



Our reference: 2017-2(a)

12 September 2017

Mr Michael McGrath, TD
Fianna Fáil Spokesperson on Finance
Leinster House
Kildare Street
Dublin, D02 A272

Dear Deputy,

I refer to Fianna Fáil's request to the Department for Budget 2018 costings (submitted to us on 1 September, 2017). I am pleased to enclose the responses to the costings sought.

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.

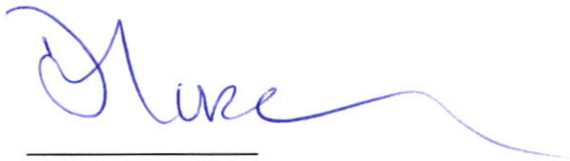
The costings, including those provided by or in conjunction with other Departments, are provided on the basis that at no time will the Department be represented as endorsing the proposals costed. Equally, the Department will not comment on the merits or otherwise of those proposals. Where caveats or 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 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,

A handwritten signature in blue ink, appearing to read 'Derek Moran', with a long, sweeping underline extending to the right.

Derek Moran

Secretary General

Taxation measures					
Policy	Department	First Year Cost (€m)	Full Year Cost/Yield (€m)	Basis	Revenue Comment
TAX RATES					
Decrease USC 0.5% rate to 0%	Finance	€111.00	€129.00	Ready Reckoner - July 2017	Confirmed
Reduce 2.5% USC rate to 2%	Finance	€70.50	€82.00	Ready Reckoner - July 2017	Confirmed
Reduce 5% USC rate to 4.5%	Finance	€168.00	€196.00	Ready Reckoner - July 2017	Confirmed
Reduce 8% USC rate to 7%	Finance	€136.00	€177.00	Ready Reckoner - July 2017	Confirmed
Reduce the non-PAYE USC surcharge from 3% to 2.5%	Finance	€16.00	€28.00	Ready Reckoner - July 2017	Added
USC BANDS					
Increasing the exempt level by €1,500	Finance	€8.00	€9.00	Ready Reckoner - July 2017	Confirmed
Increasing the exempt level by €5,000	Finance	€35.00	€42.00	Ready Reckoner - July 2017	Amended
Increase the €12,012 band to €13,512	Finance	€55.00	€65.00	Ready Reckoner - July 2017	Confirmed
Increase €12,013 to €18,772 band to €13,513 to €20,272	Finance	€106.00	€123.00	Ready Reckoner - July 2017	Confirmed
Increase €18,773 to €70,044 band to €20,273 to €71,544	Finance	€60.00	€70.00	Ready Reckoner - July 2017	Confirmed
Raise entry point to top USC rate from €70,044 to €71,545		€9.70	€11.30	Ready Reckoner - July 2017	Confirmed
Raise entry point to top USC rate from €70,044 to €75,000	Finance	€30.00	€35.00	Ready Reckoner - July 2017	Amended
CREDITS					
Increase Home Carers Tax Credit from €1,100 to €1,200	Finance	€7.00	€8.00	Ready Reckoner - July 2017	Confirmed
Increase Earned income tax credit from €950 to €1,100	Finance	€13.00	€23.00	Ready Reckoner - July 2017	Confirmed
Increase Earned income tax credit from €950 to €1,150	Finance	€17.20	€30.60	Ready Reckoner - July 2017	Confirmed

Increase Earned income tax credit from €950 to €1,650	Finance	€59.00	€106.00	Ready Reckoner - July 2017	Confirmed
1% Indexation of Personal Tax Credits with rate bands	Finance	€100.00	€116.00	Ready Reckoner - July 2017	Confirmed
OTHER TAX MEASURES					
Enhance Entrepreneur's relief on Capital Gains Tax by increasing the cap to €15m	Finance	€52.00	€56.00	2017 Tax Strategy Group. Page 5 TSG 17/11 Capital and Savings Taxes	Confirmed
Reduce DIRT tax from 39% to 35%	Finance	€12.80	€12.80	Revised Ready Reckoner - Sept 2017	Amended due to match recent update of Ready Reckoner
Increase Excise duty on Cigarettes by 50c	Finance	-€61.00	-€61.00	Ready Reckoner - July 2017	Confirmed
Tax on sugar sweetened drinks of €24.64 per hectolitre	Finance	-€40.00	-€40.00	2016 Tax Strategy Papers	Dept Fin Comment: The estimated yield from the introduction of sugar tax at €24.64 has been revised down to €40m in a full year. This is due to continued industry reformulation and announcements made by some of the multiples that they would revise own brand products out of the scope of a potential tax.
		€965.2	€1,218.7		