

Data Issues in Evaluation of Tax Expenditures: a Revenue Perspective

Keith Walsh

Department of Finance
Seminar on Evaluation of Tax Expenditures

2nd March 2015

Outline

- Role for Revenue in evaluation of tax expenditures?
- Some examples of costing tax expenditures
- Limitations

Revenue Statistics

- We publish annual costs for around 80 Income Tax and Corporation Tax credits, reliefs and allowances
- Others are costed but not published regularly
 - PQs, available on request, ...
- Others are requested but can't be costed...
- Revenue Statistics webpage
 - <http://www.revenue.ie/en/about/statistics/index.html>
- Costs of credits, reliefs and allowances
 - <http://www.revenue.ie/en/about/statistics/credits-allowances-reliefs.pdf>

Revenue Costings

- Revenue's cost estimates are mostly on the basis of revenue foregone methods
 - Measuring cost to the Exchequer
 - Sometimes estimates include a measure of behavioural change
- Focus on direct effects
 - Number and nature of those who pay less tax as a result
 - Change in behaviour as a result of the tax expenditure
 - Unintended results
- Can be ex ante but usually ex post
- Heavily dependent on the data available to us

Tax Relief on Medical Expenses

- Ex post
- Taxpayer files a return, indicating the amount of relevant expenses being claimed

Form MED 1 Health Expenses - Claim for Relief
The quickest, easiest and most convenient way to claim Health Expenses
is by using PAYE Anytime or by submitting an eForm 12.
For further information please visit www.revenue.ie



- Refunded at 20% (40% nursing homes)
- Cost in 2012 of €134m, 388,000 claiming relief

CAT Agricultural Relief

- Ex post
- Taxpayer files a return, indicating the amount of relevant expenses being claimed



GIFT/INHERITANCE TAX SELF-ASSESSMENT RETURN

To be used only for gifts* and inheritances taken on or after 5th December 2001

** Do not use for gifts of foreign property appointed out of discretionary trusts where the trust was created prior to 1/12/1999*

- Gift or inheritance tax calculated on value substantially lower than market value
- Cost in 2013 of €70m, 1,590 farmers availing

Woodlands Exemption

- Ex post
- Taxpayers' annual Return of Income records profits or gains from woodlands which are exempt from Income Tax
- Cost of the exemption depends on the Income Tax rate that would apply – varies by individual
- Cost in 2012 of €14m, around 20,000 claimants

One-Parent Family Tax Credit

- Ex post
- Taxpayer files a return to claim the credit
- But only some taxpayers will not be in a position to utilise some or all of tax credit (i.e., to actually be in receipt of the credit)
- Tax credits reduce the amount of tax to pay (are deducted after tax has been calculated)
- Cost in 2012 of €147m, 107,000 *in receipt* of the credit but around ~130,000 *claimed* the credit

Single Person Child Carer Credit

- Ex ante
- Introduced from 1 Jan 2014 to replace OPFTC, targeted at primary carers
- To estimate cost, needed to analyse
 - How many OPFTC recipients would continue into SPCCC
 - How many will no longer be eligible
 - Any new recipients
 - How many of these can use the full amount of credit
- Estimated to save Exchequer €18m in 2014 (€25m full year), around 18,000 affected

Home Renovation Incentive

- Ex ante
- Introduced in Budget 2014, tax credit for qualifying property renovation expenditure
- To estimate cost, needed to analyse
 - How many renovation projects in 2014?
 - How much will they cost?
 - How many will qualify / how many will register for HRI?
 - Will all claimants use full amount claimed?
- Estimated to cost Exchequer €62m

Can We Cost All Tax Expenditures?

- No
- Only if data available to us or if can make some reasonable assumptions based on third party data
- CGT Exemption on Principal Private Residency
 - Exemption abolished, how to estimate gain on disposal
- Changing CAT tax free threshold
 - No returns for inheritances/gifts below current threshold
- Introduce housing tax credit for mortgage holders
 - How to identify the mortgage holders?

Costing Limitations

- Revenue can only cost measures if data are available to us
 - Data from our systems, returns, payments, etc
- For ex post costings, timeliness of data need to be considered
 - Form 11 Return of Income is filed 9 months after tax year ends
 - Other returns and payments come in with varying delays
- Why not collect more data?
 - Cost (burden) on taxpayers
 - Cost to Revenue of changing forms / IT developments
 - Focus on tax assessment, not statistics collection

Thank you
keithw@revenue.ie

Revenue Statistics webpage
<http://www.revenue.ie/en/about/statistics/index.html>