



Our reference: F 49/97/2015

27 January 2016

Mr Matthew Lynch
Head of Policy at the Fine Gael Policy & Research Office
Leinster House
Dublin D02 A272

Dear Mr Lynch,

I refer to your request to the Department for manifesto costings dated 21 January, and I attach responses to the two questions asked.

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,

A handwritten signature in black ink, appearing to read 'Derek Moran', written over a horizontal line.

Derek Moran

Secretary General

Costing request:

Question 1: To provide an estimate of the fiscal space that would be used by abolition of the Universal Social Charge.

Answer: The full year impact of the abolition of USC, taking account of recent changes to it, would be approximately €3.7 billion. This would also be the impact on fiscal space.

Question 2: The cost of increasing the Home Carers' Tax Credit from €1,000 to €1,650, and an increase in the home carer's income threshold to €10,500.

Answer: The estimated first and full year cost to the Exchequer of increasing the Home Carers credit to €1,650 and at the same time increasing the Home Carer's income threshold to €10,500 is in the region of €33 million and €46 million respectively.

These figures are estimates from the Revenue tax forecasting model using the 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.

Note: Question 2 was also asked in PQ 3185/16, which was answered on 26 January 2016.