to cost the proposal as there is no requirement to file a Stamp Duty return in relation to the exemption, and therefore there is no data on which to base an estimate on impact of proposed change.

Q: The revenue from ending the exemption IREF funds from VAT on property and applying VAT accordingly.

A: There is no VAT exemption applicable to an IREF in respect of property transactions, all property transactions are subject to normal property VAT rules.

38. Stamp duty on rents paid

Q: The cost of abolishing the current application of stamp duty of 1% on residential rent paid of over €30,000 per annum.

Q: The cost of raising the threshold from current application of stamp duty of 1% on residential rent paid of over €30,000 per annum to €50,000/ €60,000/ €100,000.

A: The estimated cost from abolishing the Stamp Duty rate of 1% is estimated at €0.15m. Given the small numbers currently filing returns at present for this rate of Stamp Duty, this may not offer a robust basis on which to estimate the cost of changing the threshold. Technical solutions to make it easier to file returns are currently being examined. Were such measures implemented, and from reviewing a range of information sources, the Department estimates that abolishing the current rate or increases to the threshold as proposed could cost approximately €2m. However, this should be considered as highly provisional and subject to amendment should improved data become available.

39. CAT Group A Threshold

Q: The cost of increasing the Group A CAT threshold to €320,000/€330,000/ €340,000 / €350,000 / €360,000 / €370,000 /€380,000/ €390,000 / €400,000 / €410,000 / €420,000 / €430,000 / €440,000 / €450,000 / €460,000 / €470,000 / €480,000 / €490,000 / €500,000.

A: The estimated first and full year costs from proposed increase to CAT A thresholds are shown in following table:

Proposed Threshold €	First Year Cost €m	Full Year Cost €m
320,000	-7	-8
330,000	-13	-15
340,000	-18	-21
350,000	-23	-27
360,000	-28	-32
370,000	-32	-37
380,000	-36	-42
390,000	-40	-46
400,000	-43	-50
410,000	-46	-54
420,000	-50	-58
430,000	-52	-61

440,000	-55	-64
450,000	-58	-67
460,000	-60	-70
470,000	-63	-73
480,000	-65	-75
490,000	-67	-78
500,000	-69	-80

40. 9% VAT rate

Q: The extra fiscal space available in 2018 if the 9% VAT rate for the tourism sector was returned to 13.5%.

Q: The extra fiscal space in 2018 if the 9% VAT rate for the hotel sector (and not other tourism products) was replaced with a 13.5% rate.

A: It is not possible to provide an accurate estimate of the expected revenue generated from the restoration of the VAT rate from 9% to 13.5% across the tourism sector. This is due to the fact the Revenue Commissioners do not require the yield from specific transactions or activities to be identified on a VAT return. However, using available data on consumer expenditure across the tourism sector, a tentative estimate of the revenue generated from the restoration of the VAT rate from 9% to 13.5% is likely to be in the region of €490m for the tourism sector as a whole and €190m specific to the accommodation sector.

On the same basis, both of these proposals would increase fiscal space available in 2018 by €490 million and €190 million respectively.

41. VRT/VAT refund for disabled rivers

Q: The cost of putting in place a full refund of VRT and VAT for the purchase of 1,000 wheelchair accessible taxis in the CO2 band A9 and an average price of €30,000; and if he will make a statement on the matter.

A: The cost of putting in place a full refund of VRT and VAT for the purchase of 1,000 wheelchair accessible taxis in the CO2 band E (as per clarification received) and an average price of €30,000 is €13 million.

42: Mortgage Interest Relief:

Q: The cost of extending mortgage interest relief to all those currently eligible, for the year 2018

A: Any estimates related to the cost of mortgage interest relief beyond 2017 depend on a number of factors including the extent of mortgage redemption, mortgage interest arrears and mortgage interest rates. Bearing in mind such caveats and on the basis that of the relief retaining the same rate of qualifying interest, maintaining the same ceiling on allowable interest and a comparable uptake of the relief to previous years, it is tentatively estimated that the cost of retaining mortgage interest relief beyond 2017 would be in the order of €160 million per annum.

POLITICAL PARTY PRSI COSTINGS NO. 2017-4 (a)

COSTINGS OF PRSI PROPOSALS BY THE DEPARTMENT OF SOCIAL PROTECTION

Introduction

A. Estimates are based on macro-economic indicators for 2018 only.

B. The estimates affecting employed contributors are based on the changes to social insurance contributions paid under PRSI Class A only. The impact on Class H is marginal.

C. Estimates of full year costs/yields are provided. First year costs/yields are a function of the chosen implementation date of PRSI changes in 2018 or in the relevant year. If implemented in January of the particular year, it is estimated that 85% of the full year estimate is realised in the first year.

D. The estimates do not take possible changes in employer or employee behaviour into account.

E. In relation to the estimates 2(a), 2(b), 2(c) and 2(d) below it is assumed that:-

   a. the current maximum €12 employee PRSI Credit and 1/6th taper remain unchanged;

   b. the current employee threshold of €352.01 would increase to €382/€390/€394/€400 respectively and that no employee PRSI is payable up to those thresholds.

1 *The revenue that would be raised for the Exchequer by introduce a new Employer's rate of Pay Related Social Insurance of 15.75% on the portion of salary paid in excess of €100,000 per annum*

Yield	€336.7m

32(i) *The cost of increasing the earnings bracket for employee PRSI, which is now subject to a tapering PRSI Credit for PRSI Class A and Class H employee's earning between 352.01 and €424.00 in a week, increasing the employee earning bracket to between €382.01 and €454.00 in a week. All other charging variables being constant (minimum wage of €9.55)* **(See note E above)**

Cost	€15.4m

32(ii) *The cost of increasing the earnings bracket for employee PRSI, which is now subject to a tapering PRSI Credit for PRSI Class A and Class H employee's earning between 352.01 and €424.00 in a week, increasing the employee earning bracket to between €390.01 and €462.00 in a week. All other charging variables being constant (minimum wage of €9.75)* **(See note E above)**

Cost	€19.5m

32(iii) *The cost of increasing the earnings bracket for employee PRSI, which is now subject to a tapering PRSI Credit for PRSI Class A and Class H employee's earning between 352.01 and €424.00 in a week, increasing the employee earning bracket to between €394.01 and €466.00 in a week. All other charging variables being constant (minimum wage of €9.85)* **(See note E above)**

Cost	€21.7m

32(iv) *The cost of increasing the earnings bracket for employee PRSI, which is now subject to a tapering PRSI Credit for PRSI Class A and Class H employee's earning between 352.01 and €424.00 in a week, increasing the employee earning bracket to between €400.01 and €472.00 in a week. All other charging variables being constant (minimum wage of €10)* **(See note E above)**

Cost	€25.0m

32(v) *The cost of increasing the upper threshold for paying the 8.5% Class A rate of employer PRSI was increased from €376 to €406 per week.*

Cost	€10.2m

32(vi) *The cost of increasing the upper threshold for paying the 8.5% Class A rate of employer PRSI was increased from €376 to €418 per week.*

Cost	€13.8m

32(vii) *The cost of increasing the upper threshold for paying the 8.5% Class A rate of employer PRSI was increased from €376 to €4.24 per week.*

Cost	€15.4m