DÁIL ÉIREANN

AN COISTE UM FHORMHAOIRSIÚ BUISÉID

COMMITTEE ON BUDGETARY OVERSIGHT

Dé Máirt, 5 Feabhra 2019

Tuesday, 5 February 2019

The Select Committee met at 4.45 p.m.

MEMBERS PRESENT:

Deputy Maria Bailey,	Deputy Martin Heydon,
Deputy Richard Boyd Barrett,	Deputy John Lahart,
Deputy Thomas P. Broughan,	Deputy Michael McGrath,
Deputy Lisa Chambers,	Deputy Eamon Ryan.
Deputy Pearse Doherty,	

DEPUTY COLM BROPHY IN THE CHAIR.

Business of Select Committee

Chairman: Today the committee will meet Dr. Micheál Collins, assistant professor of social policy in UCD, regarding the scrutiny of tax expenditures but before that, we will go into private session to deal with some housekeeping matters.

The select committee went into private session at 5 p.m. and resumed in public session at 5.03 p.m.

Scrutiny of Tax Expenditures (Resumed): Dr. Micheál Collins

Deputy John Lahart took the Chair.

Acting Chairman (Deputy John Lahart): I remind members and witnesses to turn off their mobile telephones as the interference from them affects the sound quality and transmission of the meeting. I welcome Dr. Micheál Collins, assistant professor of social policy in UCD, and thank him for making himself available to meet the committee. The committee is engaged with the Parliamentary Budget Office on its excellent report on tax expenditures and has also held meetings with the Revenue Commissioners and the Department of Finance to discuss the issues raised. Following on from that, the committee has issued a request for information to the Department and the to the Revenue Commissioners seeking a number of summary tables of information on tax expenditures. Today we wish to discuss a number of issues with Dr. Collins, including the importance of monitoring trends in tax expenditures and the best approach to carrying out parliamentary scrutiny of tax expenditures.

Before we hear Dr. Collins's opening statement, I draw to his attention to the position of privilege which applies to witnesses and to advise that by virtue by virtue of section 17(2)(*l*) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by the committee to cease giving evidence in relation to a particular matter and they continue to so do, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise nor make charges against any person or entity by name or in such a way as to make him, her or it identifiable.

Members are reminded that under long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses, or an official either by name or in such a way as to make him or her identifiable.

I invite Dr. Collins to make his opening statement.

Dr. Micheál Collins: I thank the committee for the invitation to make a presentation on this topic. I am an economist based at the school of social policy, social work and social justice at University College Dublin. I was also a member of the 2008-2009 Commission on Taxation, and within the commission I chaired the subgroup which examined tax expenditure. As a researcher, I am also part of an international research group focused on the links between taxation and social policy and within that, I focus on the often hidden role of the state in using the taxation system to encourage and support certain activities among individuals and corporates via tax expenditure.

I warmly welcome the committee's decision to give attention to the issue of tax expenditure. Public policy analysis and discussions are often very limited when it comes to taxation issues, a focus which undermines the comprehensiveness and relevance of those considerations. In particular, they can be overly focused on income taxation and as such ignore the other channels via which individuals, households and companies contribute to the State, most particularly via indirect taxes. Similarly, they can often focus on the taxes and social insurance payments collected and ignore those which the State explicitly decides not to collect via tax expenditure. Given that, it would be useful for the committee to consider the taxation side of the budget to be approximately €80 billion to €85 billion a year, comprising the taxes collected and taxes not collected due to the provision of various tax expenditures. While we have good projections, within the most recent budgetary documentation from October 2018, of the expected tax to be collected, which will be approximately €70.77 billion this year, we have less insight into the overall cost of the taxation that will not be collected as a result of the provision of tax expenditure. However, given past history and the annual estimates from the Revenue Commissioners, this is likely to be in the order of €10 billion to €15 billion per annum.

Overall, given the importance of that revenue to support the running of the State, and the redistribution of resources, it is remarkable how little attention the policy-making system gives to the nature and stability of the overall taxation system. Within that, as tax expenditure represents a large part of the system, the current focus of the committee is most welcome. I sincerely hope that such a focus will become a recurring part of its work in the years and decades ahead.

Contributions to the committee from the Department of Finance and the Revenue Commissioners and the recent report on tax expenditures from the Parliamentary Budget Office, mentioned by the Acting Chairman, have highlighted that there is some disagreement regarding what to count and what is and what is not a tax expenditure. This was an issue the Commission on Taxation grappled with when it was established in 2008, and we resolved it by proposing the adoption of the OECD taxation definition, which was the first recommendation of the commission on the topic of tax expenditure.

That definition states that a tax expenditure is "a transfer of public resources that is achieved by reducing tax obligations with respect to a benchmark tax, rather than by direct expenditure". 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. Aside from these, where measures are adopted or provided to allow individuals and-or companies to reduce the tax bills below that which they would otherwise pay, this is a tax expenditure. Therefore, simply put, a tax expenditure is a measure adopted as part of a budget or finance Bill which reduces the amount of tax that would be collected from individuals and firms with the intention of supporting certain activities, encouraging certain actions and or assisting certain needs. In all cases such measures are discretionary. In other words it is up to policy makers to decide if these are worthwhile measures, both to introduce and to retain, as they have recurring annual costs. Almost everybody would welcome a reduction in their total taxation contribution, but such discretionary reductions come at a cost to the overall tax take and shift the cost of supporting public services and redistributive policies onto those who do not benefit from these tax breaks. It is important to ask if the provision of such tax relieving measures is in the broader interest of all taxpayers and of society in general. It will always be in the benefit of the recipient, but that is not the question that those of us interested in, or involved with, public policy should be asking.

On the costs and scale of tax expenditure, there are a number of ways of assessing the cost of a tax expenditure. The most intuitive is to estimate the immediate reduction in revenue to the State associated with the introduction of the measure, known as the revenue forgone method. This is generally estimated by comparing the revenue expected under the current structure versus the revenue expected when the tax expenditure is in place. In general, this assumes no change in the behaviour of individuals or firms and as such can give an exaggerated estimate of the cost of an expenditure. However, it remains the most straightforward and most common international way of estimating tax expenditure costs. One could spend a long time exploring the minutiae of possible behavioural change and possible long-term benefits and-or costs of a particular tax expenditure measure, but I would suggest sticking with the established revenue forgone method and noting that the costs it provides may somewhat exaggerate the final cost.

The information available to this select committee, and to Irish society in general, regarding tax expenditure measures has increased dramatically over the last decade. When the Commission on Taxation commenced its work there was limited information on the annual costs but this has transformed following the work of the commission, revisions to the scale of information on tax expenditures published by the Revenue Commissioners, annual reports from the Department of Finance and requirements at a European level that all countries report on the nature and scale of the tax resources they decide not to collect each year via tax expenditure. As such, there is a new opportunity for committees such as this to engage with what was heretofore an inaccessible area of budgetary policy and resource allocation.

The most recent list of tax expenditures from the Revenue Commissioners lists a total of 120 tax-relieving measures. Of these, I would classify approximately 106 measures as discretionary and the total cost of these measures in revenue forgone is €21.4 billion per annum. In many cases these measures are generally regarded as worthwhile and many do not need review, such as tax credits for individuals, couples, PAYE and self-employed workers. Others are discretionary but have long-standing policy support, such as tax relief on child benefit payments, nursing home expenses and rent-a-room income, while others are discretionary and can be argued for and against, such as mortgage interest relief, and income tax reduction measures for high income foreign executives.

I would encourage the select committee to engage as follows with this issue. It should request that the Department of Finance finalise a list of tax expenditure measures which are not part of the baseline, that is, the technical functioning of the tax system, and that it provides a report with the cost of these measures, in revenue forgone terms, to the select committee each year. It should request that the Revenue Commissioners publish their annual tax expenditure cost data in a format that aligns with the list established by the Department of Finance. This is likely to require the Revenue Commissioners to classify the tax-relieving measures they report upon into groups, including discretionary tax expenditures, benchmark tax-relieving measures, tax credits and allowances. Third, and given the scale of resources involved, the select committee should review this list and the changes to its costs on an annual basis. Even if all the discretionary tax expenditure measures are worthwhile, it is of merit for a committee like this, on behalf of the Oireachtas, to have oversight of the nature and distribution of these resources.

The select committee should engage each year with the Department of Finance following the publication of the various reviews of tax expenditure as part of the material which accompanies the annual budget. Likewise, the committee should engage with other researchers who have examined tax expenditure issues. For example, over the past two years Professor Gerry Hughes and I have undertaken a detailed examination of the costs, distribution and policy options around the large amount of recurring annual tax expenditure granted to support private pension savings.

The committee should select a theme each year and review the merits of each of the tax expenditure measures currently in existence under that scheme. Approaching the list of items in this way will make them more accessible and the exploration more intuitive. The Commission on Taxation adopted the following categories to its assessment, and I suggest the committee should take a similar approach: children, housing, health, philanthropy, enterprise including farming, employment, savings and investments, and others. In addition to this list, I would add capital allowances as an area deserving of particular focus given the resources involved.

The committee should also review the case made in the budget and Finance Bills, and in associated documentation, for the introduction of each new tax expenditure. Both the Commission on Taxation and the Department of Finance have provided a useful set of criteria to assess the appropriateness of new measures and it would be appropriate for a committee such as this to consider if the measures as proposed and designed adhere to these criteria.

The decision of the select committee to focus on this issue is most welcome. As mentioned by the Commission on Taxation, the OECD and others, resources allocated to tax expenditure are equivalent to resources allocated to direct expenditure. Given that, there is a long overdue need for detailed Oireachtas oversight of these decisions. Indeed, it was a recommendation of the Commission on Taxation and I hope the committee embraces the opportunity to provide greater insight and democratic oversight of this area of public policy.

Acting Chairman (Deputy John Lahart): I have a couple of brief observations. The amounts allocated on tax expenditure are generally between 10% and 20%. Is this the norm internationally?

Dr. Micheál Collins: We are not alone as a country in not giving enough detailed focus to this and making comparisons internationally remains quite challenging. It often boils down to quite technical decisions as to what we do and do not count as part of the overall suite of tax expenditure. In my experience, 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.

Acting Chairman (Deputy John Lahart): Dr. Collins made a number of recommendations and we will certainly look at them. One of them is to request the Department of Finance to finalise a list of tax expenditure measures which are not part of the baseline. We understand the Department is doing that and has almost completed that, which might be something for Dr. Collins to take away from this meeting.

Dr. Micheál Collins: This would be helpful to the committee. One of the challenges is that the Revenue Commissioners produce a large amount of information. It would help this committee if it could have what might be accepted as a comprehensive list of discretionary tax expenditures and then get a recurring list from the Department of Finance. One of my other suggestions is to then encourage the Revenue Commissioners to produce their data in a way that aligns to the typology established by the Department of Finance.

In the work we did for the report of the Commission on Taxation, we started with no list and we had to compile a list of all the tax-relieving measures. Within that, we had to disaggregate what we felt was in the baseline and what was discretionary tax expenditure, after which we got to a set of items that we reviewed. We were very clear in saying, and I would encourage the committee to reflect on this, that if it is the case that a baseline set of tax measures are established, in other words, we take the view that certain measures are there as the norm to facilitate the functioning of the tax system, this is a list we should review. There can be debates and arguments about that as well. However, it would be good to start with a list and then a committee like this one can return to review it in time. That would be a significant step forward.

Deputy Thomas P. Broughan: I welcome Dr. Collins and thank him for his very informative briefing. There is a good bit of work taking place in the academic sphere on this subject, which is one I have considered very important since I first examined a finance Bill. During that era - the early 1990s - nobody paid the slightest attention to costing many tax expenditures. There has been considerable debate recently about climate mitigation measures and taking a tax and dividend approach. Should there be a rigorous costing of such an approach?

The figure of €21.4 billion is astonishing. Will Dr. Collins break that down? In its paper, the Parliamentary Budget Office estimated the figure at around €5 billion plus. Dr. Collins said in respect of the last group of reliefs, including mortgage interest relief and so forth, that these are discretionary and arguments can be made for and against them. Will he break the figure down into discretionary measures we take for granted such as personal tax credits and other measures such as capital allowances? We received the Department of Finance's review of a number of expenditures on the day after the budget, which is very unsatisfactory. Should every tax expenditure have a sunset clause and be reviewed? In other words, should there be a timeframe for every measure so that we know that at some stage it will be the subject of a rigorous review?

On the international front, our colleagues at the Parliamentary Budget Office did some work on questions we had relating to the UK. About this time last year, I raised the issue with the Taoiseach. He cited a long list of simple discretionary expenditures and asked me whether I wanted to withdraw them as they were critical to families. He did not really address the core point, however. When I did that, I noticed that countries like France and Italy seem to have spectacular tax expenditures. One might be talking about 10% of GDP. The UK seems to be ahead of the game when it comes to this compared to our performance. I mentioned sunset clauses. Should they all have sunset clauses and be rigorously assessed by this committee and the Dáil?

Dr. Micheál Collins: I will see if I can remember all those questions as I work through them. I agree with Deputy Broughan regarding finance Bills, which are very much the focus for tax expenditures. Sometimes they are mentioned on budget day but really the detail for these measures appears in finance Bills either as new tax expenditures or as extensions to tax expenditures. It is very welcome that a committee like this is in place as it provides an opportunity over time to examine and reflect on those decisions. As members are well aware, the budgetary process tends be very rapid. It is great to have a space such as this to allow some reflection on that. As easily as we are happy to create tax expenditures, we should be able to take them away if that is the case. Clearly, it is more difficult to take things away, particularly when people benefit from them but, nonetheless, we should be able to do so.

Regarding the Deputy's point about the potential for new measures, the ideal is that we would reflect on those before we adopt them. In other words, we would align them to the criteria set by the Commission on Taxation. Suggestions made by the commission heavily influenced the criteria subsequently put together by the Department of Finance. I note a very good summary of all that in the document produced recently by the Parliamentary Budget Office. We should be thinking about the potential costs of any measure and its likely effectiveness. The reality is that when we introduce a tax expenditure, there is an inherent inequity in it in that we are reducing the tax that one individual or company is paying relative to equivalent individuals who are not in a position to avail of that tax break. If we are doing that, we need to be pretty clear that it is worthwhile. That brings us to back to the question of whether the overall benefits to society are greater than the costs. Those questions need to be asked.

At times, one can argue that if there is insufficient time to ask those questions in the run-up to a budget, and I accept these things can happen quite rapidly at times, there is no reason we cannot return to them shortly afterwards as the schemes are up and running and begin to analyse whether they work or are worth continuing. In that sense, I agree that we should always have a sunset clause on every tax expenditure. Indeed, that was the recommendation of the Commission on Taxation. Even if it is the most brilliant tax expenditure in the world that makes perfect sense, we should still review it to be sure that is the case. Therefore, as well as having a sunset clause, we should have a built-in mechanism for a review of all of these tax expenditures on a recurring basis.

I would be happy if the Acting Chairman would allow me to come back to the committee with a more comprehensive answer to the Deputy's request to break down the tax expenditure. I will explain the figure of €21.4 billion. I would regard that as all items that are discretionary. Perhaps the least discretionary element might be personal tax credits for PAYE workers or the self-employed but they are discretionary because we can change them at budget time, even if it is generally upwards. We could decide to alter them dramatically, which would be a major step to take. They are discretionary but, as the Deputy mentioned, they may be slightly less discretionary than the ones that are a little more controversial that one might think of as having full discretion. I am very happy to come back to the committee and provide a more comprehensive breakdown if I am permitted to do.

Regarding the Deputy's final comments, when we look at other countries, we can see that making comparisons across countries is very difficult. The OECD attempted to do this when it produced a report in 2010 that made some comparisons. A subsequent paper by Mary Walsh and me, who are both members of the Commission on Taxation, slotted Ireland into that comparison to see where we were. The great difficulty with taking the headline figures from France, Germany or other countries involves what they count and how they count it. That can provide quite misleading comparative figures. It comes back to a problem for our tax systems, which is that these tax expenditures have appeared and grown over time and as they grow, we have not watched them sufficiently to see whether they work and understand the distributive aspects of them and the appropriateness or otherwise of their erosion of fairness, which is ultimately the structure and what they do.

Acting Chairman (Deputy John Lahart): This very much feeds into a common theme of the work of the Committee on Budgetary Oversight in the past year, including on gender budgeting. Is it ever the case that a tax relieving measure is simply forgotten and is gathering dust because nobody has interrogated it and it is costing the Exchequer?

Dr. Micheál Collins: That is probably a pretty fair description of where the entire Irish taxation system was before the Commission on Taxation reported in 2009 in the sense that we had all these tax measures but did not even have a list of them. In a sense, that is a classic insight in terms of things being introduced and just falling into place. The secretariat to that commission did some very hard work. It had to go through the Acts passed by the Oireachtas introducing those tax expenditures to gather up the list of them and then gather the estimated costs if they were ever mentioned. That is why I stated earlier that we have come on in leaps and bounds. By and large, we now have a comprehensive list which puts a committee like this in a very strong position to think about tax expenditures. The next step after making a list is looking at it and thinking about it. I would encourage the committee to begin to engage with that.

To come back to the gender budgeting point, there is no reason we could not think about some of the other objectives of tax expenditures. I am coming to the end of a piece of work looking at the gendered aspects of pension tax breaks. When it is finished, I will be happy to pass it on to the committee.

Acting Chairman (Deputy John Lahart): That would be terrific.

Deputy Richard Boyd Barrett: I thank Dr. Collins for attending. I welcome the fact that he welcomes our focus on this. It is an area about which everyone needs to think more. I wish there was more media attention on it.

There is major debate in respect of direct expenditures in the budget. There is almost no debate about the massive amount of money that could be used for other things but is accounted for by tax expenditures, many of which could arguably be described in layman’s terms as tax loopholes. It is controversial, but some of them certainly are. Whatever we may think about some of these expenditures they should at the very least be scrutinised and they are not. I will go as far as to say it is a hidden economy on which nobody is focusing. Due to the fact that it is shrouded in technical language, people do not pay much attention to it or understand it. While I am here, I call on the media to scrutinise this area and pay the same attention to it that I hope the committee will. There is a lot of really important stuff here. I welcome Dr. Collins’ initial comments.

I have a few questions about establishing the scale and extent of tax expenditures. Dr. Collins stated that some €21 billion could arguably be described as discretionary. That is a major amount and needs to be scrutinised. I hope this committee will do so. I wonder if the figure is greater than that. I am not an accountant like Dr. Collins. He can provide a more expert opinion on this. In the corporate tax area, I showed a table in the last committee meeting that was provided by Mr. Seamus Coffey, based on Revenue figures in his report on corporate taxation. In 2015, the last year for which figures were available when he produced his report, pre-tax gross profits were €144 billion. By the time allowances and deductions were allowed for the taxable profit came down to about €70 billion. The actual tax collected was about €7 billion. On a straight calculation that means the figure of 12.5% is a total fantasy. There is no 12.5% corporate tax rate. Similarly, on a straight-line basis, there were about €77 billion worth of corporate tax reliefs, credits, deductions and allowances, which is a lot more than €21 billion.

I would like Dr. Collins to outline his understanding of that. The explanation we got on the previous occasion was that some of those are just part of the tax base. Dr. Collins referred to that in his introduction. They are part of the administration of the tax system and are not really discretionary tax expenditures. I have to question how that distinction is made.

Dr. Collins referred to intra-group transactions as an example of things that are administrative and not really discretionary. In comparing the Revenue table for 2016 with that for 2015, I see that tax relief for intra-group transactions jumped from €2.9 billion to €9 billion. That is not administrative. Something else is going on when tax relief for intra-group transactions goes from €2.9 billion to €9 billion in one year. My guess is it has something to do with the big IT companies moving royalties on intellectual property around. It is not just administrative. It is actually a huge loophole, at least potentially, and it needs to be scrutinised. I would like Dr. Collins to comment on that. Does he think that corporate area is one we need to heavily scrutinise? From my observations and certain allegations that have been made to me by people in the film industry for example, which we talked about last week, it seems costs are being massively inflated in certain circumstances in order to benefit from tax reliefs. To what extent are we checking that those are legitimate? Expenditures and allowances need to be heavily scrutinised. However the practices have been followed for years. As such it is felt that we do not need to look at them, only at the ones introduced in the past few budgets.

Dr. Micheál Collins: I thank the Deputy. I will see if I can pick all of those up. I agree with what he said about the dramatic difference between the focus on direct expenditure and the focus on the hidden expenditure involved in the decision not to collect taxes. I have long been of the view that committees like this need to exist to look at those issues. It would be a significant step forward if a clear Department of Finance report and a clear Revenue Commissioners report were produced on a recurring basis so that people such as the committee members were free to ask questions about the use of those resources on behalf of those who elect them to this institution. Clearly, there are always alternatives. The Deputy's point about a hidden economy is fair, and there is certainly an opportunity to cast more light on that. I hope that opportunity is grasped.

I will address the Deputy's final point before I get to his core point. When one engages with accountants and others involved in the administration of tax expenditures, whether they are big corporate reliefs or quite small ones like film relief - in fact, film relief is too small - it is argued that we do not want to place an administrative burden on the recipients of these tax expenditures. As such, as little information as possible is collected. My personal response is to compare that to the rather extensive forms people must complete in order to get social welfare entitlements, which are much smaller amounts of money. Members such as Deputy Boyd Barrett are more than familiar with that through their constituency work. Whatever tax expenditure is at issue, there is really no reason not to collect proper and detailed information. The more information we get the better we will be able to assess their effectiveness and value for money. In that sense it is important to revisit existing tax expenditures that continue to roll on as well as thinking about new ones. As well as sunset clauses, we need to think about recurring reviews. This committee has another clear role, which is to look at that whole topic. I mentioned issues around the stability of the taxation system in my opening comments and one would think the very short-term behaviour of the corporate sector is skewing the stability of the Irish tax system now. While that tends to give us quite positive figures in the short term, if it were to invert or reverse in whatever way, it could cause us very significant problems. It is a strategic threat to the overall budgetary structure, the structure of the taxation system, and the economy.

I am a member of the National Competitiveness Council and one of the points I make regularly to my colleagues on that council is the potential for Ireland to have a very severe paper recession where some strange set of decisions made in a corporate boardroom might have enormous knock-on ramifications for the Irish economy and all the various metrics we use for it. There is a real danger there and that whole issue is problematic.

Over the last year or so, I was quite struck in that context by the work of the Comptroller and Auditor General's office, which, for the first time since I have been looking at taxation issues on the Irish economy, got to the bottom of how much tax has been paid by corporates. It may not have been in its remit to begin to think in minute detail about the way in which corporates behave, which is a point I want to come back to. Nonetheless the office provided a very important report the year before last, comprising a chapter in its annual report, which went through the actual or the effective tax rates that corporates were paying. When we look at Irish business, which was illustrated very clearly in its report, by and large, the vast majority of firms, many of which are very small in any event, are paying in or around 12.5% tax, as one would expect, and neither have the resources nor the ability to avail of whatever evasion measures, tax management measures or whatever that are there. There is a very small number of very large corporate firms which are using the system in such a way that they pay a surprisingly low tax contribution, if any at all. In fact, some of them were paying negatively - in other words, they were getting refunds and the tax system was paying them.

I thought that was an eye-opening insight into that whole area. It shone a light on the fact that probably in corporate tax terms there is a small handful of firms which are playing the system and giving us all some quite skewed outcomes. In many cases, these are large international firms and the Deputy was right to point out that there are remarkable differences between the incomes that they initially receive and the final income that is available to be taxed. That, of course, brings us back to the very interconnected international context that these firms operate in. When one stands back from that, we would be far more upset as a country about those issues and the behaviour of those corporates if we were on the other end of the spectrum. In a sense, we are getting some unexpectedly large tax resources currently out of it. It is welcome that the Department of Finance and others have come around to acknowledge that in the last couple of months. Clearly, if we are, others are not. That has become a challenge among our European colleagues and others as well. We are, in a sensible way, moving internationally towards a restructuring of the way in which corporates are allowed to behave. To a great degree, countries and legislators, write those rules and we need to know an awful a lot more. If there is a hidden economy in Ireland, that is probably the big part of it with huge flows in and out of the State, often to the disadvantage not so much of us, because we seem to be getting some taxation revenue from it, but for other countries which are losing out. Whether they are developing world countries in the extreme context or some of our fellow developed world countries, maybe EU member states or fellow OECD member states, there is an issue there which I would expect will have to be resolved over the next couple of years and will probably have an impact on the level of tax revenue that we continue to collect as a country. *Deputy Maria Bailey took the Chair.*

Acting Chairman (Deputy Maria Bailey): I thank Dr. Collins. Does Deputy Boyd Barrett wish to back in again?

Deputy Richard Boyd Barrett: Dr. Collins said that for every tax expenditure - and I absolutely agree with him on this - does he believe that is money that could be spent in a different way on the same sector or on something completely different? Does he believe that as part of proper scrutiny that there needs to be a comparison done on that? Let us take two examples that we looked at recently. The research and development tax credit is up to €700 million a year. It is nearly €1 billion and has jumped significantly. That is overwhelmingly going to benefit that same small group of multinationals we are talking about. They are the ones that benefit most from it. In order to assess whether that is good use of public money, one of the things one would need to do is to ask what would happen if we took €700 million and invested it in public universities for research purposes which would generate a better impact for Irish society, economy, research and development and innovation. To me that is a no-brainer. If we put €700 million into our universities, it would be far better than giving €700 million to Apple, Google and Facebook in terms of the impact on stimulating our own economy and a more sustainable economy. That is just my view. Would Dr. Collins agree that one of the thing we need to look at?

Similarly, in respect of the film industry, section 481 in its existence involved approximately €1.7 billion going to the film industry, comprising between €80 million to €90 million a year between the various sources. There were claims that there 17,000 jobs in the Irish film sector but when this was scrutinised and challenged, it came down to a figure of 2,000. One could add to that that the film industry got €1.7 billion over ten years but where is the infrastructure? What does the State own for the €1.7 billion forgone? We do not own any studios. We have absolutely nothing. We have hardly any jobs and hardly any infrastructure. What exactly did we get for our money?

Some people will say we got a number of films made, and let them put that argument. A useful way to establish whether that was good or bad expenditure, would be to ask the following question. What would have happened if instead we had invested that money in building public studios and employed people directly to make films. If we did it that way, would there be a greater benefit?

Those are just two examples I can think of. Does Dr. Collins believe that in general we need to look at those sorts of comparisons in order to assess the effectiveness and the usefulness of tax expenditures?

Acting Chairman (Deputy Maria Bailey): I will come back to Dr. Collins on these but I will ask Deputy Ryan to come in now.

Deputy Eamon Ryan: I agree with Deputy Broughan that we need to look at every measure. On the tax and dividend on carbon tax, we asked the Department of Finance to look for an initial analysis of the effect. The latest evidence on that is showing clear progressiveness in that lower income people benefit. That is very clear and is backed up by decades of research by Sue Scott and others showing the same. In all the research I have seen, it seems it is transferring from the wealthy to the poorer in our society.

I remember Dr. Collins time on the tax commission and the really good work it did. As I recall, in the depths of the crash, 2009 to 2011, one of the changes put in was a significant scaling back on all the tax expenditures that were available, particularly the property ones. It particularly applied to tax expenditure breaks availed of by the wealthiest and, if I recall correctly, there was the introduction of income limits and so on that cut out the flagrant abuse of tax expenditures to favour the very wealthy in our society. Is that a fair assessment of what happened in that difficult period with tax expenditures?

There was a recommendation or a proposal at the time that was agreed by Government to standard rate the pension tax expenditure break. That is probably still one of the biggest of these discretionary tax breaks, along with that for mortgages. I understand that never happened. Has Dr. Collins any history as to why that was the case? I recall that being agreed by Government but I could be incorrect.

I am interested in Dr. Collins' work and concentration on the area of pensions contributions. His report, which he cited in his opening statement, suggested that the median beneficiary or user of a pension tax break is in the ninth decile. It is heavily skewed towards those on higher incomes. I would be very interested to get a copy of the analysis Dr. Collins did on gender because I am sure that will show a similar skewing. It would be timely for this committee to get a copy of that report when it comes in.

We have a large volume of tax expenditure on pensions and, last March, the Government agreed a new system for planning and managing the State pension system. In the context of strand 4 of the research work, it was stated that the Government would look at how to incentivise and support defined benefit contributions and so on. I do not recall, in the context of that announcement or at that time, any commitment to reviewing the tax expenditures for pension contributions. Was Dr. Collins approached or engaged in respect of that matter? Has he looked at that process? Measures will be introduced in the next two or three whereby one would have to opt out of a defined benefit pension. Surely that provides a moment for us to consider reform, review, removal, or certainly adjustment of the tax breaks we give on pension contributions given that, from the analysis that Dr. Collins cites, this is not progressive and may be gender biased. Are there any developments in that regard? If the committee is looking for a recommendation in the upcoming budget, does Dr. Collins think we could use that analysis to make a suggestion to the Minister for Finance that he does something to change that pension contribution tax break?

Dr. Micheál Collins: I will pick up on the points that Deputy Boyd Barrett made first. The bottom line in every examination of tax expenditure, and one of the first recommendations of the Commission on Taxation in that area, is to say that direct expenditure is always the better route. We should always go the direct expenditure route because it is clear and can be seen. As Deputy Boyd Barrett mentioned earlier, we look at that in a clearer way because, in a sense, we record it in a clearer way. It is always the better route.

One has to make an argument as to why one will do something via the tax system rather than via direct expenditure. The economic crisis of the past few years has come to help with that a little because, prior to the crisis, the view was that nobody notices when something is done through tax expenditure and that, to a degree, it does not count. In a sense, one is deciding not to collect tax so it was not being counted as spending. It was the equivalent of spending but it was not being counted. The economic recession and various changes across all European countries and the various fiscal rules at European level have brought all countries, including Ireland, to a point whereby we need to count everything, whether we are doing it through spending or tax expenditure. That is helpful in bringing greater clarity.

It is fair to say that not all European countries are there yet, given some of the earlier comments on what constitutes tax expenditure and so on. Ireland has come on in leaps and bounds and can continue to do that.

My colleagues in UCD would love me to state that we should take all the research and development tax money that we could possibly bring in. To be dispassionate about it, if the research and development tax credit makes sense, then we should have a report to show us that it makes sense. It has been continually tweaked since it was introduced. There are some strange structures to it whereby corporates get refunds of unused credits and so on. There is certainly potential for change within that. It is an expensive tax relief which is continuing to grow. There is what we economists refer to as deadweight within it. In other words, there are things that are happening, or it is being claimed are happening because of the research and development tax credit, which would probably happen in any event. It is interesting to begin to analyse those. The Department of Business, Enterprise and Innovation estimates deadweight as something of the order of 75% to 80% within the whole area of enterprise support. It is a very small additional gain there and the question is whether it is worthwhile or not. It would be good to see some potential for that.

For a committee such as this, it is interesting to look at that as an area which did not exist a few years ago and now costs €700 million per annum. Maybe that is money well spent, maybe it is not, but it would be useful to have a coherent answer to that.

The argument for film relief has for a long time been based around the employment it creates. I am not familiar with the precise details of the figures but if it is the case that employment is far less than expected, or far more precarious than it might be, or whatever it is, that should throw up questions. Again, it comes back to the point that we should be continuing to revisit tax expenditure measures every couple of years. That is why I felt there might be merit in the committee approaching something like this thematically every so often whereby it picks a theme and goes to it and comes back a couple of years later. That would give an opportunity to gather the information in the interim and to engage with it in that way.

It will be interesting to see where it goes with the carbon tax. The evidence is that expenditure on fuel, etc., is a much greater component of the expenditure of lower income households and therefore a carbon tax is likely to hit them harder. As Ms Sue Scott has shown for a long time, there are good mechanisms are in place whereby we can address that and offset some of those costs. There are issues if we are going to take further steps in that area. We are more likely to do that through the direct expenditure route, through welfare payments or some other mechanism, but there are choices to be made by the committee members and others on that.

Deputy Éamon Ryan was right to state that, in tandem with the economic recession, the collapse of Exchequer finances and the Commission of Taxation report all happening at the same time, some very welcome changes were made. Many of the property reliefs, as we continue to see in many cases, were in place to allow people to minimise their tax bills rather than necessarily to provide assets in any serious way for the State. Those were abolished. When the commission sat, it did not directly review them because they no longer existed but it decided to look at them anyway, mainly to make the point in the commission's report that this is something we should not be doing via the tax system. Supporting the development of property in whatever way is not an appropriate thing to do. To a great degree, Ireland has written the textbook as to how not to do property supports via the tax system. It remains a concern that, therefore, that is often the default answer to this day when we think about how to respond to shortages in this or that. The default answer is to do it via the taxation system and, to a great degree, we have, as a country, proven that we cannot do that. To their credit, Alan Barrett and others at the ESRI did one of the most straightforward economic reports I have seen for a very long time over the past couple of years. In very simple terms that showed this is not a good thing to do and that using the tax system in whatever way to support property development simply does not work out. That does not stop people proposing it, but it is important to have that evidence.

The Deputy mentioned a very sensible development during that period where a high earner's restriction was introduced. That put a minimum effective tax rate the person must pay when above a particular threshold. That continues to exist. It is still relatively generous compared with what a PAYE worker would pay on the same income, but at least it stopped people moving to a point where they were able to shelter the entirety or most of their income from tax, which had been the case and grew out of the experience Deputy Broughan mentioned earlier where, over a very short period, a whole suite of tax expenditure measures came in and then they started to be managed and used in that way. That continues to exist and is very helpful.

Its structure is interesting. For example, not every tax expenditure is subject to be counted for how much people are using to write against their tax so pensions, which the Deputy mentioned, are not. It is an interesting question as to why there should not be an overall calculation of how much income a person was allowed to offset in whatever way through various tax expenditures.

On the pensions tax breaks, I am very happy to provide to the committee any of the research on that already in existence or as it continues to come out.

The Deputy is right that the Government proposed in the 2009 national rescue plan for the State-----

Deputy Eamon Ryan: Recovery plan I think it was.

Dr. Micheál Collins: It might have been the national recovery plan 2009. In effect that plan was all about adjustments or finding money. It indicated that €750 million would be taken out of the overall tax supports that were going into the pension sector. However, it indicated the Government and the subsequent Government were open to finding alternative routes to do that. The history of that is interesting in itself. Instead of the tax rates being standardised, a levy was put on pension funds. In effect existing pension savers and those who were already retired paid for it, rather than changing the flow of funds and the tax relief from it into pensions. That was subsequently phased out. It remains a very large area of tax expenditure. It is quite skewed when one considers the relief. The overall cost would be about €2.4 billion to the State. Within that one could identify about €1.2 billion that could easily be changed. Technically everything could be changed, but certainly it has easily changeable elements, including the rate of tax relief which would be the largest part of that.

That issue remains in play. The research that Gerry Hughes and I have done indicated that the middle beneficiary is in the ninth decile, with 50% above that and 50% below that, which is quite stark. I am really not aware of any public policy measures that allocate resources in that way. That study also showed that the amounts of contributions people were putting into their pensions were quite small, which throws up effectiveness questions. We are encouraging people to save and have quite expensive mechanisms in place to assist them to save, but actually the vast majority of people are saving very little and therefore it will not significantly boost their income in retirement. That throws up interesting issues. It certainly plays into the current set of reforms about auto-enrolment and the reform of the pension system.

The current structure of that reform is a bit awkward, in that the Department of Employment Affairs and Social Protection is designing the new auto-enrolment scheme, but not really talking about costs, which I believe are a key area because that is really the remit of the Departments of Finance and Public Expenditure and Reform. The Department of Finance recently completed a consultation on the reform of the tax rates on pensions. I was one of a number of people who contributed to that. When one stands back from this, if the auto-enrolment scheme proceeds as planned, the State will incur large additional costs associated with that. The plan is for the State to top up contributions in effect by one third. For every €3 a person puts in the State will put in an extra €1. It is something of that nature and has not been finalised yet.

Clearly doing that will cost the State a lot of money in direct expenditure. I estimate the cost at €400 million or €500 million per annum. If the State is going to do that, unless we change the tax expenditure side of it, that is a large amount of additional resources the State will need to find on a recurring annual basis. That would also increase as the population ages if we assume the auto-enrolment system operates successfully. I do not believe that is sustainable. Therefore I expect that over the next year and a bit, we will have to engage with the reform of that tax break for pension contributions. Of course, that is provided at the marginal rate of tax. A lower-income earner gets it at 20% and a higher-income earner gets it at 40%. That in itself is an inequity. As Gerry Hughes and I have shown, there is not much saving in merging them to a midway rate. In order to save money for the State which might be used in some other way in that sector, we should move to standardising it.

Deputy Eamon Ryan: That seems to provide the opportunity to move from a tax break to an expenditure approach.

Dr. Collins mentioned that there is not a limit in pension contributions. That is still the get-out clause for many very wealthy people. As I understand it, they lump some massive payments into a pension in order to reduce income tax at certain stages in their career. When is the Department of Finance expected to report on the consultation on the tax expenditure side of that pension reform in which Dr. Collins is engaged? That switch must come within the next year. It seems to make more sense politically that the proposal for a State top-up should coincide with changing the tax expenditure rules. There is obvious equity in switching from one to the other.

Dr. Micheál Collins: There are some contributions which are relatively recent, from that period we talked about earlier, for overall pension contributions, but nonetheless it remains quite generous. The pension contributions for higher-income earners are not counted as part of the overall limit on the use of tax breaks. They are very generous pension contribution limits as people move towards retirement age. They tend to be percentages of income and it will be a much higher nominal figure for those with very high incomes.

There are also limits on the overall size of people's pension pots. They are quite generous relative to the experience of most people and relative to what the vast majority of individuals would even contemplate in terms of pension saving and pension provision. I am not aware of the precise timing of the Department of Finance consultation. It is clear we are in a period where pension issues are changing which, therefore, is relevant in terms of this pension tax expenditure. Taking the current tax expenditure structure for pensions that is in place and simultaneously the proposal for auto-enrolment and a top-up, at first glance the auto-enrolment proposal is a straw-man proposal in that it only sketches out the proposal and the detail will follow. The initial proposal would suggest that the top-up or support from the State for auto-enrolment payments would be proportionally smaller than the tax relief that is available through the existing tax relief system. I would not have thought that inequity is sustainable or acceptable. It would seem to me that one way or the other, if the intention is to retain the tax relief support in tandem with the auto-enrolment support, they would have to be of the same scale in terms of support. It certainly would not be possible for them to be inequitable.

We then come to the very obvious question, which the Deputy was right to ask, as to whether one system with a State top-up as opposed to two systems might be the better route. I would expect some strong push-back from the pensions industry on this issue. As Gerry Hughes and I show in our report, by a long way, the participants in pension savings are earners at the higher tax rate, even when compared relative to the structure of employees across the two income tax rates. One would expect some push-back in regard to the proposals. There is an inevitability of some significant change in this area one way or the other over the next year. The Deputy is right that these are very large resources that the State is allocating in this way and so there are interesting questions arising, stretching to whether, as in the case of countries like New Zealand, we should just get rid of the entire structure and provide a boost to the universal social pension.

There are many options and they involve very large amounts of resources and the livelihoods of large proportions of our population not only now but in the decades to come. This is a key tax expenditure area which will certainly to be to the fore over the next year.

Deputy Lisa Chambers: On current tax expenditures, do any of them need to prioritised in terms of review? How does Ireland compare internationally in terms of the scale and revenue foregone from tax expenditures? Are we better than average or broadly in line with other similar countries?

Dr. Collins has already responded to questions from Deputy Eamon Ryan on how to assess if money is being well spent. When it comes to tax expenditures, because it is tax foregone rather than tax collected we have a slightly different perception of that money and a different relationship with it. When we collect revenue and expend it on behalf of the State we scrutinise that spend closely but we tend to forget about tax expenditures because it is money that was never collected in the first instance. How do we assess if this money is well spent and what type of criteria should be applied in that regard? For example, should we examine job creation as a result of tax expenditure or spin-off industries that result from it and so on? What criteria should we use to assess if money is well spent?

In response to Deputy Boyd Barrett, Dr. Collins mentioned that some of the research and development might have happened with or without a particular tax credit or tax expenditure. How do we prevent abuse of this generous offering from Government? For example, how do we encourage research and development that would not happen ordinarily without this particular assistance and at the same time ensure it is not used to fund research that would have happened without it? How do we close off that loophole?

Dr. Micheál Collins: I thank the Deputy for her questions. I mentioned earlier that Ireland sits mid-table in terms of other countries. 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. The most useful comparison is to view the revenue foregone cost that we have available, of which we have more and more these days, as a proportion of the overall tax take. By and large, organisations like the Department of Finance and the Revenue Commissioners would be a little uncomfortable with individuals like me and, perhaps, members of the committee, calculating the entirety of the cost and forming the view that overall they amount to X. I note the Parliamentary Budget Office did that in its report as well. To be honest, I do not see anything wrong with that. The argument against it is that if we were to abolish all these tax breaks over night all of that money would not come it, which is a fair and correct argument, but nonetheless it gives us an insight into the scale of the tax write-offs that are in place currently in the system. I would encourage the Deputy and others to feel free to put those numbers together because it gives us a scale of the cost.

Deputy Lisa Chambers: We should ask the questions.

Dr. Micheál Collins: When one compares it relative to the overall tax take, it is a significant figure and a significant area. In my examination of the increase in expenditure in the period running up to the economic crash, as set out in various documents published in that regard, I added into that the increase in tax expenditure over that period and, of course, it was one of the biggest areas of expenditure that had grown over the period. We we do not consider tax expenditures because it is not revenue that is flowing in and therefore it is less visible. I think monitoring in this regard has improved a lot. It is useful that a committee like this exists and has the opportunity to focus on this area. To be honest, other than this committee, that focus will not happen. As an institution, the committee has an important role in this area. It is a big area of budgetary policy and, therefore, I would think, a big area of budgetary oversight.

In terms of tax expenditures to review, a couple come to mind. As I mentioned in my earlier responses, the issues of the pension tax expenditures are pretty clear. Even if we were not in the midst of pension changes, there are interesting questions around the appropriateness or effectiveness of those measures given the scale of moneys involved. The special assignee relief programme, SARP, is a tax expenditure aimed at foreign executives based in Ireland on incomes of more than €75,000 per annum. Beyond €75,000 they get a reduction in tax. It is very much the highest earners resident in the State to whom we are giving this tax relief. Generally, these are employees of profitable international companies. This is an attractive incentive and I am sure the recipients are delighted to receive it, as would anybody who was in a position to receive it, but I would question whether all of these individuals would leave Ireland or not be replaced by similar or equivalent people if that support was not in place. We should question that support, in particular because there has been little take-up of it.

On the work of the commission on taxation, we did not focus on the system of capital allowances that are in place, which is an interesting area for tax expenditure. It might be an area the committee could ask the Department of Finance and others to review. It strikes me there are two issues with regard to capital allowances. It may seem strange that there are capital allowances associated with appreciating assets. There is logic in having capital allowances for assets that depreciate over time such as furniture, IT equipment and so on. However, we also give capital allowances for assets that increase in value over time or are likely to so do such as some property assets or office blocks. We have never considered why there should be a capital allowance for an appreciating asset. It may be that accountants have considered the matter in quite a narrow way such that it has not been considered in terms of broader public policy.

On capital allowances more broadly, the Revenue Commissioners annually estimate the losses companies or individuals are able to carry forward. In effect, one can write off past losses against future income. At the extreme end, some of the banking institutions which lost such vast sums of money that the State had to rescue them are unlikely to pay tax on their profits for quite some time to come, irrespective of how profitable they are, because of their accumulated losses. There is a very interesting public policy issue as to whether we should facilitate that practice for individuals and corporates indefinitely or at all. That policy could be changed. Individuals who have lost money through share investments, for example, can also indefinitely write off the losses against subsequent profits. There is an interesting question as to why they may do so indefinitely, rather than over a fixed period such as five years, for example. Why does it happen at all? My observations of corporates which clearly are the big beneficiaries of this allowance indicate that they expect the law to change at some point. They probably do not want it to change because that would decrease their profits and increase the taxes they pay. We need to understand why that structure should be retained as we do not currently have that understanding.

The research and development tax credit was mentioned. As with any enterprise support the State provides, its dead weight aspect, namely, supporting things that would have happened anyway, is generally unavoidable. We can think about ways of minimising it, but it is more than likely to happen. International research literature on enterprise supports estimates a high proportion of dead weight. Such supports are in place only to reap the benefits of the proportion above dead weight which is triggered by the measure. We must continually revisit these tax expenditures, particularly the very expensive ones, to see if they are still operating as intended and offering value for money because, as members are aware, many other things could be done in society with those resources.

Deputy Richard Boyd Barrett: May I ask a couple of brief questions?

Acting Chairman (Deputy Maria Bailey): Yes. We must conclude the meeting by 6.30 p.m.

Deputy Richard Boyd Barrett: Is there potential for significant abuse in the area of capital allowances, deductibles and reliefs of various sorts in the corporate area? I am of the opinion that there is. How do we scrutinise such allowances to prevent abuse? I refer to company cars and supposed business trips which confer a very significant benefit on the traveller. Is it in the public interest for a businessperson to stay in a five star rather than a three star hotel? We need to drill down into the detail of reliefs and claims to ascertain whether the measures are being abused or the public interest is being served and the policy objective met.

Dr. Collins referred to assets. Assets may be valued in a particular way that suits the tax objectives of a corporation. I have seen company books which indicate that assets were valued at a certain level in one year and that in the next their value jumped or reduced. That has very convenient consequences for the company in terms of its tax liabilities. Is there significant potential for abuse in that area? I do not know the number of reliefs that are available, but it is substantial. How do we dig into the detail to get to the nitty gritty of whether these measures are justified, beneficial or effective?

I ask Dr. Collins to elaborate further on the issue of what is in the base and what is discretionary. I am curious about that matter because estimates of tax expenditures range from €5 billion. Dr. Collins referred to a figure of €21 billion. I asked about the €70 billion worth of allowances and deductions under the corporate heading alone. How do we ascertain what should reasonably be in the base? Given the paucity of information on these matters and the fact that the area has not been focused on, nearly everything needs to be looked at. We can then consider whether it is fair to put something into the base or if it needs further scrutiny.

Acting Chairman (Deputy Maria Bailey): Dr. Collins has two or three minutes in which to reply.

Dr. Micheál Collins: One must consider the potential for abuse on a large and small scale. The rules of the Revenue Commissioners for benefit-in-kind should detect small-scale abuses. Perhaps the Deputy should ask Revenue how rigorously it reviews benefit-in-kind claims. However, clearly there are bigger issues in the corporate area. The Deputy referred to the ability of corporates to change the valuation of assets, which can dramatically alter transaction values or trigger paper losses or profits, for example. There are significant questions about accountancy practices in that regard which are very detached from the real world and real world activities. The Irish tax take and consequently the budget are very exposed to such practices because of our dependence on a very small number of companies which largely operate in that way. Much of the unexpected windfall corporate tax income collected here in the past couple of years probably resulted from the OECD base erosion and profit shifting process and the fact that it is no longer acceptable for a company to be based on various Caribbean islands. Ireland has been one of the beneficiaries of that policy and collected significant tax revenue as a result. However, it is quite precarious, rather than sustainable income for the tax system.

On the Deputy's point about what is included in the base, the easiest answer is that we need to start with a list of what is included in it and the question of what is a tax expenditure. It would be useful to have a full list. The report of the Commission on Taxation provides a good starting point in that regard. One could also revisit the list of the Department of Finance. The challenge then is to continue to revisit that because we can begin to think whether it is appropriate or not to have various assumed automatic tax reducing measures that we have as baseline measures. We can revisit those to see if they are appropriate or not. Having a base and a recurring list would really help this committee. To be honest, I would probably start big with some of the big ones. I would start with the big themes and work from there. There is a real contribution to be made by having a regular recurring process of looking at and examining this whole area of tax expenditure.

Acting Chairman (Deputy Maria Bailey): The Department of Finance is in the process of preparing the list, so that will be coming shortly to the committee. I thank Dr. Collins for his attendance and for the information he shared. I also thank the members for their attendance, particularly the ones who are left.

Deputy Richard Boyd Barrett: Where did they go?

Acting Chairman (Deputy Maria Bailey): The meeting is concluded.

The select committee adjourned at 6.30 p.m. until 2 p.m. on Wednesday, 13 February 2019.