An Roinn Airgeadais
Department of Finance

Budget 2022

Report on Tax Expenditures 2021 (Incorporating Outcomes of Certain Tax Expenditure & Tax Related Reviews Completed Since October 2020)

Prepared by the Department of Finance

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Report on Tax Expenditures 2021

(Incorporating outcomes of certain tax expenditure & tax related reviews completed since October 2020)

October 2021

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Preface >

The Department of Finance's October 2014 "Report on Tax Expenditures" set out new Guidelines for best practice in ex-ante and ex-post evaluation of tax expenditures. By way of example it included a brief synopsis of some of the more recent tax expenditure reviews.

In October 2015, the Department published its first annual Report on Tax Expenditures which built on the 2014 Tax Expenditure Guidelines. It contained a set of tables outlining the fiscal impact of the range of tax expenditures as required under the EU Budgetary Framework Directive[1], and also the results of a number of tax expenditure reviews that have been completed since the last Budget.

This Report, the Report on Tax Expenditures 2021, is the seventh such report, and continues in a largely similar format to the previous ones, in that it includes three tax expenditure/tax related reviews, as well as the tables referred to above.

As has been the case in recent years, we have also included some analysis of the tax expenditure data contained in Tables A-G. The analysis provided this year seeks to build on that provided in the last two Reports.

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1: Introduction and Analysis

This report is the seventh such annual report (previous reports are available on the Government website with the documentation for the Budget that was announced that year). It lists the tax expenditures, as per the OECD definition, that that have been in effect since the previous such report (which was published in October 2020) and contains three tax/tax expenditure related reviews.

Tax Expenditures

Evaluation of tax expenditures has been ongoing in the Department of Finance since 2006. The 2009 Report of the Commission on Taxation, identified 258 tax expenditures and made recommendations as to their retention, modification or their being discontinued.

The Department of Finance's guidelines for Tax Expenditure Evaluation were published in October 2014, and the Department has since then built on the Commission on Taxation's work with the introduction of the report on tax expenditures incorporating the Department's

The definition of a tax expenditure in Irish legislation, which is used by the Department of Finance, draws on an OECD definition and describes a tax expenditure as a transfer of public resources that is achieved by:

a) Reducing tax obligations with respect to a benchmark tax rather than by direct expenditure; or

b) Provisions of tax legislation that reduce or postpone revenue for a comparatively narrow population of taxpayers relative to the tax base.

Tax expenditures may take a number of forms such as exemptions, allowances, credits, preferential rates, deferral rules etc. They are general government policy instruments used to promote specific social or economic policies and are closely related to direct spending programmes.

The introduction of an obligation on Member States to publish information on the impact of tax expenditures in the context of the Budgetary Frameworks Directive was driven by the fragmented nature of information about tax expenditures previously available, which gave rise to a lack of transparency. This was seen as acting to hinder the effectiveness and efficiency of fiscal policy making by Member States, and also to render the identification of possible improvements to fiscal and tax arrangements more difficult.

The tables of Tax Expenditures in use between October 2020 and September 2021[2], showing data for the last two years for which it is available, are set out in section 3 of this report.

Data on the revenue foregone and/or the number of tax payers utilising/availing of each tax expenditure for 13 (7%) of the 180 listed tax expenditures is not available for various reasons. While we continue to seek to reduce the number of tax expenditures on which data is not shown further, their existence continues to make it difficult (should we wish to do so) to draw any definitive conclusions or to take any definitive positions in relation to tax expenditures as an overall category. It should also be noted that there are a number of expenditures for which figures are estimated/rounded (e.g. <10, negligible, etc.)

[2] It has not proved possible to include projections for all current tax expenditures in this report, therefore only the most recently available data for the preceding two calendar years is provided where available.

For certain Income Tax and Corporation Tax expenditures, the most recent figures available are for 2018. Data for 2019 are not currently available to Revenue due to system changes but this is being worked on and the figures will be published in due course.

Methodology

Both the Department of Finance and Revenue use the revenue foregone method to estimate the cost of tax expenditures.

A critical assumption made in the revenue foregone approach is that taxpayers do not change their behaviour in response to the tax expenditure concerned. In reality, behaviour is likely to change if an incentive is withdrawn. This implies that the value of the tax base would change, and the additional revenue received from the measure's withdrawal might be less than projected in the total tax expenditure estimate.

It has therefore been suggested that consideration be given to employing other methods (such as 1 and 2 below), given what is seen as the underlying weakness inherent in the standard revenue foregone method. It is however acknowledged that the complexities of those other approaches mitigates against their use.

1. The final revenue foregone approach incorporates behavioural effects and the interaction of different policy measures.

2. The outlay equivalence method estimates how much direct expenditure would be needed to provide a benefit equivalent to the tax expenditure. This method seeks to measure the value of the same program were it administered as a taxable outlay to recipients.

While the revenue foregone cost of a scheme is relatively simple to estimate, the calculation of behavioural responses are more complex. For this reason, the 2014 Tax Expenditure Guidelines state "*for practical reasons the revenue foregone method is likely to be used in the majority of evaluations. In a cost benefit analysis framework an additional adjustment (to revenue foregone) should be made to account for the opportunity cost of public funds.*"

As a result, the revenue foregone approach remains the preferred method for costing tax expenditures, and going beyond that would entail a more analytical approach as opposed to simply ascertaining or estimating the cost of tax expenditures. There are significant difficulties (data limitations, modelling parameters required, etc.) as well as additional resources required to produce estimates using the final revenue foregone approach (which would need to incorporate secondary and indirect impacts of the expenditure) or the outlay equivalence method. These are highly complex and data intensive methods, therefore, despite its recognised weaknesses, the revenue foregone method is by far the most widely employed method internationally.

This Report therefore, follows the format of its predecessors, and applies the revenue foregone approach in its analysis of the tax expenditure data provided.

Reviews – recently completed, ongoing and planned

The Department's 2014 Guidelines which provide a framework for determining the frequency and nature of reviews (summarised in Table 2 on page 3 of that Report) also provides a basis for determining how and when tax expenditures (new and old) are subject to review. However, it should be acknowledged there can be resource and/or practical constraints which can limit the amount of review work that may be carried out by, or on behalf of, the Department in any one year. Furthermore allowance must be made for more complex reviews and analysis or where a review on occasion might take more than 12 months. Reviews are also being conducted on an ongoing basis, and may not fit neatly into the budgetary timeframe.

In this regard, it should be noted that there are currently a range of reviews planned for 2022, and others will emerge over the course of the Department's work as the year progresses.

Recent developments in the tax expenditures area

The Committee on Budgetary Oversight met on 24th June this year to hear presentations on, and to discuss tax expenditures. A transcript of that meeting can be found at Committee on Budgetary Oversight debate - Thursday, 24 Jun 2021 (oireachtas.ie).

In summary the Committee met with Dr Micheál Collins, Assistant Professor of Social Policy, University College Dublin and Dr Barra Roantree of the ESRI (with support from colleagues) on the topic of tax expenditures.

Dr Collins called for 5 main reforms:

1. A broadening of high-income individuals' restriction to cover all tax relief measures.
2. A phasing out tax credits for those earning more than €100,000 per annum.
3. The reform of tax reliefs (including lump sum and Standard Fund Threshold) associated with pensions.
4. The abolition of the Special Assignee Relief Programme (SARP).
5. The application of the standard rate of income tax to those reliefs currently available at the marginal rate.

More broadly, he also called for further scrutiny of tax expenditures, possibly on a themed basis.

Dr Roantree questioned the benefit of a number of tax expenditures:

- CAT relief for businesses and agriculture
- CGT Entrepreneur Relief
- Tax free retirement lump sums

He also called for an improved evaluation of tax expenditures, perhaps by a dedicated evaluation unit.

Committee Members asked a number of questions of the two contributors and made a number of points.

The Committee has an ongoing interest in the area of tax expenditures.

Commission on Taxation and Welfare (2021-22)

The 2020 Programme for Government "Our Shared Future" committed to an independent commission on taxation and welfare. The establishment of the Commission, including Terms of reference and the appointment of its Chair, Professor Niamh Moloney, was agreed by Government on 19 April 2021, with remaining members appointed in early June and the Commission holding its first meeting shortly after.

The Commission has been established to independently consider how best the taxation and welfare systems can support economic activity and promote increased employment and prosperity, while ensuring that there are sufficient resources available to meet the costs of public services and supports in the medium and longer term. The Commission is expected to work through the terms of reference over the coming months, and to engage with stakeholders and the wider public as part of that process.

The Commission is asked to examine the process for reviewing taxation measures and expenditures in order to ensure it is aligned with best practice and where appropriate make recommendations as to how it can be improved.

A public consultation is expected to launch later in 2021 and will contribute to the Commission's understanding of the interrelated topics of tax and welfare.

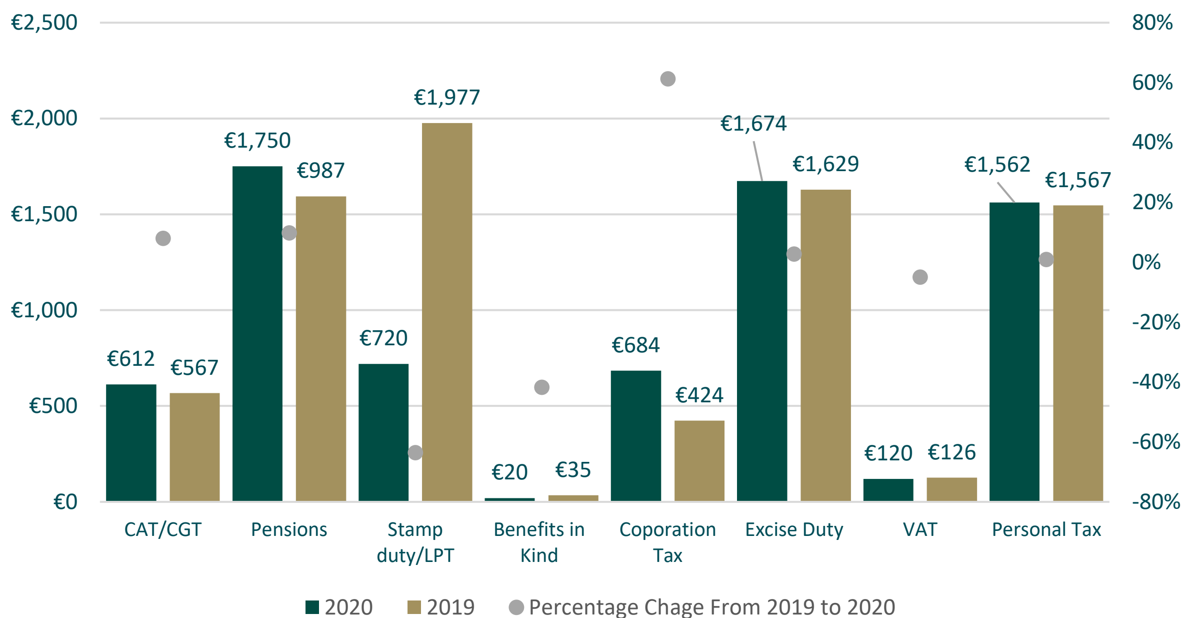
The Commission is due to report to the Minister for Finance by 1 July 2022.

Analysis of the tax expenditure data contained in tables A-G

Overview of the most significant tax expenditures in Ireland

Figure 1 shows the percentage of the total revenue forgone (€7.1 billion) under eight headings and the percentage change from the previous year. It should again be noted that data for 7% of the tax expenditures listed is not available, so the €7.1 billion does not reflect the full amount of such expenditure. Also in a small number of cases only pre-2018 figures are available, and these are included in this total.

Figure 1: Tax expenditures by heading, € millions



Source: 2021 and 2020 Tax Expenditures Report.

The following two tables show the top ten tax expenditures from the 2021 Report in terms of revenue foregone, and the most expensive tax expenditure under each of the eight categories. The figures are for the most recent year available (2020 unless indicated otherwise), and again it needs to be strongly emphasised that there is no or limited data on 7% (13 out of 180) of the tax expenditures included in this Report, with data on a number of others being estimated.

Table 1: Most expensive Tax Expenditures in each tax category

Top Tax Expenditures by category	Name	Value €m
CAT/CGT	CAT business relief	€185.5
Pensions	Employees' contribution to approved superannuation schemes	€677.7 (2018)
Stamp Duty/LPT	Certain company reconstructions and amalgamations	€496
Local Property Tax	Exemptions	€14.3
Benefits-in-Kind	Tax relief on Commuter tickets	€7 (Estimated)
Corporation Tax	Research & Development (R&D) Tax Credit	€626
Excise Duty	Excise Rate on Kerosene	€680.9
VAT	VAT refund to flat rate farmers for construction	€80
Personal Tax Credits	Medical Insurance Relief	€355.7 (2018)

Source: 2021 Tax Expenditures Report. Figures refer to 2020 or latest year available.

Table 2: Top ten tax expenditures by cost

Tax Expenditure	Value €m	Tax Category
Excise Rate on Kerosene	€680.9	Excise Duty
Employees' contribution to approved superannuation schemes	€677.7	Pensions
Exemption of employers' contributions from employee BIK	€658.3	Pensions
Research & Development (R&D) Tax Credit	€626	Corporation Tax
Certain company reconstructions and amalgamations	€496	Stamp Duty
Reduced rate applied to Marked Gas Oil (MGO) used in home hearing, agriculture, marine and rail sectors (Sections 94-109 Finance Act 1999)	€488.3	Excise Duty
Excise rate on Auto-diesel	€366.1	Excise Duty
Medical Insurance Relief	€355.7	Personal Tax Credits
Pension Contribution (Retirement Annuity and PRSA	€241.3	Pensions
Health Expenses	€190.1	Personal Tax Credits
Total for the Top 10	**€4.78 (Billion)**	
Total for all Tax Expenditures	**€7.14 (Billion)**	

Source: 2021 Tax Expenditures Report. Figures refer to 2020 or latest year available.

For clarification, the tax expenditures on excise rates refers to the difference between the current tax take on excise for a specific fuel and the tax that would be taken in if the excise rates on kerosene, marked gas oil and auto-diesel were at the same rate as unleaded petrol, the highest excise rate on mineral oils.

The total revenue foregone of the ten most costly tax expenditures amounts to approximately €4.7 billion, €1 billion lower than the equivalent figure in the 2020 Tax Expenditures Report. This

decrease is mostly due to certain company reconstructions and amalgamations for stamp duty falling significantly from €1.7 billion to €496 million.

Table 3: The six tax expenditures that are most changed in terms of revenue foregone when compared to the previous year.

Tax Expenditures	Latest Figure	Previously Recorded Figure	Difference	Section
Certain company reconstructions and amalgamations	€496m (2020)	€1,708m (2019)	€1,212m	Stamp Duty
Research & Development (R&D) Tax Credit	€626m (2019)	€355m (2018)	- €271m	Corporation Tax
Excise Rate on Kerosene	€680.9m	€578.7	- €102.2m	Excise
Employees' contribution to approved superannuation schemes	€677.7m (2018)	€598.1m (2017)	- €79.6m	Pensions
Mortgage Interest Relief	€107.3 (2018)	€171.1 (2017)	€63.8m	Personal Tax Credits
Excise Rate on Auto Diesel	€366.1	€422.8	€56.7m	Excise

Note: All latest figures refer to 2021, and previously recorded to 2020, unless stated otherwise

Brief explanation for the increases/decreases reflected in Table 3:

1. **Certain company reconstructions and amalgamations**: Section 80 of Stamp Duty Consolidation Act 1999 provides an exemption from Stamp Duty where there is a scheme of reconstruction or amalgamation. This will normally involve the transfer of shares or an undertaking from one company to another, in return for the issue of shares. Reconstruction or amalgamation activity will vary from year to year.

   The decrease in the figure for company reconstructions in 2020 can be seen in the sense that 2019 was an exceptional year in terms of expenditures and the 2020 levels are closer to the average figure for recent years. Revenue are currently working on further analysis of the composition of the take up of this relief.

2. **R&D Tax Credit:** The increases tax cost of R&D tax credit can be attributed to an increase in the levels of qualifying expenditure in 2019 and 2018. Expenditure on research and development fluctuates from year to year due to the project-driven nature of R&D activities.

   Detailed analysis of this credit, including information in respect of amounts of repayable credits and reduced current year claims in 2019, is published in the tax expenditures section of the Revenue website at: https://www.revenue.ie/en/corporate/information-about-revenue/statistics/tax-expenditures/r-and-d-tax-credits.aspx.

3. **Excise on Kerosene Duty:** The increase in the Excise duty on Kerosene can be attributed to the increase in Kerosene clearances, which increased from 1,068,064 litres in 2019 to 1,256,626 litres in 2020, a jump of 17.65%. As kerosene is mainly used as a heating fuel, it is likely this increase is due to the rise in remote working as a result of the Covid-19 pandemic.

4. **Employees' contribution to approved superannuation schemes:** Income Tax relief is available against earnings from employment for pension contributions (including Additional Voluntary Contributions (AVCs)) subject to various limits.

   This covers pension contributions to these types of pension plans:

   - Occupational pension schemes
   - Personal Retirement Savings Accounts (PRSAs)
   - Retirement Annuity Contracts (RACs)
   - Qualifying overseas plans.

   The increase tax cost for employees' contribution to approved superannuation schemes relates to an increased number of individuals making a contribution (up from 614,200 in 2017 to 663,900 in 2018), as well as an increase in the average value of contributions being made. This is likely driven by the increase in average annual earnings and overall economic growth over the period in question.

5. **Mortgage interest relief:** This relief applies to persons with a qualifying mortgage loans on a principal private residence taken out between 2004 and 2012. The continued reduction in the revenue foregone to Mortgage Interest Relief was in line with the phased withdrawal of the relief applying in 2018. The relief was withdrawn on 31st December 2020.

   As this relief was discontinued, we have also included the 6th tax expenditure in terms of greatest variance between the two most recent years for which figures are available.

6. **Excise Rate on Auto Diesel:** As with the excise rate on kerosene, the change in the figure for this expenditure can be largely attributed to the Covid-19 pandemic. As people were driving less due to lockdown restrictions and the emergence of working from home in some sectors, auto fuel consumption decreased and, as such, so did the amount of revenue foregone on this expenditure.

2: Tax Expenditure and Tax Related Reviews

Over the course of each year, a number of reviews of tax expenditures and other tax related matters are carried out by, or on behalf of, the Department of Finance. These are intended to ensure that the tax expenditures and taxes they relate to remain fit-for-purpose, to ascertain whether existing tax expenditures and taxes should be amended, continued, extended or ended, or to otherwise review certain taxes (existing and proposed) or groups of taxes. These are carried out in-house by the Department of Finance (in co-operation with the Office of the Revenue Commissioners and where appropriate other relevant Departments), by the Office of the Revenue Commissioners, or, on occasion through availing of specialised consultants, again with the input of this Department, Revenue and other relevant Departments (where appropriate).

The opportunity presented by the publication of this Tax Expenditures Report, again facilitates the inclusion of a small number of these reports which have been completed in this area since Budget 2021.

This year three reports are included in this document:

I. Review on Corporation Tax Relief for Certain Start-up Companies
II. Review of the Young Trained Farmer stamp duty relief and of the age limits applicable to certain agri-tax reliefs (2021)
III. Equality Budgeting Paper

I: REVIEW ON CORPORATION TAX RELIEF FOR CERTAIN START-UP COMPANIES

Section 486C, Taxes Consolidation Act 1997

September 2021

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Introduction

The three year start-up relief for certain companies is a key support for new small businesses.

The current Programme for Government, titled "Our Shared Future" (available at www.gov.ie), states that Small and Medium Enterprises (SMEs) are "the backbone of our economy and support so many jobs across the country." The Programme for Government also commits to ensuring "that our tax system remains supportive of the SME sector." To that end, one of the action points in the Programme for Government is to "review the taxation environment for SMEs and entrepreneurs, with a view to introducing improvements to different schemes, so that Ireland remains an attractive place to sustain and grow an existing business or to start and scale up a new business."

The business environment has changed significantly since the previous review of the relief in 2018. Brexit and the COVID-19 pandemic both present significant challenges to up and coming businesses seeking to establish and grow.

This review analyses the most recent data available to identify any trends apparent among the business demographic who may qualify for this relief. The review also takes into account the factors which have impacted firms in 2020 and 2021, primarily as a result of the pandemic and Brexit.

Background

Finance (No. 2) Act 2008 introduced Section 486C into the Taxes Consolidation Act 1997, to provide relief from corporation tax for start-up companies in their first three years of trading. The objective is to support new business ventures in their critical early years of trading, thereby supporting the creation of additional employment and economic activity in the State. The relief is granted by reducing the corporation tax payable on the profits of the new trade and gains on the disposal of any assets used for the purposes of the new trade.

Supporting Employment

According to the Central Statistics Office (CSO) Business in Ireland 2018 report (available at www.cso.ie): in 2018 SMEs made up 99.8% of all active enterprises in Ireland; accounted for 67.5% of all employees; for 37.3% of Ireland's Gross Value Added (GVA); and for 46.2% of the total value of revenue generated by Irish based businesses. More specifically, micro companies (those with less than 10 people engaged) accounted for 91.9% of all active enterprises and 25.7% of persons engaged in that year.

The corporation tax relief available under Section 486C relief is calculated by reference to the amount of Employers' PRSI paid by a company in its first three years of trading. The policy rationale for this link, which was introduced in 2011, is to better target the relief at companies generating employment. More generally, the intention behind the relief is for the benefit to be retained in the company structure and subsequently used to re-invest in the business, enhancing its potential to create and maintain quality employment.

Other tax measures

Section 486C relief complements a range of other measures which the Government has introduced to support economic recovery and the jobs market.

Other tax measures which are similar to section 486C relief in their policy aim include the **Employment Investment Incentive (EII)** and the **Key Employee Engagement Programme (KEEP)**. EII is a tax relief which aims to encourage individuals to provide equity-based finance to trading companies. The KEEP is a tax efficient share option scheme for employees allowing them to be given an option to acquire shares at a future date at a fixed price and providing that no tax will arise on the exercise of these options, dependent on certain conditions being met. Further details on these measures can be found on the Revenue website, www.revenue.ie.

Broadening the Corporation Tax Base

A further objective of the Section 486C relief is to support the survival of new start-up companies, thus leading to a broadening of the corporation tax (CT) base. According to Revenue's "Corporation Tax – 2020 Payments and 2019 Returns" publication (available on www.revenue.ie), 97,500 companies were net corporation tax payers in 2019, but CT receipts remain highly concentrated among the top ten companies. The top ten companies accounted for 40% of net CT receipts in 2019, amounting to almost €4.4 billion of the total net CT receipts of €10.88 billion. This increased to 51% in 2020, although it is noted that the effects of the COVID-19 pandemic on small businesses will have influenced this increase in concentration.

According to Revenue, prior to the pandemic the growth of small and medium enterprises was outpacing that of LCD companies. However, the COVID-19 pandemic has impacted SMEs significantly, leading to the concentration of CT receipts from larger companies becoming more prominent.

It is in Ireland's interest to continue its progress in broadening the CT base, as this will improve the resilience of CT revenues into the future. At a time of uncertainty in the global international tax sphere, it is prudent to strengthen Ireland's supports for small, indigenous business.

Main features of the relief

As a corporation tax relief, Section 486C applies to incorporated businesses only – i.e. incorporated companies.
The initial exemption period is three years from the date of commencement of the new trade.
Exemption is granted in respect of the profits of a new trade and chargeable gains on the disposal of any assets used for the purposes of a trade.
The amount of corporation tax relief available is linked to the amount of Employers' PRSI paid by a company in an accounting period, subject to a maximum of €5,000 per employee (equating to an annual salary of over €49,000) and an overall annual limit of €40,000.
Subject to sufficient Employers' PRSI contributions, full relief applies where the total corporation tax liability does not exceed €40,000 in any of the years of the three year period.
The exemption is granted by reducing the corporation tax relating to the trade and chargeable gains of the company to nil, subject to sufficient Employers' PRSI contributions.
Marginal relief is available for companies with a tax liability between €40,000 and €60,000, to ensure new start-up companies with a liability of just over €40,000 do not lose the full value of the relief. Marginal relief operates by allowing relief on a tapering basis so that, the closer the company comes to the outer €60,000 limit, the less relief it will get.

A sample calculation is shown opposite. An in-depth explanation of how the relief operates with worked examples can be found in Revenue's Tax and Duty Manual (Part 15-03-03)[3].

Restrictions on the relief

A company that takes over an existing trade or part of a trade, which was carried out in the State by another person, will not qualify in respect of income of the trade taken over.

Relief will cease if part of the trade is transferred to a connected person.

"Service companies" within Section 441 of the Taxes Consolidation Act 1997 do not qualify for the relief. (Service companies include close companies whose business consists of the carrying on of a profession or the provision of professional services, or of exercising an office or employment – for example: solicitors, dentists, accountants.)

Transfers of part of a trade to another company to keep below the €40,000 limit are prohibited as are transfers of assets into a new company from a connected company for the purpose of benefiting from the exemption. However, a foreign trade moving into the State for the first time may qualify.

New start-up companies with a corporation tax liability of €60,000 or over in any of its first three years will not receive any relief for that year. The taxable profits of a company in this scenario would be close to a half-million euro (€480,000) per annum.

Link between relief and ER PRSI

Finance Act 2011 modified the relief to make it more employment focused, by linking the quantum of relief to the amount of Employers' (ER) PRSI paid by a company in an accounting period, subject to a maximum of €5,000 per employee and an overall limit of €40,000.

If the amount of qualifying ER PRSI paid by a company in an accounting period is lower than the reduction in corporation tax otherwise applicable, relief will be based on this lower amount.

Example

A start-up company with four employees and annual ER PSRI payments of €5,000 in respect of each employee can obtain a reduction in corporation tax of up to €20,000 (4 x €5,000) in respect of its taxable profits.

If the company had instead paid €6,000 in ER PRSI for each of its four employees, the reduction in corporation tax would remain at a limit of €20,000.

New companies carrying out activities to which the higher rate of corporation tax (25%) under s.21A TCA applies (dealing in development land, petroleum activities etc.) do not qualify.

A business cannot avail of an income tax relief for new unincorporated trades and then incorporate to also avail of the three-year exemption from corporation tax for start-up companies.

[3] This can be found in Revenue's index of the TDM here: https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-15/index.aspx

Carry-forward of unused relief

Finance Act 2013 enhanced the relief by allowing a carry-forward of any relief arising in the first three years of trading, and which is unused due to losses or insufficient profits in those years, for use in subsequent years. This provided a significant enhancement to the relief as, prior to this amendment, the relief operated on a 'use it or lose it' basis. Relief was not available if a company incurred a loss or did not have sufficient profits and tax payable in the first three years of trading to avail of the full potential benefit.

The use of carried-forward amounts also depends on the Employers' PRSI paid in future years. To ensure that the company availing of the relief maintains their commitment to employment, the amount of relief allowed in a given year continues to be restricted by reference to the total Employers' PRSI contributions for that year. This provision provides further assistance to new start-up businesses, many of which do not make profits in their early years.

Sunset Clause for Relief

The relief, was extended in Finance Act 2018 until the end of 2021 on foot of a review of the measure in line with the Tax Expenditure Guidelines 2014.

The review of the relief ("Tax Expenditure Review of Three Year Start-Up Relief (Section 486C)") was published in October 2018. Subsequently, on the recommendations of the review, the relief was extended in Finance Act 2018 until the end of 2021. The review document can be found on the Budget 2019 webpage, www.budget.gov.ie/Budgets/2019/.

The purpose of this further *ex-post* evaluation of the relief is to determine whether the relief still remains effective, and whether it should be further extended in Budget 2022.

Pandemic Related Supports

Section 486C relief is a part of a suite of measures to support businesses, large and small.

In addition to long-standing measures in the tax system which aim to support Irish businesses, the government introduced a series of measures in 2020 and 2021 to support businesses facing immense challenges as a result of the COVID-19 pandemic and related public-health measures. These included a range of both tax-based and expenditure measures, and some of the key measures relevant to businesses are set out below.

The Government's webpage on COVID-19 can be found at www.gov.ie, while the Department of Enterprise, Trade and Employment has a webpage on government supports for businesses at www.enterprise.gov.ie. These supports include the Employment Wage Subsidy Scheme (EWSS), COVID-19 Credit Guarantee Scheme and COVID Restrictions Support Scheme (CRSS).

July 2020 Jobs Stimulus package

The stimulus package, valued at €7.4 billion, included the following measures:

Backing Ireland's Businesses

- The Employment Wage Support Scheme, which succeeded the Temporary Wage Subsidy Scheme
- 0% interest for first year of SME loans
- Extension and expansion of Restart Grant for Enterprises
- The temporary waiver of commercial rates
- The €2 billion COVID-19 Credit Guarantee Scheme
- Other business finance measures, including supports for start-ups

Helping People, especially young people, get back to work

- Extension of the Pandemic Unemployment Payment (PUP)
- €200 million investment in training, skills development, work placement schemes, recruitment subsidies, and job search and assistance measures
- Provision of 35,000 extra places in further and higher education.
- Further supports for apprenticeships

Building Confidence and investing in communities

- €500 million investment in communities
- Investment in schools, walking, cycling, public transport, home retrofitting, and town & village renewal
- Tax measures including a temporary reduction in the standard rate of VAT
- Stay and Spend initiative

Preparing Ireland for the Economy of the Future

- €25 million Investment in Life Sciences
- Addition of 19,000 places on the Government's *Skills to Compete* programme
- €10 million to be provided under a New Green Enterprise Fund
- Increase in Seed and Venture Capital for innovation driving enterprises
- Additional supports for IDA promotional and marketing initiatives targeting jobs
- Additional supports to businesses to develop their online presence.
- €20 million Brexit fund to help SMEs to prepare for new customs arrangements
- Expansion of Sustaining Enterprise Fund scheme

Economic Recovery Plan

The Economic Recovery Plan, published in June 2021, is a roadmap outlining how the Government will support the full resumption of economic activity and get people back to work following the COVID-19 pandemic. Further detail on the ERP can be found at www.gov.ie.

The additional measures to support businesses are:

- An extension of the EWSS and CRSS schemes until 31 December 2021
- A new Business Resumption Support Scheme (BRSS) to be introduced in September 2021

- The commercial rates waiver was extended to 30 September 2021
- The extension of the tax debt warehousing scheme until 31 December 2021
- An extension of the reduction in VAT rate of 9% for the hospitality and tourism sector until 1 September 2022
- A new COVID-19 Deferred Payment arrangement to support additional statutory redundancy costs

Further details are provided below on the CRSS, BRSS and debt warehousing scheme below, as well as other supports.

Employment Wage Subsidy Scheme (EWSS)

The Employment Wage Subsidy Scheme (EWSS) is an economy-wide enterprise support for eligible businesses in respect of eligible employees. It replaced its predecessor, the Temporary Wage Subsidy Scheme (TWSS) from 1 September 2020. EWSS provides a flat-rate subsidy to qualifying employers based on the numbers of paid and eligible employees on the employer's payroll. It also provides for a reduced rate of employer PRSI of 0.5% on wages paid which are eligible for the subsidy payment.

While the criteria for eligibility for business in general is based on a reduction in turnover, as a result of the pandemic and having regard to the importance of maintaining the provision of childcare facilities so as to enable parents to continue in, or to take up, positions of employment, the legislation provided that childcare businesses in possession of tax clearance and registered in accordance with Section 58C of the Childcare Act 1991 are eligible for the EWSS.

The objective of the EWSS is to support all employment and maintain the link between the employer and employee insofar as is possible. The EWSS has been a key component of the Government's response to the continued Covid-19 crisis to support viable firms and encourage employment in the midst of these very challenging times. As of September 2021, payments of over €4.76 billion and PRSI credit of over €750 million have been granted to 51,400 employers in respect of 656,900 workers through the EWSS scheme.

COVID Restrictions Support Scheme (CRSS)

The COVID Restrictions Support Scheme (CRSS) gives qualifying businesses a cash payment of up to €5,000 a week. The scheme applies when Level 3 or higher restrictions are in place. The CRSS has been extended until 31 December 2021.

A business could qualify if the business premises is either closed to customers or substantially restricted in operating due to COVID-19 restrictions.

Businesses can claim an enhanced restart payment for 3 weeks (up to a maximum of €10,000 per week) to help with the costs of reopening as they exit the scheme.

Business Resumption Support Scheme (BRSS)

A new Business Resumption Support Scheme (BRSS) was announced under the Economic Recovery Plan for Ireland to support vulnerable but viable businesses in sectors that were significantly impacted throughout COVID-19.

The BRSS was introduced in September 2021 for businesses whose turnover is reduced by 75% in the reference period (1 September 2020 to 31 August 2021) compared with 2019. The BRSS is administered by Revenue and will operate in a similar way to CRSS.

Debt warehousing

To further assist businesses who were struggling as a result of COVID-19 public health measures, tax debt warehousing was provided for in legislation. Warehousing of tax debt is aimed at assisting businesses experiencing cash-flow and trading difficulties.

Tax debts that are warehoused are subject to 0% interest for the warehoused period. The tax debt warehousing scheme was extended to 31 December 2021. No interest will be payable during 2022 and a reduced interest rate of 3% a year will apply from 2023.

COVID-19 Credit Guarantee Scheme

The COVID-19 Credit Guarantee Scheme provides loans from €10,000 up to €1 million for terms up to five and a half years. The size of the loan is linked to business turnover (25% of 2019 turnover) or wage costs (double annual wage bill in 2019).

Small Business Assistance Scheme for COVID

The Small Business Assistance Scheme for COVID (SBASC) gives grants to self-employed sole traders, partnerships and companies with an annual turnover of at least €20,000.

Businesses operating from non-rateable premises (such as a home business) are now eligible for the scheme.

COVID-19 Business Loans

COVID-19 Business Loans up to €25,000 are available through Microfinance Ireland (MFI). The loan terms are up to a maximum of three years. The first six months are interest-free and repayment free. Furthermore, a Government rebate is provided for the interest paid on the loan in months 7 -12, refunded automatically via direct debit on Month 13 of the loan.

The loan is open to sole traders, partnerships and limited companies with fewer than 10 full-time employees and annual turnover of up to €2 million.

Future Growth Loan Scheme

The Future Growth Loan Scheme is available to businesses in Ireland, including those in agriculture and fishing sectors. Loans are available from €25,000 up to €3,000,000 for terms of between 7 and 10 years. The loans have a maximum interest rate of 4.5% and the first €500,000 borrowed can be unsecured.

Relevance of Pandemic Supports to S.486C

As referenced in the previous section, the Government has put in place extensive supports to assist businesses throughout the COVID-19 pandemic. A suite of tax and expenditure measures were introduced with the aims of building up economic resilience and helping vulnerable but viable businesses across all sectors.

While these supports were necessary and vital to the survival of many firms, they have caused issues for the availability of section 486C relief. A large proportion of claimants of this relief have traditionally come from sectors particularly affected by public health restrictions, including the wholesale and retail trade sector, construction companies, and accommodation and food businesses.

The Section 486C relief is calculated by reference to the Employers' PRSI payments of the claimant company. However, companies in sectors affected by public-health related closures are likely to have reduced employment numbers, and/or to have availed of COVID-19 support schemes for employment, such as the Temporary Wage Subsidy Scheme (TWSS) and the Employment Wage Subsidy Scheme (EWSS), which reduced the Employer PRSI payable. For example, under the TWSS the rate of Employer PRSI was reduced from 8.8% or 11.05% to 0% on the amount of the TWSS payment and 0.5% of any additional top-up payment, within certain limits. This reduction in Employer PRSI will impact on the calculation of section 486C relief for start-up companies active during the pandemic.

Reduced profits, or indeed losses incurred, during the start-up period will also have a negative impact on the support provided by the relief in the early start-up phase, albeit that the relief may be carried forward where it cannot be fully utilised in the first three years.

Options Considered

In light of this development, the Department of Finance have considered options to amend the provisions of Section 486C to ensure that it can still provide support to start-up businesses, notwithstanding the reduced Employers' PRSI payments in 2020 and 2021 by companies active during the pandemic.

Section 486C relief was referenced in the Corporation Tax Tax Strategy Group Paper this year (available on www.gov.ie). In this paper, Tax Strategy Group members were invited to give their views on the further extension of the relief, and any potential adaptations to the relief in light of the issues noted above, having regard to the relief's key objective of supporting the creation and maintenance of jobs

While it has been suggested that the link to Employer PRSI in section 486C could be removed altogether, this would be a departure from the key objective for section 486C relief, which is to support the creation and maintenance of jobs. Removing the link to Employer PRSI altogether would be contrary to this objective and would bring into question the relevance of the relief.

Another option would be to consider a multiple of a business's prior-year Employers' PRSI when calculating the available relief. However, section 486C relief specifically supports new businesses in their start-up phase when employment is scaling up as the business grows. Therefore a look-back provision of this sort is likely in many cases to be either not possible (as companies may not have existed prior to the year of claim) or not particularly helpful as companies had fewer employees in their early stage of business.

A simpler option could be to extend the claim window for the relief. At present, companies may claim section 486C relief in respect of their first three years of trading. To address the limited amount of relief available in respect of the pandemic years 2020 and 2021, an extension of the claim window to five years for start-up firms active during the pandemic could be considered.

This would allow start-up firms who were within their first three years of trading during 2020 and 2021 to claim start-up relief for a period of five years instead of three years. An extension of this nature would allow them to benefit from an additional two years with more “normal” trading conditions, in effect to replace the years 2020 and 2021 in which the relief amount could be significantly limited by reference to Employers’ PRSI payments. This would be relevant for qualifying companies established between 2018 and 2021.

This extension could lapse in time, with the claim window reverting to a three-year period where the qualifying claim period does not include the years 2020 and/or 2021. The criteria could then revert to the normal 3-year claim window for new businesses established in 2022 and subsequent years.

All of these options have been assessed by Department officials in light of the current needs of small businesses. It is acknowledged that section 486C relief as it stands can be complicated to calculate, due to the link to Employers’ PRSI, the carry-forward mechanism and the marginal relief available. Any decision taken on alterations to the relief will balance the need for effectiveness without creating additional administrative burden.

International comparisons

Corporation Tax Start-Up Relief

Ireland is not the only country in which start-ups can avail of corporation tax relief. The following paragraphs provide information on some of the reliefs available to start-ups in other jurisdictions.

Singapore[4]

Singapore offers a corporation tax exemption to start-ups in their first three years. From 2020, eligible companies can avail of an exemption on the first $200,000 of chargeable income (75% exemption on the first $100,000 and 50% on the next $100,000). Prior to 2020, an exemption was available on the first $300,000 of chargeable income (full exemption on the first $100,000 and 50% on the next $200,000). New companies whose principal activity is that of investment holding and those which undertake property development for investment or sale are not eligible for this exemption.

France[5]

In France, new businesses that have innovative start-up status or university start-up status can receive a total exemption from corporation tax in the first year they are taxed on profits and a 50% exemption in the next year they record a profit.

India[6]

India offers a three-year tax exemption to companies within their first ten years of incorporation. To be eligible for this benefit, the company must be working towards innovation or improvement of existing products, services and processes, and should have the potential to generate employment and or create wealth.

Spain[7]

Newly created companies in Spain are taxed at a lower rate (15% compared to the statutory 25% corporation tax rate) for the first tax period in which they make a profit and in the following period.

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[4] https://www.iras.gov.sg/irashome/Businesses/Companies/Learning-the-basics-of-Corporate-Income-Tax/Common-Tax-Reliefs-That-Help-Reduce-The-Tax-Bills/

[5] https://www.impots.gouv.fr/portail/internationalenbusiness/tax-incentives

[6] https://www.startupindia.gov.in/content/sih/en/startupgov/imb.html

[7] https://taxsummaries.pwc.com/spain/corporate/taxes-on-corporate-income

Tax Relief for Investors

Other jurisdictions offer tax benefits to encourage investment in early-stage businesses.

The Seed Enterprise Investment Scheme in the UK[8], for instance, provides tax benefits to investors in small companies that are less than two years old. This scheme allows for income tax relief on the investment, a capital gains tax exemption if the shares are sold and loss relief in instances where the investment fails.

The Italian Startup Act[9] allows individuals to deduct 30% of investments in innovative start-ups from income tax and also allows companies to deduct 30% of investments from their tax base.

Malta's Seed Investment Scheme[10] also provides tax relief of up to 35% to investors in early-stage companies. This is similar to the Irish Employment Investment Incentive (EII).

Responses to the COVID-19 Pandemic

Many jurisdictions put tax supports in place as part of their response to the COVID-19 pandemic. A common response was the introduction of temporary tax deferrals, though these were generally not targeted specifically at start-ups. The OECD[11] provides an overview of the type of tax deferral applied by country.

Additional supports for start-ups were also put in place in response to the pandemic. These measures often focused on helping new businesses to access funding.

Some examples of these supports are noted below:

- In the Netherlands start-ups, scale-ups and innovative SMEs can avail of the Corona bridging loan.[12]
- Under the Danish Growth Fund, four types of loans were made available for start-ups and venture companies affected by the pandemic. [13]
- Some jurisdictions introduced guarantee procedures to help start-ups secure loans. Examples include France[14] (as part of a wider emergency plan to support start-ups) and Switzerland.[15]

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[8] https://www.seis.co.uk/

[9] Startup Act

[10] Seed Investment Scheme

[11] See Table 4 at the following link: https://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/

[12] https://business.gov.nl/subsidy/corona-bridging-loan-col/

[13] https://www.copcap.com/covid19-startup-support

[14] https://www.economie.gouv.fr/covid19-soutien-entreprises/pret-garanti-par-letat

[15] https://www.swissinfo.ch/eng/cash-flow-_switzerland-launches-covid-19-liquidity-fund-for-start-ups-/45735556

- In Germany, as part of a broader package aimed at supporting start-ups, additional funding was provided to young businesses through venture capital funds.[16]
- In Austria, 50% of a new venture capital fund for start-ups is guaranteed by the state.[17]
- Austria also introduced a Start-Up Relief Fund, which doubles private equity through grants for young businesses affected by COVID.
- Similarly, under the Future Fund loan scheme in the UK, companies can obtain loans matching the amount raised from private investors[18].

Ex-post analysis and evaluation

Note on data

As the data on cost and claimants are derived from corporation tax returns, the latest available data are for 2019, before the emergence of the COVID-19 pandemic in early 2020 and the end of the Brexit transition period in December 2020. As such, it is not possible to use data to capture the impact of these externalities. The impact of both events will be captured in future reviews.

Is the tax expenditure still relevant?

The following table show the number of enterprise survivals[19] in the years from 2013 to 2018.

It should be noted that the below data refer to both companies and other businesses (sole traders for example), so the data should be read as an indication of the general trends among new enterprises as opposed to trends for new start-up companies alone.

Number of these enterprises surviving after:						
Year	**# of births**	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**
2013	13,824	11,708	10,938	10,141	9,756	9,305
2014	16,257	13,952	12,685	12,220	11,593	
2015	18,100	15,133	14,532	13,633		
2016	19,249	16,687	15,451			
2017	22,241	19,220				
2018	14,458					

The above data show that there was 13,824 new enterprises birthed in 2013. Of these, 11,708 enterprises (84.7%) survived one year in business; 10,938 (79.1%) survived two years in business; 10,141 (73.3%) survived three years in business; 9,756 (70.6%) survived four years in business and 9,305 (67.3%) survived at least five years in business.

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[16] https://www.bmwi.de/Redaktion/EN/Pressemitteilungen/2020/20200430-euro-2-billion-package-of-measures-for-start-ups-finalised.html

[17] https://investinaustria.at/en/blog/2020/04/corona-aid-package-startups.php

[18] https://thefuturefund.co.uk/ Note that this scheme is not restricted to start-ups but was introduced to help start-ups that fell outside the scope of the Coronavirus Business Interruption Loan Scheme.

[19] Business in Ireland 2018; www.cso.ie

This broadly compares to the figures in the 2018 review, which noted that of the enterprises birthed in 2011, 66.5% survived at least five years in business. In contrast, the 2015 review noted that, of the enterprises birthed in 2007, only 48.4% survived their fifth year of business. The latest data show that a positive trend in the likelihood of new start-ups surviving their early years of trading continues into 2018. While direct causality has not been established, it is reasonable to assume that the 3 year start-up relief may have been a factor in the survival of qualifying businesses since its introduction in 2009.

The next table shows the associated persons engaged[20] with these surviving enterprises for the same time span.

# of these same people remaining engaged after:						
Year	**# of people involved in new enterprises during their year of birth**	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**
2013	16,505	14,428	14,102	14,436	12,063	11,610
2014	19,383	16,837	15,559	15,006	14,909	
2015	23,073	19,674	18,891	17,871		
2016	24,382	21,094	20,070			
2017	23,621	20,499				
2018	18,316					

The number of people remaining engaged in the survival of enterprise corresponds to the survival rates of the enterprises themselves. For enterprises birthed in 2013, the number of people engaged in enterprise births was 16,505. The amount of these same people remaining engaged was reduced to 11,610 after five years (70.3%, roughly equivalent to the percentage of 2011 births surviving five years, 66.8%). In the short term, 86.8% of persons engaged in the birth of enterprises in 2017 remained after a year's time (2018).

It is notable that 2018 saw a lower number of enterprise births in 2018 (14,458), and a lower number of persons engaged (18,316). The sharp drop off (35%) year-on-year from 2017 to 2018 may simply be an issue of timing, as 2017 represents the peak of enterprise births since the CSO started keeping business demography records and many of these births had survived into 2018. It could also be reflective of the prevailing uncertainty as to the Brexit process. Future data will show if the dip in 2018 births is an outlier or a more persistent trend.

CONCLUSIONS

CSO data relate to all enterprises and is not limited to companies, however the data indicate that the start-up environment has improved in the decade since the financial crisis. The five year survival rate for businesses has increased in each review. While data are only available up until 2018, it indicates that the majority of start-ups will survive their first five years of trading.

While this is good news, Ireland must continue to support and safeguard its SME sector. The impact of the COVID-19 pandemic and Brexit has not yet been captured in statistics. Having regard to the challenges facing new firms in this context, it is considered that the relief remains relevant in 2021.

[20] "Persons engaged" include employees, proprietors and family members. Persons engaged are the sum of Employees plus Working Proprietors.

How much does the tax expenditure cost?

In terms of the revenue forgone, the estimated tax cost for each year from 2013 to 2019 is as follows:

Tax Year	Estimated Tax Cost €m	Average Claim €
2013	4.9	4,682
2014	4.7	4,774
2015	4.8	5,121
2016	5.7	5,386
2017	5.8	5,415
2018	6.0	5,124
2019*	6.2	5,171

**provisional*

The cost of the relief has increased modestly annually. This is reflective of the increasing numbers of enterprise births each year.

The drop in enterprise births in 2018 is not reflected in the relief's annual cost and average claim figures for that year. However, the annual cost of this relief captures not only the qualifying companies birthed that year, but also qualifying companies birthed in the preceding years that continue to be within scope of the relief. While no definitive conclusion can be drawn from this, it may suggest that the drop of enterprise births in that year is concentrated on the self-employment sector rather than among companies.

CONCLUSION

The annual Exchequer cost of the relief has increased moderately over time and it is currently estimated at €6.2 million as of 2019. The average cost of claims of the relief is in the region of €5,200 per company.

What is the impact of the tax expenditure?

The relief was introduced to provide support to new business ventures in their critical early years of trading, thereby creating additional employment and economic activity in the State.

Identifying the impact of the relief is difficult where the counter-factual (the situation that would have prevailed in the absence of the relief) is unknown. Furthermore other (non-tax) factors also have significant impacts on new business ventures, so isolating the impact of the relief on improvements or deteriorations of survivorship of new companies, changes in employment creation and economic activity is not possible.

However, the following details on companies availing of the relief provide an insight into its use.

Number of companies availing of the relief[21]

Tax Year	Number of Claimant Companies	Number of Employees	Tax Cost €m	Average number of employees per company	Average cost per employee
2013	1,038	11,750	4.9	11.3	€417
2014	977	12,735	4.7	13.0	€369
2015	936	12,948	4.8	13.8	€371
2016	1,051	15,597	5.7	14.8	€365
2017	1,071	15,830	5.8	14.8	€366
2018	1,171	18,225	6.0	15.6	€329
2019*	1,199	17,805	6.2	14.8	€348

**provisional*

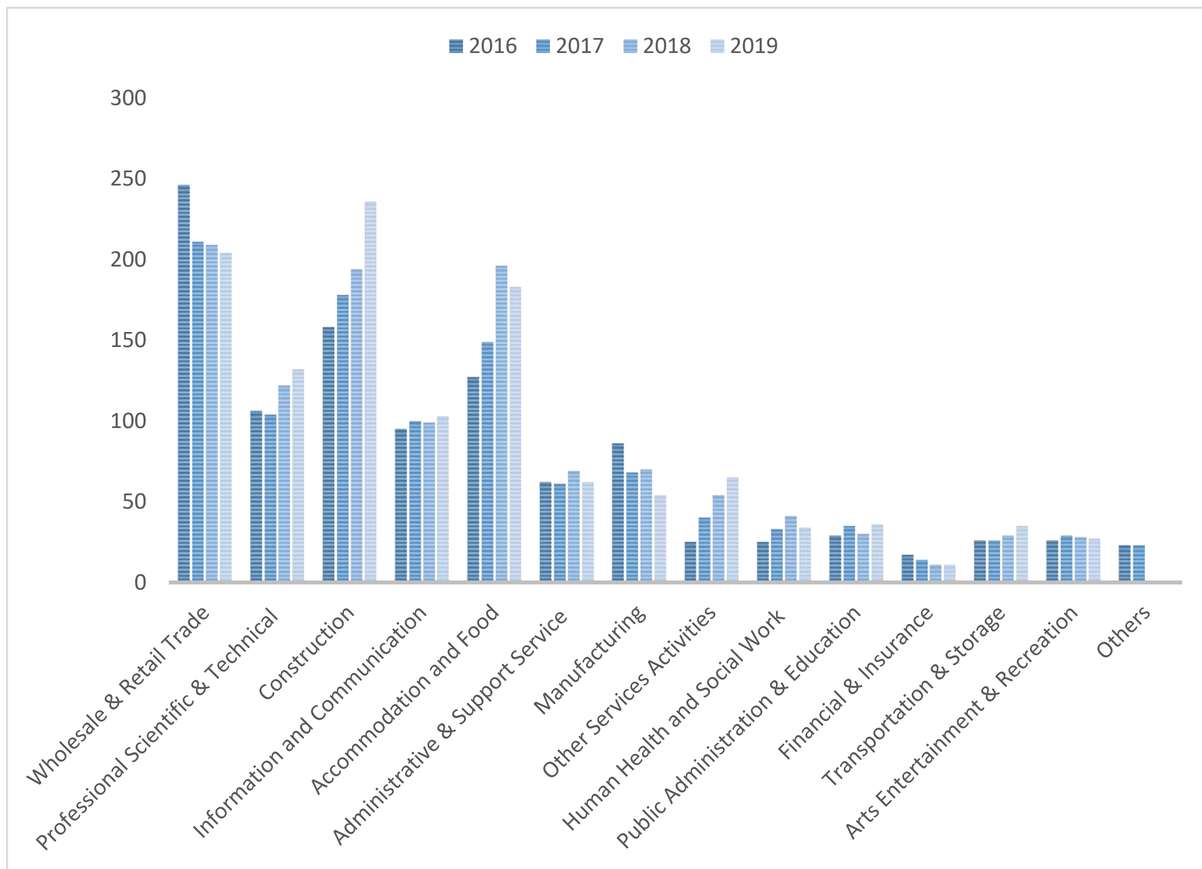
In 2013, the tax credit supported 1,038 companies that between them employed 11,750 employees. In the years that followed, there was a dip in the number of claimant companies but the estimated number of employees in claimant companies increased steadily. From 2016 onwards, both the number of claimants and associated number of employees have grown. 2018 marks the highest number of claimant companies benefitting from the relief since 2012, with 1,171 companies employing 18,225 people claiming relief worth €6 million.

There was a 55% increase in the amount of employees employed by companies claiming the relief in 2018 from the amount of employees employed by 2013 claimant companies. The number of employees employed by firms who have claimed the relief has continually increased since 2013 (it is noted that 2019 figures show a small fall, but these numbers are as yet provisional).

Provisional figures for 2019 show that 1,199 companies claimed the relief for a value of €6.2 million, in turn employing 17,805 people.

[21] Source: Revenue Commissioners

Sectoral breakdown by number of claimant companies[22]



In 2016, the largest concentration of companies availing of section 486C relief were in the *Wholesale & Retail Trade* (246), *Construction* (158) and *Accommodation & Food* (127) sectors respectively. The sectoral breakdown shows that these sectors remained prevalent in 2019, however *Construction* (236) has overtaken *Wholesale & Retail Trade* (204) as the sector with the greatest amount of claimant companies. 2018 data show that claimants in the top three sectors (*Wholesale & Retail Trade, Construction,* and *Accommodation & Food*) between them accounted for 48% of employees who work in claimant companies.

Some sectors have shown a gradual increase in claimants over the time period surveyed, such as *Professional, Scientific & Technical*[23] and *Construction*. Sectors that saw a decline in claimants from 2016 to 2019 include *Wholesale & Retail Trade, Manufacturing,* and *Financial & Insurance*.

It is promising to see that the relief is supporting additional start-up construction firms over time, given the need for additional supply in the construction sector. In 2013, the *Construction* sector's

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[22] Source: Revenue Commissioners. 2019 data are provisional. "Others" includes companies in the Utilities, Agriculture and Real Estate sectors. As very few companies in these sectors availed of the relief in 2018/2019, no data can be provided to protect taxpayer confidentiality.

[23] The *Professional, Scientific & Technical* sector is a broad category. It includes companies engaging primarily in the following activities: activities of head offices; management consultancy activities; architectural and engineering activities; technical testing and analysis; legal and accounting activities, scientific research and development, advertising and market research and veterinary activities.

uptake of the relief constituted 13% of the overall claimants. Provisional data for 2019 show that the sector's share has reached 19%.

On the following page, data are provided on the claimant company numbers by sector, and their respective taxable income and employee numbers. Provisional data for 2019 show that of the companies claiming the relief, companies in the *Accommodation & Food*, *Construction*, *Wholesale & Retail Trade* and *Administrative & Support Service* sectors employ the most people. The first three are also the biggest by claimant numbers so this is not unexpected. However, claimant companies categorised as *Administrative and Support Service* support a high number of employees on average – 38 per company. This compares favourably to other sectors, such as an average of 13 employees per firm for *Wholesale & Retail Trade*, 11.5 for *Construction* and 22 for *Accommodation & Food.*

CONCLUSION

It is noted that the impact of the relief is hard to assess as the situation that would have prevailed in the absence of the relief is unknown and isolating the impact of the relief on improvements or deteriorations of survivorship of new companies, changes in employment creation and economic activity is not possible. Unfortunately, it is also too early to see the impact factors such as Brexit and the COVID-19 pandemic are having on firms.

Taking this into consideration, the data show that many firms claim the relief annually and a significant amount of jobs are created and maintained in the short term by firms who are availing of the credit. The number of firms claiming the relief and the number of employees employed by these firms have been increasing since 2013, indicating a positive trend among new start-ups.

Claimant company numbers, taxable income and levels of employment by sector[24]

Economic Sector	2017			2018			2019*		
	Company Numbers	Taxable Income €m	Number of Employees	Company Numbers	Taxable Income €m	Number of Employees	Company Numbers	Taxable Income €m	Number of Employees
Wholesale & Retail Trade	211	16.4	2,498	209	15.7	2,578	204	12.8	2,629
Professional Scientific & Technical	104	6.6	754	122	8.9	1,480	132	9.4	1,010
Construction	178	12.7	2,470	194	12.7	2,343	236	18.0	2,758
Information and Communication	100	9.9	953	99	11.2	1,209	103	7.5	863
Accommodation and Food	149	5.6	3,272	196	7.6	3,817	183	7.6	4,158
Administrative & Support Service	61	4.0	2,018	69	5.4	2,765	62	5.0	2,353
Manufacturing	68	5.2	762	70	7.8	922	54	3.4	601
Other Services Activities	40	1.0	330	54	1.0	381	65	1.6	651
Human Health and Social Work	33	2.2	1,467	41	3.4	1,286	34	2.5	1,402
Public Administration & Education	35	1.3	425	30	1.8	542	36	1.9	490
Financial & Insurance	14	1.6	76	11	2.3	61	11	2.5	115
Transportation & Storage	26	0.8	213	29	1.0	285	35	2.0	398
Arts Entertainment & Recreation	29	1.6	465	28	1.6	394	27	0.8	303
Others (Including Utilities, Agriculture and Real Estate)	23	0.7	127	N/A	N/A	N/A	N/A	N/A	N/A

[24] Source: Revenue Commissioners

Is it efficient?

As it is not possible to directly link the relief to the number of jobs created or increase in economic activity, the efficiency of this relief in comparison to other methods of supporting job-creation and economic activity cannot be accurately measured. However, we can estimate the cost of the relief per job supported.

The estimated annual average cost per job supported is shown below:

Year	Number of Claimants	Tax Cost €m	Employee Numbers	Average Cost per job supported (annually)
2013	1,038	4.9	11,750	€381
2014	977	4.7	12,735	€348
2015	936	4.8	12,948	€364
2016	1,051	5.7	15,597	€352
2017	1,071	5.8	15,830	€366
2018	1,171	6.0	18,225	€329
2019*	1,199	6.2	17,805	€348

* provisional

In 2019, at a cost of €6.2 million, the tax relief supported 1,199 companies that in turn employed approximately 17,805 people between them. The average cost per job supported was €348. Many of these employees would themselves be paying income taxes, thereby reducing the net cost to the Exchequer.

It may be worthwhile to consider the average cost per job supported by the firms availing of the relief in the context of the cost of various social welfare supports. The table below compares this figure against a number of social welfare supports currently available to unemployed people[25]. All figures were correct at the time of writing. In comparison to the Exchequer cost of supporting people who are out of work, the cost of the start-up relief is low.

Exchequer cost measure	Cost (weekly)	Cost (annual)
Average cost per job supported under s.486C	n/a	€348
Jobseeker's benefit, lowest rate	€91.10	€4,737
Jobseeker's benefit, highest rate	€203.00	€10,556
Pandemic Unemployment Payment, lowest rate	€203.00	€10,556
Pandemic Unemployment Payment, highest rate	€350.00	€18,200

CONCLUSION

The most recent data available (2019) show that the relief is estimated to cost an average of €348 per job supported. This figure is moderate, particularly in comparison to the cost to the Exchequer in providing unemployment supports. In this context, section 486C relief is efficient.

[25] Source: Department of Social Protection, via gov.ie.

Conclusion

The *ex-post* analysis of the relief for certain start-up companies has addressed the key evaluation questions as outlined in the 2014 Tax Expenditure Guidelines.

Is the tax expenditure still relevant?

CSO data relate to all enterprises and is not limited to companies, however the data indicate that the start-up environment has improved in the decade since the financial crisis. The five year survival rate for businesses has increased in each review. While data are only available up until 2018, it indicates that the majority of start-ups will survive their first five years of trading.

While this is good news, Ireland must continue to support and safeguard its SME sector. The impact of the COVID-19 pandemic and Brexit has not yet been captured in statistics. Having regard to the challenges facing new firms in this context, it is considered that the relief remains relevant in 2021.

How much did the tax expenditure cost?

The annual Exchequer cost of the relief has increased moderately over time and it is currently estimated at €6.2 million as of 2019. The average cost of claims of the relief is in the region of €5,200 per company.

What was the impact of the tax expenditure?

It is noted that the impact of the relief is hard to assess as the situation that would have prevailed in the absence of the relief is unknown and isolating the impact of the relief on improvements or deteriorations of survivorship of new companies, changes in employment creation and economic activity is not possible. Unfortunately, it is also too early to see the impact factors such as Brexit and the COVID-19 pandemic are having on firms.

Taking this into consideration, the data show that many firms claim the relief annually and a significant amount of jobs are created and maintained in the short term by firms who are availing of the credit. The number of firms claiming the relief and the number of employees employed by these firms have been increasing since 2013, indicating a positive trend among new start-ups.

Was it efficient?

The most recent data available (2019) show that the relief is estimated to cost an average of €348 per job supported. This figure is moderate, particularly in comparison to the cost to the Exchequer in providing unemployment supports. In this context, section 486C relief is efficient.

Recommendations

In light of the findings of the ex-post analysis, the following recommendations are provided.

Recommendation 1:

Provide a further extension of the relief. The relief has been extended by 3 years on previous occasions. The maximum allowable extension for a relief of this magnitude is five years, under the Tax Expenditure Guidelines. In view of the need to support and provide certainty to small businesses as the economy emerges from the pandemic and adapts to the changes of Brexit, it is proposed that a 5-year extension should be considered at this time.

Recommendation 2:

Consider changes to the relief which may enhance or extend the benefit available to firms which were in operation during the COVID-19 pandemic (2020 – 2021). Having regard to the objectives of the relief and the need to minimise administrative complexity for small businesses, it is proposed that an extension of the claim window should be considered.

II: Review of the Young Trained Farmer stamp duty relief and of the age limits applicable to certain agri-tax reliefs (2021)

The review of two interrelated issues in the agri-tax area has been deemed as being warranted this year. These are:

1. the young trained farmer stamp duty relief that is currently due to expire on 31/12/2021; and,

2. whether the age limits applicable to being deemed a "young" farmer for the purposes of certain agri-tax reliefs might be inconsistent with each other, and/or with similar EU terms).

This paper will review both items individually, and will outline, when appropriate, potential recommendations in respect of each of them. However, owing primarily to their overlapping nature, it has been decided to review them in tandem as part of the one report in order to avoid unnecessary duplication.

In preparation for the writing of this report, in March 2021 this Department wrote to the three main farming bodies seeking their views on these issues (example of that letter at Annex I). The three bodies concerned are:

- the Irish Creamery Milk Suppliers Association (the ICMSA);
- Macra na Feirme (Macra); and,
- the Irish Farmers' Association (the IFA);

All three responded in April, and while the full text of each of the responses, are attached (as Annexes II, III and IV) to this review, the views expressed in all three responses as they apply to the matters covered are also outlined and addressed in both parts of this review.

This consultation with the representative bodies also sought their views on the way the lists of educational qualifications, as set out in the relevant legislation for 5 agri-tax reliefs, are provided and managed. However, as a result of the unforeseen complexity of how the modernisation and streamlining of these lists might be provided for in legislation, a decision has been taken to defer further work on that matter until next year, i.e. it will be the subject of further work in 2022.

1: Review of the Young Trained Farmer Stamp Duty Relief (Section 81AA of the Stamp Duties Consolidation Act 1999)

Introduction

Section 81AA of the Stamp Duties Consolidation Acts 1999 (SDCA 1999), titled "Transfers to young trained farmers", provides the legislative basis for a full exemption from stamp duty [26]that is available to a specified subset of farmers when they acquire (by gift or purchase) farmland, and associated buildings, including farmhouses. This relief is generally referred to as the Young Trained Farmer (Stamp Duty) Relief (the YTF relief). As with all such reliefs, it is of course subject to a number of terms and conditions. Section 81AA was introduced in Finance Act 2000, and has since been extended on a number of occasions (and also amended). It is currently due to expire on 31 December 2021.

Before Budget 2022 (which is due to be announced in October 2021), and the ensuing Finance Bill 2021 (which is required to be enacted before the end of 2021), given that the relief expires at the end of this year, a decision must be taken as to whether to recommend to the Minister for Finance that the YTF relief (which is a tax expenditure) should be further extended, or allowed to lapse, and also whether any amendment/s to it should accompany any recommendation for its extension. Any extension of, or changes to, the relief, would be expected to be announced in Budget 2022 and would need to be legislated for in Finance Bill 2021.

It is therefore timely to examine the relief in order to ensure it remains an appropriate and value for money means of achieving the policy goals for which it was designed, introduced and has been sustained.

Outline of Relief

Stamp duty relief for young trained farmers provides for a total exemption from stamp duty (where the normal rate of stamp duty that arises on the acquisition of non-residential property, which includes farmland, is currently 7.5%) on either the transfer by gift, or

[26] The maximum amount of tax relief that may be granted under this section and under sections 667B and section 667D of the Taxes Consolidation Act 1997 (when the value of any relief granted under those sections is combined) is €70,000. This limit is referred to in subsection (7A) of Section 81AA of SDCA 1999, and reflects the limit in Article 18 of the ABER. (The relief is an EU State aid, which is granted in accordance with the ABER (specifically, Art. 18).

purchase, of farmland (and associated buildings) where the recipient is a trained farmer under the age of 35 and meets other specified criteria.

Policy rationale

The primary domestic and EU policy objective of this relief is to encourage the inter-generational transfers of agricultural land, with a secondary purpose being to increase the level and rate of adoption of new more productive and more environmentally friendly farming practices .

There is an aging demographic profile for farmers across the EU and this is acknowledged as one of the greatest challenges facing rural areas [27] . Supporting young farmers and generational renewal is critical to the future for the agri-food sector. In Ireland, just over 5% of farmers in are under 35 years and 30% are over 65 years old. This is the primary rationale for the national and EU policy objective to encourage the inter-generational transfers of agricultural land, with a secondary purpose being to increase the level and rate of adoption of new more productive and more environmentally friendly farming practices, given their positive association with younger farmers.

The new Common Agricultural Policy (CAP) has cited generational renewal as one of the nine key objectives reflecting the need to ensure a vibrant agricultural sector equipped with skilled and innovative young farmers to respond to societal demands for quality food and environmental public goods. There are a number of supports currently available under the Common Agricultural Policy (CAP), and these are complemented by a suite of national measures. Under the current CAP, the National Reserve and the Young Farmers Scheme (YFS) provide financial support to young farmers during the crucial early years when setting up a farm enterprise. Additionally, under the TAMS II Young Farmer Capital Investment Scheme, young farmers can avail of a 60% grant rate as compared to the standard rate of 40%.

However the CAP on its own is not sufficient to address main entry barriers into farming. At national level, there are a number of taxation measures specifically aimed at young farmers, including the Stamp Duty Exemption on Transfers of Land to Young Trained Farmers. The Agri-taxation Review in Budget 2015 set out the main policy objectives for continuing support to the sector through agri-taxation measures including, “Assisting succession and the transfer of farms” and it recommended the retention of this relief.

[27] https://ec.europa.eu/info/news/ageing-europes-farmers-remains-major-challenge-rural-areas-2021-apr-08_en

The new Food Vision 2030 strategy was launched during the summer. Its vision for 2030 is that Ireland's agri-food sector will become a "World Leader in Sustainable Food Systems". Food Vision 2030 sets out 22 goals under four high-level missions that the sector must achieve if it is to fulfil this ambition, encompassing economic, environmental and social sustainability. Food Vision states, "Generational renewal of primary producers is critically important to ensuring the future viability and social sustainability of the Irish agri-food sector and of rural Ireland. In addition, young farmers and fishers tend to be early adopters of new technologies and practices, which can act as a catalyst for others to follow. It is important to recognise that there is more to generational renewal than incentivising young farmers and that it is equally important to consider older and retiring farmers". Beyond agriculture, generational renewal ensures viable communities and in turn supports economic activities in rural areas, countering the threat of rural decline and abandonment.

The Stamp Duty Exemption on Transfers of Land to Young Trained Farmers is a crucial element in the suite of measures supporting younger farmers and facilitating generational renewal in the sector.

Terms and conditions applicable

The main conditions for granting this full relief from stamp duty on the conveyance of farmland, are that on the date of transfer the young trained farmer must be (a) under 35 years of age on the date of execution of the deed of transfer, and (b) the holder of a specified third level educational and training qualifications (listed in Schedule 2B of SDCA 1999, or be holder of an equivalent qualification recognised as such by QQI (Quality and Qualifications Ireland)). In addition, the young trained farmer must declare that he/she will retain and farm the land for a period of 5 years, and spend not less than 50% of his/her normal working time farming the land. Section 81AA of the SDCA 1999 sets out in full the conditions that must be met before the exemption can be claimed. The purpose of the relief is to promote lifetime transfers of land and encourage more young people to pursue farming.

To claim this relief, you must:

- be under 35 years of age;
- hold a relevant agricultural qualification;
- have submitted a business plan to Teagasc; and
- be the head of the farm holding.

You must also intend to:

- spend at least 50% of your normal working time farming the transferred land; and,
- retain ownership of that land for a period of at least five years from the date of transfer.

Any exemption granted will be clawed back if the land is disposed of within a 5-year period and is not replaced within a year of such a disposal.

The transfer can be by gift or sale, but transfers by lease do not qualify.

History of the Relief

In the context of negotiations for the Programme for Competitiveness and Work, the Finance Act 1994 introduced a stamp duty relief for young trained farmers to encourage necessary structural reform in the farming sector. The relief provided a 2/3 reduction in the stamp duty that would otherwise be liable and was introduced for a limited period until 31 December 1996. Budget 1997 introduced a new Young Trained Farmer stamp duty relief scheme that operated up to 31 December 1999, with the same terms as the previous scheme; and which was extended in Budget 2000 for a further three years. Arising out of discussions on the Programme for Prosperity and Fairness, the Finance Act 2000 altered the scheme to provide a full exemption from stamp duty (i.e. not just a 2/3 reduction). Various finance acts also updated the education and training qualifications required to qualify for the relief (listed in Schedules 2, 2A and 2B of SDCA 1999) and other aspects of its operation. The duration of the relief (the YTF relief) has been regularly extended in subsequent budgets/Finance Acts, and it is now due to expire at midnight on 31 December 2021, having last been extended (for three years) in Section 48 of Finance Act 2018.

Finance Act 2017 introduced a requirement that, where a young farmer gains one of the qualifications necessary to avail of the relief after he or she has purchased eligible land and has paid the full stamp duty on that purchase, in order for stamp duty to be refunded retrospectively under this relief a business plan must be submitted to Teagasc. While the business plan requirement to avail of the relief existed for new and already qualified applicants making a purchase of eligible land, it didn't previously apply in the specific retrospective circumstances outlined.

This amendment, which means that a business plan must be provided to Teagasc in all circumstances in order to qualify for the YTF relief, was introduced to ensure compliance with

EU state aid rules. Article 18 Para 4 of the Agricultural Block Exemption Regulation (ABER)[28] provides that a business plan must be submitted to the competent authority.

Table 1: Cost and uptake of the relief

Uptake of Young Trained Farmer Stamp Duty Relief 2011-2020										
Year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenue Foregone (€ mil.)	11.9	14.6	16.8	7.8	4.6	5.2	4.7	3.7	7.9	12.9
Number of successful claims	1,152	1,128	1,056	845	731	989	722	714	1,157	848

Source: Revenue

The increase in the rate of stamp duty on the acquisition of non-residential property from 2% to 6% announced as part of Budget 2018 and the further increase from 6% to 7.5% announced in Budget 2020, are likely to have contributed to the increase in the amount of revenue foregone under this relief in recent years. The Revenue forgone figure is, of course, also a function of the quantity and quality (i.e. value) of the farmland acquired by eligible farmers in any given year, and this can also give rise to variations in that figure, as factors affecting demand for, and supply of farmland (both its level and quality) come into play. As noted by the ICMSA in their response, the increased rate of stamp duty has also probably been a factor in the steady year-on-year increase in the number of claims for this relief since 2016.

All three of the farming bodies consulted clearly expressed their support for the retention and extension of the YTF stamp duty relief.

Age profile of Irish farmers

According to information provided by the Department of Agriculture Food and the Marine, the CSO Farm Structure Survey 2016 indicated that more than half of farm holders were aged

[28] COMMISSION REGULATION (EU) No 702/•2014 - of 25 June 2014 - declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union: EUR-Lex - 32014R0702 - EN - EUR-Lex (europa.eu)

55 or over, with 30% of farm holders aged over 65, an increased share when compared to the equivalent figure (26.3%) in 2013. The number of young farmers under 35 years old was 5.4% in 2016, down slightly on the 2013 figure of 6.2%.

Table 2: Number of Farms by Age of Farm Holder, 2013 - 2016

	2013		2016	
	Number	**%**	**Number**	**%**
	000s		**000s**	
< 35	8,200	6.2%	7,400	5.4%
35-44	22,800	17.6%	21,400	15.6%
45-54	34,800	24.8%	32,500	23.7%
55-64	35,600	25.1%	34,700	25.3%
>65	37,700	26.3%	41,200	30.0%
Total	**139,100**	**100%**	**137,200**	**100%**

Source: CSO

Revenue issue a profile of farming each year based on tax returns and it indicates that the age profile of their farm cases is somewhat younger than that published by the CSO, based on age of farm holder. While the data is presented using different age groups, Revenue data indicates that 11.6% of their farming cases were under the age of 30 in 2018, while the CSO data shows that only 5.4% of farm holders were under the age of 35 years. This would suggest that young farmers may have their own stock or crops but that they do not own or lease the land which they use. The holder of the land may be a parent or older relative and the young farmer, who may be working on the farm, keeps his own animals or crops there.

Preliminary CSO figures reflecting a survey carried out in September 2020 are expected to be published in December this year, with the full results expected in March 2022, and this should include an updated farmer age profile.

Table 3: Age Profile of Revenue Farmer Cases, 2013, 2016 & 2018

	2013		2016		2018	
Age	**Number**	**% of total**	**Number**	**% of total**	**Number**	**% of total**
16 – 20	4,103	3.2%	7,460	5.4%	6,193	4.2%
21 – 30	8,296	6.4%	8,592	6.2%	10,917	7.4%
31 – 40	11,443	8.9%	12,434	8.9%	15,657	10.6%
41 – 50	16,963	13.1%	18,284	13.2%	23,656	16.0%
51 – 60	18,885	14.6%	21,398	15.4%	28,494	19.2%
61 – 70	21,341	16.5%	23,422	16.9%	27,490	18.5%
71 – 80	11,787	9.1%	14,517	10.4%	17,393	11.7%
81 – 90	3,315	2.6%	4,299	3.1%	5,531	3.7%
Over 90	273	0.2%	368	0.3%	476	0.3%
Age not on file	32,857	25.4%	28,180	20.3%	12,420	8.4%
Total	**129,263**		**138,954**		**148,227**	

Source: Revenue - The Farming Sector in Ireland: A Profile from Revenue Data

Views of the Farming Bodies

The following section outlines the views expressed by each of the three farming bodies in their replies to our March 2021 request for views on the issues covered in this review, on the first of those, i.e. the Young Trained Farmer stamp duty relief (the YTF relief).

ICMSA

In their reply (see Annex II) to our March 2021 request for views the ICMSA focussed on the Young Trained Farmer stamp duty relief. Having given a brief outline of the importance to the farming community of intergenerational transfer set out set their belief that the relief should be retained, and that it should be kept as a full relief, i.e. providing for a net effective stamp duty rate on 0% on eligible transfers.

They then go on to examine the terms and conditions that apply to the relief and to make recommendations in respect of each:

- Age – recommend that 35 be maintained as the maximum age on the date of execution of the deed of transfer of land at which YTF relief can be received, but that it be increased to 40 where the disponer (the person passing the property concerned on to their child/children) has not reached the state retirement age.
- Agricultural qualifications – support the requirement to, on the date of execution of the deed of transfer, hold (or gain within four years) a relevant educational qualification, though do suggest that more remote farming courses would benefit those currently farming.
- Use of the land – ICMSA support the requirement for a claimant to spend at least 50% their normal working time farming the land, and to retain ownership of it for five years after ownership of it is received, but call for "clarity" on it[29].
- Business plan – ICMSA question the benefit of the requirement to submit a business plan to Teagasc before execution of the deed transferring the land (*this requirement was introduced in order to comply with EU state aid rules*).
- Transparency and publication – ICMSA would prefer if the claimant's name was not published on the EU Commission's dedicated website which details state aid that has been granted[30].
- Recovery (by Revenue) of relief granted – while supporting Revenue's right to claw back relief where the terms and conditions attached to it are not complied with by the recipient, the ISMSA ask that an appeals process be put in place in circumstances where the recipient might believe they "*have a force majeure case*" .

Macra na Feirme

Macra na Feirme's response (see Annex III) to this Department's request for views set out their proposals to:

- expand the YTF relief to include all land transfers in registered Succession Farm Partnerships to those up to the age of 40;
- extend the maximum qualification age for the YTF relief to 40
- that the €70,000 lifetime cap on the state aid that a farmer can receive under three specified reliefs (of which the YTF relief is the most popular and valuable) be increased (*see "State Aid Considerations below)*.

[29] Guidance on this requirement is included in point 2.3.3 of the Revenue's Tax and Duty Manual for section 81AA (see here).

[30] This is an EU State aid requirement.

IFA

The IFA's response (see Annex IV) notes and welcomes the funds delivered for agriculture, and the tax reliefs renewed/extended in Budget 2021/Finance Act 2020, and then outlines their position on a number of tax reliefs.

On the YTF relief they propose that:

- the relief be renewed after 2021;
- the age limit of 35 be retained;
- the total lifetime state aid ceiling by increased from €70,000 to €150,000 (*see "State Aid Considerations below*); and,
- it be permissible for the business plan to be submitted up to 12 months after the relief is claimed

As a less specific proposal, the IFA suggest that all reliefs be renewed 12 months in advance of their expiration date "*in order to support smooth intergenerational transfer, decrease farm fragmentation and reduce uncertainty for farmers*".

This proposal has been made previously, and it is this Department's view that it would not be desirable to pursue such a practice. This is because any binding commitment to extend a relief entered into 12 months before it is due to expire, would place a year long delay between a decision to extend a relief and the date of the actual extension in law, with the possibility of unforeseen circumstances arising during that interval which could otherwise impact a decision to extend. For the same reason, it is potentially equally futile to make a non-binding "commitment" to extend a year before expiry is due, as circumstances could arise which would render it meaningless.

It is also worth noting that the work on making a recommendation to the Minister as to whether or not to renew a relief, and in respect of any changes to it, can take a few months, and then time must be allowed for the decision to be taken and the legislation prepared. Therefore, the proposed a 12 month gap could mean a decision being taken, and a commitment entered into, based on data that would be 15 or more month old at the time of renewal. Preparing a recommendation to a Minister as close to a renewal date as possible, with the most current data available, and an up to date awareness of other relevant factors, is a preferable position from which to take such important decisions.

State Aid Considerations

Under EU rules, this relief is a State Aid. This means its extension is subject to it being deemed an acceptable form of such aid, which can in turn result in a requirement for an extension to be made subject to a commencement order to allow for that to be confirmed.

The extension of this relief from 1 January 2019 to 31 December 2021 as provided for in section 48 of Finance Act 2018 was commenced via Statutory Instrument (S.I.) No. 99/2018: Finance Act 2018 (Section 48(1)(a)(vii) (Commencement) Order 2018 of 20 December 2018.

Any further extension of this relief will also be required to meet EU state aid requirements, so it is likely that it too would have to be made subject to a Commencement Order. The Department of Agriculture, Food and the Marine would be responsible for submitting any application for state aid approval to the European Commission, but any resultant Commencement Order would be prepared by the Department of Finance and signed by the Minister for Finance.

Due to the ongoing, but soon to be concluded, renegotiation of the Common Agricultural Policy (CAP), and the ensuing update of the ABER, which provides for state aid exemptions in the agricultural sector, the current extension of ABER regulated state aid approvals[31] is expected to end on 31 December 2022. It is further expected that once the new CAP is in place, a revised ABER will be put into effect which will determine whether a tax relief such as the YTF relief remains permissible under state aid rules.

It has therefore been determined that any extension of the YTF relief may have to be provided for in Budget 2022/Finance Bill 2021 in one of 2 possible way:

- a 1 year extension to end-2022, with further extension determined in advance of Budget 2023/Finance Bill 2022 on the basis of a new or emerging ABER
- a 3 year extension, but with a requirement that the second and third of those years would be subject to a commencement order to take effect from 1 January 2023 as the ABER extension is expected to no longer apply, and a new ABER will have been agreed. The commencement order could only be actioned if the relief is deemed a permissible state aid under a new ABER.

The course to be followed will be determined on the basis of legal advice.

[31] COMMISSION REGULATION (EU) 2020/2008 of 8 December 2020 amending Regulations (EU) No 702/2014, (EU) No 717/2014 and (EU) No 1388/2014, as regards their period of application and other relevant adjustments EUR-Lex - 32020R2008 - EN - EUR-Lex (europa.eu)

Where either of the above options are implemented, if it transpires that the updated ABER is not expected to be in place by end-2022, appropriate recommendations will be made to the Minister for Finance in advance of Budget 2023/Finance Bill 2022. In this situation it is probable that a further extension of the existing ABER will be sanctioned by the EU Commission.

Being a form of state aid also places restrictions on the amount of relief that may be claimed by a farmer over the course of his or her lifetime.

In Finance Act 2018, section 81AA SDCA 1999 as well as sections 667B (stock relief for young trained farmers) and 667D (succession farm partnerships) of the Taxes Consolidation Act 1997 (TCA 1997) were amended to reflect the cumulative maximum lifetime aid limit of €70,000 which is stipulated by article 18 of Commission Regulation (EU) No. 702/14 (the Agricultural Block Exemption Regulation or ABER).

We understand that this aspect of the state aid regime forms part of the ongoing work of renegotiating the CAP, and the associated ABER.

Equality considerations

Revenue have reported that they have no data on the age/gender breakdown of applicants for this relief, however the Young Trained Farmer stamp duty relief is available to all qualifying taxpayers irrespective of gender, civil/family status, sexual orientation, religion, race/ethnicity (including to members of the Traveller Community) and level of physical and/or mental ability.

The requirements that one must be below a set age, and hold a recognised educational qualification in order to be eligible to benefit from this relief are not, as and of themselves, unnecessarily exclusionary or inequitable, as the principal purpose of the relief is to encourage the acquisition (by purchase or gift) of farmland by a younger cohort of farmer who also possess an enhanced level of formally imparted knowledge. This in turn serves to support more efficient farming and other desirable outcomes such as an increase in the number of younger farm families and the adoption of more modern environmentally friendly farming practices.

Options for Young Trained Farmer Relief

Do not extend

In not extending the relief the exchequer, based on the average revenue forgone under this Relief over the last three years, would save approximately €14.4 million per annum.

Doing so would however run contrary to Government policy in terms of seeking to encourage and facilitate a generational shift in the farming community with younger farmers with up to date knowledge of the most modern, productive and environmentally sustaining farming practices, taking over ownership of farms.

Extend

Given its role as an important tool in successive Government's efforts to achieve the above referenced policy goal, its popularity (average uptake over the last three years is 1,112), its strong support from the agriculture community, and the remaining challenge in delivering a generational shift in farming, the extension of this relief would be appropriate.

The normal extension of tax reliefs is three years, which would see this relief next expire on 31 December 2024. There have been some calls from the farming sector for longer extensions of this and other farming focussed reliefs (for example Macra, in their April 2021 response, have suggested that the YTF relief be extended for five years), but these are not universal.

This Department's position remains that extending such reliefs in three year increments provides an appropriate balance between delivering a degree of medium-term certainty in respect of the availability of a relief for those planning to avail of it, as well as for those operating it, and the need for the relief to be reviewed regularly by the Department of Finance in order to ensure it remains fit-for-purpose, and reflects current policy and other requirements.

This is of course subject to the state aid considerations outlined above.

Amend as well as extend

It is not seen as necessary at this time to make any amendments to the relief as it currently applies.

As outlined above the retention of the current 3 year renewal cycle is deemed appropriate (subject to state aid considerations), while the necessity to supply a business plan to Teagasc, and for the €70,000 lifetime cap on aid to apply, arise from EU requirements, and are therefore outside of the remit of domestic Irish legislation.

The matter of the maximum qualifying age for this relief (currently 35) will be addressed under the second element of this review.

Proposal

Given the purpose for which it was introduced, i.e. to encourage and facilitate the entry into active farming of younger farmers possessing a certified knowledge of modern farming practices, and as part of a suite of tax measures which share a similar purpose, it would not be appropriate to withdraw the young trainer farmers stamp duty relief at this time.

It is proposed therefore that the relief, as it currently operates, should if possible be extended for a further three years (so that it expires on 31 December 2024) and that this proposal form the basis of the recommendation made to the Minister is respect of the Young Trained Farmer stamp duty relief in advance of Budget 2022. However, as noted previously, provision will need to be made for the relief to remain an acceptable form of state aid, so it is likely that one of the options outlined above in this respect will have to be adopted, and this could result in an extension of only one year being provided for at this time. Should this eventuality come to pass, it should not be interpreted as indicating a lack of support for the Young Trained Farmer stamp duty relief on the part of the Department of Finance.

2: Review of means of the age limits applied to certain Agri-Tax reliefs

Current situation

Four agri-tax reliefs are subject to an age limit, which if exceeded by a farmer, he or she is no longer eligible to apply for/avail of the relief in question. These are:

1. Stock relief for young trained farmers (section 667B of the TCA 1997[32]) – which in subsection (1)(a)(ii)(II) stipulates that a qualifying farmer means an individual who "has not attained the age of 35 years at the commencement of the year of assessment (i.e. the year he or she first becomes liable to income tax as a farmer).

2. Stock relief for registered farm partnerships (section 667C of the TCA 1997) which in subsection (1) defines a qualifying farmer as having "the meaning assigned to it by *section 667B*" – so that in effect the age limit for membership of a registered farm partnership is 35.

3. Succession Farm Partnerships (Tax Credit) (section 667D of the TCA 1997) - in subsection (2)(b) it is set out that all bar one of the members of the partnership (there must be at least 2 members) "*shall not have reached 40 years of age*"

4. Young trained farmer (*stamp duty*) relief (section 81AA SDCA 1999) –in subsection (1) a "*young trained farmer*" is defined (in part) as being a "*person who has not attained the age of 35 years on the date on which the instrument, in respect of which the relief is being claimed under this section, was executed...*".

Why review?

The appropriateness and consistency (both amongst themselves and with EU equivalents) of these age limits has been raised by some Deputies during the passage of a number of recent Finance Acts. The Department of Finance (with the cooperation of DAFM and Revenue) has therefore reviewed the age limits which apply to the agricultural reliefs listed above in order to determine whether they remain appropriate and consistent.

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[32] This relief is given over 4 years. The age limit of <35 applies to the first year of the qualifying period only - *"qualifying period", in relation to a qualifying farmer, means the year of assessment in which an individual becomes a qualifying farmer and each of the 3 immediately succeeding years of assessment.*

The age limit of 67 for a disponer (those legally transferring property to another) that formerly applied under consanguinity relief (it was removed by section 60(1)(a)(ii)(II)[33] of Finance Act 2017), and whether it might be reintroduced as was, or in an amended form, is not encompassed by this report.

Views of farming bodies

As previously noted, the views of the three main farming bodies (the IFA, the ICMSA and Macra na Feirme) have been sought on this matter (as well as on the Young Trained Farmer stamp duty relief), and those pertaining to age limits are set out below.

ICMSA

- As noted in the review of the Young Trained Farmer stamp duty relief in the first part of this paper, the ICMSA have recommend that while 35 be maintained as the maximum age on the date of execution of the deed of transfer of land at which YTF relief can be received, they would like to see it increased to 40 where the disponer (the person passing the property concerned on to their child/children) has not reached the state retirement age.

  They believe this would be allowable given the EU definition of a trained "young farmer" reads:

  "*A young farmer means a person who is no more than 40 years of age at the moment of submitting the application, possesses adequate occupational skills and competence and is setting up for the first time in an agricultural holding as head of that holding*."[34]

Macra na Feirme

- Call for the stamp duty relief to include all land transfers in registered Succession Farm Partnerships up to 40 years of age.
- Call for the YTF stamp duty relief as it applies to the purchase of land to have an age limit of 40.
- Advises the retention of age limit of 35 for other land transfers to young trained farmers,

[33] Finance Act 2017, Section 60 (irishstatutebook.ie)

[34] Regulation (EU) No. 1305/2013, Article 2, paragraph n

- They note the above definition of young trained farmer cited by ICMSA, and say raising the age limit to 40 in the circumstances called for would better align Irish taxation with EU definitions, as well as with the age limit for schemes such as the Organics Scheme (introduced in March 2021[35] to implement EU Regulations[36]). They also say 35 is too young to have amassed the funds necessary to buy land.

IFA

- Call for age limit of 35 for the Young Trained Farmer stamp duty relief to be retained

As noted previously, the full text of the letter requesting the views of the three farming bodies on the two interconnected matters covered in this paper, and the full replies from each can be found at Annexes I, II, III and IV of this review.

Consistency between each other

Possible inconsistencies in the age limits currently applied have been noted in the age at which a person ceases to qualify as a "young trained farmer". For example, a person must be no older than 34 years of age (i.e. "*not attained the age of 35*") to be eligible for the stamp duty relief for young trained farmers, whereas for the Succession Farm Partnership (Tax Credit)- see section 667D(2)(b)(ii) of TCA 1997 - a qualifying condition is that applicants, who do not qualify on other grounds, must be under 40 years of age in any year of assessment under the scheme This age limit of 40 is however reflective of the 5 year maximum duration of such schemes, meaning the maximum age for claimants entering into such a scheme is in effect 34 if the full five years is to be availed of.

There may be valid policy reasons for the application of differing age limits to tax reliefs, grant schemes etc. targeted at the farming sector, such as a desire to design them in such a way as to offer the maximum encouragement to intergenerational farm transfers. It is also possible that some or all of the young trained farmer type tax reliefs would not be permitted under the EU's state aid rules if they were not subject to some form of age limit, and so deemed to encourage and support the shared goal of facilitating and encouraging the intergenerational transfer of farms.

[35] gov.ie - Organic Farming Scheme (www.gov.ie)

[36] Council Regulation (EU) No 1305/2013, 2020/2220 of the European Parliament and of the Council. and Commission Regulations (EU) 807/2014; 808/2014 and 640/2014

All four of the reliefs listed above as being subject to age limits are in effect only open to claims from those who have not yet reached the age of 35 (though, as noted, some which offer ongoing relief may allow that relief to continue for participants subsequent to their 35th birthday and before their 40th one).

Consistency with age limits applied by the EU in similar circumstances

For the Young Farmer Scheme element of the EU's Basic Payment Scheme, a beneficiary must be no more than 40 years of age at any time during the calendar year in which he or she first submits an application for it.

It is not contested that the definition of young farmer applied to Irish tax reliefs differs from that set out by the EU. It is however the view of the Department of Agriculture, Food and the Marine, (one which would be supported by the Department of Finance) that the effective age limit of 35 operated here is appropriate, and should be retained. This view is taken on the basis that, in order to seek to address the considerable distortion in the age breakdown of Irish farmers (see tables 2 and 3 of this review) by making 35 years of age the cut-off point for availing of tax reliefs rather than 40, Ireland is seeking to boost the incentive to, and benefit from (in terms of moving farm ownership down the age spectrum) such age capped reliefs. Any increase in the age limits for one or more of the reliefs listed would only serve to reduce their intended effectiveness in this regard.

Also, any increase in the age limits targeted at certain defined cohorts within the potential beneficiaries from a given relief (such as in the case of some of the measures suggested by Macra and the ICMSA), could only serve to weaken the intended age spectrum impact of the relief in question. Such narrowly focussed age limit increases could also be expected to add considerably to the administrative burden of Revenue, and of all applicants for the relief concerned.

Conclusions and recommendations

The age limits currently in place are consistent amongst themselves, and while they may not be in line with the cited EU equivalent, they remain appropriate in the context of their intended purpose.

Introducing, what would in effect be special exemptions for those age limits, even in the limited circumstances suggested by Macra and the ICMSA would both add complexity to, and weaken the intended impact of, the age limits currently in place.

It is therefore recommended that no changes in the age limits applicable to the four reliefs concerned be proposed to the Minister at this time.

ANNEX I

11 March 2021

Name of Farm Body
Address
Address
Address

Re: Reviews of the Young Trained Farmer Stamp Duty Relief (Section 81AA of the Stamp Duties Consolidation Act 1999); and of age limits applicable to, and management of educational qualification requirements under, certain tax reliefs available to the agriculture sector.

Dear XXX,

As you may already be aware, the stamp duty relief for young trained farmers, which was last amended in Finance Act 2018 (Section 48), and is provided for in Section 81AA of the Stamp Duties Consolidation Act 1999, is due to lapse at the end of this year (31 December 2021).

The primary domestic and EU policy objective of this relief is to encourage the inter-generational transfer of agricultural land, with a secondary purpose being to increase the level and rate of adoption of new more productive and more environmentally friendly farming practices.

This Department has therefore begun work on an ex-post evaluation of the young trained farmer relief which will examine whether its extension should be proposed to the Minister for Finance later this year as he considers what measures might be contained in Budget 2022 and Finance Bill 2021. It is also intended that the findings and recommendations of this review will be published later around budget time.

As part of this process we have decided to canvass the main farming representative bodies in Ireland as to their views on the extension of this relief.

We would therefore invite views from your organisation on this relief, including its operation and qualifying criteria, its contribution to the policy objectives set out for it and any other observations you may wish to provide.

We are also taking this opportunity to inform you that we propose to carry out a study of the requirements in respect of (i) age limits applicable to, and (ii) the management of the educational qualifications that are required to avail of, a number of tax reliefs that are

designed specifically for the agriculture sector this year (see appendix for list of these reliefs). We would hope to complete this study in advance of Budget 2022/Finance Bill 2021 so that any proposals that emerge from this process can be given effect in legislation at the earliest possible opportunity.

We would also ask you to note that this request concerns only the matters outlined above, and our work is not intended to address wider agricultural taxation matters. However, if you have any broader proposals concerning the stamp duty treatment of agricultural land that you wish to convey to us, they would of course be examined separately.

The views of the Department of Agriculture, Food and the Marine and Revenue are also being sought as part of this consultation exercise. .

As we are working to a tight deadline on these evaluations, we would appreciate if you could supply any views or proposals you may have to us by 12 April 2021. If your input is received after this date, it may not be possible to reflect it in any report(s) setting out the findings and recommendations of these reviews.

As with the reviews of the farm consolidation and consanguinity stamp duty reliefs last year, to which you provided valuable and welcome input, we would propose to include your responses to this request as part of our final report(s) on both pieces of work.

Best regards

Pat McColgan
Tax Division

T +353 (0)1 604 XXXX
www.finance.gov.ie

ANNEX II

ICMSA Response

ICMSA Submission
to the
Department of Finance
on
Young Trained Farmer Stamp Duty Relief

April 2021.

Background

The ICMSA is a farm representative body that represents all farmers particularly dairy and livestock farmers. ICMSA places special emphasis on preserving the family farm structure and defending the rights and incomes of farm families. ICMSA seek to influence Government policy with a view to enhancing farm families economically, socially, and environmentally. This must all be achieved in the environs of a sustainable economy.

Generational renewal within an industry is always important but within agriculture is somewhat complicated given the need for access to capital and assets such as land. Official figures from the Revenue Commissioners show that there were a similar number of Tax returns from farmers for those aged 21-40 (23,383) as those aged 71-90 (20,880) in the latest figures from 2017. This shows the big challenge facing the agriculture sector to promote generation renewal.

Ireland has an aging agricultural profile along with higher occupation workplace accidents among the older cohort. To ensure the sector continues to deliver for the national economy and foreign earnings, taxation incentives are required to promote farm and land transfer.

As most Irish farms are family farms with low incomes, it is therefore essential that the cost of transferring capital resources between generations or families is kept to a minimum. ICMSA were asked to review whether the Young Trained Farmer Stamp Duty Relief and the condition therein and this Submission sets out the policies that ICMSA believe should be applied to the Young Trained Farmer Stamp Duty Relief into the future. It will also comment on other reliefs that are subject to age and educational requirements.

Young Trained Farmer Stamp Duty Relief

This relief is hugely important for farm succession and land purchase and ICMSA believe that it must be retained as a priority. Many young, trained farmers avail of the full Stamp Duty Relief before they reach 35 years of age as seen in Table 1 below and, but it is also important that consanguinity relief is retained in tandem with Young Trained Farmer Stamp Duty Relief. Individual family situations vary and as such Young Trained Farmer Stamp Duty Relief and Consanguinity Relief allows them to inherit their "tools" or assets at a time that suits the family and not pay the full rate of stamp duty which currently stands at 7.5%. It is more important than ever that the full relief rate is retained to allow the new entrants to enter farming without a significant Stamp Duty bill which would severely hinder their future development.

ICMSA believes that the rate should be retained at 0%, this rate gives certainty and allows for long term planning and any change to the Young Trained Farmer Relief would put farm succession plans in real doubt undermining the much-valued family farm structure in Ireland and its benefits to the wider rural economy.

Table 1 – Reliefs claimed 2012-2018

	Stamp Duty – Young Trained Farmers		Consanguinity Relief on Non-Residential Transfers	
Year	Number of Claims	Tax Cost € Million	Number of Claims	Tax Cost € Million
2012	1,157	7.9		
2013	714	3.8		
2014	722	4.7	1796	3
2015	989	5.2	2071	4.7
2016	735	4.6	864	2.1
2017	845	7.8	622	1.2
2018	1,056	16.8	1647	22

Source: Revenue Commissioners

Looking at the numbers involved claiming the reliefs from Table 1, farmers are availing of these reliefs and as the increase in the level of stamp duty has increased in recent year, so have the numbers of claimants and relief sought, albeit the latest figures available on the revenue website are only available up to 2018, one would expect that trend to continue with the higher stamp duty rate announced in the Finance Bill of 2019.

ICMSA feel that the Young Trained Farmer Stamp Duty Relief must be retained, and the conditions should be adjusted to help young farmers avail of the relief. In the following section, the conditions are examined and our opinion on how they could be improved or maintained are outlined.

In terms of conditions attached to claiming the relief:

Qualifying conditions

Age

A transferee must be under 35 years of age on the date of execution of the deed of transfer of the land.

- ICMSA believe that this condition should be held but with an exception for those disponers who have not yet reached retirement age. From example, if a son/daughter is aged 34 and the parent who is the disponer is only 61 and would like to have a pension to retire, ICMSA is asking for a clause to permit the transfer to the Young trained farmer up to a maximum age of 40 and maximum retirement age set out in legislation at the time of transfer.
- We believe this clause would be permissible given that those aged 40 and below are defined as Young Farmers set out in European legislation.

  "A young farmer means a person who is no more than 40 years of age at the moment of submitting the application, possesses adequate

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occupational skills and competence and is setting up for the first time in an agricultural holding as head of that holding."
(Regulation (EU) No. 1305/2013, Article 2, paragraph n)

Agricultural qualifications

When the deed transferring the land is executed, the transferee must hold a relevant agricultural qualification. However, a person who obtains a relevant agricultural qualification within the period of four years after the date on which the deed transferring the land is executed will be able to claim a refund of the stamp duty paid provided all the other conditions are met.

- ICMSA supports this condition as it ensures that those availing of the relief have gained appropriate agricultural qualifications. It is important that those who are deemed "young farmers" are suitably qualified. More remote "farming" courses would be beneficial for those wishing to gain accreditation as a farmer if they already have a previous qualification and are currently farming. This should not be used as a way for non-farmers to avoid taxation.

- **Use of the land.**

  A transferee must spend at least 50% of his or her normal working time farming the transferred land, and retain ownership of that land,

  - Clarity on this condition is important and applicants should be made fully aware of the requirements of the Revenue Commissioners in meeting this requirement.

Business Plan

The young, trained farmer must submit a business plan to Teagasc before the execution of the deed transferring the land.

- ICMSA would question the merits of this condition as it is likely to be a box ticking exercise. ICMSA believes that the young farmers who qualify for this relief should commit to farming the land for five years and be clearly seen to be farming and contributing to their local economy, for example: their annual milk supply statement.

Additional requirements in EU ABER Regulations

Ceiling on amount of aid granted.

A lifetime ceiling of €70,000 applies to the amount of State aid granted to a *young, trained farmer under the three Agricultural Block Exemption Regulations (ABER) schemes 9; i.e., section 81AA SDCA 1999, sections 667B TCA 1997 (stock relief) and 667D TCA 1997 (succession farm partnerships). This means that the amount of State aid (tax relief) claimed must be aggregated across these schemes with effect from 1 July 2014.*

- ICMSA feel that this condition is hugely significant in terms of future policy. The relief is the difference between the stamp duty that would be payable if the relief did not apply.
- At present, this rate would be 7.5% of the valuation for the land transferred. However, this amount is reduced where the transferee also qualifies for consanguinity relief. Therefore, it is essential that any policy or percentage changes to Consanguinity relief must not be contemplated as it would have consequential effects on young trained farmers. The current situation whereby a farmer can claim a lifetime relief of €70,000 over three reliefs make it vitally important that an increase of a separate relief namely

Consanguinity Relief would enhance the value towards this ABER exemption. For example, 200 acres worth €3 million at present with current Consanguinity relief sees **€30,00**0 for the ABER total accounted before looking at stock or succession partnership relief. A change of Consanguinity Relief to 3% would **now see that farm paying €20,00**0 extra above the **€70,000 and would have to** self-declared tax returns as the total relief would be deemed €90,000. A similar situation could apply if an upper age limit was reintroduced for Consanguinity Relief resulting in the young trained farmer perhaps comparing his/her 0% to the overall stamp duty of 7.5%

Transparency and publication

- *Ireland has to publish, on a dedicated EU Commission website, details of State aid granted to individual beneficiaries after 1 July 2016, where such* ***awards are above €60,000*** *for the three Agricultural Block Exemption Regulations schemes*
  - ICMSA have no issue with the publication of some details such as sector, region, aid element and instrument but would prefer if the young farmers name were not included for data privacy reasons.

Recovery of Young Trained Farmer Stamp Duty Relief

ICMSA support the concept of a recovery of the relief where conditions have not been met or adhered to, however, there should be an appeals process to those who feel that they may have a force majeure case and accordingly ICMSA are asking for the introduction of such a system.

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The consultation also focused on an increase in productive and more environmentally friendly farming practices. The retention of this relief along with the changes outlined above should encourage more young trained farmers into the industry. Young, trained farmers are more likely to be more productive and given policy changes being introduced at National and European level such as Agclimatise and the Climate Action Bill, both young and old farmers are **becoming more** "environmentally **friendly"** with clear evidence that young farmers are more likely to be proactive.

The list of agricultural reliefs outlined in the consultation letter subject to age and educational qualification required are now deemed essential to the on-going generational renewal within farm structures in Ireland. Indeed, the first point made in this Submission on the increasing of the age requirement to 40 in some cases whereby the disponer has not yet reached retirement can be applied to all the other reliefs. Secondly, all the five reliefs must be retained at a minimum and if there are changes to criteria within each of them, they must be discussed with farm bodies before any such change would take place.

Conclusion

ICMSA believes that these tax reliefs are hugely important to the future of the family farm structure in Ireland and must continue as they have incentivised succession and efficiencies on farms over the last number of years. The Irish Agri-food sector is central to the rural economy and plays a hugely important role in net foreign earnings and as a country, we must continue to support farm succession bringing young people into the industry to develop modern and sustainable farms.

ANNEX III

Macra na Feirme

Young Trained Farmer Stamp Duty

12th April 2021

Dear Mr. McColgan

Please find below a full response outlining the Macra na Feirme’s position in regards to Young Trained Farmer Stamp Duty (Section 81AA of the Stamp Duties Consolidation Act 1999) and the education requirements for stock relief for young trained farmers, for registered farm partnerships (section 667B and 667C respectively of the Taxed Consolidation Act 1997), Succession Tax Credit (Section 667D of the Taxes Consolidation Act 1997), Agriculture (*Capital Acquisitions Tax*) Relief (Section 89 Capital Acquisition Taxes Act 2003) and Young trained farmers (*stamp duty*) relief (Section 81AA Stamp Duties Consolidation act 1999).

We appreciate the time taken to consider our position and we would urge that these measures be retained with the suggested amendments. The value of generational renewal and greater number of young farmers and young farm owners to the economy is significant with greater investment and therefore local spend in the economy by young farmers. Capital investments in particular are significant higher following succession or establishment partnership generating significant taxation returns.

Yours Sincerely

Thomas Duffy

Macra na Feirme
National President 2019-2021

Review of Young Trained Farmer Stamp Duty Relief

Macra na Feirme welcomed the extension of stamp duty relief to young trained farmers until the end of 2021 as outlined in the 2018 Finance Bill. Stamp duty relief is an invaluable tax resource available to young trained farmers up to the age of 35. However, a revision of the age limits for the relief is warranted to better align Irish taxation measures with EU regulations and allow young farmers the full advantage of the measure.

Macra na Feirme would like to see the relief extended another five years up until 2026, with the proposals outlined below implemented.

In terms of education requirements, Macra na Feirme feels these are both appropriate and reasonable. They have contributed to increasing the percentage of young farmers with formal education to the third highest in Europe.

Macra na Feirme proposals

- To expand Stamp Duty Relief to include all land transfers in registered Succession Farm Partnerships up to the age of 40.
- Extend the maximum age to avail of Stamp Duty relief on the purchase of land to all young trained farmers up to the age of 40.
- To retain the age limit of 35 years of age in any other cases of land transfer to young trained farmers.
- To increase the €70,000 lifetime cap on the benefit any one farmer can receive under the relevant farming-related tax reliefs.

Justification

Agriculture is considered a low-margin, high capital-intensive business that requires investment in its primary asset which is land. Stamp Duty relief is vital for generational renewal which is one of the nine objectives of the Common Agricultural Policy (CAP). The programme for government, clearly states that this government intends to invest even further in the next generation of farmers, encouraging generational change and land mobility to young, educated, and trained farmers. There can be no doubt that the withdrawal of this relief would negatively impact both the futures of countless young farmers and the agricultural landscape as a whole.

As noted in the Report by the European Economic Social Committee “Evaluation of the impact of the CAP on generational renewal” it is recommends that ‘Member States should incentivise generational renewal by minimising the costs and taxation associated with the inter-generational transfer of farms’. Young Trained Farmer Stamp Duty Relief is precisely this form of measure and must be considered as essential to enabling generational renewal. In 2018, a

total of 1,056 young trained farmers availed of the Young Farmers Stamp Duty Relief valued at €16.8 million. This was a significant increase from 2017 levels with 845 claimants worth €7.8 million. The current young farmer stamp duty relief is due to expire on 31st December 2021.

Macra na Feirme would be very much in favour of a gentle stepped approach when it comes to farm transfers so that both the transferor and the transferee have options to avail of and aren't faced an ultimatum in the form of a cliff edge.

The age limit as part of the EU trained young farmer definition is 40 hence better aligning Irish taxation measures with EU definitions is very much justified to allow all Irish young farmers to receive the same support. Also, by raising the age limit for young farmers under this relief for young farmers involved in schemes and succession farm partnerships, it would bring it in line with the 40 years old age limit set under the prioritisation for young farmers under the likes of the Organics Scheme. Ensuring that those young farmers are not discouraged from taking up schemes due to fear of missing out on this relief or vice versa. Due to the substantial cost and lack of available finance associated with purchasing agricultural property, a young farmer will struggle to avail of many benefits of stamp duty relief before the age of 35. Such relief is most likely only beneficial in cases of land transfer from a parent as many young trained farmers would not be in a position to purchase land at the age of 34 or younger.

To the betterment of the Succession Farm Partnership model, provisions should be made to allow such partnerships to benefit from Stamp Duty Relief. The Succession Farm Partnership measure was introduced to encourage farm succession within families. The first year of measurable update of the scheme in 2017, where Succession Farm Partnership credit was valued at a cost of €0.4 million, involved 174 partnerships. The uptake of this measure will increase in subsequent years. Macra na Feirme estimate that there are over 400 Succession Farm Partnerships at present with a credit of over €1 million.

Although not a tax issue itself, the cumulative €70,000 lifetime cap on the benefit any one farmer can receive under three farming-related tax reliefs (the young trained farmer stamp duty relief, stock relief for young trained farmers and succession farm partnerships), is one which greatly affects some young farmers. There is a need for the government to engage with the EU to increase the threshold from €70,000 under State Aid rules to €140,000. By raising the state aid ceilings for young farmers, it will allow for greater flexibility and will also allow the government to react more quickly and more effectively to support vulnerable farmers.

> Macra na Feirme are keen to learn the outcomes of the study suggested on the requirements in respect to age limits applicable and to the management of the educational qualifications that are required to avail of tax reliefs. Macra na Feirme is

open to interacting with the department on this topic in the future and would welcome an opportunity to further explain the reasoning behind the proposals outlined above.

Irish Farmers' Association

Submission to the Department of Finance

Re. Reviews of Young Trained Farmer (Stamp Duty) Relief; and of age limits applicable to, and management of educational qualification requirements, under certain tax reliefs available to the agricultural sector.

9th April 2021

The Irish Farm Centre
Bluebell
Dublin 12

Introduction
IFA represents 72,000 farm families at home and in Europe, lobbying and campaigning for improved incomes and conditions for our members.

Firstly, IFA want to recognise that the Agriculture Budget for 2021 was increased €179 million or 10% to €1.826 billion. Overall, the agricultural schemes were rolled-over and tax reliefs were renewed. Specifically, we want to acknowledge the tax measures included in Budget 2021:

- Under the stamp duty code:
    - Consanguinity relief was extended until 31st December 2023.
    - Consolidation relief was extended until 31st December 2022.
- The VAT Flat Rate Addition has been increased by 0.2% from 5.4% to 5.6%.
- The Earned Income Tax Credit was increased by €150 to €1,650 which is now in line with the Employee Tax Credit.
- The Accelerated Capital Allowances Scheme for energy efficient equipment is being extended for a further three years.
- The Accelerated Capital Allowances Scheme for Farm Safety Equipment was introduced in The Finance Act 2020.
- Capital taxes were not increased and the associated reliefs were maintained.

Nevertheless, agriculture is a low margin, highly capital-intensive business, with the primary asset requiring large amounts of investment being land. Primary agriculture faces many structural challenges, the greatest of which are low levels of land mobility, late transfer of farms and farm fragmentation. Of the 148,227 farming cases in 2018 reported by Revenue, approximately 52% or 77,000 farmers were over 50 years of age.[37] Another 23,000 farmers were aged between 41-50 years of age.

The Teagasc National Farm Survey 2019 Sustainability Report indicates that the percentage of all farms with a high age profile increased from 25% to 32%, based on a three-year rolling average between 2014 and 2019.[38] Only 5% of farmers are young farmers.[39]

The sector also faces the imminent challenge of increased environmental ambition in the new CAP, 'Farm to Fork' and Biodiversity proposals under the European Green Deal, the Programme for Government and Ag Climatise roadmap.

Agri-taxation reliefs increase the mobility and productive use of land; assist succession; and complement wider agricultural policies and schemes, for example, assisting new entrants and young trained farmers.

Stock Relief for Young Trained Farmers

[37] https://www.revenue.ie/en/corporate/information-about-revenue/statistics/other-datasets/farming-sector.aspx

[38] https://www.teagasc.ie/media/website/publications/2020/NFS-2019-Sustainability-Report.pdf

[39] Farm Structure Survey 2016 - CSO - Central Statistics Office

Farmers are entitled to an income tax deduction in respect of increases in the value of your farm trading stock. The term "trading stock" refers to items which are sold in the ordinary course of the farm trade such as farm produce and direct inputs. The 100% stock relief on income tax for certain young trained farmers expires December 31, 2021. The relief is an important measure because it supports new and expanding farmers grow their business. For example, a young farmer converting from a beef to dairy enterprise will require substantial investment in livestock.

As a result of De Minimis State Aid regulations this relief, along with the tax credit for farm succession partnerships and young trained farmer stamp duty relief, is limited by a combined ceiling of €70,000. This ceiling acts as a deterrent to timely lifetime transfers and the development of farms by young farmers. Removing this ceiling will allow for greater land mobility, encourage land transfer and develop economically viable farm units.

IFA Proposes:

- The relief must be renewed post-2021.
- The age limit of 35 must be retained.
- The relief total State Aid ceiling be increased to €150,000.

Stock Relief for Registered Farm Partnerships

The 50% stock relief on income tax for registered farm partnerships expires December 31, 2021. This relief incentivises lifetime transfers of farms and encourages increased productivity on farms. This relief is subject to a €15,000 limit over three years due to De Minimis State Aid regulations which constrains its effectiveness.

IFA Proposes:

- The relief must be renewed post-2021.
- The total State Aid ceiling be increased to €30,000.

Succession Tax Credit

This tax credit encourages experienced farmers to enter into arrangements to plan for the transfer of his/her farm to a young trained farmer. The tax credit also enables young farmers to invest in the farm business through capital expenditure. Expanding this tax credit to include off-farm income will further empower a young farmer to invest in farm buildings, stock, machinery and land.

In order to qualify, a farmer must agree to transfer at least 80% of the farm assets to a chosen successor within a specified period. This high level of transfer may not provide an experienced farmer with adequate financial security and leave them in a vulnerable position going forward. We must protect the transferor and limit their exposure to financial precarity.

The stipulation that the identified successor must be under 40 years of age and have obtained the necessary qualification will ensure for timely lifetime transfers and increase the productivity of the farm.

In 2017 and 2018 there were only 175 and 290 farmers respectively who availed of the relief.[40] This measure can deliver wide-reaching benefits in terms of health and safety, rural development and environmental sustainability if uptake is increased. The investment which this measure enables also creates spin-offs for the local and associated economy.

As already outlined, this tax credit counts towards the €70,000 limit placed on the total amount of state aid granted per young farmer.

IFA Proposes:

- In order to increase uptake, the relief should be extended to a young farmer's off-farm income for three of the five years to allow the young farmer to invest some off-farm income in order to develop and expand the farm.
- The percentage of farm assets that a transferor must agree to transfer to the successor should be reduced.
- The age limit of 40 must be retained.
- The total State Aid ceiling be increased to €150,000.

Agricultural Relief

90% Agricultural Relief from Capital Acquisitions Tax is a hugely important support for the intergenerational transfer of family farms. Its retention for active farmers is very positive, ensuring that transferred land is put into productive use. The eligibility criteria for the relief ensure that appropriately qualified farmers will farm the land after the transfer which will increase the number of productive farms.

IFA proposes:

- The retention of 90% Agricultural is critical to support the transfer of economically viable family farms. The Association also supports the commitment in the Programme for Government to increase the Category A threshold from the current rate of €335,000 to €500,000 in future budgets.
- This relief should not be age-related. The current flexibility is key to ensuring agricultural land remains actively productive. Any introduction of an age limit will prohibit the timely transfer of farms.
- Due to changing demographics and family structures, the Favourite Nephew or Niece Relief should be extended to a Favourite Successor Relief, allowing the farm to be gifted to someone who would be in a better position to continue farming the land. The movement from Category B/C threshold to Category A would allow for less of a tax liability, protecting the sustainability of the farm and promote land mobility.

Young Trained Farmer (Stamp Duty) Relief

This relief is critical for aiding young farmers to enter the sector and incentivise generational renewal.

The relief was capped in the Finance Bill of October 2018, where it was amalgamated with the Stock and Succession Partnership Reliefs, and a lifetime limit of €70,000 was applied, due to the reliefs falling under State Aid. The use of State Aid by a member state can be justified if it is in line with the objectives of

[40] https://www.revenue.ie/en/corporate/information-about-revenue/statistics/other-datasets/farming-sector.aspx

CAP, and one of the nine pillars of CAP is for generational renewal. IFA believes that the ceiling is constraining young farmers in the development of their farm business plans and restricting the new generation from entering into the sector. For example, a young farmer converting from a beef to dairy enterprise may require substantial investment in land. Currently, a young trained farmer must submit a business plan to Teagasc at the time of the claim and technically the relief could be disallowed by failing to submit the plan which is imposing large unforeseen costs on many young farmers.

IFA Proposes:

- The relief must be renewed post-2021.
- The age limit of 35 years must be retained.
- The total State Aid ceiling should be increased to €150,000.
- The Business Plan can be submitted to Teagasc within 12 months of the claim for the relief.

Consanguinity Relief

Ireland has a high level of owner-occupancy of farms, and the sustainability and viability of the sector requires that the family farm can be transferred between generations with the minimum of administrative complexities, legal costs and tax exposure. The reduction from the rate of 7.5% to 1% of Stamp Duty, which the Consanguinity relief allows, promotes intergenerational farm family lifetime transfers.

IFA supports all the criteria for access to the relief. The previous removal of the age restriction of 67 for the transferor means there is no longer a barrier for older farmers availing of this relief and it acts as an incentive to lifetime transfer of land. IFA opposes the imposition of any age limits on transferors intending to avail of consanguinity relief because this would act as a barrier to the early transfer of farms. IFA does promote early farm transfer, however, delays are sometimes a necessity as it is not viable for some farmers who have had their state pension age deferred and where the farm is not able to sustain two incomes. The requirement to farm the land or lease it to be farmed for a minimum of 6 years ensures that this relief is available for genuine farmers.

Whilst the allocation of 50% of working time on the farm (equating to 20 hours/week) allows for part-time farmers to also utilise the relief, which is essential as the average farm income in 2018 was cited as €23,483 in 2018, resulting in some farmers having to work off-site.[41] The alternative of having a specific qualification or obtaining one within four years of getting the land, gives further opportunity to those who want to farm it. Lastly, the option of leasing out to a farmer who fulfils the working time or qualification specification, allows for agricultural land to be released, which is critical for all farmers, particularly young farmers. IFA believes the criteria required prevents potential abuse of the relief in terms of transference of wealth by non-farmers.

IFA Proposes:

- To encourage the transfer of family farms of a sufficient scale to support a viable farm enterprise for the next generation, IFA believes it is essential that the Consanguinity Stamp Duty Relief be retained on all qualifying transfers and purchases. Those entering farming must not be faced with a significant tax liability, which could necessitate the breakup of family farms or selling of assets. Due to the definition of 'commercial' currently including agricultural land, resulting in the higher

[41] https://www.teagasc.ie/news--events/news/2019/teagasc-national-farm-sur.php

Stamp Duty rate of 7.5% being applied to farmers, the extension of this relief is critical to this low return sector's sustainability. IFA is also concerned that the removal of this relief would result in delays in transfers, as Stamp Duty is not liable on an estate after death. This raises health and safety concerns as farmers will continue farming into their elder years.

Consolidation Relief

Farm fragmentation is a key structural issue for Irish farming, adding to costs and decreasing efficiency. According to the last CSO Farm Structure Survey in 2016, 27% of all farmers were fragmented into three or more parcels, with 42% of farms being less than 20ha.[42] When farming separate parcels of land, it causes issues with time management, extra labour, as well as stock or machinery movement and monitoring. Agriculture is a low margin, highly capital-intensive business with the primary asset - land - requiring large amounts of investment. Reliefs recognise the high prices of agricultural land for a low margin. This relief incentivises farmers to reduce the number of parcels of land in their farm or to decrease the distance between them, with the net result of making their farm businesses more efficient and profitable.

The criteria necessary to avail of this relief is supported in the main by IFA. The duration to complete the transactions of 24 months is fair. IFA concurs with the requirement that the farmer availing of the relief must retain the land for agricultural use for a set number of years (5 years for this relief). However, the necessity of having to obtain a farm restructuring cert issued by Teagasc is believed to be a barrier to farmers availing of this relief and restructuring their farms. It is important that no age limit is introduced on this relief because to do so would prevent many farmers from integrating their holdings and increasing productivity.

IFA Proposes:

- The certification process should be simplified and streamlined by the adoption of a self-declaration process, as already utilised in the payment of Stamp Duty. The Revenue Commissioners should collaborate with the DAFM and Teagasc to establish an online portal whereby applicants can enter the relevant land folios and other details so as to obtain an outline approval.

Forestry and Young Trained Farmer/Consanguinity (Stamp Duty) Relief

The promotion of farm forestry is key for Ireland to achieve its environmental goals in terms of climate change and the renewable energy targets. When farmers enter into forestry, it is a long-term commitment of land-use. Although there is precedence with the treatment of forestry for Capital Acquisitions Tax (CAT) Agricultural Relief, where land with trees growing is defined as being agricultural, with Stamp Duty, land with woodlands on a commercial basis does not qualify for reliefs and is subject to the 7.5% rate. Currently the differing definitions cause unnecessary complications and complexities and are a barrier to investing in, transferring or selling forestry.

IFA proposes:

[42] Farm Structure Survey 2016 - CSO - Central Statistics Office

- Farm forestry must be treated in a similar manner in relation to the Consanguinity and Young Farmers Stamp Duty Reliefs as it is with CAT Agricultural Relief, where it is defined as agricultural land.

Educational Qualification Requirements
As outlined heretofore, it is imperative that the completion of the necessary educational qualifications remains a requirement to qualify as a young trained farmer for the aforementioned reliefs. However, it can be difficult to determine which educational programmes count towards qualification as a young trained farmer.

IFA Proposes:
- The Department of Agriculture, Food and the Marine should actively maintain a definitive list of the relevant educational qualifications and make it available online for easy access. Therefore, when a student is applying to participate in a particular programme, they will know from the outset whether the programme will count towards their qualification as a young trained farmer.

Renewal of agri-tax reliefs.
The renewal of agri-tax reliefs on Budget day for the year end causes uncertainty and distress for farm families working to transfer their land to the next generation.

IFA Proposes:
- All reliefs should be renewed 12 months in advance of their expiration in order to support smooth intergenerational transfer, decrease farm fragmentation and reduce uncertainty for farmers.

IFA would welcome the opportunity to meet with the Department of Finance in the coming weeks to discuss this submission further.

Ends.

IFA Farm Business Committee.

9th April 2021.

III. Equality Budgeting from a Tax Perspective

1. Introduction

This paper seeks to analyse and develop a process for equality budgeting in Ireland from a tax perspective. In order to achieve this, it outlines some recent developments in the area of equality budgeting, and the Department's current approach to analysing inequality in the tax system with a view to establishing a starting point for Ireland's equality budgeting from a tax perspective. Some options for an appropriate equality assessment approach for tax policy measures are considered.

The purpose of this paper is to take stock of the recent work carried out by the Department relevant to equality budgeting, consider the equality dimensions of tax measures, and consider options as to further assessment of tax policy measures from an equality perspective. It does not seek to set or measure specific equality budgeting goals as, these will be progressed in an incremental way through the performance budgeting initiatives led by Department of Public Expenditure and Reform (DPER).

The analysis set out in this paper aims to complement the work of the DPER pilot programme and the process of accounting for equality expenditure in Revised Estimates Volumes for Public Services, commencing with the 2018 edition. [43]

1.1 What is meant by Equality Budgeting?

The process of equality budgeting works through providing greater information on the likely impacts of proposed and/or ongoing budgetary measures, which, in turn, enhances the potential to better facilitate the integration of equality concerns into the budgetary process and enhance the Government's decision making framework.

Taking a phased approach, the initial focus of the metrics reported was on gender (due to the availability of disaggregated data). Equality Budgeting has since been expanded to include socio-economic inequality, disability, minority groups, and age. Any dimension of equality can be included should the data be identified or identifiable.

1.2 Recent Developments

The ongoing work regarding Equality Budgeting in Ireland arises out of the commitment made in the previous programme for Government (Programme for Partnership Government – May 2016) to '*develop the process of budget and policy proofing as a means of advancing equality, reducing poverty and strengthening economic and social rights*'. The National Strategy for Women and Girls, in which the Department of Finance participates, also contains a related commitment.[44]

[43] DPER (2021). Available at: https://www.gov.ie/en/collection/e20037-revised-estimates/

[44] Action 6.14 of the National Strategy for Women and Girls 2017—2020. Available at: http://www.justice.ie/en/JELR/National_Strategy_for_Women_and_Girls_2017_-_2020.pdf/Files/National_Strategy_for_Women_and_Girls_2017_-_2020.pdf

A pilot programme of equality budgeting was introduced by the Department of Public Expenditure and Reform for the 2018 budgetary cycle, anchored in the existing performance budgeting framework. The intention of this pilot programme has been to embed an equality perspective throughout the budgetary process with a whole of year budgetary focus; equality budgeting is not to be seen as something separate from the budget process. For the first cycles of equality budgeting, a number of diverse policy areas were selected with associated objectives and indicators published in subsequent Revised Estimates Volumes (REV's), with progress towards achieving those targets reported in the following Public Service Performance Report.[45]

Lessons from the pilot approach were used to expand the initiative to other expenditure programmes and equality dimensions for the 2019 budgetary cycle. To further guide the roll-out of equality the Equality Budgeting Expert Advisory Group was established. This group is comprised of a broad range of relevant stakeholders and policy experts to provide advice on the most effective way to advance equality budgeting policy and to progress the initiative.

The Department of Finance is represented by senior officials on the Group, which is currently focussed on advancing the recommendations of the 2019 OECD policy scan which reviewed the actions Ireland has taken to mainstream equality considerations into the budget process.

OECD Policy Scan

In 2019, the Department of Justice and Equality and the Department of Public Expenditure and Reform requested that the OECD take stock of actions Ireland has taken to mainstream equality considerations into the budget process. A policy scan was completed in September 2019 and published alongside Budget 2020[46]. The OECD reviewed all work to date and conducted a fact-finding mission where they met with a large number of stakeholders including Government Departments, the National Women's Council of Ireland, the Irish Human Rights and Equality Commission (IHREC), academics, the Budgetary Oversight Committee, the Parliamentary Budget Office etc.

The Scan provides options and recommendations on future directions for equality budgeting in Ireland, in light of national developments and international experience. Recommendations build on:

a) the strengths of the existing budgeting framework in Ireland,

[45] Public Service Performance Reports <https://www.gov.ie/en/collection/61d3f-public-service-performance-reports/>

[46] Scherie Nicoli and Pinar Guven 'OECD Scan: Equality Budgeting in Ireland', 2021 OECD Journal on Budgeting No. 4. Available at: https://www.oecd.org/gov/budgeting/equality-budgeting-in-ireland.pdf

b) the momentum of ongoing and planned public financial management reforms, and the progress made in shaping an equality and inclusion agenda across several policy domains.

The Scan also provides guidance to strengthen Ireland's institutional approach to equality proofing more holistically. The recommendations capture the key challenges and barriers encountered and provide a framework on which Equality Budgeting policy can be developed in a focussed and constructive way.

Two recommendations of this policy scan (the full list recommendations is provided at Annex 1 of this document) of particular relevance to the Department of Finance are:

- **Tax expenditures** should also be subject to equality review, not just direct expenditures;
- ***Ex ante* equality proofing** of all policies should also be introduced, as a rule.

Programme for Government Commitment

With the 2020 Programme for Government "Our Shared Future"[47] committing (on page 77) to "Expand the Equality Budgeting Programme across government departments and agencies" work is now underway, led by DPER and DCEDIY, to mainstream the approach to equality budgeting, building upon the pilot exercise to date, which while having a stated focus on the equality impacts of public spending, should also encompass the less well developed concept of tax expenditures.

As part of this work, and following a Government decision in March 2021, an Equality Budgeting Interdepartmental Network was established earlier this year in order to fully implement equality budgeting across all departments, in line with recommendations contained in the OECD 2019 Report on Equality Budgeting in Ireland.

[47] Available at: https://www.gov.ie/en/publication/7e05d-programme-for-government-our-shared-future/

2. Equality Budgeting and the Tax System

Ireland's equality laws outlaw discrimination on nine characteristics: gender, civil status, family status, sexual orientation, disability, religion, age, race, and membership of the Traveller community.

Any tax system seeks to balance the principles of equity, efficiency and simplicity. The taxation system is the primary means by which the government collects revenue to finance social services such as health and education, as well as critical infrastructure and other public goods.

Equity is a central principle of the tax system and there are two dimension to it; horizontal equity and vertical equity: persons in the same situation should be treated equally and those more favourably placed should pay more. Non-uniformity of taxation across similar individuals, products, activities etc. can, become discriminatory as well as distortionary.

Certain provisions are included in the tax code to promote particular policies or activities. These Tax Expenditures, whether in the form of exemptions, allowances, credits, preferential rates, deferral rules, represent general government policy instruments used to promote specific social or economic policies and are closely related to direct spending programmes. It is therefore important that they be held to the same standards as direct expenditure, including in terms of their potential to have beneficial or detrimental effects in terms of equality.

It therefore follows that tax policy formulation has an important role to play in the Government's approach to fostering equality budgeting.

2.1 Current approach to Analysing Inequality and the Tax System

There have been a number of reforms in recent years to enhance the transparency and effectiveness of the budgetary process in Ireland. There are also well established practices and procedures for analysis and assessment in place that facilitate the consideration of likely equality impacts of existing and/or ongoing tax measures.

Firstly, as part of the annual pre-Budget preparations, the Minister for Finance and his officials meet with representatives of a wide range of community and voluntary organisations in the lead up to the Budget. In this way, these groups can highlight their own perspectives on what they consider to be the key issues for the upcoming Budget.

Secondly, each year, the Department of Finance, independently and in conjunction with other Departments, conducts a number of analyses to examine the distributional impact of possible Budget options and of the final Budget package. The SWITCH[48] tax-benefit micro-simulation model developed by the ESRI is the main tool used to estimate the distributional impact of the budget measures. These estimates provide an evidence base on socio-economic issues which can be integrated alongside other

[48] SWITCH stands for **S**imulating **W**elfare and **I**ncome **T**ax **Ch**anges.

budgetary considerations. This analysis is complemented by the Social Impact assessment series of papers (prepared by IGEES, DPER) which examine the impact of public expenditure on households.

Thirdly, the Tax Strategy Group (TSG) meets annually in advance of the Budget. Its membership comprises senior officials and advisors from the Departments of Finance, Public Expenditure & Reform, An Taoiseach, Business Enterprise & Innovation, Employment Affairs & Social Protection and the Revenue Commissioners. The Department of Finance and the Department of Employment Affairs & Social Protection prepare papers which examine each of the main taxation areas as well as the distributional impacts of a range of tax and social welfare options. The papers are published on the Department's website following the meeting[49]. In recent years, equality considerations have been included in some of the published TSG papers.

Equality Grounds – Socio-economic status

In addition to the nine grounds explicitly protected by Ireland's equality legislation the Irish Human Rights and Equality Commission (IHREC) have also called for socio-economic status to be included as a protected ground.

Socio-economic status is a function of variables such as income, education and occupation. It cannot be directly observed in a survey or administrative data source, and income is commonly used as a proxy variable. Income is not without its problems as a proxy, for example it is more volatile than socio-economic status, it may be under-reported and it is typically age-dependent.

The Department of Finance currently analyses the relationship between inequality and the tax system mainly on the grounds of income (socio-economic status, broadly speaking). The Department's approach is based upon two pillars: (i) a general examination of income inequality across time and countries, and consideration of the role of the tax system in observed trends; and (ii) detailed examination of the impact of Budget measures on household disposable income. The Department's analyses are restricted to income rather than other grounds of equality, such as gender, age, or disability. This is largely due to the availability at any point in time of detailed data on the income distribution, both before and after the impact of the tax and welfare systems are taken into account. The CSO, the OECD and the European Commission all produce survey-based statistics on income inequality on an annual basis, with the latest year in the time series typically being two or three years behind the current year.

2.2 Income Inequality and the Role of the Tax System

A comparative examination of income tax and progressivity issues is included annually as part of the Budget documents. It considers the primary measure of income inequality, the Gini coefficient, in a range of ways. The most recent edition provides a discussion on the tax wedge for individuals on different incomes, and highlights recent joint research between the Department of Finance and the

[49] Available at: https://www.gov.ie/en/collection/d6bc7-budget-2022-tax-strategy-group-papers/

ESRI (Acheson et al 2017)[50]. This study provides useful insights into how a number of structural aspects of the tax system, namely tax rates, credits and thresholds, influence the well-established progressivity of the Irish personal tax system. The evidence shows that the Irish tax and welfare systems contribute substantially to the redistribution of income and a reduction in income inequality, that the Irish income tax system has become more progressive over time and ranks as one of the most progressive in the OECD.

The Gini coefficient is the most commonly used metric of income inequality, as it is an easily understood measure and captures the pre and post-tax incomes of all people in the population. However, it is not without drawbacks, not least as regards the loss of information or detail which is summarised in a single metric. It therefore makes sense to attempt to supplement such analysis from other sources.

2.3 Impact of Budget Measures on Household Incomes

One of the key data sources for the Department's analysis of Budget tax policy changes is the Survey on Income and Living Standards (SILC), produced by the CSO. SILC is a household survey covering a broad range of issues in relation to self-reported income, social inclusion and the home environment. It is the official source of data on household and individual income and also provides a number of key national poverty indicators, such as the 'at risk of poverty' rate, the consistent poverty rate and rates of enforced deprivation.

As mentioned previously, the Department analyses the impact of Budget tax policy changes through SWITCH, the ESRI tax-benefit microsimulation model, which uses SILC data to examine the distributional impact on households of changes in tax and welfare policies. Microsimulation models, such as SWITCH, provide a nationally representative picture of the impact of policy changes. The Department may also employ the SWITCH model in advance of the Budget to analyse indicative budgetary tax proposals; these are produced for the Tax Strategy Group paper on Income Tax and USC, which is publically available on the Department of Finance website. It is worth noting that although SILC contains income data on both an individual and household basis, the SWITCH model only produces analysis at a household level.[51] A restriction of the model historically was that it only modelled income and property tax changes. However, the Department has worked with the ESRI to expand the model's suite of tax policies to include indirect taxes such as VAT and excise duties.

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[50] Acheson, J., Deli, Y., Lambert, D., and E. Morgenroth. (2017) 'Income tax revenue elasticities in Ireland: an Analytical Approach' ESRI Research Series, No. 59. This research paper was produced under the Department of Finance and ESRI joint research programme on The Macroeconomy, Taxation and Banking.

[51] The SWITCH model can produce analysis at a tax unit level also, but as the Irish income tax system is not fully individualised, this does not correspond to individual-level analysis.

The SWITCH model mainly addresses two equality grounds: socio-economic status (via income) and family status, while a gender function is also available in some instances.[52] The impact of Budget tax policy changes or combined Budget tax and welfare policy changes can be examined by decile of equivalised household disposable income.[53] It can alternatively be examined by the following family statuses: lone parents, both employed and unemployed; singles, both employed and unemployed; single-earning, dual-earning and non-earning couples, with and without children; and retired singles and couples. It is not possible to do intersectional analysis, i.e. family status by income decile, due to data constraints.

2.4 Consideration of Other Data Sources for Analysing Inequality and the Tax System

While SILC is the primary data source relied on by the Department of Finance to analyse income inequality and tax-induced income changes by family status, other data sources and their suitability for inequality analysis are worth highlighting.

An obvious data source to consider when examining inequality and the tax system is the tax data produced and published by the Revenue Commissioners on their website. However, it is difficult for this data source to fully capture any of the nine equality grounds due to the nature of the tax system.

Revenue data on personal taxes (such as income tax and USC) and incomes are recorded by the circumstances of the taxpayer unit. A married couple or registered civil partners are counted as one taxpayer unit where they opt for joint assessment. Taxpayer units can be: single; in a marriage or civil partner with one spouse earning; in a marriage or civil partner with both spouses earning; or widowed or surviving civil partner. However, given there is no obligation for a couple to register with Revenue as married or in a civil partnership, this breakdown refers to tax filing status rather than actual marital or civil status. This means that there are married couples or couples in civil partnerships contained in the tax unit category called Single. Information is available from Revenue systems on the age and gender of individuals. For taxpayer units with more than one individual, the gender or age is assigned to the "assessable spouse" (who is responsible for filing tax returns and paying any tax due).

With regard to other forms of taxation, such as VAT or Excise, it is impossible for the Revenue Commissioners to observe the incidence of taxation, i.e. which type of households or individuals ultimately pay the tax, as the taxes are paid the returns filed by businesses or traders, rather than

[52] Civil status is also partially covered in the sense that households can be identified as single or couples. However, couples cannot be distinguished as married, civil partners or otherwise.

[53] Equivalisation adjusts household income on the basis of household size and composition in order to facilitate like-for-like comparisons across households.

consumers.[54] Given this, their data are not particularly suitable for examining the relationship between indirect taxation and any of the equality grounds.

For indirect taxation, one traditional data source is a household budget survey as such surveys contain detailed information on household expenditure patterns. However, budget surveys are typically produced less frequently than income surveys. For example, the CSO's Household Budget Survey (HBS) is produced every five years while the CSO Survey on Income and Living Conditions (SILC) is produced on an annual basis. While the HBS can provide a lot of detail on the incidence of indirect taxation and some of the equality grounds - such as gender, age, family status and marital or civil status – it is limited by the length of time that passes between surveys. However, the IT SIM model has allowed for annual changes in consumer price inflation and wage growth to reflect yearly changes to these metrics. The IT Sim satellite model to SWITCH is used to estimate the indirect taxes (VAT and excise duties, including carbon taxes) paid by Irish households on the basis of their reported expenditure, collected by the CSO's nationally representative HBS in 2015-2016.

2.5 Equality Analysis - considerations

As mentioned above, the most tax policy appropriate survey sources or models for equality analysis typically focus on the household as the unit of analysis. However, more than one individual can live in a household, so equality characteristics which are unique to an individual, such as gender or religion, are difficult to analyse from these sources. The ESRI have previously used the underlying SILC micro-data behind the SWITCH model to examine the distributional impact of budgets by gender, although this is not a routine part of SWITCH outputs and was a specially commissioned project for the Equality Authority.[55]

Table 1 below summarises the discussion above on which equality grounds can be readily analysed in a tax policy context. It shows that more consideration and resourcing of appropriate data sources would be essential to advance equality analysis of tax policy in Ireland.

TABLE 1: CURRENT STATE-OF-PLAY ON DATA SOURCES FOR EQUALITY ANALYSIS OF TAX POLICY

	Gender	Age	Disability	Civil or Marital Status	Family Status	Race	Religion	Membership of Travelling Community
Survey on Income and Living Standards	✓	✓			✓			

[54] Leaving equality considerations aside, the economic incidence of indirect taxation is generally difficult to quantify.

[55] Keane, C., Callan, T., & Walsh, J. (2014). 'Gender Impact of Tax and Benefit Changes: A Microsimulation Approach' Economic and Social Research Institute (ESRI) and the Equality Authority.

Household Budget Survey	✓	✓		✓	✓			
Revenue Commissioners	✓	✓		✓				

Source: Department of Finance analysis of data sources

2.6 Tax Measures to Promote Equality

A number of tax measures exist with direct relevance to one of the nine grounds of equality, e.g. the Blind Person's Tax Credit and the Disabled Drivers and Disabled Passengers Scheme. The tax system also includes a number of provisions which positively discriminate in favour of certain individuals in view of additional challenges they face and/or with a view to improving equality of outcomes. While these measures are deviations from the principle of horizontal equity, under which each person with the same income should have the same tax liability, they have been introduced into the tax code as a result of social policy decisions to provide additional supports to individuals in these specific circumstances. For example, the Home Carer Tax Credit is given to families where one spouse works primarily in the home to care for a dependent person, such as a child, a person aged 65 years or over or a person who is permanently incapacitated due to mental or physical disability. Another example is the Single Person Child Carer Credit which is given to single parents who, as a social group, are at a greater risk of poverty than married or cohabiting parents according to the latest SILC 2019 statistics.[56] The following lists some of these tax measures:

Home Carer Tax Credit

The Home Carer Tax Credit may be claimed by a married couple or civil partners where one spouse or civil partner (the 'Home Carer') works primarily in the home to care for one or more 'dependent persons'.

Blind Person's Tax Credit

The Blind Person's Tax Credit can be claimed by people who are blind or who have impaired vision.

Guide Dog Allowance/Assistance Dog Allowance

The Guide Dog or assistance Dog allowance can be claimed by people who own a trained guide dog or trained assistance dog.

The Disabled Drivers and Disabled Passengers Scheme

The Disabled Drivers and Disabled Passengers (Tax Concessions) Scheme provides relief from VAT and VRT (up to a certain limit) on the purchase of an adapted car for transport of a person with specific severe and permanent physical disabilities, payment of a fuel grant, and an exemption from Motor Tax. It is designed to promote equality and inclusion by aiding the mobility of persons with severe physical disabilities.

[56] For more detail, see Central Statistics Office Survey on Income and Living Conditions (SILC) 2019 Table SIA16. Available at: https://data.cso.ie/table/SIA16

Single Person Child Carer Credit

The Single Person Child Carer Credit can be claimed by a single person who is the primary carer of one or more dependent children. In addition, there is an increase in the standard rate band of €4,000 for those in receipt of credit.

Widowed Parent Tax Credit

The Widowed Parent Tax Credit may be claimed by a widowed person or a surviving civil partner with dependent children.

Incapacitated Child Tax Credit

The Incapacitated Child Tax Credit can be claimed by people who have a child who is permanently incapacitated, either physically or mentally, and is unable to support him/herself.

Age tax credit

Tax credit for those 65 years or older in the tax year, or (whether jointly assessed or separately assessed) if someone's spouse or civil partner is 65 years or older in the tax year.

Dependent relative tax credit

This credit can be claimed by those who maintain a relative at their own expense, this includes a relative of your spouse or civil partner.

Case Study: A Consideration of Gender Proofing - Individualisation vs Joint Assessment

USC and PRSI are calculated and payable on an individualised basis, meaning that a person's liability to the tax / social insurance charge is determined on the basis of their own individual income and personal circumstances. By contrast, income tax allows for a system of joint assessment, whereby one spouse is assessed to the joint income of both individuals and tax credits and bands may be (partially) transferred between spouses.

With regard to each of the three charges on income, the system of tax rates, bands and credits applies equally to both genders. Liability to tax and entitlement to credits and reliefs is determined by factors such as the type and source of income earned and the nature of deductible expenses incurred and is not influenced by the gender of the individual taxpayer. For a married couple under joint assessment, the assessable spouse is determined not by gender but by reference to the higher earner of the couple.

Notwithstanding this non-gendered approach, earnings and workforce participation data indicate that males are more likely to be the higher earners in households and therefore the assessable spouse. Consequently, policy measures targeted at the secondary earner of a jointly assessed couple could be expected to have a more significant impact on females.

Prior to 2000 income tax allowed for full joint assessment of married couples, meaning that the earner in a single-income couple could use the combined tax credits and standard rate band available to the couple – i.e. double the personal tax credit and rate band available to a single earner. As a result, where the primary earner of a couple had sufficient income to use the available reliefs in full, the second earner faced the marginal rate of tax from the first pound of income earned, and this could act as a disincentive to workforce participation for second earners.

A process of moving towards an individualised system of income taxation began in the tax year 2000/2001 with the stated economic objectives of increasing labour force participation and reducing the numbers of workers paying the higher rates of income tax. Many European countries have made similar moves towards a partial or fully individualised income taxation on the grounds that it improves equality and economic independence for women.

An individualised tax system is less favourable to single-income families whose income is in excess of the married-one-earner standard rate tax band. The move towards individualisation was therefore opposed in particular by single-income families with caring responsibilities in the home. The Home Carer Credit (HCC) was introduced in tandem with the move towards individualisation in order to benefit families where one spouse works primarily in the home to care for children or other dependants. The HCC may be claimed in full where the home carer's income is below €7,200 per year, and on a reduced tapered basis where the home carer earns above that amount, with the credit being reduced by €1 for every additional €2 the home carer earns above the earnings ceiling.

Other non-tax factors also have significant impacts on female workforce participation, including in particular the cost of childcare. Studies of the 'participation tax rate' for families where women return to work (i.e. the amount of the additional gross earned income which is loss through

payments of tax, social insurance, reductions in welfare entitlements), have found a participation rate of below 20% for Ireland indicating a tax and welfare system that is supportive of the second earner returning to work. However, in situations where the family has to pay for childcare, the participation tax rate including childcare costs for women with two children was 94% - the second highest in the EU (second only to the UK).[1]

The issue of tax individualisation was considered by the Commission on Taxation in 2009 and that body recommended no change should be made to the prevailing income tax system. It concluded that the partially-individualised income tax system represents a balance between, on the one hand, acknowledging the choices families make in caring for children and, on the other, taking account of the need to encourage labour market participation.

The Commission on Taxation and Welfare, a Programme for Government commitment, was established in April 2021 and held its first meeting in June 2021. The Commission is tasked with submitting its report to the Minister for Finance by no later than 1 July 2022. While the terms of reference of the Commission[57] do not explicitly mention individualisation, they include *inter alia:*

> "a review of how best the taxation and welfare system can support economic activity and income redistribution, whilst promoting increased employment and prosperity in a resilient inclusive and sustainable way and ensuring that there are sufficient resources available to meet the costs of public services and supports in the medium and longer term.
>
> …..
>
> It will also include examination of how welfare policy can work in tandem with the taxation system to support economic activity, and while continuing to support those most vulnerable in our society in a fair and equitable way, having regard in particular to experience gained during the COVID-19 Emergency. "

[57] Available at: https://www.gov.ie/en/organisation-information/7cf49-commission-on-taxation-and-welfare-2021-terms-of-reference/

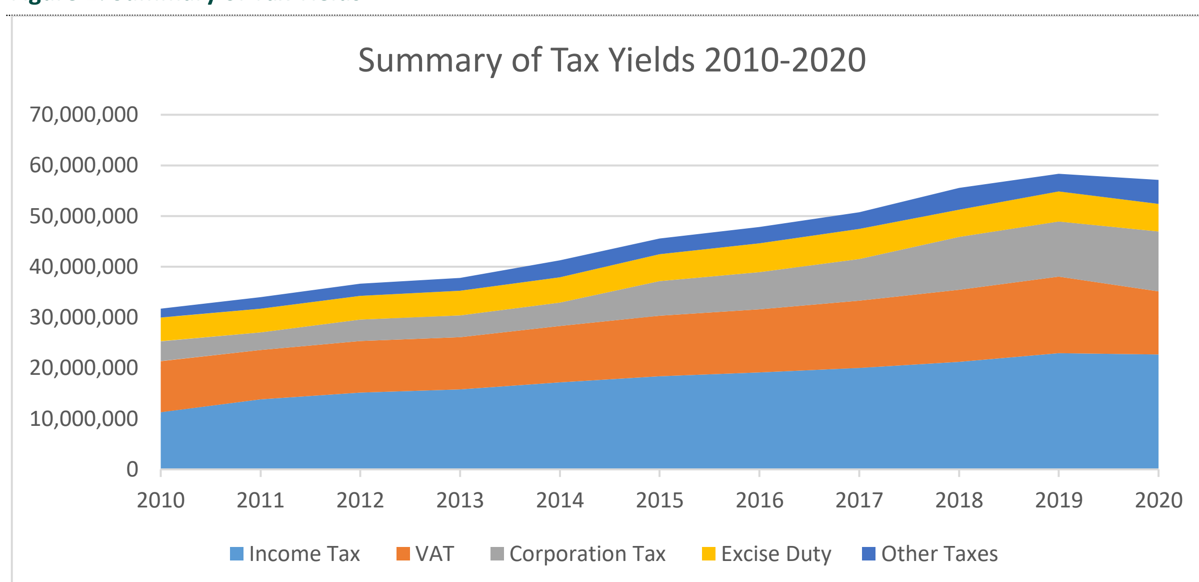
3. Consideration of options for equality assessment of tax policy measures

Equality is, by its nature, a broad concept which can, in turn, present challenges in setting goals or assess the effectiveness of measures. A key challenge is in relation to data collection. For instance, gender can be more straightforward in terms of data collection, while the wider equality grounds are more complex as they often depend on self-disclosure and are not included in data sets commonly employed by the Department for analysis. The availability of data can also vary depending on the nature of the tax in question, with indirect taxes typically presenting a more difficult challenge in assessing where the incidence of the tax falls.

3.1 Data and Heads of tax

The following chart shows the main tax heads by share of tax:

Figure 1: Summary of Tax Yields



As can be seen from this graph income tax and VAT account for a significant portion of tax revenues, with a lower proportion coming from corporate income and gains, excise duties and other taxes. According to the last Annual Report on Tax Expenditures[58] there are 179 listed tax expenditures across various categories - Personal Tax Credits; CAT/CGT ; Pensions; Stamp Duty; Local Property Tax; Benefits-in-Kind; Corporation Tax; Excise Duty; and VAT.

[58]Report on Tax Expenditures 2020. Available at: http://www.budget.gov.ie/Budgets/2021/Documents/Budget/121020%20Tax%20Expenditures%20Report%202020%20for%20Publication.pdf

Personal Tax/Income tax

In 2020, income taxes of c. €22.7 billion were raised for the Exchequer, representing almost 40% of the total tax take. Of this, income tax comprises c. €17.4 billion and USC comprises c. €3.8 billion[59]. Income tax and USC remain the single largest source of tax revenue to the Exchequer, having surpassed the proportion contributed by VAT in 2009.

PAYE Modernisation has been operational for all employers in the State since 1 January 2019. Information is provided to Revenue at individual payslip level, and includes significant amounts of data on particular characteristics for each (PAYE) employee such as gender, age and tax status[60].

Table 2: PAYE Taxpayers by Month And Gender

Month	Male	Female	Total
Jan	1,410,328	1,270,071	2,680,399
Feb	1,403,210	1,262,226	2,665,436
Mar	1,410,875	1,269,249	2,680,124
Apr	1,417,920	1,275,781	2,693,701
May	1,429,337	1,286,081	2,715,418
Jun	1,441,449	1,295,325	2,736,774
July	1,452,202	1,301,090	2,753,292
Aug	1,455,442	1,305,461	2,760,903
Sep	1,455,957	1,309,776	2,765,733
Oct	1,457,221	1,312,554	2,769,775
Nov	1,461,050	1,318,041	2,779,091
Dec	1,458,440	1,316,758	2,775,198

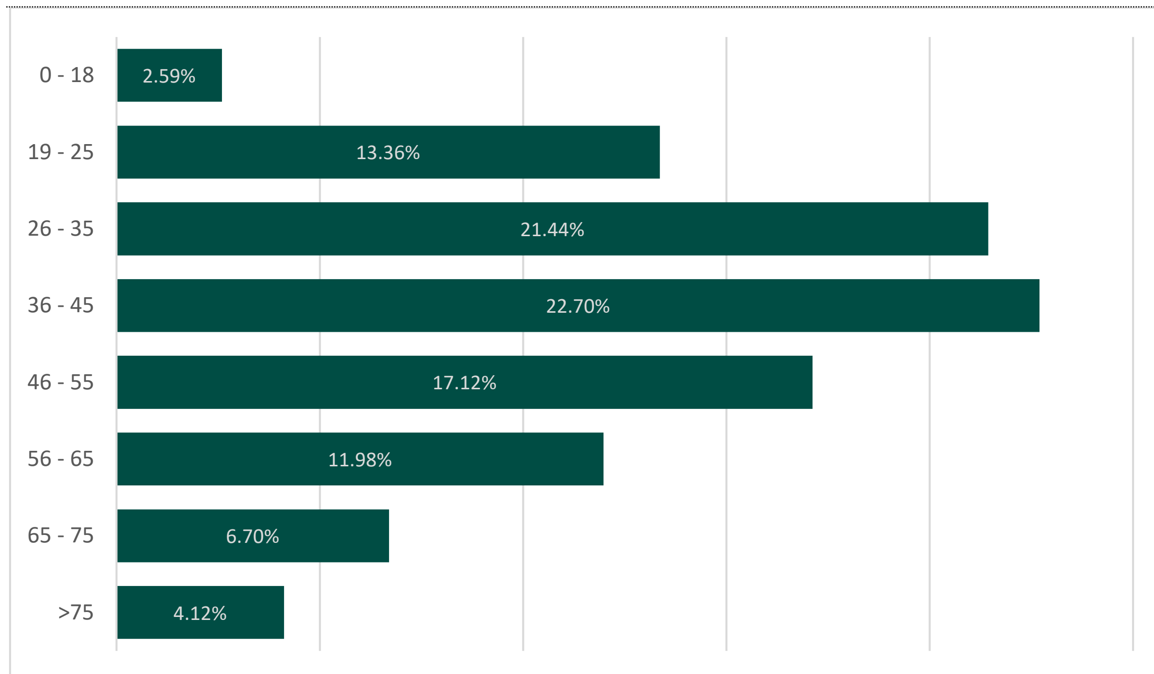
Source: Revenue Commissioners

[59] Balance of c. €1.4 billion includes other items such as Professional Services Withholding Tax and Dividend Withholding Tax

[60] Donal McGrane & Philip O'Rourke 'Statistics and Insights from the First Year of RealTime Payroll' (2020) Revenue Statistics. Available at:

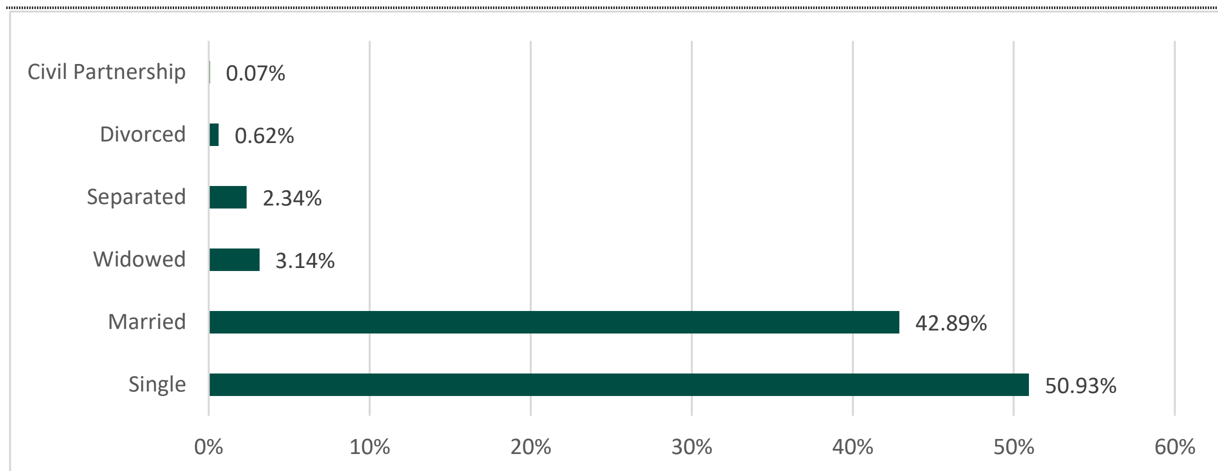
https://www.revenue.ie/en/corporate/documents/research/pmod-statistics-paper.pdf

Figure 2: PAYE taxpayers by Age in 2019



Source: Revenue Commissioners

Figure 3: PAYE Taxpayers by Personal Status



Source: Revenue Commissioners

As outlined above, the Irish tax system contains a number of provisions which discriminate in favour of certain groups or statistical cohorts, in view of additional challenges which they may face. These include, for example: the Age Credit and income tax exemption limits for individuals aged 66 and over; reduced USC liability for those aged 70 whose income does not exceed €60,000; additional tax credit and standard rate band for single parents; additional tax credits for parents of disabled children, for the blind, for widows/widowers, and for carers of a dependant relative. While these measures are deviations from the principle of horizontal equity, under which each person with the same income should have the same tax liability, they have been introduced into the tax code as a result of social policy decisions to provide additional supports to individuals in these specific circumstances.

Gender Proofing: Individualisation

Tax measures which affect a family unit, or individual, and which has implications for labour force participation or which seek to compensate for non-employment will typically have implications for gender and caring.

The 2022 TSG paper on Income Tax notes that if a policy of full individualisation were to be pursued over the coming years it could support the equality agenda and would potentially have a positive impact on female labour participation.

Corporation Tax

Corporation tax is levied on corporations, rather than natural persons, and their profits. While revenue raised is used generally to finance expenditure measures which may target particular inequalities or groups, the incidence of the tax itself upon individuals – employees, shareholders and consumers – is disparate and not easily discerned: this is especially difficult in relation to analysing the likely equality related impacts of changes to corporation tax measures.

Capital Taxes

Capital taxes (CGT and CAT) can help raise revenue in order to finance public expenditure, which assists health, education and welfare expenditures, can assist lower income households, reduce inequality and contribute to a more equitable distribution of resources. CAT is a tax levied on assets gifted or inherited and as such from the perspective of the beneficiary is a tax on wealth which can help mitigate income and wealth inequality. The rules underpinning the operation of inheritance and gift tax allow for specific exemptions where no tax is applied and this allows for some distribution of assets tax-free before the 33% rate engages thus enduring some benefit to beneficiaries.

The distributional impact of tax changes can be hard to quantify and may impact groups differently depending on their stage in the life cycle and therefore their interaction with the tax system. It is important to note the potential for a reduction in inequality through employment rich economic activity and that amending CGT rates/reliefs does create the possibility of increasing such economic activity.

However, given the extent of receipts from capital taxes compared to the receipts from other tax heads the potential overall equality impact of any changes in the rate or application of these taxes is likely to be limited.

Stamp Duty

Stamp duty is generally a tax on documents or instruments. Stamp duty chargeable in Ireland falls into two main categories: The first comprises the duties payable on a wide range of legal and commercial documents, including (but not limited to) conveyances of property, leases of property,

share transfer forms and certain agreements, and the second category comprises duties and levies payable by reference to statements. These duties and levies mainly affect banks and insurance companies and include a duty in respect of financial cards e.g. Credit, ATM, and Charge cards, and levies on certain life and non-life insurance premiums and pension schemes.

Like Capital Taxes, Stamp Duty is used to raise revenue in order to finance public expenditure. There are no criteria relevant to named equality grounds relevant to the payment Stamp duty or associated reliefs. Requirements that apply to some reliefs such as those stipulating that one must fall within a certain age category, hold one of a list of educational qualifications or have been engaged in a certain profession for a minimum period of time in order to be eligible to benefit from them relief are not, as and of themselves, unnecessarily exclusionary or inequitable. These requirements seek to ensure that reliefs are targeted in order to best achieve the underlying policy objective and that the foregoing of revenue through the provision of reliefs is done in order to engender desirable outcomes.

VAT

Gender

Gender-specific measures can be difficult to enact in the VAT system, as the principle of fiscal neutrality dictates that similar products must be treated similarly – except in the cases of historical derogations, or where the EU has agreed specified discretion in the setting of VAT rates. Following the recommendations of the Period Poverty Working Group led by the Department of Health in conjunction with the National Strategy for Women and Girls the VAT rate on newer sanitary products was reduced to 13.5%.

Equality

In general, changes to VAT rates must be considered alongside the awareness that indirect taxes tend to be more regressive than others. Those in lower income deciles tend to spend proportionately more of their income via indirect taxes than those in higher income deciles. Ireland's VAT rate structure reflects efforts to compensate for this.

Excise

Similar to VAT, Excise is consumption tax – but on the quantity or volume of only specific goods. Consumption taxes tend to be regressive by income and. The observed current trend is to levy excise duties to control consumption that is harmful for health or causes pollution, such as tobacco products, alcohol beverages, mineral oils or unhealthy food and drinks.[61]

[61] COM (2016) 739, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Next steps for a sustainable European future European action for sustainability.

3.2 Equality Assessment of Tax Policy Measures

In identifying an appropriate equality assessment approach for tax policy measures, the Department considered a number of possible options. It would neither be practical nor feasible to carry out an *ex-post* equality assessment of all 179 extant tax expenditures as listed in the Annual Report on Tax Expenditures 2021 (published alongside Budget 2021).

It would be more appropriate to confine the assessment to those tax measures which more directly impact an individual or family unit across one or more of the equality grounds, including from a socio-economic perspective: i.e. those tax expenditures in the personal tax credits, LPT, VAT and Excise duties categories. Such assessments might encompass all or a selection of tax expenditures. Assessment of newer measures would present challenges around the availability of data.

For the purpose of this paper, which is intended as a first step towards a more considered approach to equality assessment of certain tax measures, it is proposed to:

(1) Present the key findings of a recent technical review of the Home Carer Credit; a high level incidence analysis by gender and tax status; as well as distributional analysis of the impact of the credit using SWITCH; and
(2) Present a high level incidence analysis across a further two of the larger personal tax credits (Cost/uptake) by gender and tax status. Future work could broaden this analysis by income or age.

3.3 Home Carer Credit

The Home Carer Credit has been in place in some form since Finance Act 2000, and was introduced in tandem with the move towards individualisation in order to benefit families where one spouse works primarily in the home to care for children or other dependants. It provides a targeted income tax credit to married couples or civil partners who are jointly assessed for tax where one spouse or civil partner works primarily in the home to care for children, an elderly person or an incapacitated person.

A technical review of the credit was carried out in 2019[62], as part of the Department's on-going commitment to reviewing tax expenditures on a regular basis, to inform future policy making in relation to the credit.

The equality grounds relevant to this credit are therefore, gender; civil status; family status; and socio-economic status. The most recent data (2018) shows that the credit benefits over 83,000 households and the annual cost of the credit is some €90 million. It is ranked 33rd highest of 111 tax expenditures

[62] 'Review of the Home Carers Tax Credit' Review IV, at page 74 of the Report on Tax Expenditures 2020. Available at:
http://www.budget.gov.ie/Budgets/2020/Documents/Budget/Report%20on%20Tax%20Expenditures%20Incorporating%20the%20Outcomes%20of%20Certain%20Tax%20Expenditure%20and%20Tax%20Related%20Reviews%20completed%20since%20c.pdf

for Exchequer cost and 19th out of 108 for numbers benefiting (Revenue list of tax expenditures). The following table shows the incidence of the tax credit by gender and tax status.

Table 3: Home Carers Tax Credit

	Male	Female
Single	0	0
Married 2E*	18,800	5,600
Married 1E*	53,300	5,400
Widow/Widower	0	0
Total	**72,100**	**11,000**

*Note: the gender relates to the assessable person in the taxpayer unit, and does not necessarily coincide with the partner who primarily cares for the dependent.
Source: Revenue Commissioners

The 2019 analysis of the data offers a snapshot of the 2017 beneficiaries of the credit illustrating:

- A relatively small cohort of the overall population benefit from the measure in a given year, though not necessarily the same cohort in each year.
- The vast majority of households have annual income of under €60,000 with most beneficiaries having a total household annual income of between €20,000 and €40,000.
- Most home carers are females who do not undertake other paid work outside the home.
- Most of those being cared for are children.
- Over half of households supported have two children or less.
- A not insignificant number of households who also have high incomes benefit from the credit (over 11% have annual gross income of over €100,000).

The Department's technical review of the Home Carer Credit was undertaken in 2019, using 2017 data which was the latest available data at the time of the review. In Budget 2019 and Budget 2020, the Home Carer Credit was increased by €300 and €100 respectively, so that the Home Carer Credit amounts to €1,600. These increases in the Home Carer Credit would not be reflected in data underpinning the analysis in the technical review.

Distributional analysis using SWITCH

Using the ESRI's SWITCH model it is possible to examine the impact of the Home Carer's Tax Credit on a range of income and equality based metrics. While the updated SWITCH model has a gender function, the SWITCH model assumes full income sharing within couples, which tends to mean an equal division on gender grounds and therefore there is no income difference noted between gender

for the Home Carer's Tax Credit. It is possible to examine this credit by a broad age category (such as elderly, adult and children for example) and to examine by civil and family status. Equality can be examined according to decile ranges which reflects socio-economic status.

These factors are examined by using a baseline scenario that removes the annual Home Carer's Tax Credit of €1,600, and compares this to a reform scenario where the tax credit exists in its current form. The underlying data use the SILC 2019 release and reflect the Pandemic Employment Situation in SWITCH, or uptake of the Pandemic Unemployment Payment and Employee Wage Subsidy Scheme as they were at end-July 2021.

Figure 4 shows the percentage change in Disposable Income per household basis, across all income deciles. On average across all income deciles, household income increases by 0.18 per cent due to the application of the credit. The greatest proportional benefit is provided to the lowest four income deciles, highlighting the progressive nature of the Home Carers Tax Credit.

Figure 4: Percentage Change in Disposable Income per Household

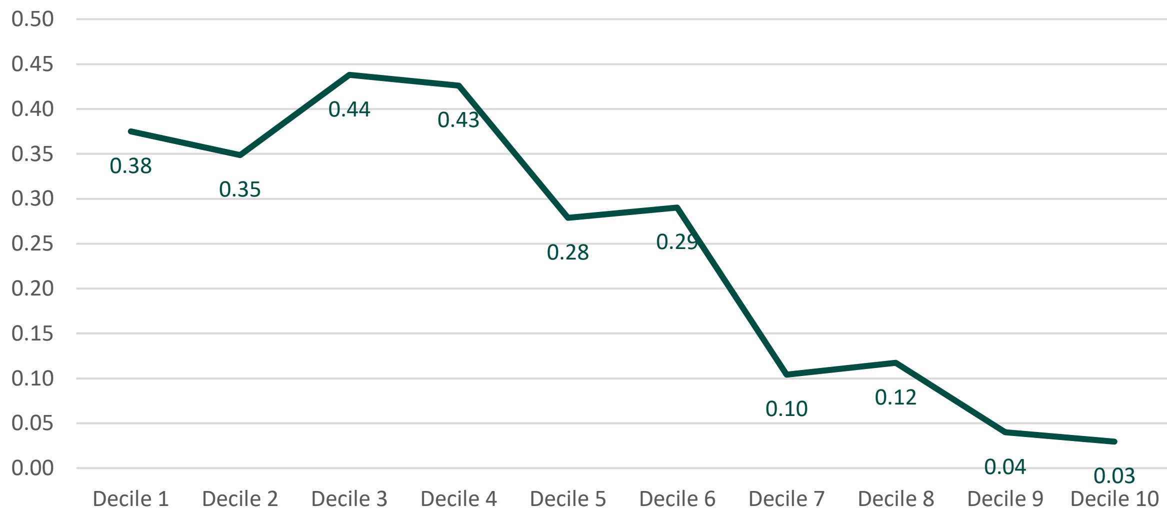
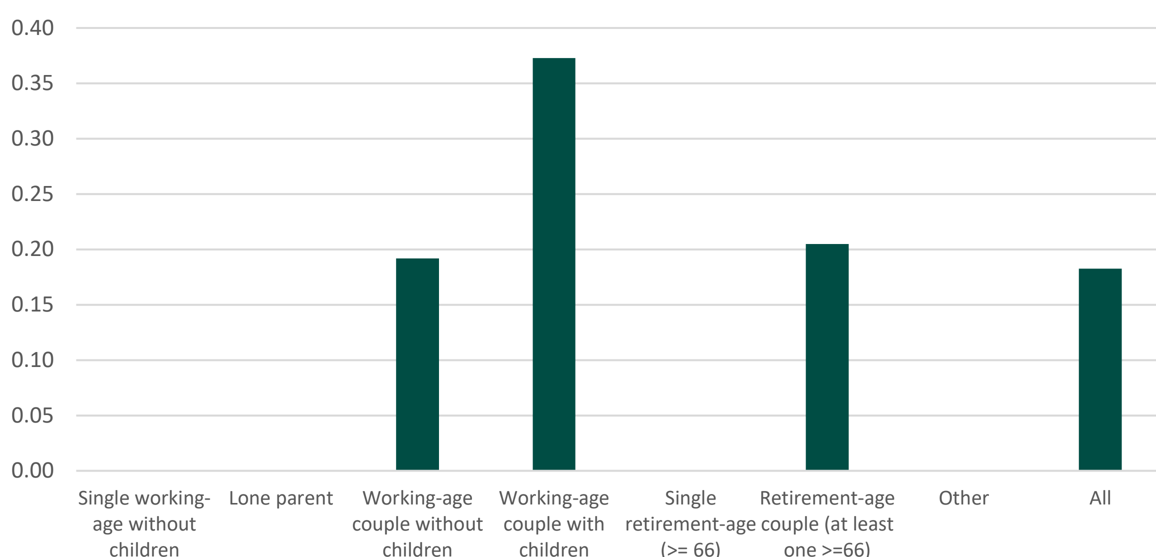


Figure 5 highlights the effect of the Tax Credit by Family Type. Unsurprisingly, Working-Age couples with Children proportionally benefit the most from the Tax Credit, with a 0.37 per cent increase in disposable income, which is approximately twice the average rate. The other main beneficiaries include Working-Age couples without Children and Retirement-Age couples. These impacts would align with expectations that the tax credit should benefit those who are more likely to have taxable income to offset, and who are more likely to have dependent family members due to their family status.

Figure 5: Percentage Change in Disposable Income by Family Type (per Tax Unit)



The progressive and equality-enhancing nature of the Home Carer's Tax Credit is further supported by Tables 5 and 6, which highlight the impact that the tax credit has on the Gini Coefficient, and on Income Poverty Risk respectively.

As outlined above, the Gini Coefficient is one of the main metrics used for measuring Income inequality for OECD countries. The measure ranges from 0, representing perfect equality, to 1, representing perfect inequality. The closer the measure is to 0, the more equal that society.[63] We can see in Table 6 that the effect of the Home Carer's Tax Credit is to reduce Income Inequality in Ireland as measured by the GINI coefficient by 0.28 per cent. While in isolation this may seem like a small change, it has to be considered that this is one of many tax measures that combine to make the Irish tax system one of the most progressive in the OECD.[64]

Table 6: Changes to Gini Coefficient (measure of Income Quality)

Without Home Carers Tax Credit	With Home Carers Tax Credit	*Difference*	*Percentage Change in Gini Coefficient*
0.2777	0.2768	-0.0008	0.28%

[63] OECD (2021). Income inequality Available at: https://data.oecd.org/inequality/income-inequality.htm

[64] Annex D 'Progressivity of Income Tax System' of Budget 2021. Available at: http://budget.gov.ie/Budgets/2021/Documents/Budget/BUDGET%2021_Tax%20Policy%20Changes.pdf

Furthermore, Table 6 highlights the impact of the tax credit on the 'At Risk of Poverty Rate' and the 'Poverty Gap.' The 'At Risk of Poverty Rate' is the share of persons with an equivalised income below a given percentage, i.e. 60 per cent, of the national median income. [65] The 'Poverty Gap' refers to the distance by which the mean income of the poor falls below the poverty line. The poverty gap reflects the intensity of poverty in a nation, showing the average shortfall of the total population from the poverty line .[66]

Table 6 shows the positive impact of the Home Carer's Tax Credit on poverty reduction.

The At Risk of Poverty Rate falls by 0.18 percentage points, while the overall poverty gap falls by 0.02 per cent. Overall, the most significant benefit of the Home Carer's Tax Credit is in reducing Child Poverty.

While the results suggest that poverty among the elderly population increases, this may be due to an increase in Median Equivalised Disposable Income through the application of the credit, rather than a fall in the incomes of the elderly population, as they do not directly benefit from the credit to the same extent as other cohorts.

TABLE 6: INCOME POVERTY RISK

	*At Risk of Poverty Rate (**Without** HCC)*	*Poverty Gap (**Without** HCC)*	*At Risk of Poverty Rate (**With** HCC)*	*Poverty Gap (**With** HCC)*	*Change in the Poverty Rate*	*Change in the Poverty Gap*
Whole Population	12.70%	2.88%	12.52%	2.86%	- 0.18%	-0.02%
Adult Population	12.33%	2.69%	12.16%	2.67%	- 0.17%	-0.02%
Elderly Population	7.41%	1.85%	7.45%	1.86%	+0.04%	+0.01%
Child Population	16.45%	3.92%	16.15%	3.88%	-0.30%	-0.04%

Note: Poverty Line < 60% of Median Equivalised Disposable Income

3.4 High level gender analysis of two further personal tax credits

A further high-level gender impact analysis is instructive in assessing the gender balance among beneficiaries or taxpayers for two of the more popular and costly personal tax credits, the Incapacitated Child Tax Credit, and the Single Person Child Carer Credit. The following table presents an overview of the breakdown of these tax credits by tax status (single, married 1 earner, married 2 earners, widow/er) of the claimant and then by male/female within these and overall. It is important

[65] CSO (2021). Available at: https://www.cso.ie/en/interactivezone/statisticsexplained/surveyonincomeandlivingconditionsexplained/

[66] OECD (2021) Poverty gap. Available at: https://data.oecd.org/inequality/poverty-gap.htm

to be aware that these are numbers of taxpayer units, so married or civil partners count as one unit. In addition, the gender relates to the assessable person in the taxpayer unit.

A key point to note and one of the complexities of this exercise is that the gender relates to the assessable person in the taxpayer unit, and does not necessarily coincide with the partner who primarily looks after or maintains the child. For instance, with the incapacitated child tax credit, the large majority of recipients are male, but it is likely to be females who are doing most of the day-to-day caring.

Table 7: Incapacitated Child Tax Credit

	Male	Female
Single	2,700	2,300
Married 2E*	11,400	2,900
Married 1E*	8,600	1,700
Widow/Widower	300	700
Total	**23,000**	**7,600**

*Note: taxpayers who are separated, not cohabiting, and not jointly assessed are eligible for this credit, thus this cohort would relate to such individuals who are filing effectively as a single person (not a jointly assessed unit)

Source: Revenue Commissioners

Table 8: Single Person Child Carer Credit

	Male	Female
Single	8,900	43,300
Married 2E*	0	0
Married 1E*	1,900	12,500
Widow/Widower	1,200	2,700
Total	**12,000**	**58,500**

*Note: taxpayers who are separated, not cohabiting, and not jointly assessed are eligible for this credit, thus this cohort would relate to such individuals who are filing effectively as a single person (not a jointly assessed unit)

Source: Revenue Commissioners

4. Conclusion

Policy coherence

This paper sets out the Department of Finance's approach to further developing and mainstreaming equality budgeting within the budget-formation process, particularly in relation to tax policy. In parallel, the Department is cognisant of policies and strategies being developed across the civil service to support equality and this work will continue to inform the policy-making process. For example, The National Strategy for Women and Girls (NSWG) 2017-2020 has as its vision to work towards: "an Ireland where all women enjoy equality with men and can achieve their full potential, while enjoying a safe and fulfilling life"[67]. The Strategy is underpinned by the societal values of equality, non-discrimination, inclusiveness, generosity, intersectionality, diversity and respect for human rights. The Strategy recommends taking "measures to build capacity within the Civil and Public Service with regard to gender mainstreaming and gender budgeting, contributing to implementing the positive duty on public bodies to promote gender equality". In view of the significant impact of COVID-19 on planned work, implementation of the Strategy has been extended from 2020 to end 2021. On its conclusion, the Government has committed to developing and implementing a new Strategy. An evaluation of the Strategy will be conducted during 2021.

The Department of Finance is actively engaged with the NSWG and takes its recommendations into consideration in the budgetary process. The Department of Finance is also cognisant of other strategies that relate to gender equality, as well as the other nine grounds of equality and socioeconomic status, in its budgetary process and policy formation, including: the Migrant Integration Strategy, the National Disability Inclusion Strategy and the National Youth Strategy, among other strategies.

Conclusions and next steps

The design of the tax system and individual tax policies can have a significant impact on societal outcomes. Changes to tax policy can alter significantly the outcomes for different groups, for example in relation to tax individualisation and female workforce participation. This highlights the importance of integrating equality concerns into the design of tax policy generally. While socio-economic status is already a subject of detailed analysis via income distribution, other characteristics related to equality present particular challenges both in relation to the availability of specific data and the disparate nature of the incidence of most taxes, as well as the breadth of equality concerns.

Rather than attempt an *ex-post* review of all tax measures, a more useful approach is to examine specific tax measures and expenditures that are either targeted towards particular groups or which are particularly likely to have differing impacts by characteristics and *ex-ante* analysis of new tax

[67] See, for more information, the National Strategy for Women and Girls 2017—2020 statement. Available here: https://merrionstreet.ie/MerrionStreet/en/ImageLibrary/20170503_National_Strategy_for_Women.pdf

credits. The examples given in this paper show such an approach at both high-level incidence and more detailed distributional analysis.

The next steps in progressing Equality Budgeting then should be to seek to:

- Work to identify further sources of data that would be useful for further analysis.

- Broaden analysis of existing tax measures targeted, or likely, to have particular equality salience.

- Apply such analysis routinely to new relevant tax expenditures.

- Incorporate above approach into technical reviews of particular tax measures and the annual tax expenditures report.

In line with the Programme for Government, the Department of Finance will continue to build on the foundations described above, seeking to incorporate equality considerations in a more structured way in tax policy formulation and assessment, and through its continued participation in the Equality Budgeting Expert Advisory Group.

Annex: OECD Scan: Equality Budgeting in Ireland

Key Recommendations

1. To focus equality budgeting on areas of most need, departmental actions should be linked to national and international equality goals.

2. These equality goals may form part of an improved performance budgeting framework for Ireland.

3. Departmental implementation would be supported by establishing a network of equality budgeting contact points in each department and the provision of relevant training.

4. To allow the Oireachtas and civil society stakeholders to track the actions and impact of equality budgeting, it would be useful to table an equality budgeting statement alongside the budget.

5. The development of tagging and tracking functionality for departmental expenditure would support parallel developments in relation to equality budgeting, green budgeting and SDG budgeting.

6. The operational tools of equality budgeting should expand beyond the performance-budgeting foundation, to engage other budget policy levers where Ireland has significant strengths.

7. Equality proofing of policies and programmes and equality budgeting should be complementary tools to achieve equality objectives.

8. Equality budgeting developments on the expenditure side should be complemented with parallel efforts on the tax side.

9. The development of an equalities data strategy can further bolster the impact of equality budgeting.

10. In rolling out the next iteration of equality budgeting, the government should take time to communicate its vision to stakeholders and provide the necessary training.

11. Instructions for equality budgeting should be crystallised for departments in the annual budget circular, and institutional incentives should be enhanced.

12. In the medium term, legal foundations could help embed equality budgeting as a valued and enduring feature of public policy-making in Ireland.

3. Tables of Tax Expenditures in use between October 2020 and September 2021[68]

Table A: Capital Gains Tax (CGT)/Capital Acquisitions Tax (CAT)/Pensions

Type	Description	Further Information	No. Utilising or No. of Claims in most recent year for which information is available	Revenue Foregone in most recent year for which information is available (€ millions)	No. Utilising / No. of Claims in previous year*	Revenue Foregone in previous year (€ millions)*
CGT	CGT Retirement Relief	Provides relief for disposals of business and farming assets.	1,604 (2019)	Tax cost is not available as the only information in respect of this relief is the disposal consideration rather than the actual taxable gain foregone.	1,400 (2018)	Tax cost is not available as the only information in respect of this relief is the disposal consideration rather than the actual taxable gain foregone.
	CGT entrepreneur relief	Provides relief for disposals of business assets.	N/A	N/A	N/A	N/A
	Revised CGT entrepreneur relief	Provides relief for disposals of business assets.	974 (2019)**	94.6 (at reduced 10% rate in 2019)**	875 (2018)**	92.4 (at reduced 10% rate in 2018)**
	CGT principal private residence relief	Provides relief for disposal of main residence.	N/A	N/A	N/A	N/A
	CGT Farm consolidation relief	Provides relief for disposals of land in order to consolidate	18 (2019)**	0.8 (2019)**	17 (2018)**	0.6 (2018)**

[68] All references to N/A in these 7 tables means "Not Available" unless otherwise indicated

		farm holdings.				
	CGT relief on disposal of certain land or buildings	Section 604A	890 (2019)**	177 (2019)**	632 (2018)**	113 (2018)**
	CGT relief for venture fund managers	Provides relief in respect of carried interest earned by venture fund managers	N/A	N/A	N/A	N/A
	CGT exemption on disposal of site to a child	Provides relief for parents transferring a site to their children in order to build a house.	179 (2019)	Tax cost is not available as the only information in respect of this relief is the disposal consideration rather than the actual taxable gain foregone.	104 (2018)	Tax cost is not available as the only information in respect of this relief is the disposal consideration rather than the actual taxable gain foregone.
	CGT relief on works of art loaned for public display	Provides relief for disposals of works of art loaned for public display.	N/A	N/A	N/A	N/A
CAT	CAT business relief	Relief for transfers of businesses (90% reduction in market value for tax purposes)	603	185.5	648	200.4
	CAT agricultural relief	Relief for transfer of farms (90% reduction in market value for tax purposes)	1598	154.6	1,413	158.6
	CAT exemption of heritage property	Exemption from tax for transfers of heritage	Indicative information suggests the number using this	Exact figures are not available, but	Indicative information suggests the number using this	Exact figures are not available, but thought to

		houses and objects	exemption is negligible	thought to not be significant	exemption is negligible	not be significant
Pensions* **	Employees' contribution to approved superannuation schemes	Contributions are allowable as an expense in computing Schedule E income (Sections 774 & 776)	663,900 (2018)	677.7 (2018)	614,200 (2017)	598.1 (2017)
	Employers' contributions to approved superannuation schemes	Contributions are allowable as an expense in computing Schedule D Case I or Case II income (Section 774)	413,000 (2018)	173.2 (2018)	366,700 (2017)	159.8 (2017)
	Exemption of investment income and gains of approved superannuation funds	Exempts the investment income of a fund held or maintained for the purpose of a scheme (Section 774 – Approved Fund, Section 785 – RSA, Section 787I – PRSA)	N/A	N/A	N/A	N/A
	Tax Relief on "tax free" lump sums	From 1 January 2011, the lifetime tax-free limit on the aggregate of all retirement lump sums paid to an individual on or after 7 December 2005 is €200,000 (Section 790AA)	N/A	N/A	N/A	N/A

	Pension Contribution (Retirement Annuity and PRSA)	Figures in this field are a total for RAC's and PRSA's which are not available individually	98,300 (2018)	241.3 (2018)	93,600 (2017)	229.3 (2017)
	Exemption of employers' contributions from employee BIK	Sums paid by an employer into an approved, statutory or foreign government employee retirement scheme are not chargeable to tax in the hands of the employee (Section 778)	413,000 (2018)	658.3 (2018)	366,700 (2017)	607.3 (2017)

* All figures for 2020 (most recent year) & 2019 (previous year) unless stated otherwise.
** Figures for later years not yet available.

*** Data for 2019 for the pension related tax expenditures are not currently available to Revenue due to system changes.

Table B: Stamp Duty/Local Property Tax (LPT)

Type	Description	Further Information	No. Utilising or No. of Claims in most recent year for which information is available*	Revenue Foregone in most recent year for which information is available (€ millions)*	No. Utilising/No. of Claims in previous year*	Revenue Foregone in previous year (€ millions)*
Stamp Duty	Consanguinity relief		2,182	51.2	1,780	29.0
	Certain company reconstructions and amalgamations	Section 80 of SDCA 1999	730	496	928	1,708
	Demutualisation of insurance companies	Section 80A of SDCA 1999	Nil	Nil	<10	N/A
	Young Trained Farmer Relief	Section 81AA of SDCA 1999	1,152	11.9	1,128	14.6
	Farm Consolidation Relief	Section 81C of SDCA 1999	105	1.2	90	0.6
	Relief for certain leases of farmland	Section 81D of SDCA 1999	325	0.2	272	0.1
	Charities – conveyance/ transfer/lease of land	Section 82 of SDCA 1999	1,317	16.1	1,763	13.0
	Donations to approved bodies	Section 82A of SDCA 1999	<10	<10	Nil	Nil
	Approved Sports Bodies - conveyance/ transfer/lease of land	Section 82B of SDCA 1999	80	0.5	66	0.5
	Pension schemes and charities	Section 82C of SDCA 1999	80	0.5	79	0.2
	Certain family farm transfers	Section 83B of SDCA 1999	17	0.2	24	0.4
	Residential Development Refund Scheme	Section 83D of SDCA 1999 (Introduced in Budget 2018)	1,256	12.2	954	9.1

	Repayment of stamp duty on certain transfers of shares	Section 84 of SDCA 1999	Nil	Nil	Nil	Nil
	Certain loan capital and securities	Section 85 of SDCA 1999	<10	<10	<10	<10
	Certain Loan Stock	Section 86 of SDCA 1999	Nil	Nil	Nil	Nil
	Enterprise Securities Market[69]	Section 86A of SDCA 1999	N/A	N/A	N/A	N/A
	Stock borrowing	Section 87 of SDCA 1999	Nil	Nil	Nil	Nil
	Stock repo	Section 87A of SDCA 1999	Nil	Nil	Nil	Nil
	Merger of companies	Section 87B of SDCA 1999	<10	<10	<10	N/A
	Certain stocks and marketable securities	Section 88 of SDCA 1999	12	0.1	14	0.4
	Reorganisation of undertakings for collective investment	Section 88A of SDCA 1999	Nil	Nil	Nil	Nil
	Funds: reorganisation	Section 88B of SDCA 1999	Nil	Nil	Nil	Nil
	Reconstructions or amalgamations of certain common contractual funds	Section 88C of SDCA 1999	Nil	Nil	Nil	Nil
	Reconstructions or amalgamations of certain investment undertakings	Section 88D of SDCA 1999	Nil	Nil	<10	N/A
	Transfer of assets within unit trusts	Section 88E of SDCA 1999	24	0.1	23	0.12
	Reconstruction or amalgamation of offshore funds	Section 88F of SDCA 1999	<10	<10	Nil	Nil
	Amalgamation of unit trusts	Section 88G of SDCA 1999	Nil	Nil	<10	N/A
	Foreign Government Securities	Section 89 of SDCA 1999	<10	<10	Nil	Nil

[69] A costing for this relief is not currently available as the relief is not claimed. Revenue are currently looking at how they might cost it, and hope to have an estimate at a later date.

	Certain financial services instruments	Section 90 of SDCA 1999	Nil	Nil	Nil	Nil
	Greenhouse gas emissions allowance	Section 90A of SDCA 1999	Nil	Nil	Nil	Nil
	Houses acquired from industrial and provident societies	Section 93 of SDCA 1999	<10	<10	Nil	Nil
	Approved voluntary body	Section 93A of SDCA 1999	710	2.9	907	4.1
	Purchase of land from Land Commission	Section 94 of SDCA 1999	<10	<10	19	Negligible
	Commercial woodland – duty not chargeable on the value of the trees growing on the land	Section 95 of SDCA 1999	254	37.5	189	77.0
	Transfers between spouses/civil partners	Section 96 of SDCA 1999	4,143	45.0	4,860	85.4
	Certain transfers following a dissolution of marriage	Section 97 of SDCA 1999	652	7.5	702	2.1
	Certain transfers by cohabitants	Section 97A of SDCA 1999	13	N/A	15	N/A
	Foreign immovable property	Section 98 of SDCA 1999	Nil	Nil	Nil	Nil
	Dublin Docklands Development Authority	Section 99 of SDCA 1999	<10	<10	Nil	Nil
	Courts Service	Section 99A of SDCA 1999	11	0.1	<10	N/A
	Sport Ireland.	Section 99B of SDCA 1999	<10	<10	<10	N/A
	Harbours Act 2015	Section 99C of SDCA 1999	Nil	Nil	Nil	Nil
	Temple Bar Properties Limited	Section 100 of SDCA 1999	<10	<10	Nil	Nil

	Intellectual Property	Section 101 of SDCA 1999	<10	<10	Nil	Nil
	Single Farm Payment entitlement	Section 101A of SDCA 1999	Nil	Nil	<10	N/A
	The Alfred Beit Foundation	Section 102 of SDCA 1999	<10	<10	Nil	Nil
	Shared ownership leases	Section 103 of SDCA 1999	17	Negligible	23	N/A
	Licences and leases granted under Petroleum and Other Mineral Development Act, 1960, etc.	Section 104 of SDCA 1999	Nil	Nil	Nil	Nil
	Securitisation agreements	Section 105 of SDCA 1999	Nil	Nil	Nil	Nil
	Housing Finance Agency	Section 106 of SDCA 1999	Nil	Nil	Nil	Nil
	Housing Finance Agency Limited	Section 106A of SDCA 1999	<10	<10	Nil	Nil
	Housing Authorities and Affordable Homes Partnership	Section 106B of SDCA 1999	1,873	4.9	2,892	7.6
	Grangegorman Development Agency	Section 106C of SDCA 1999	Nil	Nil	Nil	Nil
	National Concert Hall	Section 106D of SDCA 1999	N/A	N/A	Nil	Nil
	National Development Finance Agency, etc. (expired 27.01.15)	Section 108A of SDCA 1999	Nil	Nil	Nil	Nil
	Strategic Banking Corporation of Ireland	Section 108AA of SDCA 1999	Nil	Nil	Nil	Nil
	National Asset Management Agency (NAMA)	Section 108B of SDCA 1999	Nil	Nil	Nil	Nil
	Ireland Strategic Investment Fund	Section 108C of SDCA 1999	<10	<10	15	0.1
	Certain instruments made in anticipation of	Section 109 of SDCA 1999	Nil	Nil	Nil	Nil

	an informal insurance policy					
	Certain Health Insurance Contracts	Section 110 of SDCA 1999	Nil	Nil	Nil	Nil
	Certain policies of insurance	Section 110A of SDCA 1999	Nil	Nil	Nil	Nil
	Oireachtas Funds	Section 111 of SDCA 1999	602	8.4	874	8.3
	Certificates of indebtedness, etc.	Section 112 of SDCA 1999	Nil	Nil	Nil	Nil
	Miscellaneous instruments	Section 113 of SDCA 1999	40	0.2	31	2.3
LPT	Exemptions		49,100	14.3	49,000	13.7
	Deferrals	LPT deferrals, although foregone in a particular year, are still owed to the Exchequer at a later date.	45,800	8.9	50,000	11.7

* All figures for 2020 (most recent year) & 2019 (previous year) unless stated otherwise.

Table C: Benefit-in-Kind

Type	Description	Further Information	No. Utilising or No. of Claims in most recent year for which information is available	Revenue Foregone in most recent year for which information is available (€ millions)	No. Utilising/No. of Claims in previous year*	Revenue Foregone in previous year (€ millions)*
Benefit-in-Kind	Cycle to Work Scheme***	Tax relief on the purchase of a bicycle for commuting purposes	22,000**	4.5**	20,000**	4.0**
	TaxSaver Travel Scheme	Tax relief on commuter tickets	60,000**	7**	60,000**	27**
	Professional subscriptions relief	Tax relief on the payment of certain	150,000	3.75**	150,000	3.75**

		professional subscriptions.				
	Small Benefits Exemption	Tax relief where employer provides an employee/director with one annual benefit, the value not exceeding €500	70,000**	5.0**	70,000**	5.0**

* All figures for 2020 (most recent year) & 2019 (previous year) unless stated otherwise.

** Estimates, as separate returns are not required under these headings.

***The Financial Provisions (Covid-19)(No.2) Act 2020 increased the thresholds for this scheme and reduced the time period to 4 years from 5 years. Full year impact estimated at 25,000 beneficiaries at a cost of €5.5 m.

Table D: Corporation Tax

Type	Description	Further Information	No. Utilising or No. of Claims in most recent year for which information is available*	Revenue Foregone in most recent year for which information is available (€ millions)*	No. Utilising/No. of Claims in previous year*	Revenue Foregone in previous year (€ millions)*
Corporation Tax	Research & Development (R&D) Tax Credit	Provides a tax credit for expenditure on certain R&D activities (Sections 766, 766A & 766B of the Taxes Consolidation Act 1997)	1,601 (2019)	626 (2019)	1,303 (2018)	355 (2018)
	Corporation Tax Relief for start-up Relief companies	Provides relief from corporation tax for start-up companies for the first 3 years of trading up to €40,000 per annum (Section 468C	1,199 (2019)	6.2 (2019)	1,171 (2018)	6.0 (2018)

		of the Taxes Consolidation Act 1997)				
	Film Relief	Note- this has previously been listed under "Personal Tax Credits"	29** (2019)	34.9** (2019)	82** (2018)	49.2** (2018)
	Accelerated Capital Allowance scheme for Energy Efficient Equipment	Finance Act 2016 extended the scheme to un-incorporated businesses with effect from 1 January 2017. Therefore this represents both Corporation Tax and Income Tax relief.	994 (2019)**	4.5 (2019)**	776 (2018)	3.7 (2018)
	Knowledge Development Box (KDB)	The KDB provides for relief on income arising from qualifying assets. The relief is given by way of a deduction equal to 50% of the qualifying profits. (Sections 769G – 769R of the Taxes Consolidation Act 1997)	15 (2019, provisional***)	12.2 (2019, provisional***)	15 (2018)	10.3 (2018)

* All figures for 2020 (most recent year) & 2019 (previous year) unless stated otherwise.
** Estimated and provisional as additional returns are received over time.
***The KDB has an extended claim window. Companies electing to avail of the KDB may do so within 24 months from the end of that accounting period. As a result, final figures in respect of 2019 will not become available until 2022.

Table E: Excise Duty

Type	Description	Further Information	No. Utilising or No. of Claims in most recent year for which information is available	Revenue Foregone in most recent year for which information is available (€ millions)	No. Utilising/No of Claims in previous year*	Revenue Foregone in previous year (€ millions)*
Alcohol Product Tax (APT)	Repayment of excise duty	Section 78A of the Finance Act 2003	N/A	5.8	N/A	6.1
Vehicle Registration Tax (VRT)	Relief of VRT for leased cars	Section 134(7) of the Finance Act 1992	N/A	0	N/A	0.1
	Remissions/repayments of VRT	Disabled Drivers and Disabled Passengers Scheme	5,622	31.9	6,374	35.4
	Exemptions from VRT	Section 134 of the Finance Act 1992	2,650	9.1	3,380	11.1
	VRT Export Repayment Scheme	Section 135D of the Finance Act 1992	603	3.3	1,175	5.8
	Relief from VRT	VRT relief for hybrid, plug-in hybrid, and electric cars	25,943	38.7	24,112	47.9
Mineral Oil Tax	Excise Rate on Auto-diesel**	Finance Act 2011, Section 42	N/A ((no means to determine the number availing)	366.1	N/A ((no means to determine the number availing)	422.8
	Diesel Rebate Scheme	Partial repayment of excise duty to qualifying road transport operators (Section 51 of the	855 (number of claims paid)	8.2	830 (number of claims paid)	10.2

		Finance Act 2013)				
	Reduced Rate on Marked Gas Oil (MGO)**	Reduced rate applied to Marked Gas Oil (MGO) used in home heating, agriculture, marine and rail sectors (Sections 94-109 Finance Act 1999)	N/A (no means to determine the number availing)	488.3	N/A (no means to determine the number availing)	473
	Excise Rate on Kerosene**	Excise Rate applied to Kerosene (Sections 94-109 Finance Act 1999)	N/A (no means to determine the number availing)	680.9	N/A (no means to determine the number availing)	578.7
	Excise Rate on Fuel Oil**	Excise Rate applied to Fuel Oil (Sections 94-109 Finance Act 1999)	N/A (no means to determine the number availing)	24.9	N/A (no means to determine the number availing)	24.7
	Commercial Sea Navigation	Repayment of Mineral Oil Tax (MOT) on tax-paid mineral oil used for the purpose of commercial sea navigation, including sea-fishing. Section 100 (2)(a) of Finance Act 1999.	N/A (no means to determine the number availing)	14.1	N/A (no means to determine the number availing)	10.5
	Marine Diesel Scheme	Repayment of MOT on tax-paid mineral oil used for the purpose of commercial sea navigation,	N/A (no means to determine the number availing)	2.5	N/A (no means to determine the number availing)	2.7

		including sea-fishing. Section 100 (2)(a) of Finance Act 1999.				
	Horticulture Excise Duty Repayment	Partial Repayment of MOT paid on heavy oil and LPG used in the horticultural production and cultivation of mushrooms (Section 98 of Finance Act 1999)	N/A (no means to determine the number availing)	0.06	N/A (no means to determine the number availing)	0.08

* All figures for 2020 (most recent year) & 2019 (previous year) unless stated otherwise.

** The benchmark for these fuels is the excise rate for unleaded petrol.

Table F: Value Added Tax (VAT)

Type	Description	Further Information	No. Utilising or No. of Claims in most recent year for which information is available*	Revenue Foregone in most recent year for which information is available (€ millions)*	No. Utilising/ No. of Claims in previous year*	Revenue Foregone in previous year (€ millions)*
VAT Refund Orders	Disabled Drivers & Passengers Scheme. Repayment of VAT to disabled drivers and disabled passengers and/or organisations on the purchase of specially constructed or adapted vehicles, which are used for the transport of	Disabled Drivers and Disabled Passengers (Tax Concessions) Regulations, 1994 (S.I. 353 of 1994)	5,650	25.2	6,408	28.8

	persons with disabilities.					
	Disabled Equipment – a refund of VAT is available on certain aids and appliances purchased by disabled persons.	Value Added Tax (Refund of Tax) (No.15) Order 1981 (S.I. 428 of 1981)	5,935	5.1	6,268	5.5
	Touring Coaches - VAT repayment may be claimed by persons engaged in the carriage of tourists for reward by road, on the purchase, lease/hire of touring coaches	Value-Added Tax (Refund of Tax) (Touring Coaches) Order 2012 (S.I. 266 of 2012)	92	4.2	162	8.3
	Farm construction. A refund of VAT is available to flat-rate farmers on the construction of farm buildings, fencing, drainage, reclamation of farmland, and on micro-generation equipment	Value Added Tax (Refund of Tax) (No.25) Order, 1993 (SI No.266 of 1993)	37,200	80.0	36,750	83.1
	Charities VAT Compensation Scheme	Value-Added Tax (Refund of Tax) (Charities Compensation Scheme) Order, 2018 (SI No. 580 of 2018)	900 (2019)	5.0 (2019)	First payments made in 2019	First payments made in 2019

* All figures for 2020 (most recent year) & 2019 (previous year) unless stated otherwise.

Table G: Personal Tax Credits

Type	Description	Further Information	No. Utilising or No. of Claims in most recent year for which information is available	Revenue Foregone in most recent year for which information is available (€ millions)	No. Utilising/No of Claims in previous year*	Revenue Foregone in previous year (€ millions)*
Personal Tax Credits	Age Tax Credit		209,900	77.5	195,500	72.1
	Blind Person's or Civil Partners Credit (incl. Guide Dog Allowance)		1,700	2.3	1,630	2.2
	Dependent Relative Tax Credit		24,300	2.7	21,000	2.2
	Home Carer's Tax Credit		83,100	90.0	83,800	83.5
	Incapacitated Child Tax Credit		30,700	92.7	27,700	82.1
	Single Person Child Carer Credit		70,500	99.1	67,400	93.9
	Approved Profit Sharing Schemes		34,800	55.2	32,240	47.7
	Approved Training Courses/ Third Level Fees		33,200	17.2	29,000	15.2
	Employment and Investment Scheme		1,137	14.5	1,538	18.6
	Donation of Heritage Items		10	0.4	5	2.8
	Donation of Heritage Property to the Irish Heritage Trust	2015 was last year in which expenditure recorded	Nil	Nil	Nil	Nil

	Donations to Approved Bodies		182,438	43.5	175,400	43.3
	Donations to Approved Sporting Bodies		1,240	0.3	1,170	0.3
	Employee Share Ownership Trusts		11,900	0.1	10,600	0.2
	Employing a Carer		1,600	6.6	1,650	7
	Exemption of Income arising from the Provision of Childcare Services		690	1.6	700	1.6
	Exempt Income – Rent-a-Room		9,240	19.7	8,160	12.0
	Exemption of Certain Earnings of Writers, Composers and Artists		3,270	10.0	3,110	12.7
	Exempt Income – Foster-Care Payments		4,320	29.6	4,380	30.1
	Home Renovation Incentive	Introduced in 2013, expired 2018	14,850	30.9	12,600	22.4
	Health Expenses	General & Nursing Home	527,100	190.1	486,200	172.5
	Medical Insurance Relief	Risk equalisation credits are not given through the tax system effective from 1 January 2013	1,258,100	355.7	1,271,400	350

	Special Assignee Relief Programme (SARP)		1,481	42.4	1,084	28.1
	Save as You Earn Scheme (savings related share options)		1,100	1.3	1,680	2.4
	Seafarer's Allowance		140	0.3	160	0.3
	Start-Up Refunds for Entrepreneurs	Formerly Seed Capital Scheme	39	0.8	64	1.6
	Significant Buildings and Gardens Relief		160	1.9	150	1.9
	Retirement relief for certain sports persons		31	0.3	31	0.4
	Start Your Own Business	From Oct. 2013	4,588	16.0	5,451	18.8
	Woodlands Profits & Distributions	Section 140	N/A	N/A	N/A	N/A
	Woodlands	Section 232	9,192	33.7	9,160	29.4
	Exemption of Income of Charities, Colleges, Hospitals, Schools Friendly Societies etc.	No figures available since 2013	N/A	N/A	N/A	N/A
	General Stock Relief	Section 666	9,090	4.9	10,130	6.3
	Stock Relief for Young Trained Farmer	Section 667B	420	1.2	530	1.5
	Stock Relief for Registered Farm Partnerships	Section 667C	210	0.3	370	0.6

	Living City Initiative	Commenced in 2015	27	0.2	20	0.1
	Dispositions (Including Maintenance Payments made to Separated Spouses)		7,530	18.4	7,900	18.9
	Allowable Expenses		680,100	115.4	600,600	100
	Foreign Earnings Deduction		817	5.4	591	3.9
	100% Mortgage Interest Relief for Landlords of Social Housing Tenants	Commenced in 2016	N/A	N/A	N/A	N/A
	Rental Deductions – leasing of farmland		10,820	27.2	9,790	23.7
Ceased or currently being phased out Items	Urban Renewal		889	14.9	1,124	22.8
	Town Renewal		317	4.8	401	5.1
	Seaside Resorts		38	0.5	69	0.8
	Rural Renewal		599	6.8	786	8.5
	Multi-storey Car Parks		N/A	0.1	11	0.3
	Living Over The Shop		22	0.2	29	0.3
	Enterprise Areas		11	0.2	14	0.2
	Park & Ride		N/A	0.3	N/A	0.3
	Holiday Cottages		28	0.3	52	0.5
	Hotels		33	0.8	45	1.0
	Nursing Homes		29	0.6	53	1.2

	Housing for the Elderly/ Infirm		N/A	0.1	N/A	0.2
	Hostels		Nil	Nil	N/A	N/A
	Guest Houses		N/A	Nil	N/A	0.1
	Convalescent Homes		Nil	Nil	Nil	Nil
	Qualifying Private Hospitals		15	0.2	29	0.5
	Qualifying Sports Injury Clinics		N/A	0.1	Nil	Nil
	Buildings Used for Certain Childcare Purposes		30	0.9	39	0.5
	Qualifying Hospitals		Nil	Nil	Nil	Nil
	Qualifying Mental Health Centres		Nil	Nil	Nil	Nil
	Student Accommoda-tion		194	7.5	246	8.8
	Caravan Camps		Nil	Nil	N/A	0.1
	Mid-Shannon Corridor Tourism Infrastructure		N/A	0.2	N/A	0.2
	Revenue Job Assist		100	N/A	120	N/A
	Rent Tax Credit		117,100	6.3	126,300	13.7
	"Other" Relief on Interest on Loans	Acquisition of interest in a company or partnership	48	0.04	70	0.1
	Mortgage Interest Relief		400,000	107.3	414,300	171.1

* All figures for 2018 (most recent year) & 2017 (previous year) unless stated otherwise. Data for 2019 for these tax expenditures are not currently available to Revenue due to system changes.