

## **Major Tax Incentives/Expenditures**

1. Papers concerning tax expenditures/incentives and options to broaden the tax base are circulated annually to the Tax Strategy Group (TSG). The most recent paper was TSG 06/17 which followed similar TSG Papers 04/22 and 05/19. This paper is supplied for information purposes.
2. A table showing significant tax expenditures/incentives is appended to this paper. 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 Each relief has been costed individually on the basis that if the relief were withdrawn the tax system would remain otherwise unchanged.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>	Notes
<u>Corporate</u>				
Capital Allowances (includes business allowances and allowances to incentivise certain behaviour such as urban and rural renewal)	272,300	1,684	2004	(1)
Group Relief	1,600	422	2005	
<u>Pensions/Savings</u>				
Exemption of the Investment Income and Gains of approved Superannuation Funds	n/a	1,200 *	2006	(2)
Employers' Contributions to Approved Superannuation Schemes	n/a	120 *	2006	
Employees' Contributions to Approved Superannuation Schemes	726,400 (2004)	540 *	2006	
Special Savings Investment Accounts	1,076,300	439	2006	(3)
Retirement Annuity Premiums by Self-Employed	115,000 (2004)	380	2006	
Pension Lump Sums	n/a	130 *	2006	(4)
Exemption of Interest on Savings Certificates, National Instalment-Savings and Index-Linked Savings Bonds	n/a	150	2004	
<u>Personal</u>				
Child Benefit - exemption from income tax	377,400	536 *	2007	(5)
Loans relating to principal private residence - interest relief	634,100	480	2007	
Relief in respect of Medical Insurance Premiums	1,072,800 (2005) policies	261	2006	(6)
Expenses allowable to Employees under Schedule E (work related)	867,320	122	2004	
Health Expenses Relief	218,140	110	2004	
Trade Union Subscriptions	248,290	11	2004	
Rented Residential Accommodation	3,578	182 *	2004	
Investment in Corporate Trades (BES)	2,000	21	2006	
Investment in Films	3,400	36	2006	(7)
Relief on Rent paid in Private Tenancies	118,530	33	2004	
<u>Capital Taxes</u>				
Principal Private Residence - CGT exemption	n/a	2,476	2006	(8)
Stamp Duty Relief for new homes	n/a	460 *	2006	(9)
Exemption from CGT on occasion of Death	n/a	55	2006	
<u>Indirect Tax</u>				
Disabled Drivers and Disabled Passengers Tax Concessions	9,000	59	2006	(10)
Farm Buildings and Land (VAT Refund)	n/a	38	2006	
Excise relief for local public transport vehicles	n/a	27	2006	
<u>Other Income Tax</u>				
Exemption of income of Charities, Colleges, Hospitals, Schools, Friendly Societies etc.	n/a	19	2004	(11)
Artists Relief	1,970	28	2004	
Donations to Approved Bodies	42,890	26	2004	
Relief under Profit Sharing Schemes	44,000	40 *	2004	

## Notes on Table

### Preliminary note

In the "Pensions /Savings" section of the table the figures of cost shown for -

Exemption of the Investment Income and Gains of approved Superannuation Funds  
Employers' Contributions to Approved Superannuation Schemes  
Employees' Contributions to Approved Superannuation Schemes  
Retirement Annuity Premiums by Self-Employed  
Pension Lump Sums

are as projected forward in 2006 terms, in the Green Paper on Pensions.

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 2004 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 active special savings investment accounts at end December 2006. The SSIA scheme ended 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 2006 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.