



**Tithe an  
Oireachtais  
Houses of the  
Oireachtas**

**Tithe an Oireachtais  
An Coiste um Fhormhaoirsiú Buiséid  
Caiteachais chánachais**

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**Houses of the Oireachtas  
Committee on Budgetary Oversight  
Tax Expenditures**

**32CBO013**

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## CHAIRMAN'S PREFACE



In January and February 2019, the Committee on Budgetary Oversight held a number of meetings with stakeholders including the Department of Finance and Public Expenditure and Reform, the Revenue Commissioners, the PBO and Dr. Micheál Collins of UCD to examine the area of tax expenditures

This report is a summary of the Committee's views and recommendations based on evidence received during these sessions.

Tax expenditures represent a significant cost to the Exchequer and yet to date, they receive limited parliamentary scrutiny. In line with its Terms of Reference, one of the main goals of the Budgetary Oversight Committee is to improve the quality of information which underpins budget decisions, and to ensure that the budget process is subject to parliamentary scrutiny.

In preparing this report, the Committee wishes to particularly acknowledge the contribution of officials from the Department of Finance and Revenue Commissioners and Dr. Micheál Collins.

I also wish to acknowledge the assistance of the Parliamentary Budget Office, which provided analysis and briefing material to the Committee, and to the Secretariat for their support.

I am pleased to present this report to the Dáil on behalf of the Select Committee.

A handwritten signature in black ink, appearing to be 'Colm Brophy', written in a cursive style.

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Colm Brophy T.D.

Chair

## INTRODUCTION

The Committee recognises the scale of Tax Expenditures and their importance for the overall stability of the taxation system. The Committee is in agreement with the statement provided by the Department of Finance that:

*“Tax expenditures represent a significant and non-trivial annual cost to the Exchequer. We would also hold the view that, in general, the direct spending route should be the first port of call where the State wishes to support a particular activity and that tax expenditure should be seen as equivalent to direct spending.”*  
(Department of Finance, [Opening Statement](#), 22nd January 2019).

For this reason, the Committee will incorporate the regular examination of Department of Finance evaluations and reviews of Tax Expenditure into its annual scrutiny programme. This report sets out a general approach to the scrutiny of Tax Expenditures in the future.

As a first step, the Committee carried out an initial review of information on tax expenditure measures which the Department of Finance provided to the Committee.<sup>1</sup> The Committee notes that 87% of all Tax Expenditures do not have a sunset clause, and that 23% of all Tax Expenditures have never been reviewed.

The Parliamentary Budget Office estimates that revenue foregone under tax expenditures represent an aggregate cost estimate of 10% of total tax revenue for 2016, the latest year for which data is available: *“Despite this, once enacted, tax expenditures are not subject to regular parliamentary debate and scrutiny (unlike direct voted expenditure)”*. (Parliamentary Budget Office, Briefing Paper 13 of 2018).

The Committee also heard evidence from Dr. Micheál Collins, UCD that the overall cost of tax expenditures could be in the region of €10 to €15 billion per annum.<sup>2</sup> The difference in cost estimates serves to emphasise the importance of achieving a shared understanding of

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<sup>1</sup> Department of Finance submission to Committee, 12 February 2019 (CBO-r- 228.0, 228.1, 228.2).  
[https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/committee\\_on\\_budgetary\\_oversight/submissions/2019/2019-03-28\\_correspondence-anna-donegan-department-of-finance\\_en.pdf](https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/committee_on_budgetary_oversight/submissions/2019/2019-03-28_correspondence-anna-donegan-department-of-finance_en.pdf)

<sup>2</sup>Dr. Micheál Collins, [Opening Statement](#) to the Committee on Budgetary Oversight, 5 February 2019. The difference in cost estimates relates to how tax expenditures are defined. The PBO estimate includes only those measures that DFIN already classify as a Tax Expenditure and publish in their Annual Report on Tax Expenditures. Dr. Collins’ estimate is based on an expanded set of measures, including those measures not currently classified and reported on as Tax Expenditures by DFIN.

what exactly is included in the benchmarking system for tax expenditures, so that they can be properly examined.

Given capacity constraints and the resources needed to carry out such reviews, the Committee accepts that it is not feasible for the Department to carry out a full scale review of all tax expenditure measures.

However, as a general approach, the Committee emphasises the merits of a system to regularly review and to evaluate those tax expenditure measures with a significant cost attached, or which have a big impact on taxpayers.

The Committee would like to acknowledge the positive interaction with the Department of Finance and the Revenue Commissioners regarding tax expenditures, and the initial work carried out by the Department in order to provide the Committee with summary information.

## CONCLUSIONS

Based on evidence it has received during its meetings, the Committee has come to the following conclusions:

1. Ireland is not alone in lacking a formal process in place for the parliamentary scrutiny of existing tax expenditures. This is the case in many parliaments across the European Union.
2. Making international comparisons on the size and scale of tax expenditures can be challenging because of how they are defined.
3. Since the 2009 Commission on Taxation Report,<sup>3</sup> significant progress has been made by the Department of Finance in carrying out regular reviews and evaluations of tax expenditures. However it has been acknowledged by all stakeholders that further work needs to be done.
4. The provision by the Department of Finance of a list of all existing tax expenditures including the date of reviews carried out and information on sunset clauses is a positive development and provides a useful starting point for the Committee's work in this area.

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<sup>3</sup>Commission on Taxation (2009), Government Report: <http://commissionontaxation.ie/Report.html>

## RECOMMENDATIONS

1. Based on the evidence it has received, the Committee recommends that the Department of Finance provide it, on an annual basis, with an updated list of tax expenditures and their estimated cost in terms of revenue foregone.
2. The Committee recommends that the Revenue Commissioners publish its annual tax expenditure cost data in a format that can be easily matched with the list finalised by the Department of Finance, as provided to the Committee.
3. The Committee recommends, in relation to the information provided to the Committee on tax expenditure measures that have never had a review<sup>4</sup>, that the Department of Finance carry out the following actions:
  - a) Provide a response to the Committee setting out the reasons why no review has been carried out to date on these measures.
  - b) Set out for the Committee, the Department's view as to whether these measures need to be reviewed.
4. In relation to the tax expenditure measures on the Department's list where sunset clauses are not in place, the Committee recommends that the Department of Finance prepares a report giving detailed reasons as to why sunset clauses were not attached to these tax expenditures.
5. The Committee recommends that the Department of Finance review its existing guidelines regarding the evaluation of tax expenditures with a view to implementing a rigorous and regular system of reviews for tax expenditure measures.
6. The Committee recommends that the Department of Finance should publish details of any ex-ante scrutiny it carries out on any new tax expenditure measures being introduced in the Budget. In order to improve transparency and promote best practice, such reviews should be published on budget day at the latest.

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<sup>4</sup>Department of Finance response to Committee request for information, March 25, 2019: [https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/committee\\_on\\_budgetary\\_oversight/submissions/2019/2019-03-28\\_correspondence-anna-donegan-department-of-finance\\_en.pdf](https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/committee_on_budgetary_oversight/submissions/2019/2019-03-28_correspondence-anna-donegan-department-of-finance_en.pdf)

7. To ensure effective ex-post scrutiny can be carried out in respect of any new tax expenditures once enacted, the Committee recommends that the Department of Finance include details of the data that will be required to adequately measure the performance of any such new tax expenditures.
  
8. In addition, the Committee has agreed to focus its work in 2019 in this area on a number of tax expenditure measures that have seen a dramatic increase in cost, for example the R&D tax credit, Special Assignee Relief Programme (SARP) and Film Relief.

## GENERAL OVERVIEW

Policy analysis and scrutiny of budget measures tends to focus on income taxation, tax revenues and social insurance payments. There is limited discussion or examination of the taxation side of the budget which is estimated at €80 – 85bn per annum, or the revenue foregone from tax expenditure measures.<sup>5</sup>

The Committee notes evidence received that there is limited analysis of other avenues through which taxpayers and companies contribute to the State, for example, through indirect taxes. Tax Expenditure measures can be used by the State to promote and to support certain desirable activities by individuals or corporates. For example, tax relief on health expenses, the rent-a-room scheme and the home carer's credit are all forms of tax expenditure.

Although projections for the amount of tax revenue collected are published on a regular basis and are followed closely, there is less examination of the potential revenue foregone on foot of various tax expenditures. Estimates vary due to different definitions of what is included in tax expenditures, but analysis from the PBO suggests that the aggregate cost estimate of the tax expenditures is in the region of €5 billion a year.<sup>6</sup>

The Committee also heard evidence from Dr. Micheál Collins to suggest that, extrapolating from historic data and annual estimates produced by the Revenue Commissioners, revenue foregone could be as much as €10 to €15 billion per annum.<sup>7</sup> Despite their scale, cost tax expenditures, once enacted, are not generally subjected to regular scrutiny by parliament.

The difference in cost estimates relates to how tax expenditures are defined. The PBO estimate includes only those measures that DFIN already classify as a Tax Expenditure and publish in their Annual Report on Tax Expenditures. Dr. Collins' estimate is based on an expanded set of measures, including those measures not currently classified and reported on as Tax Expenditures by DFIN.

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<sup>5</sup> Dr. Micheál Collins, [Opening Statement](#) to the Committee on Budgetary Oversight, 5 February , 2019.

<sup>6</sup> Parliamentary Budget Office, Tax Expenditures in Ireland – Key Issues for Consideration, (2018). Presented to Budgetary Oversight Committee on January 22<sup>nd</sup>, 2019. [https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2018/2018-09-21\\_tax-expenditures-in-ireland-key-issues-for-consideration\\_en.pdf](https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2018/2018-09-21_tax-expenditures-in-ireland-key-issues-for-consideration_en.pdf)

<sup>7</sup> Dr. Micheál Collins, [Opening Statement](#) to the Committee on Budgetary Oversight, 5 February 2019.

Given the important role of tax expenditure measures and the impact that they can have on the overall stability of the Irish taxation system, the Committee decided to examine the best approach to incorporating scrutiny of tax expenditures, and the reviews and evaluations carried out by the Department of Finance, into its annual work programme.

The aim of this report is to set out the recommendations of the Committee, based on evidence received over the course of meetings with the following witnesses;

- Officials from the Department of Finance
- Officials from the Revenue Commissioners
- Dr. Micheál Collins – Economist from the School of Social Policy, Social Work and Social Justice in UCD
- The Parliamentary Budget Office

It should be noted that it is not the intention of the Committee at this point to carry out any reviews of *individual* tax expenditure measures. This report examines the current process by which the Department of Finance reviews and evaluates tax expenditures, and sets out the oversight role that the Committee can have in monitoring and scrutinising this process in future.

## DEFINITION OF A TAX EXPENDITURE

One of the first questions posed by the Committee in its examination of tax expenditures was: how can a tax expenditure be defined?

As noted in the Parliamentary Budget Office briefing paper<sup>8</sup>, tax expenditures are defined in Irish secondary legislation 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.”*

Some examples of Tax Expenditures include:

- The Help to Buy Incentive scheme
- The R & D Tax Credit
- The Share Based Remuneration Scheme

The challenge in defining what is, and what is not considered a tax expenditure, was reinforced by Dr. Micheál Collins of UCD who explained to the Committee that:

*“There are many measures in the taxation system which technically reduce tax liabilities but are functional as part of the basic operation of the system. For example, inter-company transfers, transfers of maintenance payments between former spouses and methods to facilitate the interaction of individuals and companies with other taxation systems in other states. These are technically tax relieving measures but they are in effect administrative measures which allow the tax system to function effectively.”<sup>9</sup>*

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<sup>8</sup> PBO Briefing Paper No. 15 of 2018, p. 5.

[https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2018/2018-09-21\\_tax-expenditures-in-ireland-key-issues-for-consideration\\_en.pdf](https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2018/2018-09-21_tax-expenditures-in-ireland-key-issues-for-consideration_en.pdf)

<sup>9</sup> Dr. Micheál Collins, [Opening Statement](#) to the Committee on Budgetary Oversight, 5 February, 2019, p. 3

Dr. Collins went on to explain that in the course of producing its 2009 report, the Commission on Taxation encountered difficulties defining a tax expenditure measure, taking benchmark measures into account benchmark. However, this difficulty was resolved by adopting the OECD definition of a tax expenditure:

*“a transfer of public resources that is achieved by reducing tax obligations with respect to a benchmark tax, rather than by direct expenditure”.*

The Committee recognises that difficulties classifying tax expenditures are common across the OECD. In its 2010 report<sup>10</sup>, the OECD examined and compared the tax expenditure policies of 10 OECD countries. As the Department of Finance pointed out in its opening statement to the Committee, the results of this examination show that;

*“Some countries have very elaborately specified benchmarks, while others have only implicit definitions of tax expenditures from which their benchmark systems are inferred.”<sup>11</sup>*

In its evidence to the Committee, the Department of Finance stated that difficulties in defining the benchmark system resulted in different classifications of tax expenditures being used by the Department and the Revenue Commissioners. Both organisations acknowledged that working towards an agreed approach to classification of tax expenditures is something that could be addressed in the medium term.

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<sup>10</sup> OECD, Tax Expenditures in OECD Countries (2010), p. 149.

<sup>11</sup> Department of Finance [Opening Statement](#) to meeting with Select Committee on Budgetary Oversight, 22 January 2019.

## CURRENT REVIEW PROCESS

In its meeting with the Committee, officials from the Department of Finance set out its intended approach to reviewing and evaluating tax expenditure measures. In 2014, the Department published a comprehensive set of guidelines for carrying out both ex ante and ex post evaluations of tax expenditure measures.<sup>12</sup> The overall intended approach adopted by the Department is set out in the Table below.

| <b>Table 6: Levels of Evaluation</b> |              |   |                                 |  |
|--------------------------------------|--------------|---|---------------------------------|--|
| <b>Estimated Annual Cost</b>         | <b>Level</b> | <b>Ex Ante</b>  | <b>Ex Post</b>                  | <b>Time Limit/ Review</b>  |
| Between <b>€1m and €10m</b>          | Level 1      | Ex ante assessment and identification of criteria for ex post evaluation  | Application of ex post criteria | Five years to review   |
| Between <b>€10m and €50m</b>         | Level 2      | Detailed assessment – scenario-based analysis or similar and statement of proposed methods and data requirements for full ex post CBA | Full ex post CBA                | Five years to trigger review<br>Interim review after three years if annual costs exceed €25m |
| Greater than <b>€50m</b>             | Level 3      | Full ex ante CBA and statement of methods and data requirements for full ex post CBA<br>Pilot scheme if possible                      | Full ex post CBA                | Interim review after three years   |

<sup>12</sup> Department of Finance, Report on Tax Expenditures Incorporation Department of Finance Guidelines for Tax Expenditure Evaluation ([October 2014](#)).

Although officials from the Department noted that significant advances have been made in developing a process to evaluate tax expenditures in the context of budget decisions, further work is needed:

*“we have come a long way in the past ten years from a position where, prior to the work of the Commission on Taxation, nobody would have had a decent handle on the extent of tax expenditures, the various areas where tax expenditures occurred and whether some of those could be considered part of the basic tax system or whether they are more discretionary”*<sup>13</sup>

The Department noted the 4 key messages contained in the Parliamentary Budget Office briefing paper outlining a systematic approach to reviewing tax expenditures. The Department of Finance stated that it had no difficulty agreeing to the general approach outlined by the PBO, and that this was reflective of the type of approach set out in the Department of Finance 2014 guidelines.<sup>14</sup> However, the Department also acknowledged that resource and time constraints are a limiting factor in what can practically be reviewed in any given year; the Department stated that timing limitations in the context of the annual Budget and Finance Bill cycle also act as a constraint on the ability to carry out ex-ante reviews.

## The Department of Finance and Revenue Commissioners

Following on from its engagement with the Department of Finance and the Revenue Commissioners, the Committee requested a detailed list of all existing Tax Expenditure Measures, to include the date of the last review carried out in respect of each measure, and details of whether a sunset clause was attached to each measure.<sup>15</sup>

On March 28 2019, the Department provided a final [response](#) to the Committee’s information request and provided it with a list of existing tax expenditure measures. The response (Appendices One and Two) also included the date of the last review carried out for each measure, and details of whether a sunset clause was attached to each measure.

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<sup>13</sup>Department of Finance [Opening Statement](#) to meeting with Select Committee on Budgetary Oversight, 22 January 2019.

<sup>14</sup>Department of Finance Report on Tax Expenditures, Incorporation Department of Finance Guidelines for Tax Expenditure Evaluation (October 2014).

[http://budget.gov.ie/Budgets/2015/Documents/Tax\\_Expenditures\\_Oct14.pdf](http://budget.gov.ie/Budgets/2015/Documents/Tax_Expenditures_Oct14.pdf)

<sup>15</sup> Committee request to Department of Finance, dated 22 January 2019.

The Committee has carried out an initial review of the tax expenditure information provided to it and notes that:

- Approximately 87% of all Tax Expenditures do not have a sunset clause,
- Approximately 23% of all Tax Expenditures have never been reviewed.

The Committee views the provision of the list of Tax Expenditures (see Appendix One of report) as a positive development as it provides the Committee with a useful starting point to enable the scrutiny of tax expenditures.

## Sunset Clauses

Although the Committee recognises that the majority of tax expenditures introduced from 2014 onwards have sunset clauses, a number of queries regarding the application of sunset clauses were raised during the meeting with officials from the Department of Finance and the Revenue Commissioners; in particular Committee members queried whether different sunset clauses apply to different tax expenditures and if so why?

The Department responded by agreeing to provide the Committee with further information on sunset clauses, and explaining that the typical time period for a sunset clause is 3 to 5 years, but that sunset clause lengths vary depending on the intended size of the tax relief. The Department did note that the larger reliefs tend to draw more focus, and as a result tend to be reviewed on a more regular basis than smaller reliefs, and that in general the sunset clause lengths tend to arise from these reviews:

*“...To follow up on the sunset clause issue, the sunset clause lengths would vary depending on the size or likely size of the relief. That would follow on from the kind of guidelines we have set down in our tax expenditure guidelines.*

*The bigger reliefs might have more of a focus and might be reviewed at more regular intervals than some of the smaller ones. The sunset clause period would take a lead from that. Typically, however, three to five years is a normal period for a sunset clause.”<sup>16</sup>*

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<sup>16</sup> Evidence provided by Department of Finance. Transcript of meeting of Select Committee on Budgetary Oversight, 22 February 2019.

## INTERNATIONAL BEST PRACTICE

In its evidence to the Committee, the Department of Finance stated that substantial progress was made to improve the quality of information, but that further work is required to benchmark Ireland in terms of international best practice:

*“In terms of international comparisons, to be frank we have not as yet looked at how our tax expenditures compare internationally with other countries. However, we have come a long way in the past ten years from a position where, prior to the work of the Commission on Taxation, nobody would have had a decent handle on the extent of tax expenditures, the various areas where tax expenditures occurred and whether some of those could be considered part of the basic tax system or whether they are more discretionary. In short, there is further work to be done in terms of where we stand internationally. There may well be data readily available in other OECD or EU countries. We can have a look at those data and there would be no problem providing them to the committee alongside the other information.”<sup>17</sup>*

In its meeting with Dr. Micheál Collins, the Committee raised a number of issues regarding how Ireland compared internationally in the scale of its tax expenditures and in how these tax expenditure measures are scrutinised. In particular Dr. Collins was asked to comment on the fact that tax expenditure measures in Ireland amount to approximately 10% of total tax take.

Dr. Collins explained that a low level of parliamentary scrutiny of tax expenditures was a common feature internationally and that it was difficult, for a number of reasons to make international comparisons. He stated that:

*“I would say the Irish figures are medium to high relative to other countries. We are similar to other countries in not asking questions about whether we should retain them or not. It is interesting to look at the evolution of policies in other countries over time, which have given more focus to analysing the scale of these expenditures and made decisions as to whether to retain them, adapt them or continue them. I would say we are at around mid-table or a bit above”.<sup>18</sup>*

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<sup>17</sup> Evidence provided by Department of Finance. Transcript of meeting of Select Committee on Budgetary Oversight, 22 January 2019.

<sup>18</sup> Evidence provided by Dr. Micheál Collins, UCD. Transcript of meeting of Select Committee on Budgetary Oversight, 22 February 2019.

However Dr, Collins also highlighted the difficulties in assessing Ireland's international ranking in relation to its scrutiny of tax expenditures. Dr. Collins stated that;

*“There is, however, a real challenge in the way in which we define and count tax expenditures across countries. There is no coherent and consistent system, although the OECD has tried, and continues to try, to achieve that. We are, therefore, challenged in terms of a coherent or concrete answer to that question.”*

In its briefing paper, “*Scrutiny processes for existing tax expenditures in selected European Parliaments*”, the PBO also examines the issue of international best practice for scrutiny of tax expenditures in its recent briefing paper.<sup>19</sup> The briefing paper sets out the results of a PBO survey of international parliaments which posed questions regarding:

- the presentation and reporting of tax expenditures;
- the estimation of future costs of existing tax expenditures; and,
- parliamentary scrutiny of existing tax expenditures.

The Committee notes that the key findings from the survey suggest that Ireland is not alone in lacking a formal process for parliamentary scrutiny of existing tax expenditures, and in not publishing the future cost of existing tax expenditures. However, the Committee notes that the PBO also highlighted a number of options for best practice which could be applied in Ireland.

For example, by adopting a similar approach to the Swedish model, the Annual Report on Tax expenditures produced by the Department of Finance could be laid before the Houses and sent to the Committee on Budgetary Oversight for consideration each year. Taking this into account, a possible approach for the Committee would be to prepare a report for consideration by the Dáil, within a set time period after receiving the annual report on Tax Expenditures. The Committee also notes that:

- In the UK, the cost of new tax expenditures are provided for the budget year and projected for 5 subsequent years.
- Austria is also obliged to produce a 5 year forecast as part of an impact assessment of new tax expenditures and changes to existing tax expenditures.

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<sup>19</sup> Parliamentary Budget Office, *Scrutiny Processes for Existing Tax Expenditures in Selected European Parliaments*, PBO publication 17 of 2019.  
[https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2019/2019-04-02\\_scrutiny-processes-for-existing-tax-expenditures-in-selected-european-parliaments\\_en.pdf](https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2019/2019-04-02_scrutiny-processes-for-existing-tax-expenditures-in-selected-european-parliaments_en.pdf)

## THE OVERSIGHT ROLE OF THE COMMITTEE

Tax Expenditure measures play an important role in the Irish taxation system. The Committee received evidence that they represent an annual cost to the Exchequer in terms of revenue foregone in the order of 10% of tax revenue. The Committee is in agreement with the Department of Finance, that tax expenditure should be viewed as “equivalent to direct public spending”.

The Committee notes that both officials from the Department of Finance and Dr. Micheál Collins, University College Dublin, welcomed the Committee’s decision to focus attention on the area of tax expenditures, and there was constructive engagement from these stakeholders.

Given the scale of tax expenditures, the Committee is agreed that they merit closer and more regular parliamentary scrutiny as part of the budget cycle. In line with its remit, the Committee on Budgetary Oversight has a role to play in developing a scrutiny framework for tax expenditures.

It is important to clarify that the role of the Committee is not to carry out reviews of individual or groups of tax expenditures. The Committee is of the view that its appropriate oversight role is to carry out timely and effective scrutiny of the process for the review and evaluation of tax expenditures managed by the Department of Finance, and to put forward recommendations to improve and enhance this process.

The Committee has therefore agreed to incorporate the scrutiny of the work carried out by the Department of Finance on tax expenditures into its annual work programme. The Committee is of the view that the inclusion of tax expenditure reviews in its annual work programme will, over time, contribute to greater transparency of budget policy proposals. This report makes a number of recommendations for consideration by the Minister for Finance and Public Expenditure and Reform. In preparing this report, the Committee seeks to build on positive engagement between the Committee and the Department, to develop a more effective ex-ante budget scrutiny process, and to develop a greater shared understanding of tax expenditures.

## APPENDIX 1



An Roinn Airgeadais  
Department of Finance

25/03/2019

**Ronan Murphy**  
**Select Committee on Budgetary Oversight**  
Leinster House  
Dublin 2  
D02 XR20

Tel: (01) 6183147  
0761001856

Dear Mr. Murphy,

Please find attached the updated information as requested. As per our previous correspondence the information is provided in two appendices.

Appendix I seeks to provide a composite response to the three questions outlined in Section 1 of your letter (Sunset Clauses). To the extent that sunset clauses currently apply, these are annotated on the list. Similarly, where a tax expenditure has been reviewed, this information is presented on the list. It should be noted that consistent with our recent presentation to the Committee on 22 January last, we have included references to work undertaken by the Commission on Taxation in its review of tax expenditures in the period 2008/2009.

Appendix II seeks to respond to the request for information in Section 2 of your letter. The document provides information to the extent that such information could be sourced in the time available. We will continue to work with Revenue in order to provide further information on these reliefs and will make this information available as soon as possible.

As indicated at the meeting with the Committee, we view our activity in relation to the tax expenditures as a work in progress. Please note that whilst we agree that the attachments here can be published, we advise the Committee that this is a constantly evolving document and may be subject to change.

If the committee has any queries on the information provided please don't hesitate to contact me.

Kind regards,

Anna.

**Anna Donegan** | Principal | Tax Policy | Department of Finance,

Upper Merrion Street, Dublin 2 D02 R583

[Anna.Donegan@finance.gov.ie](mailto:Anna.Donegan@finance.gov.ie)

## APPENDIX 2

Following a request by the Committee the Department of Finance has provided a list of all existing tax expenditures. This list includes the date of any reviews carried out and whether a sunset clause was applied. This list has been published on the Committee website and can be viewed [here](#).

## REFERENCES

Dr. Micheál Collins, Opening Statement to meeting with the Select Committee on Budgetary Oversight, 5 February 2019. [Available here.](#)

Commission on Taxation (2009), Government Report. [Available here.](#)

Department of Finance, Submission to Committee, 12 February 2019 (CBO-r- 228.0, 228.1, 228.2). Available here.

Department of Finance, Report on Tax Expenditures, October 2014. [Available here.](#)

Department of Finance, Opening Statement to meeting with the Select Committee on Budgetary Oversight, 22 January 2019. [Available here.](#)

OECD, Tax Expenditures in OECD Countries, 2010. [Available here.](#)

Parliamentary Budget Office, Tax Expenditures in Ireland – Key Issues for Consideration, (2018). [Available here.](#)

Parliamentary Budget Office, Scrutiny Processes for Existing Tax Expenditures in Selected European Parliaments, Briefing Paper 17 of 2019. [Available here.](#)

## TERMS OF REFERENCE

Go ndéanfar, de réir mholadh an Fhochoiste ar Athleasú na Dála faoi Bhuan Ordú 107(1)(a), Buan-Orduithe Dháil Éireann i dtaobh Gnó Phoiblí a leasú tríd an mBuan-Ordú seo a leanas a ghlacadh:

‘186A. (1) Beidh arna bhunú, a luaithe is féidir i ndiaidh ationól na Dála tar éis Olltoghcháin, Buanchoiste, dá ngairfear an Coiste um Fhormhaoirsiú Buiséid, chun scrúdú a dhéanamh agus, más cuí leis é, chun tuarascáil a thabhairt don Dáil—

- (a) ar an staid fhioscach fhoriomlán, lena n-áirítear—
  - (i) an staid chomhiomlánaithe maidir le hioncam agus caiteachas agus larmhéid Ginearálta an Rialtais, lena n-áirítear spriocanna struchtúracha;
  - (ii) réamh-mheastacháin mheántearma don airgeadas poiblí;
  - (iii) réamhaisnéisí agus forbairtí maicreacnamaíocha; agus
  - (iv) rialachas fioscach ginearálta, lena n-áirítear rialacha agus priacail fhioscacha a fheidhmiú maidir leis an staid fhioscach;
- (b) ar an mbeartas maidir le caiteachas poiblí, lena n-áirítear—
  - (i) an staid chaiteachais ag féachaint don Uasteorainn Caiteachais Rialtais agus don tslat tomhais chaiteachais faoin gComhaontú Cobhsaíochta agus Fáis; agus
  - (ii) na hUasteorainneacha Caiteachais Aireachta a bhfuil feidhm acu maidir le Meastacháin ar leith nó grúpaí Meastachán i gcomhair Seirbhísí Poiblí i gcás go bhféadfadh athruithe suntasacha ar an bpróifíl chaiteachais tionchar a bheith acu ar an staid fhioscach fhoriomlán;
- (c) ar an mbeartas maidir le fáiltais an Státchiste.

That, in accordance with the recommendation of the sub-Committee on Dáil Reform under Standing Order 107(1)(a), the Standing Orders of Dáil Éireann relative to Public Business be amended by the adoption of the following Standing Order:

‘186A. (1) There shall stand established as soon as may be, following the reassembly of the Dáil subsequent to a General Election, a Standing Committee, to be known as the Committee on Budgetary Oversight, to examine and, where it considers it appropriate, report to the Dáil on—

- (a) the overall fiscal position, including—
  - (i) the aggregated position on revenue and expenditure and the General Government Balance, including structural targets;
  - (ii) medium-term projections for the public finances;
  - (iii) macro-economic forecasts and developments; and
  - (iv) general fiscal governance including the application of fiscal rules and risks to the fiscal position;
- (b) public expenditure policy, including—
  - (i) the expenditure position having regard to the Government Expenditure Ceiling and the expenditure benchmark under the Stability and Growth Pact; and
  - (ii) Ministerial Expenditure Ceilings applying to individual Estimates or groups of Estimates for the Public Services where significant variations from the expenditure profile could potentially impact on the overall fiscal position;
- (c) Exchequer receipts policy.

(2) Féadfaidh an Coiste breithniú a dhéanamh ar ní a bhaineann le beartas poiblí agus a bhfuil tionchar suntasach aige ar an staid bhuiséid nó ar an staid fhioscach fhoriomlán: Ar choinníoll go rachaidh Cathaoirleach an Choiste, roimh thosach an bhreithnithe sin, i gcomhairle leis an gCoiste earnála iomchuí arna bhunú de bhun Bhuan-Ordú 84A.

(3) Féadfaidh an Coiste freisin breithniú a dhéanamh ar an gcreat foriomlán do rannpháirtíocht pharlaiminte le linn an timthrialla buiséid agus féadfaidh sé moltaí i ndáil leis an gcéanna a dhéanamh don Fhochoiste ar Athleasú na Dála, is moltaí a bheidh le breithniú ag an gCoiste sin faoi Bhuan-Ordú 107(1)(b): Ar choinníoll, le linn dó é sin a dhéanamh, go rachaidh an Coiste i gcomhairle—

(a) leis na Coistí arna mbunú de bhun Bhuan-Ordú 84A maidir le haon mholtaí a bhfuil tionchar acu, i dtuairim an Choiste, ar ról nó ar chúram na gCoistí sin; agus

(b) leis an Aire nó leis na hAirí iomchuí maidir le haon mholtaí a bhfuil tionchar acu, i dtuairim an Choiste, ar ról nó ar chúram Roinne nó Ranna,

agus tabharfaidh sé fógra i dtaobh thorthaí na gcomhairliúchán sin don Fhochoiste ar Athleasú na Dála.

(4) Beidh na cumhachtaí seo a leanas ag an gCoiste:

(a) an chumhacht chun fios a chur ar dhaoine, ar pháipéir agus ar thaifid mar a mhínítear i mBuan-Ordú 85(2A) agus 88;

(b) an chumhacht chun fianaise béil agus fianaise scríofa a ghlacadh agus chun aighneachtaí a ghlacadh mar a mhínítear i mBuan-Ordú 85(1) agus (2);

(c) an chumhacht chun Fochoistí a cheapadh mar a mhínítear i mBuan-Ordú 85(3);

(d) an chumhacht chun sainchomhairleoirí a fhostú mar a mhínítear i mBuan-Ordú 85(8);

(e) an chumhacht chun taisteal mar a mhínítear i mBuan-Ordú 85(9).

(5) Déanfar gach tuarascáil a bheartóidh an

(2) The Committee may consider a matter of public policy with significant impact on the budgetary position or on the overall fiscal position: Provided that prior to the commencement of such consideration, the Chairman of the Committee shall consult with the relevant sectoral Committee established pursuant to Standing Order 84A.

(3) The Committee may also consider the overall framework for parliamentary engagement throughout the course of the budgetary cycle and may make recommendations thereon to the sub Committee on Dáil Reform for that Committee's consideration under Standing Order 107(1)(b): Provided that, in so doing, the Committee shall consult with—

(a) the Committees established pursuant to Standing Order 84A on any recommendations which, in the opinion of the Committee, impact on their role or remit; and

(b) the relevant Minister or Ministers on any recommendations which, in the opinion of the Committee, impact on the role or remit of a Department or Departments,

and shall notify the results of such consultations to the sub-Committee on Dáil Reform.

(4) The Committee shall have the following powers:

(a) power to send for persons, papers and records as defined in Standing Orders 85(2A) and 88;

(b) power to take oral and written evidence and submissions as defined in Standing Order 85(1) and (2);

(c) power to appoint sub-Committees as defined in Standing Order 85(3);

(d) power to engage consultants as defined in Standing Order 85(8);

(e) power to travel as defined in Standing Order 85(9).

(5) Every report which the Committee proposes

Coiste a thabhairt, arna glacadh ag an gCoiste, a leagan faoi bhráid na Dála láithreach agus as a aithle sin beidh cumhacht ag an gCoiste an tuarascáil sin, mar aon le cibé doiciméid ghaolmhara is cú leis, a chlóbhualadh agus a fhoilsiú.

(6) Maidir leis an gCoiste cúig Chomhalta dhéag a bheidh air, nach comhalta den Rialtas ná Aire Stáit aon duine acu, agus ceathrar acu sin is córam dó: Ar choinníol—

(a) go mbeidh an Coiste agus aon Fhochoistí a cheapfaidh sé comhdhéanta ar chuma go ndéanfaidh sé nó siad ionadaíocht chothrom don Dáil; agus

(b) go mbeidh feidhm ag forálacha Bhuan Ordú 95 maidir leis an gCoiste.

(7) Go dtí go gcuirfear a mhalairt in iúl sa 32ú Dáil, leanfaidh an Roghchoiste um Fhormhaoirsiú Buiséid, a bunaíodh le hOrdú an 21 Iúil 2016 ón Dáil, ar marthain mar an Buanchoiste um Fhormhaoirsiú Buiséid, agus dá réir sin, bainfidh comhaltas reatha, Cathaoirleach, páipéir agus clár oibre an Roghchoiste leis an mBuanchoiste.'

to make shall, on adoption by the Committee, be laid before the Dáil forthwith, whereupon the Committee shall be empowered to print and publish such report, together with such related documents it thinks fit.

(6) The Committee shall consist of fifteen Members, none of whom shall be a member of the Government or a Minister of State, and four of whom shall constitute a quorum: Provided that—

(a) the Committee and any sub-Committees which it may appoint shall be constituted so as to be impartially representative of the Dáil; and

(b) the provisions of Standing Order 95 shall apply to the Committee.

(7) Until further notice in the 32nd Dáil, the Select Committee on Budgetary Oversight, established by Order of the Dáil of 21st July, 2016, shall continue in being as the Standing Committee on Budgetary Oversight, and accordingly, the current membership, Chairman, papers and work programme of the Select Committee shall be those of the Standing Committee.'

—*Ríona Uí Dhochartaigh, Aire Stáit ag Roinn an Taoisigh*

## LINKS TO TRANSCRIPTS

22<sup>nd</sup> January 2019 – Officials from the Department of Finance and the Revenue Commissioners

[Transcript](#)

5<sup>th</sup> February 2019 – Dr. Micheál Collins, University College Dublin

[Transcript](#)

## MEMBERSHIP OF THE BUDGET COMMITTEE



Maria Bailey TD  
Fine Gael



Richard Boyd-Barrett TD  
Solidarity – People Before Profit



Colm Brophy TD  
Fine Gael



Thomas P. Broughan TD  
Independents 4 Change



Joan Burton TD  
Labour



Barry Cowen TD  
Fianna Fáil



Lisa Chambers TD  
Fianna Fáil



Pearse Doherty TD  
Sinn Féin



Declan Breathnach TD  
Fianna Fáil



Martin Heydon TD  
Fine Gael



John Lahart TD  
Fianna Fáil



Michael McGrath TD  
Fianna Fáil



Jonathan O'Brien TD  
Sinn Féin



Eamon Ryan TD  
Green Party

Notes:

1. Committee established by order of the Dáil of 21 July 2016
2. Deputies nominated by the Dáil Committee of Selection and appointed by Order of the Dáil of 21 July 2016.
3. Deputy Marc Mac Sharry was discharged from the Committee and Deputy John Lahart was appointed to Committee in replacement for him by order of the Dáil on 31 January 2017.
4. Deputy Kate O'Connell was discharged from the Committee and Deputy Pat Deering was appointed to Committee in replacement for her by order of the Dáil on 9 February 2017.
5. Deputy John Paul Phelan was discharged from the Committee and Deputy Josepha Madigan was appointed to the Committee in replacement for him by order of the Dáil on 11 July 2017.
6. Deputy Pat Deering was discharged from the Committee and Deputy Martin Heydon was appointed to the Committee in replacement for him by order of the Dáil on 13 July 2017.
7. Deputy David Cullinane was discharged from the Committee and Deputy Jonathan O'Brien was appointed to the Committee in replacement for him by order of the Dáil on 3 October 2017.
8. Deputy Josepha Madigan was discharged from the Committee and Deputy Colm Brophy was appointed as Chairman of the Committee by order of the Dáil on 12 December 2017.
9. Deputy Dara Calleary was discharged from the Committee and Deputy Barry Cowen was appointed to the Committee in replacement for him by order of the Dáil on 17 April 2018.
10. Deputies Seán Barrett and Stephen Donnelly were discharged from the Committee and Deputies Maria Bailey and Declan Breathnach were appointed to the Committee in replacement of them by order of the Dáil on 1 May 2018.