

File Copy

Our reference: F 49/97/2015

10 December 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 7 December, and I attach a response in respect of your proposed childcare tax credit.

Please note that the costing exercise did not examine the interaction of the proposed measure 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 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,

Margaret Fitzgerald

P.P. Derek Moran

Secretary General

Costing request regarding Childcare

Please provide, in tabular format if possible and where appropriate, the first and full year costs (in 2017, 2018 and 2019) of the following proposals:

Childcare tax credit

To provide a tax credit in respect of childcare costs where carers are a) tax compliant and b) registered with Tusla (including relatives of the child where registered as a childminder), on the following basis:

- Income assessment on the basis of one income i.e. that of the 'primary care giver' (as established for tax purposes at birth certificate registration);
- The recipient of the tax credit (i.e. the primary care giver) must be working at least 25 hours per week;
- Maximum eligible spend per child per annum is €5,000;
- For 'primary care givers' earning:
 - Up to €40,000 per annum, 40% relief;
 - Between €40-50,000 per annum, 30% relief;
 - Between €50-60,000 per annum, 20% relief;
- Costing should include provision for an equivalent cash subsidy for any parent who does not pay enough tax to fully avail of the childcare tax relief.

Response: On the basis of the information available to Revenue it is not possible to estimate the cost of the measure outlined. Revenue have no information on the number or incomes of eligible carers outlined in the proposal ('primary care giver' as established for tax purposes at birth certificate registration) or the number of children in respect of which the credit would be available (i.e. attending a tax compliant Tusla registered childcare facility). Further, income tax returns to Revenue do not provide detail of the number of hours worked and it is therefore not possible to determine the number of potential recipients of the proposed childcare credit who work at 'least 25 hours per week'.