

## S15. Policy costings (based on official sources)

This section gives an illustration of the expected impacts that typical tax and spending adjustments are estimated to have on the public finances.

### Examples of tax & spending changes

€ million, estimated full year impact

<b>Income tax</b>	
Yield from 1 percentage point (pp) rise in 20% income tax rate	664
Yield from 1 pp rise in 40% income tax rate	319
<b>PRSI</b>	
Increase in 4% employee PRSI rate to 4.5%	377
Increase in 10.05% employer PRSI rate to 10.55%	374
<b>VAT</b>	
One pp change on 9% rate	10
One pp change on 13.5% rate	243
One pp change on 23% rate	442
<b>Carbon tax</b>	
Increase by €15 a tonne	316
<b>Local property tax</b>	
Additional charge of €100 on every property	183
<b>Capital acquisitions tax</b>	
Increase from 33% to 43%	132
<b>Capital gains tax</b>	
Increase in 33% rate by 1pp	33
<b>Social insurance spending</b>	
€1 increase in jobseekers allowance (for max rate)	14
€1 increase in jobseekers allowance (for ages 18-24)	1
€1 increase in jobseekers benefit	3
€1 increase in carer's allowance (under 66)	3
€1 increase in carer's allowance (66+)	0.5
€1 increase in disability allowance	8
€1 increase in maternity and adoptive benefit	1
€1 increase in state pension (contributory)	24
€1 increase in state pension (non-contributory)	5
€1 increase in illness benefit	3
<b>Public investment spending</b>	
Keeping at 2020 levels in € (avg annual savings over 2022-25)	3,915
<b>Indexing the tax system</b>	
A 1% wage increase is assumed to raise €161 million from not indexing income tax	160
A 1% wage increase is assumed to raise €21 million from not indexing USC	21

Sources: Most estimates are from Revenue's "Post-Budget 2021 Revenue Ready Reckoner, Nov 2020". PRSI rate changes are from the Tax Strategy Group report in July 2019. Social insurance increases are from the PBO's Pre-Budget 2021 Ready Reckoner.

Note: Estimates seldom include behavioural impacts.