

Evaluation of Tax Expenditures

Department of Finance

2 March 2015

Tax Expenditure Budget

- Commission on Taxation 1982
- Commission on Taxation 2009
 - “In general, direct Exchequer expenditure should be used instead of tax expenditures”
(Recommendation 8.3)

Tax Reliefs

- Very Popular
- Costs Not As Visible
- Danger of Proliferation When Spending Limited (Very Tight Limits over Next Few Years)

Potential Safeguards

- Implement New Evaluation Procedures
- Should We Go Further ?

Tax Expenditures

“are equivalent ... to direct Government expenditure and should in general be judged by the same criteria and subjected to the same review process” COT 1982 Para 3.18.

An Option

- Assign each Tax Expenditure to an Individual Government Department
- Memorandum Item in Revised Estimates Volume
- Take account of changes in Cost of Tax Expenditure in Determining Expenditure Ceiling

An Example

- Tax Relief on Medical Insurance Premia & Health Expenses
- Cost €1018 million (2012)
- Assign to Department of Health
- Take into Account in Determining Expenditure Ceiling for Health

R & D Tax Credit

- Cost of R & D Tax Credit (2012) €282 million
- Assign to Department of Jobs, Enterprise & Innovation
- Treat in Same way as Spending on S&T Development (€283 million in 2015)