Presentation to the Committee on Budget Oversight Committee by Keith Walsh, Principal Officer, Statistics & Economic Research Branch, Revenue.

12 December 2017

Chairperson and Members of the Committee

We welcome the opportunity to meet with you today and to provide you with whatever assistance we can in relation to the topics covered in your letter of invitation.

I am joined by Jean Kennedy, Principal Officer responsible for Stamp Duty and Local Property Tax policy and legislation in Revenue and by Fionnuala Ryan, Assistant Principal in Revenue's Statistics & Economic Research Branch.

I understand from the invitation letter that the Committee wishes to discuss specifically:

- A review of Local Property Tax – the budgetary implications of the current process for revaluation; and
- A review of costings in relation to taxation matters – for example, in relation to Excise Duties (tobacco) and Stamp Duty.

I will discuss both of these issues in my presentation. We will be happy to address any questions the Committee might have in relation to these topics. While we will provide whatever assistance we can to the Committee, the Committee will appreciate that Revenue is constrained by law, and specifically by section 851A of the Taxes Consolidation Act 1997, from discussing the tax affairs of any taxpayer on confidentiality grounds. This includes providing any information that might lead to the identification of any taxpayer.

I am sure the Committee will appreciate Revenue's role in relation to costings and budgetary matters. As the tax administration in the State, Revenue collects taxes and duties. Through this, Revenue has access to, and is able to provide, statistical information and analysis of tax returns and receipts. While it is our role to provide facts and advice to inform the

policy making process, it would be inappropriate for us to make any comment on policy matters.

Local Property Tax ("LPT")

As the Committee will be aware, at the introduction of Local Property Tax in 2013, property owners were asked to self assess the valuation band of their property on 1 May 2013. The original intention was for this valuation to hold for the purposes of LPT until end 2016.

At the time of the first valuation in 2013, Revenue provided extensive valuation guidance to property owners, including an interactive tool on our website and estimates generated with the returns sent out to owners. We ran media and communication campaigns to ensure property owners were aware of their obligations to assist them in meeting those obligations.

In 2015, the Minister for Finance published a review of LPT implementation by Dr Don Thornhill, which was informed by a public consultation exercise. Revenue and Department of Finance officials provided information and secretariat support to Dr Thornhill's review.

Dr Thornhill notes the successful response of the Office of the Revenue Commissioners and its staff to the challenging task of setting up of tax assessment and collection arrangements for this new tax. It should be noted also that compliance with LPT is high, at 97 or 98% for each year of operation so far. Our most recent statistics for LPT in 2017 (published in October of this year) indicate the compliance rate for the year is currently estimated at 97%.

LPT Statistics

Liability Year	Properties Returned	Estimated Compliance Rate	LPT Collected
2013	1.850m	97%	€258m
2014	1.860m	98%	€504m
2015	1.898m	98%	€431m
2016	1.886m	97%	€443m
2017 (to October)	1.897m	97%	€391m

The valuation period was extended from 31 October 2016 on foot of a legislative amendment via the Finance (Local Property Tax) (Amendment) Act 2015. The current valuation period is now 1 May 2013 until 31

October 2019. At the end of the valuation period, under the current legislation, owners will be expected to value their property on 1 November 2019 and this will form the basis for the subsequent valuation period. Revenue would intend to run a compliance and communications campaign to assist property owners to value their property and file their return in the run up to the valuation date.

In the context of the possible budgetary implications of LPT revaluation, it may be of interest to the Committee to note that as part of the Thornhill review, the Department of Finance undertook an analysis of the implications of property price increases for LPT liabilities. At the time of the review in 2015, property prices had risen by 26% nationally and 41% in Dublin since May 2013. This analysis indicates that based on property prices at the time:

- 48% of properties would remain in their original valuation band and thus not generate any increase in tax liability;
- 35% of properties would have moved by one band, and thus generate an increased annual liability of €90; and
- The remaining 17% of properties would have moved by two or more valuation bands.

While more indepth analysis would be required to update this work, it is important to note what this indicates is that property price increases do not necessary translate into liability increases in many cases, because of the valuation banding system in LPT.

LPT Valuation Bands

	Valuation Band	Properties %
1	€0-100,000	26.5
2	€100,001-150,000	27.8
3	€150,001-200,000	21.2
4	€200,001-250,000	10.2
5	€250,001-300,000	4.9
6	€300,001-350,000	2.9
7	€350,001-400,000	1.9
8	€400,001-450,000	1.3
9	€450,001-500,000	0.9
10	€500,001-550,000	0.6
11	€550,001-600,000	0.4
12	€600,001-650,000	0.3
13	€650,001-700,000	0.2

14	€700,001-750,000	0.2
15	€750,001-800,000	0.1
16	€800,001-850,000	0.1
17	€850,001-900,000	0.1
18	€900,001-950,000	0.1
19	€950,001-1,000,000	0.1
20	€1,000,000+	0.2
		100

The Thornhill review made a number of recommendations, some of which have been implemented. Any further policy decisions in relation to LPT remain a matter for the Department and for the Minister.

Costings in Relation to Taxation Matters

An important part of Revenue's role is the provision of high quality advice and support to the Department of Finance and, through the Department, to Government and the Oireachtas, in the development of tax policy.

To assist with this objective, Revenue decided from 2014 to move all of our published statistics derived from tax receipts and returns to a new and dedicated section of our website revenue.ie.[1] This has significantly enhanced the service we provide to policy makers in a number of ways.

Statistics published online, of which we now have over 100 datasets, are published in accessible and machine readable formats. As well as making it much easier for researchers to query and join our data, our approach means we were at the forefront of the Government's Open Data initiative.

By publishing statistics on our website, we ensure consistency by making the same information available to all. This also enables us to become more effective in the use of our resources. By diverting simpler queries to our website and published material, we have more time to address more complex or specific queries.

Statistics Published

Statistical Tables Published (in xls, csv or px formats):	119
Statistical Parliamentary Questions Answered in 2017 (to November):	342
of which, answered with reference to published material:	*116*

[1] https://www.revenue.ie/en/corporate/information-about-revenue/statistics/index.aspx

With statistics published, they are open to comment or critique. This makes us more accountable and assists to identify errors, if any. In addition, through 2017 we engaged with the Central Statistics Office to achieve the "Official Statistics" accreditation, a type of quality mark to indicate that our statistical processes meet a series of quality standards and principles. In December, the CSO confirmed that Revenue's audited official statistics (nearly 50 datasets) can be published under the Official Statistics quality mark. Revenue is the first Government department or office (outside of the CSO itself) to achieve this standard.

Our statistics are also more timely. Whereas we previously published material once a year, we now do so on a regular basis as updated data become available. We also have dedicated statistical releases, for example monthly reports on the Help to Buy scheme, quarterly reports on LPT statistics and annual profiles of the farming sector.

All of these statistics complement our more indepth research papers on particular topics of interest.

Perhaps our most significant resource published is our Ready Reckoner.[2] This Ready Reckoner shows the estimated Exchequer impact from changing rates, thresholds, bands, and more, for nearly all taxes.

The Ready Reckoner is updated pre and post Budget based on the most recently available data on tax returns and receipts and so presents our best assessment of current conditions and impacts of potential changes.

For most taxes, costings presented in the Ready Reckoner assume no behavioural change. In the majority of cases, this is a reasonable approach unless very significant policy changes (big increases in rates for example) are being sought.

An exception to this relates to Tobacco Products Tax. For Revenue's estimated impact on receipts from changes in Excise Duty on cigarette packs, these use an elasticity measure to partially reflect the responsiveness (or change in behaviour) of smokers following duty and price changes. As research shows that smoker behaviour can be quite variable, a range of estimates is used to reflect this.

[2] https://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx.

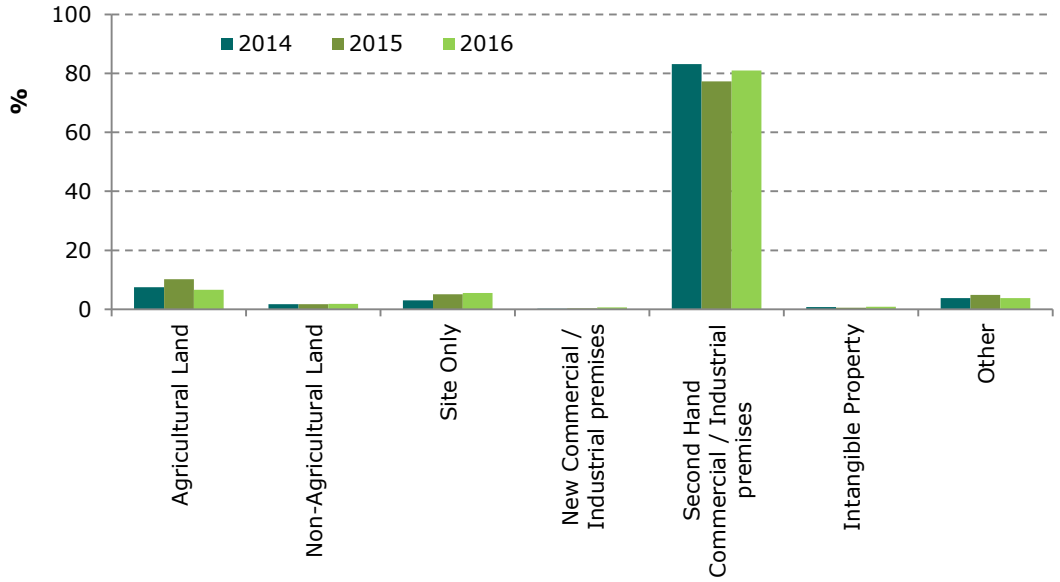
Tobacco Products Tax Costings (Post Budget 2018 Ready Reckoner)

Cigarettes (per pack of 20)	Full Year Yield € Million
Increase by 5 cent	In the range from -3 to +6
Increase by 10 cent	In the range from -7 to +12
Increase by 25 cent	In the range from -18 to +31
Increase by 50 cent	In the range from -40 to +61

Variations in receipts from tobacco in recent years suggest that the use of the range is appropriate but also that the higher end of the range is likely the most suitable to use when undertaking costings.

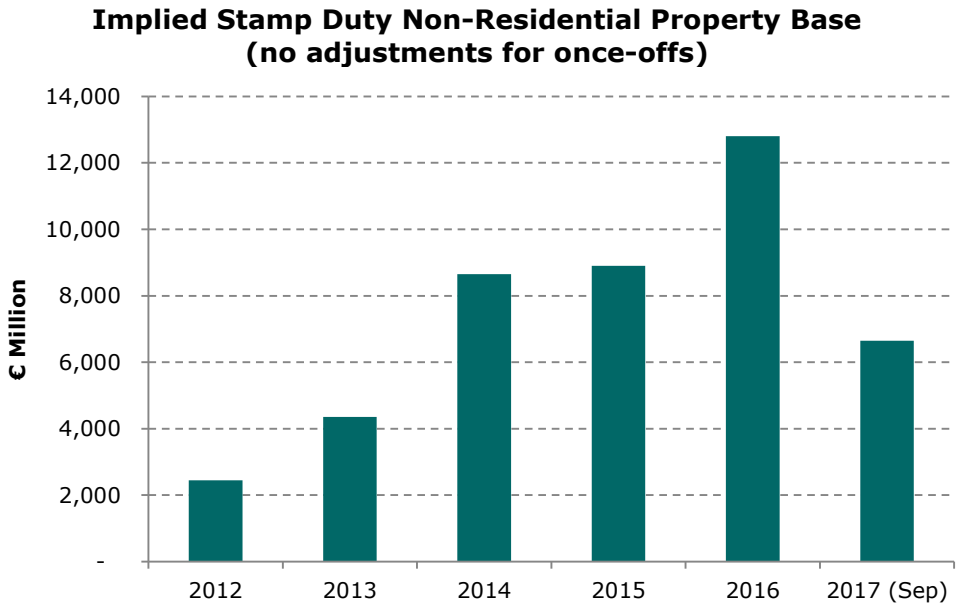
The Committee's invitation notes costings of Stamp Duty as an interest in particular, and these provide a useful case study to outline the method we use to generate costings estimates.

Stamp Duty Non-Residential Receipts by Transaction Type (no adjustments for once-offs)



To produce a costing for a Stamp Duty rate change, we use data for recent years to estimate the taxable base. This is done on a prudent and conservative basis, in particular for Stamp Duty on non-residential property in estimating a pre-Budget 2018 base, this assessment included factoring out a series of significant transactions in prior years that we deemed to be once off and not likely to reoccur. Had we not done this, the estimated yield would have been higher. In addition, revisions to growth macroeconomic forecasts post Budget, suggest a slightly higher potential yield in 2018.

We have noted commentary regarding the basis for the Stamp Duty increase in Budget 2018 not being supported by estimates of market transaction volumes. However, based on Revenue returns and actual tax paid, the consideration values in the market are around €9 billion or so over the last three years, when once off factors are excluded.



Summary

Revenue is publishing increasing amounts of information in relation to tax statistics, tax receipts and costings of tax policy options. We do this because we believe it is a key part of our role to bring what facts we can, based on tax returns and other data, to the tax policy making process.

Thank you and we will answer any questions raised by the Committee on these issues, subject, of course, to the constraints I noted in my opening comments.