



Our reference: 2016-3(b)

13 September 2016

File copy

Mr Kevin Dillon
Senior Research & Policy Officer
Fianna Fáil Research & Policy Unit
Leinster House
Kildare Street
Dublin, D02 A272

Dear Mr Dillon,

I refer to Fianna Fáil's request to the Department for Budget 2017 costings (submitted to us on 9 September, 2016). I am pleased to enclose our responses to the verifications of costings sought.

The response comprises the spreadsheet that was submitted to us containing your costings for verification, with our changes and comments shown in red.

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 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 all of these submissions and the responses 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 black ink, appearing to read 'Derek Moran', with a horizontal line underneath it.

Derek Moran

Secretary General

Taxation measures		Department	First Year Cost (€m)	Full Year Cost/Yield (€m)	Basis	Revenue Notes
Policy						
Abolish 1% USC rate on income up to €12,012	Finance	€212.00	€247.00	Ready Reckoner - Pre-Budget 2017	Full Year Cost amended from €237m to €247m	
Reduce USC Rate from 1% to .5%	Finance	€106.00	€124.00	Tax Strategy Group Paper July 2016	Agree	
Reduce 3% USC Rate rate to 2%	Finance	€135.00	€157.00	Ready Reckoner - Pre-Budget 2017	Agree	
Reduce 5.5% USC rate to 4.5%	Finance	€315.00	€368.00	Ready Reckoner - Pre-Budget 2017	Agree	
Reduce 8% USC rate to 7%	Finance	€91.00	€106.00	Ready Reckoner - Pre-Budget 2017	Agree	
Raise entry point to top USC rate from €70,044 to €75,000	Finance	€23.00	€27.00	Ready Reckoner - Pre-Budget 2017	Agree	
Increase Home Carers Tax Credit from €1,000 to €1,100	Finance	€6.60	€7.60	Ready Reckoner - Pre-Budget 2017	Agree	
Increase Earned income tax credit from €550 to €1,100	Finance	€45.00	€81.00	Ready Reckoner - Pre-Budget 2017	First Year cost amended from €41m to €45m	
1% Indexation of Personal Tax Credits with rate bands	Finance	€95.00	€110.00	Ready Reckoner - Pre-Budget 2017	Agree	
Enhance CGT entrepreneurship relief, increase limit for gains to €15m and reduce rate to 10%	Finance	€60.00	€68.00	Ready Reckoner - Pre-Budget 2017	Amended per most recent PQ (20003/16), the full year cost could be in the region of €68m with the first year in the region of €60m (if introduced from 1 January). Revenue cannot estimate the effect of a lifetime limit, therefore the costing is based on an annual limit of €15 million of chargeable gains. We also assume that this measure is an enhancement of the existing (Section 597AA of the Taxes Consolidation Act, 1997, as amended)	
Reduce DIRT tax from 41% to 36%	Finance	€21.80	€21.80	Ready Reckoner - Pre-Budget 2017	Agree	
Increase CAT Group A Threshold by 25% to €350,000	Finance	€32.10	€37.30	Ready Reckoner - Pre-Budget 2017	Amended to figures shown	
Extension of the vehicle registration tax rebate for electric vehicles until 2020	Finance	€2.00	€2.00	Ready Reckoner - Pre-Budget 2017	Revenue has no forecasts for volumes of electric vehicles, so there is no basis to confirm this costing	
Increase Excise duty on Cigarettes by 50c	Finance	-€69.00	-€69.00	Tax Strategy Group Paper July 2016	Agree	
Tax on sugar sweetened drinks of €24.64 per hectolitre	Finance	-€101.30	-€101.30	Tax Strategy Group Paper July 2016	This is based on an estimate of 60% of soft drinks sold in Ireland being sugar sweetened drinks	