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Our reference: F 49/97/2015

18 November 2015

Mr Matthew Lynch
Head of Policy at the Fine Gael Policy & Research Office
Leinster House
Dublin 2

Dear Mr Lynch,

I refer to your most recent request to the Department, that of 13 November, for the costing of potential manifesto proposals, and I am pleased to attach a response to the question you asked.

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 the measure proposed, such as its 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.

This costing is provided on the basis that at no time will the Department be represented as endorsing the proposal costed. Equally, the Department will not comment on the merits or otherwise of this proposal. Where caveats or assumptions have been made in this response, the Department's 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 in the context of general elections or Programmes for Government will be dealt with in accordance with relevant provisions of the Act. As is normal practice, the Department will publish all of these submissions and the responses on its website following the formation of a new Government, redacting on the basis of the Freedom of Information exemptions as appropriate.

If you have any queries on any of the above matters or costings, please do not hesitate to contact me.

Yours sincerely,

Margaret Fitzgerald

P.P.

Derek Moran

Secretary General

Query: "Please provide the first year and full-year costs of:

- a 1% cut in the 8% rate of USC
- a 1% cut in the 5.5% rate of USC
- a 0.5% cut in the 3% rate of USC
- a 0.5% cut in the 1% rate of USC"

Answer: I am advised by the Revenue Commissioners that the estimated full and first year cost that would result in the reduction of the Budget 2016 rates of Universal Social Charge are set out in the following table:

Change in USC Rate	First Year Cost €m	Full Year Cost €m
8% to 7%	75	125
5.5% to 4.5%	253	348
3% to 2.5%	54	74
1% to 0.5%	87	118

These figures are estimates from the Revenue tax forecasting model using latest actual data for the year 2013, adjusted as necessary for income, self-employment and employment trends in the interim. They are estimated by reference to 2016 incomes and are provisional and may be revised.

I am also advised by the Revenue Commissioners that there is a Post-Budget 2016 Ready Reckoner available on the Revenue Statistics webpage¹. This Ready Reckoner provides a range of information, including the possible cost or yield to changes to the Budget 2016 USC structure.

¹ <http://www.revenue.ie/en/about/statistics/ready-reckoner.pdf>.