



Our reference: 2016-4(a)

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12 September 2016

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 2017 costings (submitted to us on 5 August, 2016). I am pleased to enclose the responses to the three outstanding costings sought, i.e. your topics 8 (Pension Fund Thresholds), 18 (Excise duty) and 34 (Gambling).

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 long horizontal flourish extending to the right.

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Derek Moran

Secretary General

## Budget Costing Finance – August 2016

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

Please provide first and full year cost of each other following measures for 2017.

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

### 8. Pension Fund thresholds (Please answer 6 & 7 together\*)

Q: The revenue that would be generated from the following reductions of pension fund allowable for tax purposes on retirement, from €2 million to €1.7 million/€1.5 million / €1.3 million / €1.1 million.

Q: Given that Minister Noonan confirmed that the yield from changes to the SFT regime in 2014 yielded €120 million, which included the threshold being reduced from €2.3 million to €2 million, can you confirm that a reduction of the same magnitude (€300,000) to €1.7 million, would yield at least €120 million, particularly given the increased number of pension pots as one moves further down the valuation scale.

**Response:** 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 Standard Fund Threshold outlined.

The 2014 estimate in a parliamentary question of 17<sup>th</sup> July 2014 was based on a particular dataset but no suitable data is now available to produce new estimates.

\*As noted in this Department's guidelines on the provision of costings "Costings will not cover the interaction of individual measures with other tax and/or expenditure measures."

### 18. Excise Duty

Q: To ask the Minister for Finance 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.

**Response:**

Additional Total Revenue (VAT Inclusive) €m	
Increase by 10 cent	In the range from -8 to +13
Increase by 20 cent	In the range from -16 to +26
Increase by 50 cent	In the range from -44 to +65

Further scenarios for changes are shown in the Pre-Budget 2017 Ready Reckoner:

<http://www.revenue.ie/en/about/statistics/index.html>

**Note:** Forecast receipts of tobacco products tax use an elasticity measure to partially reflect the responsiveness (or change in behaviour) of smokers following duty and price changes. Increases in duties are forecast to lead to increases in receipts, albeit recognising that some smokers will consume less and consequently some of the increases in receipts from higher prices are negated. Further cigarette price rises, particularly at the higher end, may not increase Excise receipts and this is indicated through the use of the range of estimates above. To reflect the potential variations in consumption change in smokers, the range above is based on varying the elasticities used in the forecast calculation. The elasticities used are derived from research conducted by Revenue.

#### **34. 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.

**Response:** There is no basis on which to estimate the yield or cost of unspecified measures such as this one.