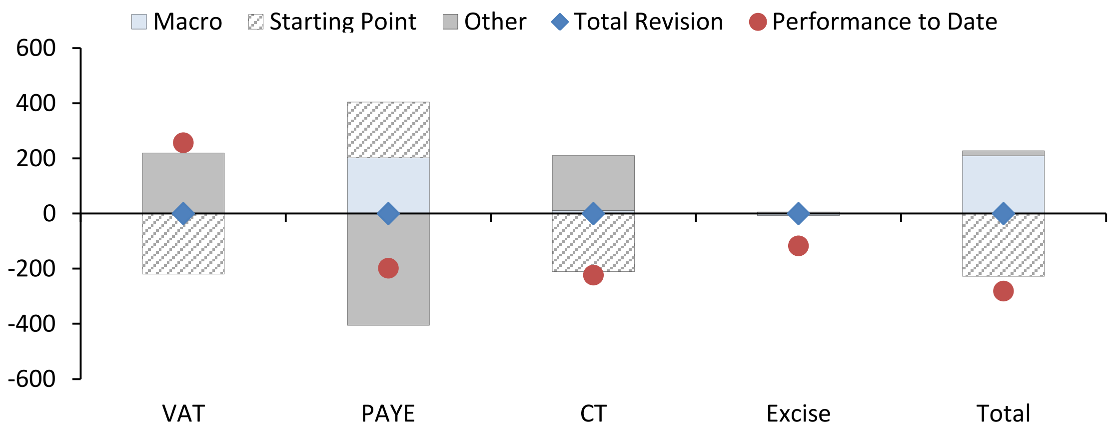
Appendix E: Exchequer Tax Revenue Forecasts

While the headline forecasts for 2017 for the four main tax heads as outlined in *SPU 2017* remain unchanged from those in *Budget 2017*, the forecasts have been updated for changes in the macroeconomic environment. Figure AE.1 shows the revision to the four largest tax heads from the budget day forecasts to the *SPU 2017* forecasts. It disaggregates the revision into (i) an update to the economic outlook for 2017 ("macro"), (ii) confirmation of the 2016 outturn ("starting point"), (iii) an "other" source of revision which represents miscellaneous factors and Department of Finance judgement. The figure also compares the total revision relative to the performance against the *Budget 2017* profile at end-April.

Starting point error played a prominent role in three of the four main tax heads with 2016 outturn being lower than expected for Corporation Tax and VAT and higher than expected outturn for PAYE. The underperformance of Corporation Tax and VAT were both attributed to higher than expected repayments in the final quarter of 2016 and also to lower than expected inflation in the case of VAT. Judgement and other factors also play an important role for these tax heads.

Figure AE.1: Source of Revision to 2017 Tax Forecast
€ Millions (*SPU 2017 - Budget 2017*)

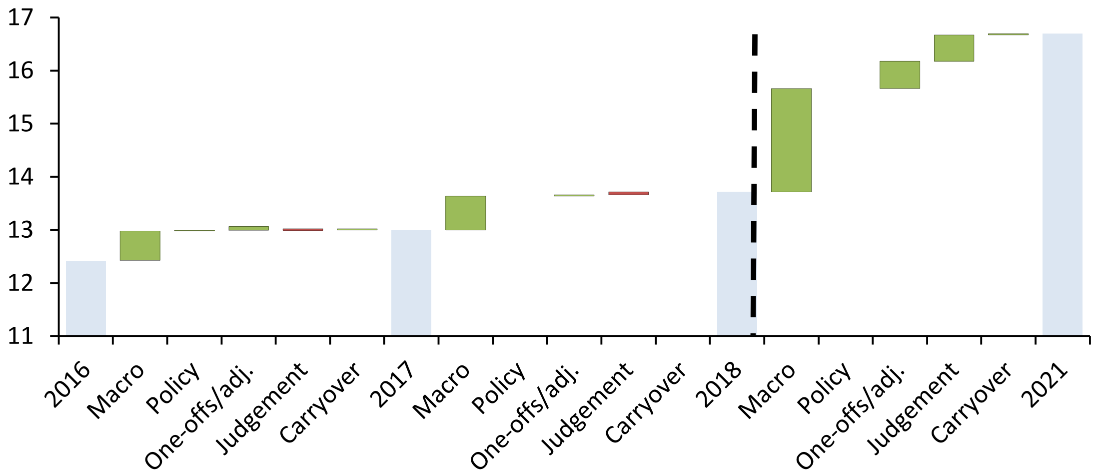


Sources: CSO; Department of Finance; and internal IFAC calculations.
Note: The chart breaks down the total revision to forecast down into the macro component, a starting point component and an "other" component. Performance to date shows the tax receipts at end-April relative to profile. A positive performance to date indicates taxes are above profile.

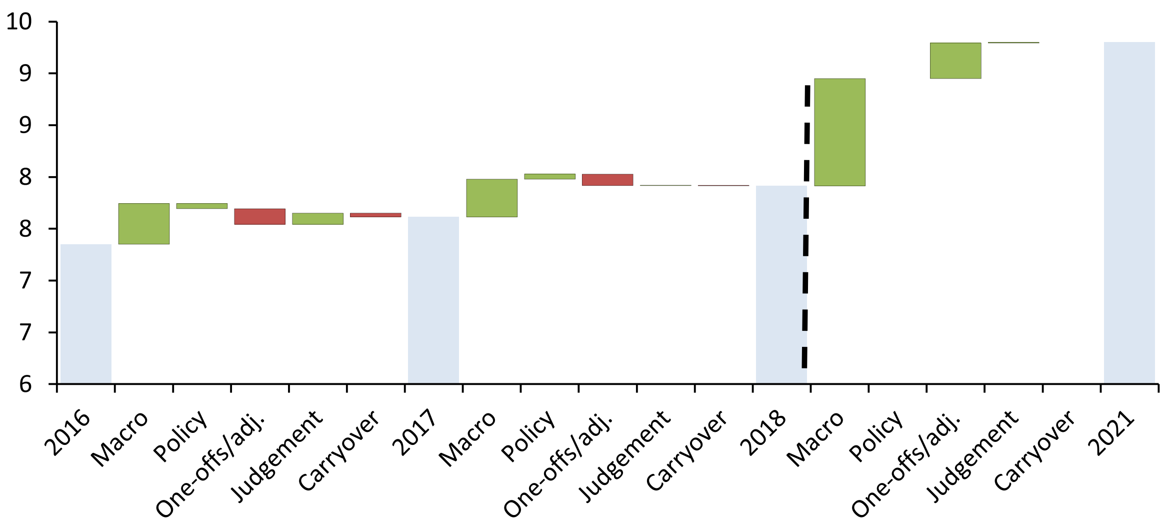
PAYE stands out among the four tax heads as although there is a positive starting point and macro driver affect it continues to underperform relative to profile. In contrast, VAT maintains an over performance for 2017 to end-April relative to the budget day profile. However, both forecasts remain unchanged from *Budget 2017*. Corporation Tax also benefits from a slight increase in the macro driver forecast for 2017. Summing across all four tax heads the total starting point error is negative, with an overall positive macro effect and some positive judgement applied keeping the total revision from *Budget 2017* at zero.

Figure AE: 2(A-D) shows the most important factors influencing the *SPU 2017* forecasts for the four main tax heads over the period 2017-2021. In each case the forecasts for 2017 and 2018 are shown separately while the forecast for 2018-2021 are shown cumulatively. The floating bars show the size of the change in taxes attributable to that source.

Figure AE.2: A-D
A: VAT
€ Billions

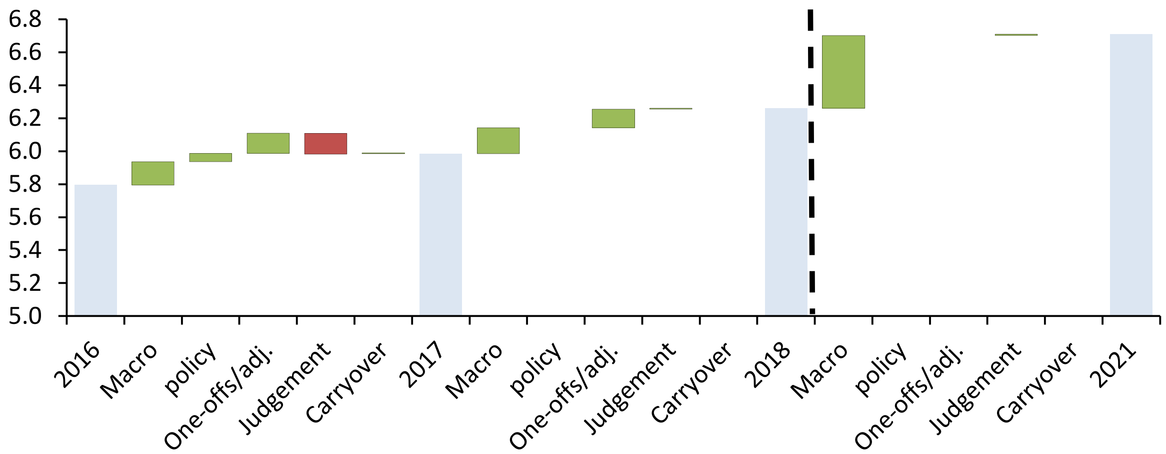


B: Corporation Tax
€ Billions



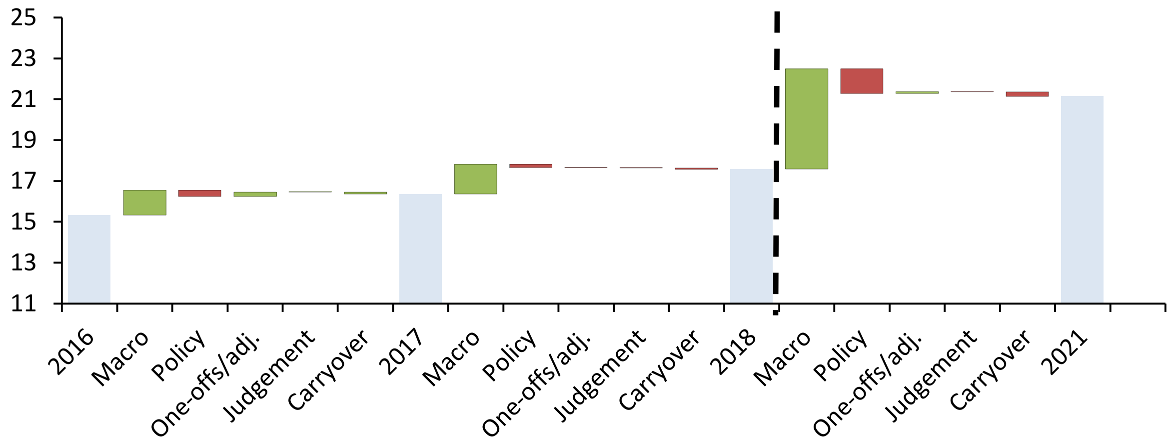
C: Excise

€ Billions



D: PAYE and USC

€ Billions



Sources: Department of Finance; and internal IFAC calculations.