An Roinn Airgeadais
Department of Finance

Our reference: F 49/97/2015

13 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 request to the Department for manifesto costings dated 22 October, and I am pleased to attach the responses to the questions you asked.

Please note that while the costings on your questions on Income Tax, the Universal Social Charge, Capital & Property taxes and Stamp Duties were prepared by this Department, the costings on your questions on Employee and Employer PRSI were supplied by the Department of Social Protection, and are attached separately.

Please also 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 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(s) be represented as

Tithe an Rialtais
Sráid Mhuirfean Uacht
Baile Átha Cliath 2
Éire

Fón / Tel: 353 1 676 7571
Facs / Fax: 353 1 678 9936
Glao Áitiúil / LoCall:1890 66 10 10
http://www.finance.gov.ie

Government Buildings
Upper Merrion Street
Dublin 2
Ireland

endorsing the proposals costed. Equally, the Department(s) 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,

Derek Moran

Secretary General

Questions for the Department of Finance

Tax Costings

All costings should be by comparison with 2016 tax law assuming full implementation of the budget measures.

Income Tax, Universal Social Charge and Employees' PRSI

Please provide, in tabular format if possible where appropriate, the first- and full-year revenue gains / (losses) resulting from:

1. Abolition of the USC

Response: On the basis of the Department of Finance projected forecast for Universal Social Charge (USC) receipts for 2016, the estimated cost of abolishing USC is in the order of €4,000 million.

2. Introduction of a new 6% higher earners levy (on USC base) on incomes in excess of

- €70,044 i.e. 0 - €70,044 at 0% and 6% levy on excess

Response: The estimated first and full year yield of introducing a 6% levy on all incomes in excess of €70,044 is in the region of €451 million and €747 million respectively.

- €100,000 i.e. 0 - €100,000 at 0% and 6% levy on excess

The estimated first and full year yield of introducing a 6% levy on all incomes in excess of €100,000 is in the region of €286 million and €504 million respectively.

3. Employees PRSI reform - see separate material from the Department of Social Protection.

4. An increase in the Earned Income Tax Credit from €550 to €1,650 on self-employed income, with the credit tapered out between €70,000 and €100,000 (a taper of €0.055 for every extra €1 earned over €70,000)

Response: The estimated first and full year cost in increasing the Earned Income Credit (EIC) from €550 to €1,650 on self-employed income, with the credit then being tapered out on incomes between €70,000 and €100,000 is tentatively in the order of €32 million and €107 million respectively.

This estimated cost does not take account of the capacity of recipients to use this credit.

4(a). An increase in the Home Carers' Tax Credit from €1,000 to €1,650, with the credit tapered out between €70,000 and €100,000 (a taper of €0.055 for every extra €1 earned over €70,000)

Response: The estimated first and full year costs from increasing the Home Carers' Tax Credit from its post budget amount of €1,000 to €1,650, with the credit tapered out on incomes between €70,000 and €100,000 is in the order of €16 million and €21 million respectively.

5. A "tapering out" of the PAYE credit between €70,000 and €100,000 (a taper of €0.055 for every extra €1 earned over €70,000)

Response: The estimated first and full year yield from tapering out the PAYE Credit on incomes between €70,000 and €100,000 is in the order of €203 million and €260 million respectively.

Note: The figures provided for 1, 2, 4 and 5 above are based on estimates for 2016, using the actual data for the year 2013 (the latest year for which data are available) adjusted as necessary for income, self-employment and employment trends in the interim. They are provisional and may be revised.

Employers' PRSI

See separate material from the Department of Social Protection.

Capital and Property Taxes and Stamp Duties

1. Increase the Group A tax free threshold under Capital Acquisitions Tax to:
    a. €400,000
    b. €500,000
    c. €542,544

Response: Both the first and full year costs of each of the above changes in the Group A tax free threshold under Capital Acquisitions Tax are listed below in tabular form.

New Group A Threshold	Full Year Cost €m	First Year Cost €m
€400,000	52.9	45.5
€500,000	73.7	63.4
€542,544	79.8	68.6

These first year costs assume that any changes to the group A tax free threshold would take effect as of Budget night. The costings also assume an increase from the post-Budget 2016 level of the Group A threshold (€280,000).

2. Increase the threshold for the lower CGT rate of 20% for entrepreneurs to:

a. €5m
b. €10m

Response: The full year cost of increasing the threshold to €5 million could lead to an additional cost of approximately €13 million. This cost is in addition to the cost of €27 million announced in the Budget and is on the basis of various assumptions regarding disposals of various assets by entrepreneurs.

The full year cost of increasing the threshold to €10 million could lead to an additional cost of approximately €15 million. This cost is in addition to the cost of €27 million announced in the Budget and is on the basis of various assumptions regarding disposals of various assets by entrepreneurs.

POLITICAL PARTY PRSI COSTINGS NO. 6/15
COSTING OF PRSI PROPOSALS RECEIVED ON 28 October 2015

Introduction

A. All estimates are based on macro-economic indicators for 2016 only, including estimates relating to years other than 2016.

B. The estimates are based on the changes to social insurance contributions paid under PRSI Class A.

C. Estimates of full year costs/yields are provided. First year costs/yields are a function of the chosen implementation date of PRSI changes in 2016 or in the relevant year. If implemented in January of the particular year, it is estimated that 85% of the full year estimate is realised in the first year.

D. The estimates do not take possible changes in employer or employee behaviour into account.

E. All costings assume that the PRSI measures announced in 2016 budget have been implemented.

Employees' PRSI

1. A restructuring of the PRSI system as follows
   a. Cut in employees' entry point to PRSI to €250 p/w
   b. PRSI credit of €10 p/w from €250 p/w to €352 p/w
   c. From €352 p/w/ and upwards, €10 PRSI allowance tapered down by 1/6 difference between weekly income and €352 p/w (i.e. taper ends at €424 p/w)

Increased Revenue	€14.12m
Employments Affected	c.236,140

(Note: This estimate assumes that the introduction of the €12 PRSI Credit and tapered withdrawal of the Credit between weekly earnings of €352.01 and €424 which was announced in Budget 2016 has been fully implemented.)

Employers' PRSI

1. An extension of the lower rate threshold from €376 per week by €10 in each year 2017-2021

Year	2017	2018	2019	2020	2021
Lower Rate Threshold	386	396	406	416	426
Cost	€3.06m	€6.47m	€11.228m	€14.25m	€16.66m
Employments Affected	11,698	24,161	39,990	50,222	59,006

2. A cut in the lower 8.5% rate of Employers' PRSI on weekly earnings below €376 in 2016 to
   a. 4.25%
   b. 6.50%

Employer lower rate	4.25%	6.50%
Cost	€136.15m	€64.07m
Employments Affected	566,783	566,783

3. A cut in the lower 8.5% rate of Employers' PRSI to 6% and the extension of the lower rate threshold from €376 per week by €10 in each year 2017-2021

Year	2017	2018	2019	2020	2021
Lower Rate Threshold	386	396	406	416	426
Cost	€86.55m	€93.75m	€103.79m	€110.18m	€115.25m
Employments Affected	11,698	24,161	39,990	50,222	59,006

4. An increase in the minimum weekly earnings before employees generate a social insurance entitlement and employers pay PRSI from €38 to:
   a. €100
   b. €135
   c. €160

Threshold	€100	€135	€160
Cost	€9.13m	€24.97m	€39.87m
Employments Affected	72,470	142,447	192,211

5. An integrated package of measures consisting of:
    a. A cut in the lower 8.5% rate of Employers' PRSI to 6.5%
    b. An extension of the lower rate threshold to €426 per week
    c. An increase in the minimum weekly earnings before employees generate a social insurance entitlement and employers pay PRSI from €38 to €100

Cost	€102.51m
Employments Affected	625,789

Department of Social Protection

17 November 2015.