

Major Tax Incentives/Expenditures

1. The Tax Strategy Group (TSG) has regularly discussed papers concerning tax expenditures/incentives and options to broaden the tax base. The most recent paper was TSG 05/19 which followed similar TSG Papers 02/28, 03/27 and TSG 04/22. This paper is supplied for information purposes.
2. A table showing significant tax expenditures/incentives is appended to this paper for information. Similar tables have been attached to the TSG papers in previous years.
3. The table sets out the reliefs together with the estimated numbers availing, where available, and the estimated cost for a stated year. The cost estimates are calculated in terms of the revenue that the Exchequer foregoes due to the relief. Each relief has been costed individually on the basis that if the relief were withdrawn the tax system would remain otherwise unchanged. Consequently, it would be inaccurate to attempt to calculate the effect of withdrawing more than one relief by totalling the figures shown. Some of the figures are particularly tentative and are asterisked as such.

Major Tax Incentives/Expenditures

	<i>Numbers benefiting</i>	<i>Estimated Cost (€ million)</i>	<i>Year of costing</i>	<i>Notes</i>
<u>Corporate</u>				
Capital Allowances (includes business allowances and allowances to incentivise certain behaviour such as urban and rural renewal)	250,000	1,580	2003	(1)
Group Relief	1,400	151	2003	
<u>Pensions/Savings</u>				
Exemption of the Income of Approved Superannuation Funds (Net of Pension Payments)	n/a	1434 *	2003	(2)
Employers' Contributions to Approved Superannuation Schemes	n/a	564 *	2003	
Employees' Contributions to Approved Superannuation Schemes	724,300	622 *	2003	
Special Savings Investment Accounts	1,082,265	597	2005	(3)
Retirement Annuity Premiums by Self-Employed	109,500	264	2003	
Pension Lump Sums	n/a	166 *	2003	(4)
Exemption of Interest on Savings Certificates, National Instalment-Savings and Index-Linked Savings Bonds	n/a	140	2003	
<u>Personal</u>				
Child Benefit - exemption from income tax	337,000	381 *	2006	(5)
Loans relating to principal private residence - interest relief	550,000	292	2006	
Relief in respect of Medical Insurance Premiums policies	960,000	230	2005	(6)
Expenses allowable to Employees under Schedule E (work related)	866,600	112	2003	
Health Expenses Relief	172,700	82	2003	
Trade Union Subscriptions	232,100	7	2003	
Rented Residential Accommodation	1,952	69 *	2003	
Investment in Corporate Trades (BES)	2,600	21	2004	
Investment in Films	1,900	20	2004	(7)
Relief on Rent paid in Private Tenancies	102,400	28	2003	
<u>Capital Taxes</u>				
Principal Private Residence - CGT exemption	n/a	1,839	2005	(8)
Stamp Duty Relief for new homes	n/a	385 *	2005	(9)
Exemption from CGT on occasion of Death	n/a	50	2005	
<u>Indirect Tax</u>				
Disabled Drivers and Disabled Passengers Tax Concessions	9,000	49	2005	(10)
Farm Buildings and Land (VAT Refund)	n/a	32	2005	
Excise relief for local public transport vehicles	n/a	29	2005	
<u>Other Income Tax</u>				
Exemption of income of Charities, Colleges, Hospitals, Schools, Friendly Societies etc.	n/a	20	2003	(11)
Artists Relief	1,700	24	2003	
Donations to Approved Bodies	38,500	29	2003	
Relief under Profit Sharing Schemes	46,900	29 *	2003	

Notes on Table

Figures accompanied by an asterisk (*) are particularly tentative and are likely to be subject to a considerable margin of error.

- (1) The cost shown for capital allowances does not include any cost associated with "unused capital allowances", that is, capital allowances which are not absorbed by a company in the accounting period in which they arise because they exceed the amount of the company's profits of that accounting period and which are available for offset. Unused capital allowances can be offset as losses against taxable profits arising in the previous accounting period and against certain profits arising in future accounting periods and can be offset against the profits of another company in the same group of companies. Approximately €3,100 million of unused capital allowances were claimed for carry forward in respect of 2003 accounting periods but as the proportion of this item which is included in previous years losses and in group relief is not separately identifiable a reliable estimate of the cost of the capital allowance element cannot be provided.
- (2) In the absence of other information, tax has been assumed at the standard rate even though a different rate might be appropriate in many cases.
- (3) The numbers benefiting figure here represents the number of special savings investment accounts at end December 2005. The estimate is on the basis that the level of investment in the most recent month for which figures are available broadly continues. Based on the figures for tax credit payouts to date in 2005, the estimated full year cost for 2005 is €597 million. The cost of the scheme is affected where participants die, withdraw from the scheme or vary their monthly contributions. The expected costs provided above assume that these variations will broadly cancel each other out. The SSIA scheme will end five years from when the first contribution was made, i.e. between 1 May 2006 and 30 April 2007.
- (4) This is the most recent estimate provided by Revenue; it is not currently possible to capture this figure by way of tax returns.
- (5) The numbers benefiting figure in this case is the estimated number of taxable claimants of child benefit, not the total number of child benefit claimants.
- (6) The figure relates to the number of policies issued. These include policies where subscriptions were paid by businesses on behalf of their employees. Some claimants may have more than one policy.
- (7) Film Relief is scheduled to end on 31 December 2008.
- (8) CGT is not payable where the capital gain is in respect of the disposal of a person's Principal Private Residence. The figure for the cost of this relief makes no allowance for the number of cases where the disposal of the property was on death, and would therefore be exempt from CGT even in the absence of this relief. The Revenue Commissioners have no basis upon which to estimate the proportion of disposals of principal private residences which are sales on the death of owners. If this relief was abolished it would however, in all probability, be necessary to introduce a form of rollover relief for taxpayers changing residence.
- (9) Based on Department of the Environment, Heritage and Local Government's Annual Housing Statistics Bulletin 2005 data.

- (10) Benefits here include refunds of VRT and VAT on the purchase of the vehicle, VAT (subject to a limit) on the cost of adaptations carried out, repayment of excise duty up to a maximum of 600 gallons and anyone with a primary medical certificate is exempt from road tax.
- (11) The cost of exempting the income of charities, colleges, hospitals, schools, friendly societies, etc. from income tax includes the sums repaid in respect of tax credits and income tax deducted at source (certain dividends, other investment income and payments received under covenant). It also includes the cost of exempting certain bodies from the deduction on income arising from government securities. Information is not available about other income received gross.