

## **Consultation on Pay & File dates in the context of a Budget Day on or before 15<sup>th</sup> October**

The Minister for Finance, Mr. Michael Noonan, T.D., invites interested parties to make submissions in relation to changes required to the Pay & File dates.

These changes are required in order to provide increased certainty around the annual tax take and are required as a result of the move to an earlier Budget Day. This move is a result of the adoption of the “Two-Pack”<sup>1</sup>.

**The consultation period will run to Friday, 8<sup>th</sup> November 2013** and any submissions received after this date cannot be considered. While the consultation period is relatively short this arises from the need to ensure that the changes actually adopted can be reflected in a Committee Stage Amendment to Finance (No. 2) Bill 2013.

### **How to Respond**

The preferred means of response is by email to: [taxpolicy@finance.gov.ie](mailto:taxpolicy@finance.gov.ie) but if you prefer you are welcome to respond by post to:

Pay & File Consultation,  
Department of Finance,  
Government Buildings,  
Upper Merrion Street,  
Dublin 2.

When responding, please indicate if you are a business, business professional, adviser, representative body or member of the public.

### **Freedom of Information**

Responses to this consultation are subject to the provisions of the Freedom of Information Acts. Parties should also note that responses to the consultation may be published on the Department’s Tax Policy website.

### **Queries**

Please email [taxpolicy@finance.gov.ie](mailto:taxpolicy@finance.gov.ie) should you have any queries.

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<sup>1</sup> Under the regulations known as the “Two-Pack” which were formally adopted on 30th May, a common budgetary timeline is being introduced for all Euro Area member states. Specifically:

- the draft budget for central government and the main parameters of the draft budgets for all the other sub-sectors of the general government must be published by the 15th of October each year;
- draft budgetary plans in a common format must be submitted by all Euro area Member States not in a programme of assistance; and
- the budget for the central government must be adopted or fixed upon and published by the 31st of December each year.

In light of these requirements, the Government has decided to bring Budget Day forward from the first week in December to on or before the 15th of October from now on. This means that Budget 2014 will be presented and published on Tuesday, the 15th of October this year. The Government has also decided that the Finance Bill should complete its passage through the Oireachtas by the 31st of December each year.

## Background

One of the most critical elements of the Budget process is the accuracy of systems for forecasting potential revenue yield in the year in question prior to the Budget actually taking place. With a projected tax yield of €38bn in 2013, any issues which could assist the accuracy of forecasting must be examined.

In the context of a December Budget Day, the availability prior to the Budget of information on cumulative tax yields to the end of November gave a high degree of certainty to the estimation of potential outturn for the year. For example, cumulative tax yield to the end of November 2012 was €33.8bn, which represented 92% of the full year outturn of €36.6bn. On the other hand, cumulative yield to end September, at €26.1bn, represented only 71.3% of the eventual outturn.

In this situation the scope for unanticipated events which would lead to either a higher or lower than projected outturn is considerably increased. In addition the ability to project future yield is compromised

Consequently, measures which would result in improvements in the availability of information or increases in the proportion of total yield that would be available prior to the Budget have to be considered.

The main areas where scope exists to introduce such improvements relate to the Pay & File arrangements applicable to the following:

- Self-assessed **income tax**; 14% (€2.18bn) of the 2012 income tax yield was collected in November of that year, as against a rate varying between 7% and 9% for the remaining months of the year (e.g. €1.37bn in April)
- **Capital Gains Tax (CGT)**; 48% of CGT was received in December 2012, compared to a monthly rate below 5% for the remainder of the year, apart from February, which stood at 29%
- **Capital Acquisitions Tax (CAT)**; An aggregate of 61% was received in the two months of October and November. Receipts for the remainder of the year varied between 0% and 8%

It should be noted that there is little, if any scope for enhancing either the availability of information or pre-Budget receipts under the remaining tax headings of Corporation Tax, VAT, Excise, Stamp Duties or Customs.

## **Possible Options - Income Tax**

The spike in income tax receipts to €2.18bn in November 2012, compared to an average of €1.18bn for the other eleven months of the year, would have almost entirely been due to self-assessed income tax payments. This €1bn increase is equivalent to around 7% of total income tax receipts for the year. Advance knowledge of such an amount in the context of an October Budget would be of considerable significance in predicting annual outturn.

Accordingly, the following options in relation to self-assessed income tax could include:

1. Move the Pay & File date to 30<sup>th</sup> June;
2. Move the Pay & File date to September;
3. Move the Pay & File date to September but introduce an arrangement to allow taxpayers to mandate from State payments such as the Single Farm Payment.

### **1. June Option**

Moving the Pay & File date to 30<sup>th</sup> June could have advantages for both practitioners and Revenue in spreading the work associated with filing over a longer period. On the other hand, it would have a significant cash flow impact on business.

### **2. September Option**

A September Pay & File date with a date of, say, 20<sup>th</sup> September for taxpayers who file electronically would keep approximately the same interval between the Pay & File date and Budget Date as exists at present. This would minimise the cash flow impact on business. On the other hand, it would mean that income tax and most corporation tax returns would be filed at the same time, imposing a burden on practitioners and Revenue.

### **3. Mandating of tax payments**

It would be possible to move the Pay & File date but allow taxpayers who are in receipt of State payments to mandate the payment to Revenue. This would give certainty at the Pay & File date about the amount that would be received. In practice, this facility could only operate, and would only be of value to the taxpayer, where the taxpayer was in receipt of a State payment between the Pay & File date and the end of the year.

## **Possible Options – Other taxes**

### **Capital Gains Tax (CGT)**

At present, returns for CGT are made as part of the Income Tax return. Therefore, any change in CGT filing date will follow from a change in the Income Tax filing date. At present, CGT is paid in December for all gains made up to 30 November with gains in December payable in the following January. To improve the information available for budgetary purposes it would make sense to move the first payment date for the payment of CGT from December to, say, September with a second payment in December to cover gains on the period August to November.

## **Capital Acquisition Tax (CAT)**

The CAT filing date has moved three times in the last three years. The current date was adopted following arguments by practitioners that it was desirable from their point of view to file for Income Tax, CGT and CAT at the same time. Given the amounts involved, it may be best not to make any change in the CAT filing date, at least for the present.

## **The consultation process**

**Your views are requested as follows, to reach the Department of Finance no later than Friday, 8<sup>th</sup> November 2013:**

- 1. In relation to the Income Tax options set out above, please indicate which option you prefer and why.**
- 2. Please indicate any particular issues which you see in relation to the other Income Tax options, i.e. those you do not favour.**
- 3. If there are other options in relation to Income Tax which you feel should be considered please set these out briefly.**
- 4. Please advise any views you may have in relation to CGT and CAT.**
- 5. Finally, we would like to hear any other comments you may have on the issue of Pay & File dates.**

## **What happens next?**

The views expressed in this consultation process will be considered by the Minister and his officials in the context of Finance (No. 2) Bill 2013. It is anticipated that the decision taken by the Minister will be reflected in an Amendment at Committee Stage. The Bill is expected to be signed into law before the end of 2013 and changes will take effect in 2014.