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## Response from Derek Moran, Secretary General of the Department of Finance to Deputy Mary Lou McDonald, Sinn Féin re: Budget 2020 costings, 19 September 2019

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Our reference: 2019-4(E)

19 September 2019

Mary Lou McDonald, TD  
Leinster House  
Kildare Street  
Dublin, D02 A272

Dear Deputy,

I refer to Sinn Féin's fifth request to the Department for Budget 2020 costings (submitted to us on 1 August, 2019). I am pleased to enclose a response to all of the costings sought, with the exceptions of costings 20, 21, 33 & 35 which have been sent to our colleagues in the Department of Transport, and costings 37-39 which have been sent to our colleagues in the Department of Communications, Climate Action and Environment, for their input. We hope to provide a response to you on these as soon as possible.

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 measures proposed, such as their positive or negative impact on economic growth, job creation, inflation or their impact on tax buoyancy.

It should be borne in mind 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 the responses issued to these requests 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', with a horizontal line underneath it.

Derek Moran

Secretary General

## Political Party Costing 4 (E)

### 1. Revenue raised by an increase of the VRT surcharge on imported diesel cars (new and second hand) from 1% to: 5%, 10%, 15%, 20%, 40%, 50%

The estimated revenue that could be raised in a full year from the proposed increases are shown in the table below. These estimates are based on the trends in diesel cars in 2019 and do not take into account any subsequent change in behaviour due to the increased duty on diesel cars. However, given the large increases proposed it is highly unlikely that the estimated revenue would be fully achieved.

New Rate	5%	10%	15%	20%	40%	50%
€m	123	276	430	583	1,197	1,504

It is not possible to estimate a first-year yield without a commencement date.

### 2. Revenue raised by an increase of the fuel excise rate on diesel by €0.01c; €0.02; €0.03, €0.04c; €0.05c;

The estimated revenue in a full year from the proposed increases are as follows:

€	0.01	0.02	0.03	0.04	0.05
€m	28	55	83	110	137

It is not possible to estimate a first-year yield without a commencement date.

### 3. Revenue raised by the scrapping of the diesel rebate scheme

The cost of the diesel rebate scheme in any given year is variable, depending on the volumes of claims and the quarterly rebate rates used. Therefore it is not possible to give an estimate of the additional revenue that would accrue were the diesel rebate scheme to be scrapped.

The highest annual cost of the scheme was €21m while the lowest annual costs of the scheme was zero.

### 4. Revenue raised by a reduction in maximum payable under the diesel rebate rate to €0.03c per litre when the price, including VAT, is €1.54c per litre or more

If the current maximum rebate rate was reduced from 7.5c to 3c – and all other relevant variables remained the same - that would automatically mean that the ceiling price would reduce from €1.54 (Vat inclusive) to €1.38 (Vat inclusive).

The savings generated would be entirely dependent on the volumes of claims and the quarterly rebate rates used.

5. Revenue raised by an increase in the electricity tax for business use to the following rates per megawatt hour: €1; €2; €3; €4; €5.

The estimated revenue in a full year from the proposed increases are as follows:

New rate	€1	€2	€3	€4	€5
€m	2.3	7.0	11.7	16.4	21.0

6. Revenue raised by an energy surcharge on data centres at the following rates per megawatt hours: €1; €2; €3; €4; €5;

Revenue has no data available to cost this proposal.

7. Revenue raised through the requirement of private and hired pleasure craft operating the republic of Ireland to use auto-diesel from 1 Jan 2020.

Revenue has no data available to cost this proposal.

8. Revenue raised through a company car vehicle BIK rate of 66% of the original market value of the car for vehicle emission categories A to C with business mileage of between 0 and 32,000 km
9. Revenue raised through a company car vehicle BIK rate of 68% of the original market value of the car for vehicle emission categories A to C with business mileage of between 32,001 and 48,000 km
10. Revenue raised through a company car vehicle BIK rate of 70% of the original market value of the car for vehicle emission categories A to C with business mileage of 48,001km and over
11. Revenue raised through a company car vehicle BIK rate of 75% of the original market value of the car for vehicle emission categories D and E with business mileage of between 0 and 32,000km
12. Revenue raised through a company car vehicle BIK rate of 78% of the original market value of the car for vehicle emission categories D and E with business mileage of between 32,001km and 48,000km
13. Revenue raised through a company car vehicle BIK rate of 80% of the original market value of the car for vehicle emission categories D and E with business mileage of between 48,001km and over.
14. Revenue raised through a company car vehicle BIK rate of 80% of the original market value of the car for vehicle emission categories F and G with business mileage of between 0 and 32,000km

- 15. Revenue raised through a company car vehicle BIK rate of 82% of the original market value of the car for vehicle emission categories F and G with business mileage of between 32,001 and 48,000km**
- 16. Revenue raised through a company car vehicle BIK rate of 85% of the original market value of the car for vehicle emission categories F and G with business mileage of between 48,001km and over**
- 17. Revenue raised through a company van vehicle BIK rate of 10%; 15%; 20%; 25%; 50%; 66%; 75%; 80% of the original market value of the van**

Information on Benefit-in-Kind is not captured in such a way as to provide a basis for costing the measures proposed. Information on BIK is aggregated data which incorporates all benefits received by an employee or employees which are subject to BIK. As it is not possible to determine from tax records the amount of benefits and subsequent tax related to a specific benefit type, nor the details of that benefit, it is not possible to estimate the costs associated with the measures outlined above in relation to BIK.

#### **18. Full year cost of the domestic retrofit tax incentive**

It is not clear what tax incentive this refers to.

#### **19. Revenue raised through the application of the mineral oil tax to aviation fuel**

The tax exemption for jet fuel used for air navigation for international and intra-Community transport purposes is mandatory. Therefore, save for the implementation of any bilateral arrangements provided under the Directive, any proposal to tax such fuel use would be in breach of Directive 2003/96/EC on the taxation of energy products and electricity.

The relief for heavy oil used for commercial air navigation is operated by way of remission and Revenue does not collate data on the overall tax forgone. With regard to light oil used in air aviation, in 2018 repayments of Mineral Oil Tax in respect of the partial relief for light oil used for commercial aviation totalled €1.07m.

#### **20. Revenue raised from an air travel tax of €3 per passenger on all aircraft capable of carrying 8 or more passengers and to airports where the number of passenger departures in the previous year was more than 100,000**

This costing proposal is currently with our colleagues in the Department of Transport for their input. We hope to provide a response as soon as possible.

#### **21. Revenue raised through a runway movement surcharge on all non-commercial flights where the plane is over a) over one metric tonne and, b) less than 20 seats, of €100; €500; €1,000**

This costing proposal is currently with our colleagues in the Department of Transport for their input. We hope to provide a response as soon as possible.

**22. To ask the cost of providing a grant of €3,000 to every pub defined as rural, for one year?**

Definitions of what may define a pub as “rural” were sourced from the CSO, the Commission for the Economic Development of Rural Areas and the National Planning Framework (NPF). As Revenue does not require businesses to provide a regional classification in their tax returns, geospatial analysis was performed on the location of publican licences (<https://www.revenue.ie/en/corporate/information-about-revenue/statistics/excise/licences/liquor-licences.aspx>).

A density-reachability clustering-based solution was performed to identify population clusters within each county. These were used to estimate specific population densities within the proximity of a publican licence. County border effects are present however which may overestimate some of the figures below (e.g. towns/cities where a population may cross over into other counties).

- A definition provided by the CSO defines a rural population as those living outside settlements of 1,500 people, using this definition, the proposal is estimated to affect in the region of 2,200 pubs, costing €6.6 million.
- The NPF defines rural as all areas outside towns of 10,000, unless they are within the immediate or ‘metropolitan’ catchment of a city, using this definition, the proposal is estimated to affect in the region of 4,200 pubs costing €12.6 million.
- The Commission for the Economic Development of Rural Areas defines rural as those areas outside the administrative boundaries of the five main cities (Dublin, Cork, Limerick, Galway and Waterford), using this definition, the proposal is estimated to affect in the region of 6,000 pubs, costing €18 million.

**Wealth tax**

For the following questions, if possible a breakdown of the income deciles who would be liable to pay, the average rate of payment, and the composition of assets that make up each model, would be very helpful:

- 23. The revenue raised by a wealth tax of 1% on those with net assets of €1m and over, with no exemptions**
- 24. The revenue raised by a wealth tax of 1% on those with net assets of €1m and over with an exemption of €250,000 per child**
- 25. The revenue raised by a wealth tax of 1% on those with net assets of €1m and over with an exemption for farm assets**
- 26. The revenue raised by a wealth tax of 1% on those with net assets of €1m and over with an exemption of €250,000 per child and on all farm assets**
- 27. The revenue raised by a wealth tax of 1% on those with net assets of €1m and over with an exemption of €250,000 per child, all farm assets and the primary residence**
- 28. The revenue raised by a wealth tax of 1% on those with net assets of €1m and over with an exemption of €250,000 per child, all farm assets, and 20% of the primary residence**

- 29. The revenue raised by a wealth tax of 1% on those with net assets of €1m and over with an exemption of €250,000 per child, all farm assets, 20% of the primary residence, and 20% of assets held in pension funds**
- 30. The revenue raised by a wealth tax of 1% on those with net assets of €1m and over with an exemption of €250,000 per child, for all farm assets, and for all business assets**
- 31. The revenue raised by a wealth tax of 1% on those with net assets of €1m and over with exemptions on all business assets.**
- 32. The revenue raised by wealth tax based on all of the above models, in tabular form, but with an income cap of 33% on each model**

Please see our response to costings 24-27 in Costing 4(C) sent to you on 12/09/19.

#### **Environmental taxes**

- 33. The revenue raised by the introduction of a private jet tax of €5,000, 10,000 and €20,000 per flight made by a private jet registered in Ireland.**

This costing proposal is currently with our colleagues in the Department of Transport for their input. We hope to provide a response as soon as possible.

- 34. The revenue raised by the introduction of an air passenger duty of €5, €10 and €50 per person per flight**

Based on the number of departing passengers of 18,300,561 in 2018 as published by the CSO, the expected revenue would be as follows:

€	5	10	50
€m	91.5	183.0	915.0

Please note that these estimates do not take into account any subsequent change in behaviour due to the increased duty.

- 35. The revenue raised by a frequent flyer levy, where each person flies levy-free for one return trip in a year, but for each flight after that a levy is introduced – for second flight €50, for third flight €100, for fourth flight €200, for fifth flight €500**

This costing proposal is currently with our colleagues in the Department of Transport for their input. We hope to provide a response as soon as possible.

- 36. The revenue raised by the introduction of a plastic packaging tax where businesses pay a tax of 50c, €1 and €2 per unit of a product without at least 30% recyclable packaging**

This costing proposal is currently with our colleagues in the Department of Communications, Climate Action and Environment for their input. We hope to provide a response as soon as possible.

**37. The revenue raised by the introduction of a plastic packaging tax where businesses pay a tax of 50c, €1 and €2 per unit of a product without at least 50% recyclable packaging**

This costing proposal is currently with our colleagues in the Department of Communications, Climate Action and Environment for their input. We hope to provide a response as soon as possible.

**38. The revenue raised by the introduction of a plastic packaging tax where businesses pay a tax of 50c, €1 and €2 per unit of a product without at least 80% recyclable packaging**

This costing proposal is currently with our colleagues in the Department of Communications, Climate Action and Environment for their input. We hope to provide a response as soon as possible.

**39. The revenue raised by the introduction of a 5c, 10c and 50c charge on non-recyclable or single use coffee cups**

This costing proposal is currently with our colleagues in the Department of Communications, Climate Action and Environment for their input. We hope to provide a response as soon as possible.