An Roinn Airgeadais
Department of Finance

Margaret Falsey
Committee Secretariat
Committee of Public Accounts
Leinster House
Dublin 2

25 July 2017

Re: Further information raised during the Committee meeting on Thursday 6th July 2017.

Dear Margaret,

In response to your letter dated 12 July 2017, please see attached further information on the issues raised at the meeting which I undertook to supply to the Committee.

With respect to point number 10 from your list- "A note on monies received from the nursing home support scheme from 2011 to present", officials from the Department of Public Expenditure and Reform are liaising with the Department of Health to collate the information. Once I receive an update I will forward to you.

Please revert if you require anything further.

Yours sincerely,

Margaret Fitzgerald

p.p. Derek Moran
Secretary General

1. A note on the recoupment of expenses in respect of the stabilisation of the banking sector with a breakdown by organisation.

Since 2011, €4,420,234.52 has been recouped by the SFAD in respect of the stabilisation of the banking sector. This relates to legal costs and breaks down as €46,427.36 from Irish Life & Permanent, €3,593,479.39 from PTSB, €248,858.20 from Bank of Ireland and €531,469.57 from AIB. Separately, financial advisory costs related to the AIB IPO are paid by the NTMA and will be fully recouped this year. These costs are capped at a total maximum of €1.6m for advisory services and €0.18m for public relations and media services.

	Firm		Amt incl VAT
2011 SFAD legal costs recouped in 2012:	ILP	€	46,427
2012 SFAD legal costs recouped in 2013:	PTSB	€	675,988
2013 SFAD legal costs recouped in 2014:	PTSB	€	726,192
	BOI	€	248,858
2014 SFAD legal costs recouped in 2015:	PTSB	€	671,604
2015 SFAD legal costs recouped in 2016:	PTSB	€	923,276
	AIB	€	353,004
2016 SFAD legal costs recouped in 2017:	PTSB	€	596,420
	AIB	€	178,466
SFAD total LEGAL by organisation:	**ILP**	**€**	**46,427**
	PTSB	**€**	**3,593,479**
	BOI	**€**	**248,858**
	AIB	**€**	**531,470**

2. Flexibility within the Fiscal Rules

- It should be further noted that the SGP has a feature designed to promote capital investment in the expenditure benchmark. Capital formation increases are smoothed over four years with the result that only one quarter of the increase in public investment must be funded in the first year from within the fiscal space. This provision, which means increases in capital spending for housing and other purposes can be front-loaded within the EU rules, has been utilised in Ireland's budgetary plans.

- The fiscal rules to which Ireland is subject to, have direct application through a number of EU regulations. Changes to these regulations would have to follow the normal EU approach starting with a proposal from the Commission before consideration by Member States and the European Parliament.

- The issue of facilitating greater flexibility in the application of the fiscal rules has received significant focus at European level and framed discussions on the establishment of the structural and investment clauses, which were codified by the Commission in November 2015. Specifically these provisions allow for temporary deviations from the required structural budgetary adjustment, subject to strict conditions.

- To date, Ireland has not been eligible to apply for the use of the investment or structural reform clauses. While this remains the case in relation to the investment clause, Ireland is moving into a position where it could apply for use of the structural reform clause.

- The harmonised EU methodology for calculating the economic cycle used in the implementation of the SGP remains an area with limitations within the fiscal rules. The Department of Finance has successfully secured useful changes to this methodology over the years by consistently raising concerns and objections at European level. These changes have partially compensated for the reality that the harmonised methodology is not suitable for small open economies. The Department of Finance continues to advocate for improvements in the harmonised methodology and will continue to engage constructively on this and other relevant technical issues.

- Former practice involved reference rates being fixed every three years in the calculation of fiscal space under the expenditure benchmark. In the case of Ireland, this would have significantly supressed the permitted real net expenditure growth rate, since reference rates would have placed greater weight on an outdated outlook when potential growth was considerably weaker. In advance of Ireland entering the Preventive Arm, my officials initiated discussions with the Commission, calling for an annual recalibration of the reference rates and were successful in lobbying to the Commission to this end. This new approach significantly increases the permitted room for expenditure growth, which would not have been possible under the former practice.

- Furthermore, in the same period, Ireland gained the endorsement of the EPC on an alternate and more plausible method of calculation of projected working age population growth to be used when estimating potential output, resulting in a 1.0 percentage point improvement in potential output growth for 2017-2020.

- The Commission's guidance on the implementation of the 'unusual event clause' in the preventative arm of the Stability and Growth pact (SGP) allows for exceptional spending directly linked to unusual events outside of the control of Government, if this spending does not endanger fiscal sustainability in the medium term. This clause is granted on the basis of individual case-by-case assessments and, to date, has only been granted to six Member States in light of refugee-related costs and to three Member States following submissions based upon security-related expenditure. It should also be noted that any Member State availing of this clause must still meet their SGP obligations when the additional spending on the unusual event provided for in the clause is excluded.

3. Issue of price fixing and a copy of any reports published by the Cost of Insurance Working Group

- In 2016, the Minister for Finance established the Cost of Insurance Working Group, chaired by Minister of State Eoghan Murphy T.D.
- The initial focus of the Working Group was the issue of rising motor insurance premiums and a broad range of issues affecting the cost of motor insurance were examined.

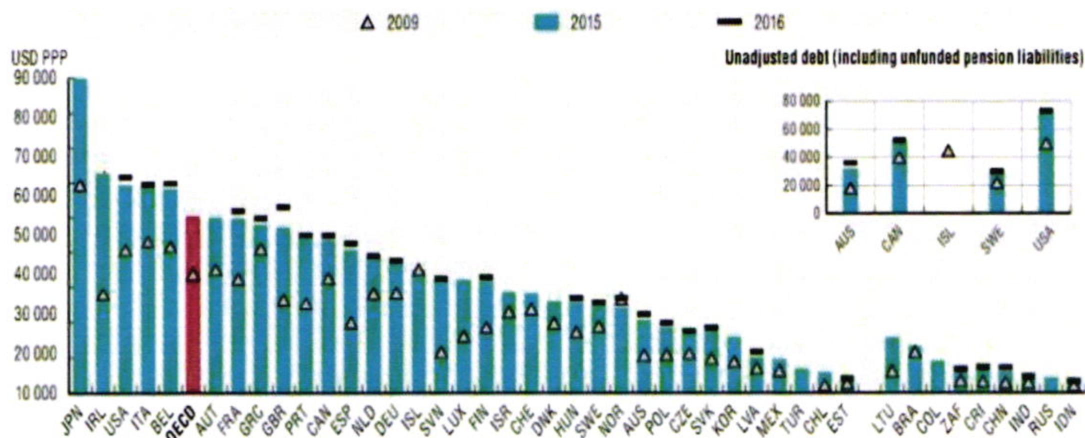
- The Working Group did not consider the issue of price fixing within the insurance industry as it was not within its remit to do so. The proper authority for such investigations is the Competition and Consumer Protection Commission and they subsequently commenced an investigation into the industry shortly after the deliberations of the Working Group commenced.

- The *Report on the Cost of Motor Insurance* was published on 10 January 2017 and makes 33 recommendations with 71 associated actions to be carried out in agreed timeframes, set out in a detailed Action Plan within the Report. http://www.finance.gov.ie/sites/default/files/170110%20Report%20on%20the%20Cost%20of%20Motor%20Insurance%202017.pdf

- The recommendations cover six main themes:
  - Protecting the consumer
  - Improving data availability
  - Improving the personal injuries claims environment
  - Reducing the costs in the claims process
  - Reducing insurance fraud and uninsured driving
  - Promoting road safety and reducing collisions
- The Action Plan identifies the responsible bodies and the timelines for delivery and the Government is driving the implementation of the Report's recommendations by ensuring that actions which are the responsibility of each Department are being prioritised by the relevant Minister.
- Work is underway to implement the recommendations of the report, and quarterly update reports issue following the end of each quarter. The second update report has been prepared and will be published shortly, after being approved by the Minister of State and Minister for Finance.

4. General Government Debt per Capita

Ireland's General Government (GG) debt ratio is on a steady decline since its peak in 2012/2013 at just under 120 per cent of GDP. However, Ireland's debt-per-capita, that is, the value of a government's debt expressed in terms of the amount attributable to each citizen under the government's jurisdiction, is when placed against international comparators, relatively speaking, quite high. The OECD report "*Government at a Glance 2017*" found Ireland had the second highest level of GG debt per capita behind Japan in the number one spot.



Source: OECD, Government at a Glance, pp. 67

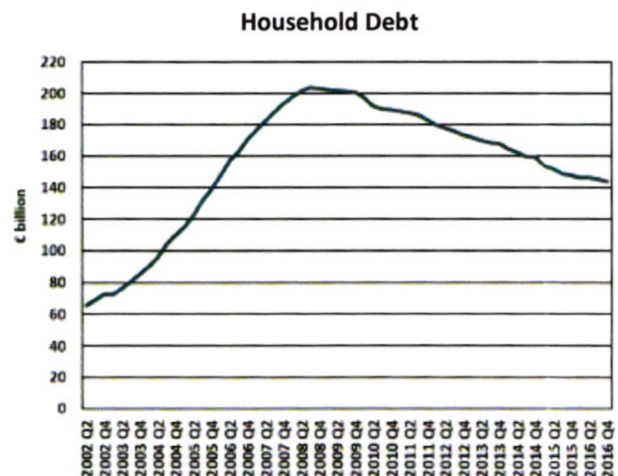
These results are closely replicated when comparing countries utilising the AMECO European Commission database which allows the comparison of countries world-wide in euro denomination. Demonstrated in the table below, Japan (€81,919) again ranks first with the U.S.(€58,440) and Ireland (€42,217) taking second and third place, respectively.

This higher than expected ranking can partially at least be attributed to the well documented distortion of GDP figures which took place in 2015 and subsequently improved Ireland's debt to GDP ratio by 26.6 percentage points.

Household debt in Ireland is continuing to fall and as at Q4 2016 stood at €30,199 per capita.

The combined debt per capita (inclusive of household and GG debt) is €72,416.

Household Debt



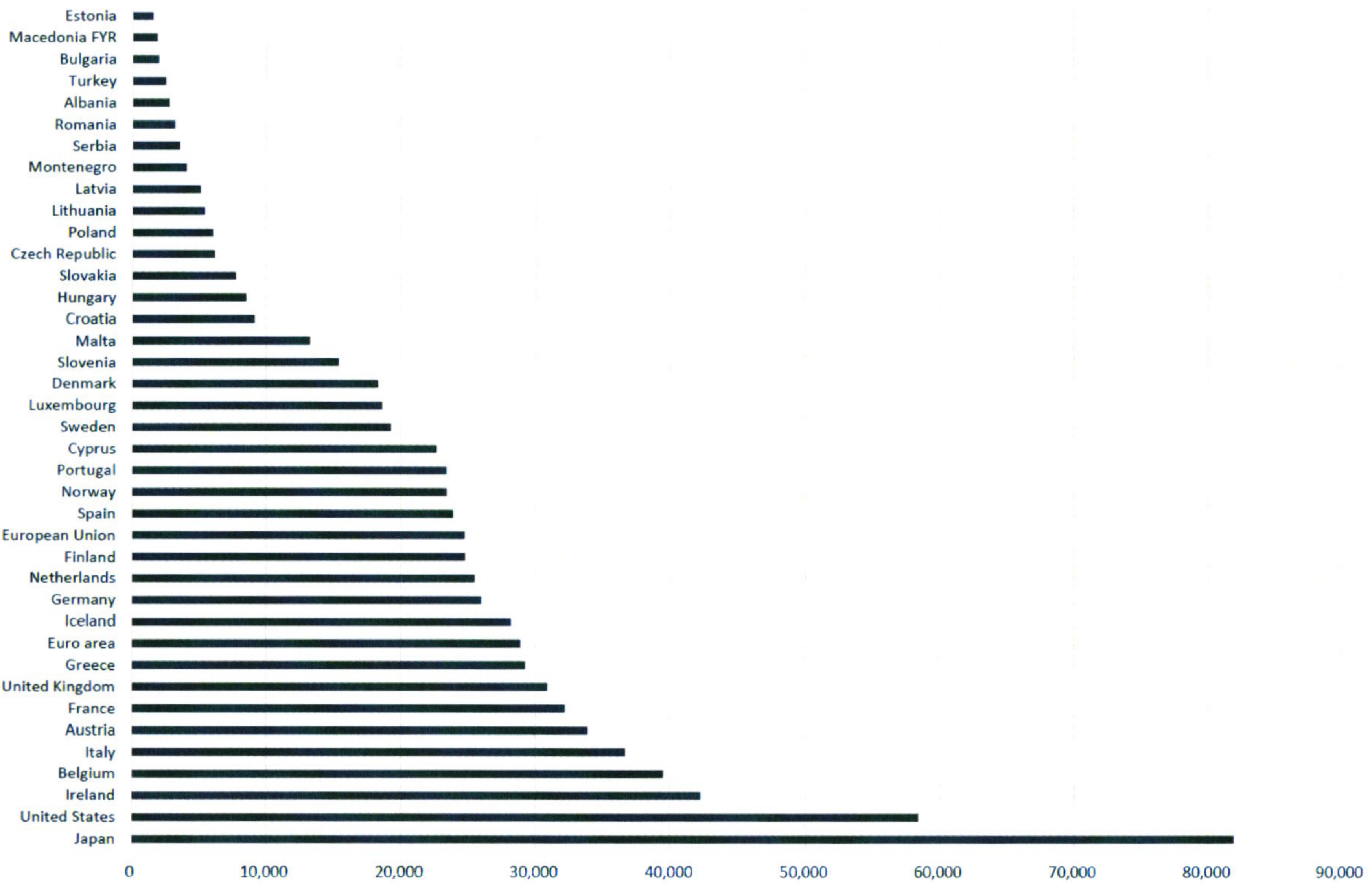
Source: Central Bank

data are in euros (drop-down menu from AMECO allows this)

	General Government Gross Debt as of 2016 (UDGG AMECO)	Total Population as of 2016 (NPTD AMECO)	GG Debt Per Capita
Japan	10,389	126,821	81,919
United States	18,914	323,639	58,440
Ireland	201	4,752	42,217
Belgium	447	11,333	39,423
Italy	2,218	60,622	36,585
Austria	296	8,743	33,822
France	2,147	66,791	32,151
United Kingdom	2,022	65,591	30,830
Greece	315	10,784	29,202
Euro area	9,819	340,338	28,851
Iceland	9	333	28,161
Germany	2,140	82,488	25,948
Netherlands	434	17,034	25,484
Finland	136	5,501	24,742
European Union	12,629	511,019	24,712
Spain	1,107	46,437	23,839
Norway	122	5,227	23,381
Portugal	241	10,329	23,343
Cyprus	19	853	22,624
Sweden	191	9,923	19,208
Luxembourg	11	584	18,585
Denmark	105	5,729	18,275
Slovenia	32	2,065	15,342
Malta	6	437	13,206
Croatia	38	4,183	9,142
Hungary	84	9,819	8,521
Slovakia	42	5,432	7,741
Czech Republic	65	10,567	6,146
Poland	228	37,959	6,012
Lithuania	16	2,871	5,413
Latvia	10	1,964	5,111
Montenegro	3	621	4,047
Serbia	25	7,057	3,546
Romania	63	19,756	3,189
Albania	8	2,886	2,731
Turkey	198	79,275	2,494
Bulgaria	14	7,155	1,952
Macedonia FYR	4	2,078	1,855
Estonia	2	1,318	1,505

EU 19	GG Gross Debt 2016 *(€ billions)*	Total Population *(millions)*	GG Debt Per Capita
Ireland	202.83	4.693	43,219.7
Belgium	445.306	11.311	39,369.3
Italy	2,217.69	60.666	36,555.8
Austria	293.122	8.691	33,727.1
France	2,151.31	64.605	33,299.4
Greece	318.295	10.851	29,333.2
Germany	2,119.18	82.732	25,614.9
Netherlands	436.012	17.03	25,602.6
Finland	136.054	5.487	24,795.7
Spain	1,105.63	46.323	23,867.8
Portugal	241.106	10.325	23,351.7
Cyprus	19.326	0.848	22,790.1
Luxembourg	12.154	0.576	21,100.7
Slovenia	31.38	2.064	15,203.5
Malta	5.881	0.434	13,550.7
Slovak Republic	42.313	5.426	7,798.2
Lithuania	15.458	2.871	5,384.2
Latvia	8.591	1.969	4,363.1
Estonia	1.984	1.312	1,512.2

Data correct as at April 2017, taken from IMF World Economic Outlook
Available here


Estonia
Macedonia FYR
Bulgaria
Turkey
Albania
Romania
Serbia
Montenegro
Latvia
Lithuania
Poland
Czech Republic
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Hungary
Croatia
Malta
Slovenia
Denmark
Luxembourg
Sweden
Cyprus
Portugal
Norway
Spain
European Union
Finland
Netherlands
Germany
Iceland
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Greece
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5. Rainy Day Fund

17 July 2017

Introduction

- As part of the publication of the Summer Economic Statement 2016, the Government announced its intention to establish a contingency reserve or a rainy day fund with effect from 2019. This was part of the Government's commitment to maintaining a prudent, counter cyclical buffer to help absorb any shocks which may arise in future. Capitalisation of this instrument will be subject to achievement of the Medium Term Budgetary Objective (MTO) in 2018.

- Ireland's Medium Term Objective (MTO) of a balanced budget (defined as a structural deficit of 0.5% of GDP) is currently expected to be achieved by next year, after which a contingency reserve or rainy day fund would be established. It is therefore essential that the operation of the initiative is as far as possible, consistent with continued compliance with Ireland's Stability and Growth Pact (SGP) obligations.

Purpose of the Fund

- The purpose of the fund is to plan for the future by ensuring Ireland is ready for any unforeseen events that might occur. As the recent financial crisis has shown and given the open nature of the Irish economy, the volatility of the economic cycle here can be much more pronounced than elsewhere and it is appropriate in this context to set aside a certain amount of funding each year.

- It is intended that the rainy day fund, once operational, would provide a prudent counter-cyclical buffer, with annual transfers from the Exchequer into the fund to commence in 2019, following the achievement of the MTO. This fund, once established, may be used to support activity and employment if necessary.

Contributions to the Fund

- The 2016 Summer Economic Statement indicated that €1 billion per annum (c. 0.3% of GDP) would be set aside firstly either as a contingency reserve, and if not used for one-off, unforeseen, in-year expenditure, it would then be set aside in a rainy day fund for deployment according to specific criteria.

- The Summer Economic Statement 2017 included an update to the original proposal which now sees funding being allocated to the rainy day fund to the amount of €500 million per annum, once operational from 2019 onwards. These funding allocations will not impact upon the general government balance as they are classified as a financial transaction. The remaining €500 million (of the €1 billion originally envisaged for the rainy day fund) will be used to finance investment in physical and social infrastructure.

- Separately, there is a review currently underway of the ISIF's investment strategy and preliminary results indicate that ISIF is continuing to generate considerable economic impact. It has been acknowledged by ISIF that an element of the Fund's resources could be made available for addressing other Government priorities. It was also announced as part of SES 2017 that the Government will therefore consider whether a portion of the ISIF can be used to complement the role of the rainy day fund in the future.

6. The Stability and Growth Pact (SGP)

These are a set of rules designed to ensure that countries in the European Union pursue sound public finances and coordinate their fiscal policies.

The rules include a Preventive Arm (to prevent fiscal policies heading in potentially problematic directions) and Corrective Arm (to correct excessive deficits or excessive debt).

Corrective Arm/Excessive Deficit Procedure

Excessive Deficit Procedure (EDP) is opened when a Member state breaches either:

- A General Government balance (GGB) of greater than 3 per cent of GDP or;
- A General Government Debt (GGD) level above 60 per cent of GDP that is not diminishing at a satisfactory pace (this means that the gap between a country's debt level and the 60 per cent threshold needs to be reduced by 1/20th annually, on average over three years).

Article 126 of the Treaty on the Functioning of the European Union[1] specifies how all relevant factors should be taken into account in determining whether a numerical breach should lead to the opening of an EDP.

In an EDP a country is set a series of annual headline deficit targets, with these targets reducing systematically to the 3 per cent of GDP level.

Ireland exited the Corrective arm of the rules in 2015 and is now subject to the Preventive arm of the rules.

Preventive Arm

Medium-term budgetary objective

The preventive arm of the SGP aims to ensure sound budgetary policies over the medium term. The rules bind EU governments to their commitments towards sound fiscal policies by setting a budgetary target, known as the medium-term budgetary objective (MTO).

The MTO is set in structural terms taking into account the ups and downs of the economic cycle and filter out the effects of one-off and other temporary measures. For Ireland the MTO is set at as a structural deficit of 0.5 per cent of GDP.

Member States are expected to reach their MTO or to be heading towards them by improvements in their structural balances at a rate of 0.5 per cent of GDP per year.

Based on the latest set of forecasts set out by the Department on Finance, in the Summer Economic Statement 2017, Ireland is set to achieve its MTO in 2018.

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[1] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:12012E/TXT

Expenditure Benchmark

This is a rule which constrains the net growth rate of government spending at or below a country's medium-term potential economic growth rate. Any spending increases beyond the medium-term potential economic growth rate must be matched by additional discretionary revenue measures.

The expenditure benchmark complements the MTO by putting growth in net expenditure on a sustainable path and therefore helping to move towards or maintain the MTO.

Debt Rule

As set out above, GGD that is in excess of 60 per cent of GDP must fall by $1/20^{th}$ per year on average. Following the correction of the excessive deficit in 2015 Ireland is in a transitional arrangement with the debt rule not applying until 2019.

Based on the Department of Finance's Annual Debt Report Ireland's debt to GDP ratio is expected to meet the 60 per cent target by 2022.

7. Note on NAMA's projected surplus

NAMA outlined in its 2016 Annual Report[2] that the Agency expects to return a surplus to the State in the region of €3bn, subject to prevailing market conditions, when it completes its work. It is important to recognise that this is a projected surplus - it will only materialise after NAMA's debt is fully repaid and NAMA's ongoing work is completed. NAMA held cash reserves of c.€1.6 billion at the end of 2016. NAMA requires these reserves to fund its on-going operating costs and to progress its ongoing deleveraging, Dublin Docklands SDZ and residential funding programmes in the interim period to 2020. It is only through the successful completion of these objectives that NAMA anticipates that the estimated surplus will be available for return to the State in 2020.

Only €500m (2%) of NAMA's original €30.2bn senior debt and €1.6bn of subordinated debt remains outstanding. NAMA is also structured in such a way that the debt it issued to purchase the acquired loans was not treated as part of Ireland's General Government Debt under European accounting rules. As a result, the NAMA Group entities are 51% privately owned and operate to return dividends to its shareholders[3]. As per section 60(2) of the NAMA Act 2009, NAMA may, following consultation with the Minister for Finance, use surplus funds to redeem and cancel its debt and *"transfer any surplus funds remaining after that redemption to the Central Fund"*. In practice this means that surplus funds may only be returned to the Central Fund once all NAMA's debt has been repaid in full and in order of seniority:

1. *Government guaranteed senior bonds*
2. *Subordinated debt*
3. *Private investors*

NAMA currently expects to redeem the remaining government guaranteed senior debt by the end of 2017, its subordinated debt of €1.6bn at its call date of March 2020 and repay its private investors thereafter.

Eurostat have indicated that once the senior debt, subordinated debt, and private investors have been repaid, NAMA (the Agency), which is in Government, would be the sole shareholder and as such, NAMA (the SPV) would become classified into the Government sector. This is expected to

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[2] https://www.nama.ie/about-us/publications/annual-reports/

[3] The return to the private investors is an annual dividend linked to the Irish Government Bond yield at the time of dividend declaration, with the potential of an additional 10% of the contributed capital sum at dissolution - this is a capped return under the Articles of Association of National Asset Management Investment D.A.C.

occur in 2020, no later than the time at which the private shareholders have been fully compensated. At this point in time NAMA will have no debt.

It will be a decision for the Government as to how any surplus returned by NAMA will be utilised or distributed within the fiscal rules once it is available. It has always been the current Government's intention to use such receipts from the resolution of the financial sector crisis to pay down our debt and help reduce the cost of the banking stabilisation measures and reduce our debt servicing costs. Given the uncertainty around the specific timing of, or the amount that will be realised, such receipts have not been included in our debt forecasts at this time. Debt reduction underpinned by the Government's lower gross general government debt target of 55 per cent of GDP, will increase the resilience of the public finances to deal with any potential shocks which may emerge.

What remains to be sold by NAMA analysed by assets relating to senior and junior debt

There is no direct link between specific assets and the repayment of either senior or subordinated debt outstanding other that the proceeds from the former are generally used to repay the latter. NAMA utilises the surplus cash generated from its ongoing deleveraging and funding programmes (as outlined) above to repay debt in order of seniority.

The most recent details on NAMA's remaining portfolio are available in the Agency's 2016 Annual Report and Financial Statements, published on 1 June 2017. NAMA's carrying value of loans at end-2016 was €3.9 billion. NAMA's Annual Reports are available on the NAMA website via: https://www.nama.ie/about-us/publications/annual-reports/. Page 46 of the 2016 Annual Report provides details on NAMA's outstanding portfolio, including a breakdown by sector and geography based on the value of underlying security, and is attached for the Committee's reference.

NAMA's Quarterly Report for Q1 2017 will be published in the coming weeks and will provide a further update on the remaining portfolio.

The total movement in the impairment provision in 2016 was a reduction of €915m from €2,476m to €1,561m. Of this, €282m was recognised in the income statement as a credit for 2016 and €633m was recognised against loans and receivables arising predominantly from the crystallisation of impairment previously recognised against loans sold.

Loan portfolio

NAMA acquired loans from the Participating Institutions for a consideration of €31.8 billion. NAMA's carrying value of loans at end-2016 was €3.9 billion (net of the cumulative €1.6 billion impairment provision) (2015: €7.8 billion, net of the cumulative €2.5 billion impairment provision).

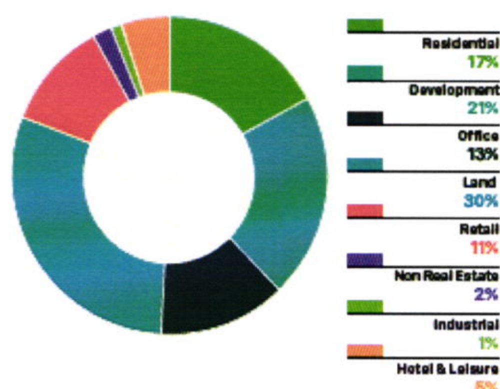
A summary of the movement in loans and receivables is provided below:

Financial Review	NAMA Debt 2016 €m	NAMA Debt 2015 €m	PAR Debt 2016 €m	PAR Debt 2015 €m
Loans and receivables - opening balance	7,817	13,360	41,069	55,591
Cash received from loans and receivables	(5,290)	(9,004)	(5,290)	(9,004)
Deferred consideration on the sale of loans	(761)	-	-	-
Consideration for trading properties	(123)	-	-	-
Interest income	368	576	908	1,624
Loan acquisitions/valuation adjustments	-	139	-	153
Working capital advances	648	856	648	856
Profit on loan sales and surplus income	1,123	1,606	-	-
Par loan sale movement[1]	-	-	(7,637)	(7,922)
Debt compromise/write off	-	-	(594)	(762)
Foreign exchange and other movements	(155)	198	(723)	533
Impairment crystallisations	(633)	(959)	-	-
Loans and receivables before impairment	**3,004**	**6,772**	**28,381**	**41,069**
Impairment provision - incremental credit	915	1,045	-	-
Loans and receivables - closing balance	**3,919**	**7,817**	**28,381**	**41,069**

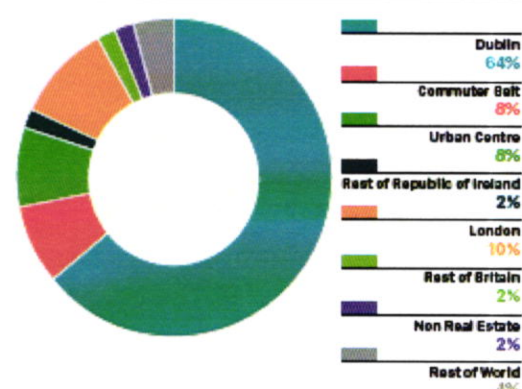
1. *Par loan sale movement principally relates to the par value of loans sold net of disposal cash received. There is no equivalent NAMA debt value. The movement in the NAMA debt balance as a result of loan sales is reflected in cash receipts and profit or loss on loan sales.*

The concentration of NAMA's remaining acquired loan portfolio by sector and geography based on the underlying security is outlined below:

Remaining Portfolio Sectoral Distribution as at end-2016



Remaining Portfolio Geographic Distribution as at end-2016



Rate of return benchmark

In 2014, the Board approved an Entity Return on Investment ('EROI') target benchmark of 20%. The projected return as at end-2016 was 33%.

The EROI benchmark is calculated based on the comparison of NAMA's projected terminal surplus position (€3 billion) with NAMA's initial investment, as adjusted to exclude the €5.6 billion in State Aid which NAMA was required to pay to the Participating Institutions as part of the loan acquisition price.

8. Deferred losses from financial institutions

The provision in Irish tax law which allows the carry-forward of tax losses for set-off against future trading profits is available for all Irish corporates, including banks.

Deferred tax assets at the Irish domestic banks:

The deferred tax assets (DTAs) at the three domestic banks at 31 December 2016, arising from trading losses in Ireland, are significant and are set in in the table below.

31 December 2016	DTA	Estimated time horizon for recovery	DTA utilised in 2016 for brought forward tax losses
Allied Irish Banks	€2.9bn	52% within 15 years; 83% within 20 years 100% in excess of 20 years	€97m
Bank of Ireland	€1.2bn	Majority within 13 years	€84m
permanent tsb	€0.4bn	22 years for full recovery	€29m

Data as per banks' 2016 annual reports.

Ulster Bank Ireland Designated Activity Company (UB-DAC)[4]:

The published financial statements of UB-DAC for 2016 disclosed a DTA of €292m in relation to €2,333m of tax losses (out of total tax losses of €9,645m). The bank estimated that the DTA recognised of €292m would be utilised by 2023 (i.e. within 7 years). Ulster Bank does not disclose why its accounts recognise a deferred tax asset based only on a portion of the losses incurred in Ireland.

[4] Formerly Ulster Bank Ireland Limited

9. Note on Central Fund

The end Year Exchequer statements for the past 5 years are appended which show a breakdown of all contributions into the Central Fund.

(See Appendix A.)

Contributions to the Central Fund/Exchequer account 2016 to 2021

The Central Fund is provided for under Article 11 of the Constitution, which states that all revenues of the State from whatever source arising shall, subject to such exception as may be provided by law, form one fund, and shall be appropriated for the purposes and in the manner and subject to the charges and liabilities determined and imposed by law.

€ million	2016	2017	2018	2019	2020	2021
Tax Revenue	47,865	50,620	53,540	56,385	59,125	61,995
Non-Tax Revenue[1]	3,105	2,790	2,060	1,670	1,635	1,470
Capital Resources[2]	2,720	4,450	960	1,240	950	960
	53,690	57,860	56,560	59,295	61,710	64,425

Source: Summer Economic Statement

[1] The main items under non-tax revenue are Surplus Income from the Central Bank, Surplus Income from the National Lottery and Dividends from semi-state bodies.

[2] The main items under Capital resources are repayments of loans given by the Exchequer and one-off receipts from Banking related asset disposals. Exchequer loans and their corresponding repayments are treated as financial transactions and therefore have no technical impact on the general government balance. The timing of assets disposals is market related and therefore these are not included in the forecast for 2018 to 2021. The increase in capital resources for 2016 and 2017 relate to asset disposals that have already taken place.

Appropriations-in-Aid 2016 to 2021

A-in-A's are receipts not paid into the Central Fund, as provided for in legislation.

	2016	2017	2018	2019	2020	2021
A-in-A's (Includes PRSI, NTF and balances)[3]	11,995	12,105	12,190	12,255	12,350	12,440

Source: Summer Economic Statement

The main component of A-in-A's are PRSI receipts, which are paid directly into the Social Insurance Fund. In 2016 PRSI receipts accounted for over 70% of the total A-in-A's, while National Training Fund receipts accounted for almost 3% of the total in 2016.

The Social Insurance Fund was established by the Social Welfare Act, 1952 (as amended). The Income of the SIF derives mainly from the pay-related social insurance contributions collected by the revenue commissioners in respect of employers, employees and self-emplyed persons.

The NTF is mainly resourced by a levy on employers of 0.7% of reckonable earnings of employees in certain employment classes, which is collected through the PAYE/PRSI system. The fund provides for expenditure on training for those seeking employment, training for persons in employment, literacy and numeracy, training for those in the community and voluntary sector and also provides funding for the identification of existing and future skills needs for the economy.

A note on the receipts and expenditures not captured in the Central Fund

The Central Fund derives from Article 11 of Bunreacht na hÉireann which states that " All revenues of the State from whatever source arising shall, subject to such exception as may be provided by law, form one fund, and shall be appropriated for the purposes and in the manner and subject to the charges and liabilities determined and imposed by law. " In the case of the Department of Agriculture, Food and the Marine, it accesses funds available under CAP on behalf of beneficiaries in its role as Paying Agency for EAFRD (European Agricultural Fund for Rural Development) and EAGF (European Agricultural Guarantee Fund). The EAGF and EAFRD funds are implemented in shared management between the Member States and the Union. This means among others that the Commission does not make payments directly to the beneficiaries of aid; this task is delegated to the Member States and for Ireland this role is undertaken by DAFM.

EAFRD expenditure is co-financed by the Exchequer and any associated EAFRD receipts are represented on the DAFM Vote.

EAGF funding primarily finances direct payments to farmers and measures to regulate agricultural markets and these supports are generally funded 100% from EAGF. Therefore EAGF receipts are not "revenues of the State" and are not represented as part of the Vote A&A. They are accounted for and audited in a separate fund . However EU receipts are noted in supporting notes on the Appropriation Account Note 6.

The applicability of EU laws in Ireland is facilitated by Article 29 of Bunreacht na hÉireann.

Notwithstanding these provisions, the annual Estimate for FEOGA-funded expenditure managed by the Department of Agriculture, Food and the Marine is published in the Revised Estimates Volume.

10. A note on monies received from the nursing home support scheme from 2011 to present

Awaiting response from D/PER and D/Health - will forward once received.

11. A note on the companies that overlap in respect of the payment of corporation tax and capital gains tax.

At PAC on 06 July 2017, Deputy Cullinane raised the issue regarding the concentration of receipts of capital gains tax (CGT) and corporation tax (CT). Specifically, the Deputy enquired as to whether there could be an overlap of the payers in both these tax heads, thus increasing the concentration risk even further.

The advance briefing provided to PAC noted that preliminary examinations of CGT for 2016 indicated that the top ten returns accounted for approximately two thirds of the receipts. *"Limited information is available until the returns are filed later this year however preliminary examination indicates the top ten returns accounted for about 2/3rd of receipts with a similar share attributable to company directors or shareholders" (Pg. 11)*

Further analysis of the Revenue Commissioners' data has shown that in fact the top ten CGT payers accounted for only 15% of the annual gross CGT payments in 2016. Two thirds of CGT receipts are from shareholders/directors but not from the top ten returns.

The briefing also noted that CT receipts are highly concentrated with the top ten paying companies accounting for 37% of CT receipts.

Notwithstanding that there is not a concentration risk with regards to an overlap of CT and CGT, it should be noted that due to the way that gains are charged on companies, it is highly unlikely that there could ever be a significant overlap of companies paying CT and CGT.

Under the general charge to CT, Irish tax resident companies are taxable in respect of all income and gains wherever arising. In general, companies do not pay CGT, except on gains from the disposal of development land. Instead, companies pay CT on chargeable gains, with a similar calculation method to CGT and the same CGT rate (33%) applicable.

In 2016, CGT receipts of €822 million and CT receipts of €7,351 million were recorded. Therefore, other than gains on development land, of the €822 million of CGT received, none of this would relate to company payments, as corporate gains are included in CT receipts.

According to recent Revenue analysis, in 2015 1,080 companies paid CT on gains of approximately €313 million[5], up approximately €110 million on 2014. The breakdown of CT on gains for 2016 will not be available until companies file their 2016 tax returns later this year.

[5] It should be noted that this was the gross tax due and not the tax paid (as credits and reliefs come off after the calculation of gross tax due). However, is not possible to identify how much credits and reliefs are used against capital gains income and for is the reason Revenue can only provide the information in respect of gross tax due from the corporation tax returns.

12. Harbours Act 1996 - Issue of Shares in State-owned Port Companies

Section 19 of the Harbours Act 1996 provides for both the Minister for Transport, Tourism and Sport (s19 (1)(b)) and the Minister for Public Expenditure and Reform (s19 (1)(c)) to be shareholders in the relevant port company.

The Minister for Public Expenditure and Reform holds one share and the remainder is held by the Minister for Transport, Tourism and Sport.

The table below lists the State's shareholding in the eight State-owned commercial port companies.

State's Shareholding in the 8 Commercial State-owned Port Companies

Name of Port Company	State's Shareholding in Company	
	% Shares held by Minister for Transport	% Shares held by Minister for PER
Dublin Port Company	99%	1%
Port of Cork Company	99%	1%
Shannon Foynes Port Company	99%	1%
Port of Waterford Company	99%	1%
Drogheda Port Company	99%	1%
Dun Laoghaire Harbour Company	99%	1%
Galway Harbour Company	99%	1%
New Ross Port Company	99%	1%