

Our reference: F 49/74/15

27 January 2016

Mr Micheál Martin T.D.
Leinster House
Kildare Street
Dublin 2

Dear Deputy Martin,

I refer to your request to this Department dated 18 January 2016 that we carry out a costing exercise on a range of your proposals, and I am pleased to attach our responses to each of those proposals. These are set out in a new right hand column which has been added your original spreadsheet.

Please note that this 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 also 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 'D. Moran', with a long horizontal flourish extending to the right.

Derek Moran

Secretary General

Action	Cost / yield (first year)	Cost / yield (full year)	Source	Comment	Department Comment
Abolish 1% USC rate on income up to €12,012	-173	237	www.revenue.ie/en/about/about-us/about-us.aspx	page 5 (first year €173m, full year €237m)	Confirmed
Abolish 3% USC rate on income up to €18,668	-327	-444	www.revenue.ie/en/about/about-us/about-us.aspx	page 5 (first year €109m*3, full year €148m*3)	Confirmed
Abolish 5.5% USC rate on income up to €79,044	-1372	-1914	www.revenue.ie/en/about/about-us/about-us.aspx	page 5 (first year €253m*5.5, full year €348m*5.5)	Confirmed
Reduce 8% USC rate by 2.5% to 5.5%	188	313	www.revenue.ie/en/about/about-us/about-us.aspx	page 5 (first year €79m*2.5, full year €129m*2.5)	Confirmed
Raise entry point to top USC rate from €70,044 to €80,044	-33	-48	www.revenue.ie/en/about/about-us/about-us.aspx	page 8 (€10m increase = €1.9m first year, €2.7m full year €10,000 increase = €1.9m*20, full year €2.7m*20)	Confirmed
Increase personal tax credit by €150 single person	87	-117	www.revenue.ie/en/about/about-us/about-us.aspx	increase = €82m first year, €117m full year €150 increase = €82m*20, full year €117m*20	Confirmed
Increase personal tax credit by €300 for married / civil partner couples	143	195	www.revenue.ie/en/about/about-us/about-us.aspx	page 6 (€140m first year, €195m full year) increase = €140m first year, €195m full year	Confirmed (we are assuming that the €300m figure in column E is a typo, and that it should read €34m as in the Ready Reckoner)
Increase PAYE tax credit by €150	180	231	www.revenue.ie/en/about/about-us/about-us.aspx	page 6 (€140m first year, €180m full year) increase = €140m first year, €180m full year	Confirmed
Increase Home Care Tax Credit from €1,000 to €2,000	52	-72	www.revenue.ie/en/about/about-us/about-us.aspx	page 6 (€50 increase = €2.6m first year, €3.9m full year €1,000 increase = €130m first year, €180m full year)	Confirmed (we are assuming that the €130m and €180m figures in column E are typos, and should read €52m and €72m as per columns B and C. First year is €2.6m*20, full year is €3.9m*20)
Increase Earned income tax credit from €550 to €1,650	37	-123	www.revenue.ie/en/about/about-us/about-us.aspx	pg 6	Confirmed
Reduce Capital Gains tax from 33% to 25%* Finance CGT entrepreneurship relief, increase limit for gains to €15m and reduce rate to 10%*	-168	-74	www.revenue.ie/en/about/about-us/about-us.aspx https://www.kildanycourt.com/blogs/ready-reckoner/2015/12/15a-18a	pg 13 1% reduction = €21m, 8% reduction = €168m	First year cost should be -154 (if introduced on 1 January) first year cost should be -68 (if introduced on 1 January)
Retain mortgage interest relief beyond current end date of 2017*	275	-275	https://www.kildanycourt.com/blogs/ready-reckoner/2015/07/16a-418	Based on projected cost in 2015	More recent PQ (2478-16) with final figure for 2015 and updated estimates for later years. http://oireachtasdebates.oireachtas.ie/debates%20authoring/debatesweback.nsf/takes/dail2016012000065?opendocument#WRH00475
Reduce DIRT tax from 41% to 33%	58	-58	www.revenue.ie/en/about/about-us/about-us.aspx	pg 12, 1% reduction = €7.8m, 8% reduction = €58.4m	Confirmed (we are assuming that the €7.8m figure in column E is a typo, and should read €7.3 million as per the Ready Reckoner)
Increase Capital Acquisition Tax threshold by 25%	-58	-67	www.revenue.ie/en/about/about-us/about-us.aspx	10% increase in threshold = €23.1m year 1, €26.9m full year, 20% increase in threshold = €38.4m year 1, €67.3m full year.	The estimated cost of increasing the threshold by 25% is estimated at €49.5m and €57.6m in the first and full years. The CAT Ready Reckoner is currently being updated in line with (a) the 2015 filers' data and (b) anticipated 2016 CAT yields. This update will be live in the coming days. It should be noted that it is not possible to robustly extrapolate a cost of increasing the CAT tax-free thresholds for percentage increases higher than those shown on the Ready Reckoner. This is because there is a diminishing marginal cost associated with increasing the CAT tax-free thresholds. This costing relates to a 25% increase in all three tax-free thresholds.
Reduce 11.5% VAT rate by 0.5% to 10%*	154	154	www.revenue.ie/en/about/about-us/about-us.aspx	pg 12, 1% reduction = €308m, 0.5% reduction = €154m	First year cost should be -128 (if introduced on 1 January)

75 Tax on sugar sweetened drinks of €14.32 per hectolitre* <http://www.finance.gov.ie/sites/default/files/14.02%20CS%20-%20Tax%20strategy%20paper.pdf>, page 24

The specific figure requested would be €71 million in the first and full year. This VAT inclusive yield on a no-change basis is based on a rate of duty of €14.32 per hectolitre on drinks coming under the definition encompassed by CN Code 2202*.

The figures are slightly updated on those in the 2014 Tax Strategy Group paper, which was cited in your costing request submission.

As you will be aware, this is equivalent to a VAT inclusive increase of 6p per can of 330ml SSB, and you will have access to the associated price effects in the 2014 TSG paper which you cited, and which remain unchanged.

*CN code 2202 includes waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, defined under Council Regulation 2658/87/EEC. This does not include fruit juices.

92 Increase tobacco by 90p, over five years* <http://www.budget.gov.ie/fudgets/2016/Documents/Summary%20Pa.6%20Based%20on%20Budget%202016%20projection%20of%2050c%20increase%20generating%20€61.4m%2075c%20€92.1m>

Full Year: A 90 cent increase on a pack of 20 cigarettes is estimated to result in a yield of €108m per annum. An annual increase of 18 cent (90 cent over 5 years) is estimated to result in an annual yield of €21.6m for each year.

Further cigarette price rises, particularly at the higher end, may not increase excise receipts as much as outlined above due to a relatively high price elasticity of demand for cigarettes in Ireland, as duty increases, and subsequent price increases, may induce a reduction in cigarette consumption.

3,229	4,323
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*No first year costings provided, first year assumed to equal full year