

Budget Oversight Committee, 29 November 2023

Opening Statement, Clare Costello, Department of Finance

On behalf of the Department of Finance, I would like to thank the Committee for your invitation to discuss the tax expenditures in Budget 2024, in particular the introduction of the residential premises rental income relief and the mortgage interest tax relief.

My name is Clare Costello, I am a Principal Officer in the Department of Finance with responsibility for personal taxes. I am joined this evening by my colleagues Sorsha Foran, who has responsibility for the mortgage interest tax relief, Patrick Brennan, who has responsibility for the residential premises rental income relief and by Deirdre Donaghy who is the head of business tax in the Department. I am also joined by Joanne Mulholland of the Department's economics division, who provide the economic analysis elements of the Budget and who have oversight of the Tax Expenditure Guidelines.

Broadly, in line with the parameters set out by the Government in the Summer Economic Statement, Budget 2024 contained an overall tax package of circa. €1.15 billion, along with other one-off measures to support with cost of living pressures. The measures announced by the Minister for Finance on Budget Day sought to support workers, to promote enterprise and support the climate action and the agri-

sector, to support housing and to help households and firms with the cost of living. By way of brief overview, amongst the measures announced by the Minister for Finance were the personal income tax package consisting of increases to tax credits and the standard rate cut-off point and USC changes. Other measures include an increase to the rent tax credit and an extension of the credit to students in “digs”, an extension of the Help to Buy scheme and the introduction of the new rented residential relief. A number of enterprise support schemes were extended or enhanced such as the R&D tax credit, the film tax credit, accelerated capital allowances for energy efficient equipment and farm safety, and CGT reliefs (Retirement Relief and Angel Investors Relief). Finally, temporary supports such as the one-year mortgage interest tax relief and an extension of excise rate reduction and an extension of the 9% VAT rate on gas and electricity were also announced by the Minister for Finance on Budget Day.

I understand that Deputies are particularly interested in two specific measures introduced in Budget 2024, namely the residential premises rental income relief and the mortgage interest tax relief. In order to frame this evening’s discussions, I will briefly outline each measure.

The new Residential Premises Rental Income Relief is a tax relief at the standard rate against private rented residential income. The relief is available to all individual landlords of residential rental properties. Companies are not eligible for relief.

The relief applies for the years of assessment 2024 to 2027 inclusive and equates to a tax credit of up to €600 in year one, €800 in year two and €1,000 in years three and four. The tax credit will reduce the tax due on residential rental income by the relevant amount in each year of assessment. Where a landlord's tax liability on rental income is less than the aforementioned amounts, the credit will be restricted to 20% of the profit or gains from residential rental properties, after capital allowances and losses forward have been deducted. The credit is non-refundable.

In the case of joint ownership of a property the relief will be divided in proportion to the percentage of the rental income each owner is entitled to.

Relief is available in respect of qualifying premises, that is premises that are occupied by a tenant under a tenancy registered with the Residential Tenancies Board, premises let to a public authority or premises to which Part II of the Housing (Private Rented Dwellings) Act 1982 apply.

A full clawback of the benefit of the relief will apply in the event the taxpayer removes any property from the rental market in the four-year period. However, a property that is not let may also be eligible for relief if it is being actively marketed for rent. This is to ensure that taxpayers can claim the credit where a tenant may have terminated the tenancy during the year and they are actively seeking another tenant for the property.

To claim the credit for a year of assessment, the taxpayer must, on 31 December in that year, have complied with Local Property Tax requirements and have a valid tax clearance.

The estimated cost to the Exchequer in 2024, that is the first year it will be available to claim, is €45 million.

I will now move on to the second measure. Mortgage Interest Tax Relief will be available to taxpayers in respect of their principal private residence in the State where the outstanding mortgage balance was between €80,000 and €500,000 on 31 December 2022 and the taxpayer is compliant with Local Property Tax requirements.

The relief will be available at the standard rate of income tax in respect of the increase in the qualifying interest paid between the calendar year 2022 compared to the calendar year 2023. The value of the relief will be equal to the lesser of 20 per cent of the increased interest paid or €1,250, applying on a per property basis, giving a maximum relief of €1,250 per property. Pro-rating of the relief will apply if the mortgage was held for less than 12 months in 2022 and/or 2023.

The relief will be claimed on a self-assessment basis by taxpayers. To claim the mortgage interest tax relief, the taxpayer must file a tax return with the Revenue Commissioners. The taxpayer will log onto their Revenue account (myAccount), provide the requisite information such as their name, address, Eircode, LPT number and PPSN and also provide details of their interest paid in 2022 and 2023, and the outstanding balance on the mortgage as of 31 December 2022. Using the information provided, the Revenue system will calculate the amount of mortgage interest tax relief.

The relief will operate by way of a credit offset against the taxpayer's income tax liability in 2023. It is anticipated that the relief may be claimed in early 2024.

It is estimated that this measure will cost approximately €125 million on a once off-basis.

As Deputies will be aware, the Finance Bill is currently progressing through the Houses of the Oireachtas where the Minister for Finance has been afforded the opportunity to articulate the policy dimensions of all the measures in Budget 2024 and the related Finance Bill. My colleagues and I can answer any technical questions on the residential premises rental income relief or the mortgage interest tax relief. I hope that this overview will assist in framing the discussions at this meeting and I reiterate that we are happy to engage with any questions from members.