



Our reference: 2016-4(b)

8 September 2016

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

File copy

Dear Deputy,

I refer to Sinn Féin's second request to the Department for Budget 2017 costings (submitted to us on 16 August, 2016). I am pleased to enclose the responses to the costings sought. Responses on the three topics outstanding from your first costing request (8 - Pension Fund Thresholds, 18 - Excise duty, and 34 - Gambling) will issue as soon as possible.

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 stylized flourish at the end.

Derek Moran

Secretary General

Budget 2017 Costing Request 4(b)

(1) VAT

The revenue that would be made by restoring the 13.5% VAT rate to the hotel industry i.e. price of rooms (and not the restaurant or pub trade)

Response: Based on forecast expenditure in this sector for 2016, it is estimated that restoring the 13.5% VAT rate to the accommodation sector alone would yield €175m.

(ii) the revenue raised by (i) if it was limited only to County Dublin, and a view on whether this would be possible.

Response: It is not possible for different VAT rates to apply to the same products or activities in different parts of the country, therefore no costing of (ii) is provided.

(2) VAT

The cost of refunding VAT to taxi drivers who purchase wheelchair accessible vehicles.

(3) VRT

The cost of refunding VRT to taxi drivers who purchase wheelchair accessible vehicles.

Response: On the basis of information available to Revenue, it is not possible to provide an estimate of the cost for items (2) VAT & (3) VRT.

At present there is no such scheme available for taxi drivers who purchase a wheelchair accessible vehicle and no figures are available to Revenue on the number of wheelchair accessible vehicles from tax returns.

VRT on cars is calculated using the level of CO2 emissions of each car and the open market selling price. The VRT rate charged varies from 14% to 36% and the current standard rate of VAT is at 23%. The cost of such a scheme would therefore be dependent on both the open market selling price of a wheelchair accessible vehicle and the number of vehicles involved in such a scheme.

(4) Mortgage interest relief

To confirm that, in fiscal space terms, the cost of retaining mortgage interest relief at current levels and rates in 2017 is neutral

Response: The position is that mortgage interest relief for principal private residences is due to expire on 31 December 2017. However, if a decision was taken by the Government to retain the relief on the same basis as it currently applies, this would be neutral in fiscal space terms.