

APPENDIX F: EXCHEQUER TAX REVENUE FORECASTS

This Appendix examines disaggregated forecasts for tax revenues produced by the Department of Finance for *Budget 2017*.

Figure F.1 (A-D) below show the main factors influencing the *Budget 2017* tax forecasts for the four main tax heads over the period 2016-2021. In each case, the forecasts for 2016 and 2017 are shown separately while the forecasts for 2017-2021 are shown cumulatively. The floating bars show the size of the increase in taxes due to that source.

Of particular note for this round are the forecasts for PAYE and USC (PAYE) (Panel D). Over the period 2018-2021, *Budget 2017* allocates €2.2 billion of the available fiscal space to reductions in income taxes (including the USC). This allocation is based on the technical assumption made in *Budget 2017* that reflects the government's stated preference for allocating estimated fiscal space available over the period.¹

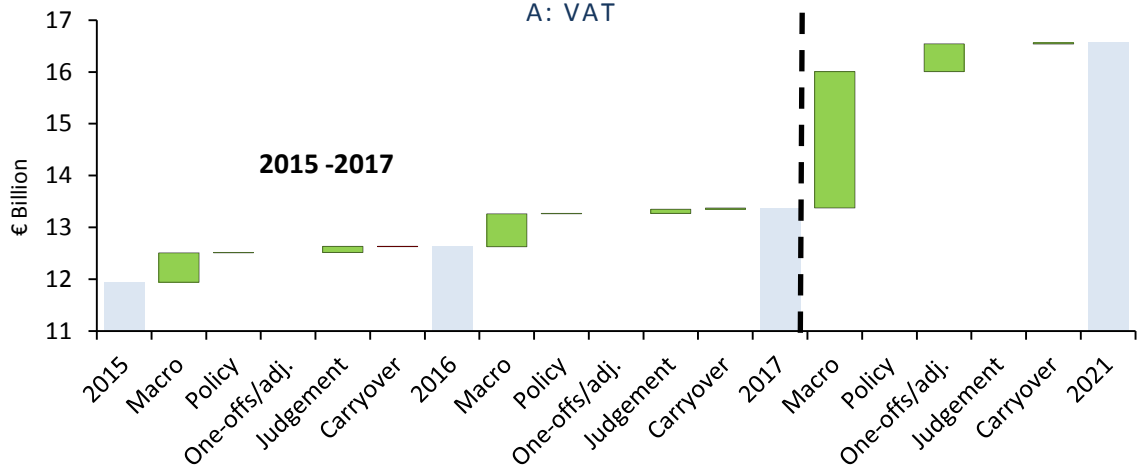
Also of note is Corporation Tax (Panel B) in 2017. *Budget 2017* notes that "Corporation tax is estimated to grow by under 3 per cent next year. The forecast does allow for a number of specific one-off adjustments which may impact the tax base in 2017." Based on information supplied to the Department of Finance from the Revenue Commissioners, these one-off adjustments are expected to have a net negative effect on CT receipts in 2017 of some €0.4 billion.

On Excise (Panel C), a downward judgement factor of some €0.3 billion in 2016 can be seen. This reflects the expected unwinding of the front-loading of tobacco receipts, a process which peaked in June. As of end-October, excise receipts were some €0.2 billion ahead of the cumulative profile, and are expected to be on profile at year-end.

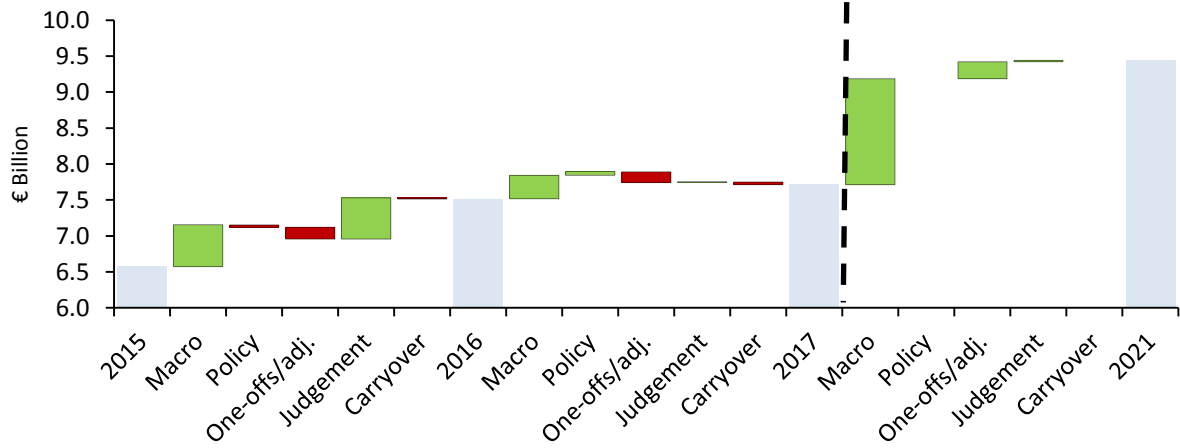
¹ This reflects the stated preference for a 2:1 ratio between public spending increases and taxation reductions while a contingency reserve of the order of €1 billion per annum is also provided for from 2019.

FIGURE F.1 A-D:

A: VAT



B: CORPORATION TAX



C: EXCISE

