Rialtas na hÉireann
Government of Ireland

Budget 2019

Statement of the Minister for Finance and Public Expenditure and Reform
Mr. Paschal Donohoe T.D.
9th October 2018

INTRODUCTION

A Cheann Comhairle,

Today I present my second Budget to this house and to the Irish people as the Minister for Finance and Public Expenditure and Reform.

A decade on from the financial and economic crisis that wrought havoc with the lives and aspirations of so many of our citizens, I can report that our economy is again growing strongly and sustainably.

A record number of people have jobs and many of our citizens who left in the wake of the economic crisis are returning home.

Our public finances are balanced.

The policies pursued by this Government and its predecessor facilitated this.

This has enabled us to invest record levels of funding into our key public services, including health and education.

The shared progress we have made is real.

However, the risks and challenges that we now face are equally real.

We are working hard to deliver sufficient housing to provide secure and affordable homes for all our people.

Brexit, the outcome of which is still unclear, edges closer each day.

Prepared by the
Department of Finance
and the Department of Public
Expenditure and Reform
gov.ie/budget | #budget19

Increasing trade barriers are raising the spectre of protectionism and the international tax landscape is changing rapidly.

For these reasons, we must continue to maintain a broad and stable tax base, ensure our spending is efficient and sustainable and that our economy is as resilient in bad times as it is dynamic in good times.

I will run a budgetary policy that will see a budget balanced and will be designed on the basis of what is right for the economy at each stage of the economic cycle.

I want to acknowledge the input of all colleagues in Government in preparing this Budget and the constructive engagement of the main opposition party in the context of the Confidence and Supply Agreement.

The Budget I am setting out to the House today will further develop the underlying strength and resilience of our economy. We will

- manage the public finances responsibly;
- provide significant additional capital investment to enhance the growth potential of our economy and to improve the quality of life for our people;
- protect the most vulnerable in our society and promote real and sustainable increases in living standards for all; and
- prepare the economy for the challenges of Brexit – the best preparation for which is responsible budgetary policy.

PREPARING FOR BREXIT

Brexit is the political, economic and diplomatic challenge of our generation.

The Government has been clear on our objectives, robust in our negotiations and thorough in our planning.

We will remain at the heart of the European Union and open to the world.

We will protect our hard-won peace.

We will implement responsible but ambitious policies for the future of our country.

The most important next step is to conclude the negotiations on the Withdrawal Agreement, including the backstop to ensure no hard border in Ireland, and the political declaration on the future relationship between the EU and the UK.

Once that is concluded, the transition period will be in place until the end of 2020 and negotiations on the future relationship can move ahead.

In those negotiations, acknowledging our unique shared past and social, economic and cultural links, Ireland will press for the closest possible relationship with the UK.

Across Government the necessary measures to prepare for Brexit are being put in place.

Those plans are based on a central case that there will be agreement in the coming weeks. However, the possibility of a no deal Brexit has influenced decisions we have made regarding our finances, balancing our books and investing in our capital infrastructure.

In addition to this, further decisions I will outline today include:

- a Human Capital Initiative worth €300 million;
- the launch of a Future Growth Loan Scheme for SMEs and the agriculture and food sector;
- provision of over €110 million for Brexit measures across a number of Departments; and
- increasing funding for the PEACE programme.

As we look forward to 2019, this Budget will help to ensure that Ireland is in the best possible position to respond to the challenges - and indeed the opportunities - that Brexit will bring.

We face the year of Brexit with a balanced budget, more people at work than ever before and a strong platform for future growth.

ECONOMIC PROGRESS IN 2018

I can confirm to the House that our economy is growing at a healthy pace.

GDP growth of 7.5 per cent is now forecast for this year, an upward revision of nearly 2 per cent relative to our forecasts in the April Stability Programme Update, supported by stronger than expected growth in the first half of 2018.

For next year, GDP is forecast to increase by 4.2 per cent.

Domestic demand has increased by 6 per cent in the first half of the year and with exports increasing by just under 9 per cent, our growth is broadly based and supported by many sectors.

We now have record employment.

There are over 380,000 more people at work today than there were at the low point in 2011 and the rate of unemployment is at its lowest level in a decade.

Our policies are working.

Reflecting our broad-based recovery, tax revenues are largely in line with forecasts for this year with €37 billion collected to end September, an annual increase of 5.2 per cent.

We expect to meet our target of €55.1 billon by end year.

BUILDING STRENGTH AND RESILIENCE FOR THE FUTURE

As a small open economy we are disproportionately impacted by changes in the international economy.

Historically, our economic performance has been less stable than that of other small open economies in the EU.

Our ability to withstand economic shocks needs to be stronger.

This is why I am establishing the Rainy Day Fund to increase the State's resilience to larger economic shocks.

The Fund will be capitalised with €1.5 billion from the Ireland Strategic Investment Fund and supplemented with an annual contribution of €500 million from the Exchequer starting from 2019.

Some of the historically high levels of corporation tax will be set aside for the purpose of capitalising the Fund.

Due to the strength of our economy our public finances have improved.

While the Summer Economic Statement forecast a headline deficit of 0.2 per cent this year and 0.1 per cent in 2019, the progress we have made means that we will reduce our deficit to 0.1 per cent in 2018.

Building on this progress, I am pleased to announce that next year I will balance the budget for the first time since 2007.

It is my intention to run surpluses into the future if the economy continues to perform well and to use them to reduce our national debt.

This Government will continue to be responsible in the management of the public finances.

As set out in a recent report by my Departments, our public debt level amounts to €42,000 for every person resident in the State, one of the highest in the developed world.

We will continue to reduce our national debt as a percentage of our national income. Having stood at 111 per cent of GNI* in 2017, this is forecast to reduce further to 105 per cent in 2018 and 101 per cent in 2019.

SUSTAINABLE EXPENDITURE

Within this responsible framework, we have scope to increase expenditure next year.

Total voted expenditure in 2019 will be €66.5 billion. This amounts to €13,571 for every person living in Ireland.

Next year, I am allocating €59.2 billion to current expenditure, a 4 per cent increase.

This will be seen in every classroom, hospital and Garda station across the country.

The quality services and jobs that are supported through this investment are a vital part of what makes our country function each day.

This Government will continue to incrementally enhance the delivery of public services. The public has demanded this, and we will deliver.

Importantly, the increase in current expenditure I am committing to today is lower than the rate of economic growth forecast for next year. This is consistent with my view that current expenditure growth should not exceed growth in national income.

In addition, the 20 per cent increase in current expenditure between 2014 and 2019 is significantly lower than the 57 per cent increase in the period 2004 to 2009, a comparable point in the economic cycle. This underlines my commitment to responsible management of expenditure and the public finances.

That is why I am allocating an additional €1.4 billion for schools, universities, public transport and other important infrastructure projects in 2019, bringing total expenditure on capital next year to €7.3 billion.

This is a substantial increase of 24 per cent and means that investment next year will be 3.5 per cent of national income (GNI*) compared to an EU average in recent years of 2.7 per cent of GDP. This should place Ireland in the top ten European countries for the level of public investment in this area.

We are making this significant domestic investment at a time of external uncertainty when the impacts and consequences of Brexit are unclear.

This Government has made the clear national choice in Project Ireland 2040 to prioritise increases in capital spending to address the infrastructural deficits that emerged during the recession.

Project Ireland 2040 foresees population growth of 1 million people supported by massive investment in our national infrastructure.

This means we will build more houses, hospitals and schools, climate proof our economy and invest in our energy and communications networks.

Added to this, the Dublin Airport Authority (DAA) is investing €320 million to enhance capacity at Dublin Airport and €587 million will be invested in the ports of Dublin, Cork and Shannon Foynes to enhance national and international connectivity.

Crucially, Project Ireland 2040 also includes a comprehensive programme of investment in cross-border and all-island projects, which will be of great significance in protecting and growing prosperity in the border region.

I believe the steps we are taking will benefit our country for years to come.

BUDGETARY MEASURES

In the Summer Economic Statement, I stated that €3.4 billion of additional resources were available for 2019. Of this, €2.6 billion has been pre-committed to expenditure measures leaving €800 million to be allocated.

To enhance the resources for allocation in this budget, I am raising additional revenues in the order of €700 million. This will allow us to spend €66.5 billion in total in 2019.

Of this, €59.2 billion will go to current expenditure and €7.3 billion to capital. I am also introducing a personal tax package worth €291 million in 2019.

HOUSING

I am allocating a total of €2.3 billion to the housing programme for 2019.

When added to the additional €93 million in local authority funding for housing next year, this represents an increase of over €470 million or 26 per cent on 2018. This also means that over four years to the end of 2019, €6.6 billion will have been provided to accelerate the delivery of housing supports.

This funding reflects our determination to do more to rise to the challenge of providing shelter and homes for our people.

I acknowledge that where we find ourselves today is not where we want to be.

There is much work to be done to reduce the level of homelessness, find permanent solutions for those in temporary and emergency accommodation and to improve affordability for those on low and middle incomes.

However, from a point where housebuilding was close to a virtual standstill a number of years ago, this Government has made, and is continuing to make, progress.

- In the last 12 months, 5,000 households have exited homelessness;
- The housing needs of over 25,000 of our people will be met this year alone;
- By the end of 2018, over 70,000 housing solutions will have been delivered under the Rebuilding Ireland programme. Of these, just under 12,000 will have been delivered through building, over 5,000 through acquisitions and 3,600 through leasing. A further 49,700 will have been delivered through the Housing Assistance Payment (HAP) and Rental Accommodation Scheme (RAS).

More new homes will be provided this year than in any year in the past decade.

To support a continued increase in the supply, the Land Development Agency (LDA) has been established to better coordinate State lands for regeneration and development. The Government has already identified a number of sites through which the LDA can deliver approximately 3,000 homes and we are in discussions with various State bodies in relation to land that could deliver another 7,000 homes.

Social and Affordable Housing

I am allocating €1.25 billion for the delivery of 10,000 new social homes in 2019. These will be delivered through a combination of construction, acquisition and leasing and will bring to 30,700 the number of new social housing homes provided under Rebuilding Ireland since 2016.

I am also allocating an extra €121 million for the Housing Assistance Payment (HAP) in 2019 to provide an additional 16,760 new tenancies in 2019. This support is providing a critical exit mechanism for families and individuals in emergency accommodation or at risk of homelessness.

Recognising the challenges our citizens face with homelessness, I am allocating €60 million extra in capital funding in 2018, much of which will fund additional emergency accommodation so that no one has to sleep rough this winter and for additional family hubs.

Added to this, €30 million is being provided next year for homelessness services, bringing the total allocation for such supports to €146 million in 2019.

Affordability

The affordability of housing remains a priority and I continue to work with my colleagues in Government and on the opposition benches on this matter. We have established a €100 million Serviced Sites Fund to support local authorities in bringing forward lands for subsidised, more affordable housing. I intend to increase the level of this fund to €310 million over 3 years. In 2019 alone, I am increasing the planned funding from €20 million to €89 million, which will bring the planned investment to over €100 million next year. This will facilitate the delivery of around 6,000 affordable homes over the lifetime of the fund.

The infrastructural funding available per subsidised home is also being increased from €40,000 up to a maximum of €50,000, supporting the delivery of homes at up to 40 per cent below market prices. Funding for the first sites will be announced later this month.

Income eligibility limits of €50,000 for a single applicant and €75,000 for dual applicant households will apply and these will be kept under regular review to ensure they remain appropriate.

Rental Sector

In the rental sector, I am bringing forward the full removal of the restriction on the amount of interest that may be deducted by landlords in respect of loans used to purchase, improve or repair their residential property.

The rate was due to be 100 per cent by 2021 but will now be effective from 1 January 2019.

Local Property Tax

I announced a review of the Local Property Tax (LPT) earlier this year together with a broad consultation process. I understand that the recent changes in property values have caused concern about future LPT liabilities, particularly amongst vulnerable members of our society. I want to restate my commitment that any future changes will be moderate and affordable. The Review Group's report will be published in due course.

BUILDING A MODERN HEALTH SERVICE

The human need for safe and affordable housing is as important as the need for quality health care and a modern country requires healthcare services that are easy to access and that respond to the needs of all people.

Spending on our health service is already at record levels. In 2017, OECD data placed Ireland 5th in terms of spend per capita amongst the EU28. During my tenure as Minister for Public Expenditure and Reform, I have made the resourcing of healthcare a key priority.

This year I will allocate an additional €700 million by way of a supplementary estimate, bringing the total additional 2018 investment to €1.2 billion.

I am announcing a further increase of €1.05 billion in Health funding for 2019. This brings the health budget to €17 billion. Taken together, the additional investment in Health in the last two years comes to €2.25 billion or an increase of 15 per cent. This is the highest level of Health investment in the history of the State.

The allocation I am announcing today will facilitate a range of additional services including initiatives proposed under Sláintecare. These include:

- €25 increase in the weekly income threshold for GP Visit cards;
- 50 cent reduction in prescription charges from €2.00 to €1.50 for all medical card holders over the age of 70; and
- €10 reduction in the monthly Drugs Payment Scheme threshold from €134 to €124.

An additional €84 million will be provided for Mental Health Services in 2019 bringing the total available funding for Mental Health to €1 billion. This is an increase of 9 per cent.

Total available funding for the National Treatment Purchase Fund (NTPF) will be €75 million in 2019. The extra €20 million I am making available today represents a substantial 36 per cent increase on last year's allocation.

I am also providing €150 million more for disability services next year to bring total funding in this area to almost €2 billion.

With regard to the 2019 capital envelope for Health, €174 million has been provided bringing the total capital allocation to €670 million next year.

Tobacco

I am increasing excise duty on a pack of 20 cigarettes by 50 cents, with a pro-rata increase on other tobacco products. This will bring the price of cigarettes in the most popular price category to €12.70. I am also increasing the Minimum Excise Duty on tobacco products so that all cigarettes sold below €11 will have the same excise applied as cigarettes sold at €11.

Accountability

I continue to look at choices that we have to make in healthcare regarding how we can accompany all time high levels of investment with improved governance, accountability, effectiveness and value for money.

SOCIAL WELFARE

I will now turn to social welfare. Last year I was in a position to increase all weekly social welfare payments and I am pleased to announce that I can do so again in 2019.

In addition to a €5 per week increase in all weekly social welfare payments from next March, I am also pleased to be able to fully restore the 100 per cent Christmas bonus payment to all social welfare recipients this year.

A new paid parental leave scheme will be introduced in November 2019 to provide two extra weeks' leave to every parent of a child in their first year. I intend to increase this to seven extra weeks over time.

To support working families and to ensure that work pays, next March I will increase the earnings disregard for the One Parent Family Payment and introduce a maintenance disregard for the Working Family Payment.

I am also introducing a set of measures that focus on increasing the living standards of the most vulnerable in our community. This includes increases to the Qualified Child Payment of €2.20 per week in respect of under 12s and €5.20 per week in respect of over 12s, as well as a €25 increase in both Back to School Clothing and Footwear Allowance rates.

These supports aim to ensure that national economic growth translates into rising living standards and falling poverty.

EDUCATION

Education also offers an important avenue to enhanced living standards, delivering benefits for individuals and for society. Uncertainty around Brexit and other risks to the economy underscore the need for us to continue to invest in our people.

That is why I am allocating €10.8 billion to the Department of Education and Skills in 2019. This is a 6.7 per cent increase on 2018 and includes funding of €66 million to meet our changing demographics. This will allow for almost 1,300 additional posts in schools in 2019. The Government is also increasing the standard capitation rate per pupil by 5 per cent.

Government is investing over €1.8 billion to support children with special educational needs. This will allow for up to an additional 950 Special Needs Assistants to be recruited in 2019, bringing the total number to over 15,900.

In last year's budget I announced a 0.1 per cent increase in the National Training Fund (NTF) levy and I indicated that I would consider further incremental changes. I am satisfied that further modest increases of 0.1 per cent in both 2019 and 2020 are appropriate.

This enables me to provide more targeted investment to meet the skills and education needs of the labour market with over 15,000 new places in the higher education and further education and training sectors including:

- over 1,200 craft and earn as you learn places;
- 1,100 Traineeships;
- over 8,000 places through Skillnet Ireland and Springboard; and
- 5,000 new lifelong and flexible learning opportunities.

This investment, along with the almost 3,500 additional undergraduate places being funded in 2019 represents a significant response to the global uncertainties facing the economy, including Brexit.

In response to the recommendations of the Independent Review of the National Training Fund, the Government will use part of the surplus in the NTF to establish a multi-annual, ring-fenced Human Capital Initiative of €300 million over the period 2020 to 2024, which includes the period of Brexit. This Initiative will increase investment in higher education courses across the country.

I am allocating an additional €196 million for capital in Education in 2019. This will:

- support the creation of up to 18,000 additional permanent school places and 5,000 replacement places;
- facilitate the further upgrade of ICT infrastructure in schools; and
- provide €150 million for investment in Higher Education, Further Education & Training, and Research.

The long-term focus on investing in education has allowed Ireland to attract and develop world leading businesses across a range of sectors. And while Brexit poses many challenges it also provides us with opportunities to attract new business.

SUPPORTING BUSINESS AND SMES

To do this, I am allocating funding of €950 million to the Department of Business, Enterprise and Innovation in 2019.

This is an increase of 9 per cent on last year.

SMEs provide most of our employment and additional Government support for this sector is crucial in light of Brexit.

I am therefore pleased to announce the launch of a Future Growth Loan Scheme for SMEs and the agriculture and food sector. Government will bring new legislation to implement this scheme which will provide up to €300 million.

This builds on the €300 million invested through the Brexit Loan Scheme last year and forms an important part of the Government's Brexit response.

I am also providing over €110 million for Brexit measures across a number of Departments, including funding for essential customs requirements and a range of other targeted measures.

As part of the National Development Plan, I have established a Disruptive Technologies Innovation Fund, which makes €500 million available for co-funded projects involving enterprise and research partners over the period to 2027.

Key Employee Engagement Programme

The Key Employee Engagement Programme (KEEP) came into effect on the first of January last to help SMEs to attract and retain employees in our highly competitive labour market. I am aware that take-up has been less than expected and I have decided to take early action now.

I am increasing the ceiling on the maximum annual market value of share options that may be granted to 100 per cent of salary. I am also replacing the three year limit with a lifetime limit and increasing the overall value of options that may be awarded per employee from €250,000 to €300,000. These changes will help support SMEs to compete for skilled staff.

Employment and Investment Incentive

Following on from the review of the Employment and Investment incentive, I intend to bring forward a priority package of measures in the Finance Bill to address the main problems identified and to increase its efficiency and effectiveness.

These measures provide certainty for businesses to enable them to plan for the future. Another way we will provide certainty to businesses is through a consistent approach to corporation tax policy.

CORPORATION TAX

Our longstanding 12.5 per cent rate will not be changing.

Corporation tax revenue has been growing strongly and a significant part of the growth for this year is due to changes in international accounting standards (IFRS 15). Around €0.7 billion of the 2018 over-performance is estimated as one-off. As these receipts are not expected to repeat next year, they do not feature in projecting receipts for 2019.

We must be aware of the risks associated with the concentration of these revenues. That is why I am setting aside some of this revenue for the Rainy Day Fund. This means the risk of permanent expenditure on the basis of transient receipts is reduced.

Ireland's Corporation Tax Roadmap which I published in September, takes stock of the changing international tax environment, outlines the actions Ireland has taken to date and the further actions to be taken. This is a time of significant global change for business, and my focus is on maintaining a competitive, outward-facing business environment, while ensuring our tax regime is transparent, sustainable and legitimate.

I will be introducing new Controlled Foreign Company (CFC) rules, in line with the Anti-Tax Avoidance Directive (ATAD) in the Finance Bill 2018. This will apply for accounting periods beginning on or after 1 January 2019.

I am also moving to introduce a new ATAD compliant Exit Tax regime to come into effect from midnight tonight. The Exit Tax will apply at a rate of 12.5 per cent on any unrealised gains arising where a company migrates or transfers assets offshore, such that they leave the scope of Irish taxation.

The process of global tax reform is ongoing, and in addition to this year's Budget measures, the Corporation Tax Roadmap also sets out a comprehensive plan of future actions on corporate tax reform. I have also committed to a review and update of Ireland's transfer pricing provisions in 2019 to ensure our tax system is in line with new international best practice.

TRANSPORT

In Budget 2018, I allocated an additional €1.26 billion in capital expenditure over 2018 to 2021 to the

Department of Transport, Tourism and Sport.

Today, I am announcing that €286 million of this will be made available next year and will facilitate investment in new transport infrastructure such as:

- The N4 Collooney to Castlebaldwin and the Dunkettle Interchange;
- Completion of the runway overlay project at Knock Airport; and
- Design, planning and implementation of cycling and walking projects around the country.

We are also improving and expanding our public transport infrastructure and services through the provision of new buses under BusConnects, extended trams on the Luas and by increasing the amount of funding available to retro-fit older parts of our public transport infrastructure.

I am also providing additional monies to maintain and renew existing infrastructure, including an additional €40 million for pavement repair and rehabilitation works on regional and local roads.

These changes are responsible and will support the continued growth in our economy in the years to come.

TOURISM AND HOSPITALITY

The tourism and hospitality sector also plays a key role in our economy, providing balanced regional growth and supporting nearly 240,000 jobs.

This Government has played its part in supporting the sector when it most needed it and since the introduction of the reduced VAT rate in 2011, overseas visitor numbers have increased by over 3.4 million and tourism employment has grown significantly. The tens of thousands of extra jobs created means that the sector has never supported more employment than it does today.

A Government's decision to provide stimulus to the economy is often an easy one to make and in the case of the tourism sector in 2011, the application of a reduced 9 per cent VAT rate was justified.

Judging when it is appropriate to withdraw stimulus measures is always more challenging.

I gave a commitment in last year's Finance Bill to undertake an economic analysis of the 9 per cent rate. The review found that the reduced rate has done its job. I believe that, in a new economic reality where the economy is strong, growth is broadly balanced and full employment is within sight, it is appropriate to increase the rate of VAT in the tourism sector to 13.5 per cent from January 2019.

This measure will raise €466 million in 2019 and allows me to achieve a number of priorities. Firstly, it allows me to reduce our reliance on increases in other tax heads, such as corporation tax. This is something I have consistently said that I would do. In addition, it underlines my commitment to responsibly manage the public finances and maintain a broad tax base.

Secondly, the additional revenues raised through this measure will support the reprioritisation of expenditure to a number of key areas. It will allow us to provide more housing, invest in education and childcare and contribute to the balancing of our books at a moment of national risk.

This is responsible policy making. It is appropriate for our economy and will benefit our society.

I am also conscious that these changes may present a challenge to the tourism and hospitality sector. This is why I am allocating €35 million to the Department of Transport, Tourism and Sport in order to provide more targeted supports for the sector, including €4.5 million for regional initiatives such as Ireland's Hidden Heartlands and the Wild Atlantic Way, and nearly €10 million for the further development of our greenways.

OTHER TAX MEASURES

I am also introducing a number of other tax measures today.

Capital Acquisitions Tax

I recognise that there are concerns about the potential tax burden, in particular on the inheritance of the family home. Therefore I have decided to increase the lifetime Group A tax-free threshold which broadly applies to transfers between parents and their children from €310,000 to €320,000.

Film Corporation Tax Credit

To support the continued growth of the film industry in Ireland, I am legislating to extend the film corporation tax credit beyond the current end date of 2020, until December 2024.

To ensure all areas of our country can benefit from the film industry I am also introducing a new, time-limited, regional uplift of an additional 5 per cent that will taper out over 4 years.

Full details of the relief will be set out in the Finance Bill to be published next week.

Tax Appeals Commission

Today I am publishing an independent review of the operations and resources of the Tax Appeals Commission, which I commissioned earlier this year. I fully support the recommendations of the review, which include the sanctioning of additional staffing resources at all levels and additional funding for improved IT systems, so that the Commission can adequately address its caseload and remit.

Tax Relief for Start-up Companies

This Government recognises the value of SMEs to the economy and to job creation. In light of this, I am legislating to extend the three year tax relief for certain start-up companies until the end of 2021.

Availability of credit is a key consideration for all businesses, and I am aware of the growth of crowdfunding. With appropriate regulation, I believe that crowdfunding can play an important role in broadening competition in the SME finance market. My Department will begin work, in conjunction with the Central Bank, on the regulation of crowdfunding in Ireland.As part of this process we will review the withholding tax obligations for peer-to-peer lending activities, with a view to their amendment as appropriate following the introduction of regulation.

Publications

I am retaining the 9 per cent rate for newspaper publications and I also propose to reduce the rate for electronic publications from 23 per cent to 9 per cent. This will assist national and regional newspapers to remain competitive and meet the challenges of the modern media landscape.

Betting

In the area of betting, the Government's priority has been to level the playing field by extending the tax to remote bookmakers and betting exchanges. This was achieved in 2015 and I believe it is timely to increase the tax from 1 per cent to 2 per cent on amounts wagered in the State.

In addition, betting duty on the commission earned by betting intermediaries or exchanges will increase from 15 per cent to 25 per cent. These increases will take effect from 1 January 2019 and will generate an additional €40 million in 2019 and €52 million in a full year.

Climate Change

Budget 2019 builds on the new commitments made in the National Development Plan, which represents a step-change in funding commitments for climate action.

One in every five euros in Exchequer investment in the Plan will be devoted to addressing climate change. This will provide a significant reduction in carbon emissions over the period to 2030.

In 2019, the Department of Communication, Climate Action and Environment will invest over €164 million in targeted measures to achieve Ireland's energy efficiency and renewable energy objectives, in line with the Government's National Mitigation Plan.

Additional climate related measures across other Departments in 2019 include:

- €103.5 million for improvements in grant and premium rates for planting forests;
- Introduction of the Beef Environmental Efficiency Pilot (BEEP) to further improve the carbon efficiency of beef production;
- €70 million for the Targeted Agriculture Modernisation Scheme (TAMS); and
- Additional funding of €70 million for the Environment and Waste Management Programme.

In relation to tax measures, I am extending the VRT relief for hybrid vehicles until end 2019. I will then review these reliefs in the context of the overall changes to VRT brought about by the new emissions measurement system, the WLTP. The new system will increase the amount of VRT payable on many new cars. The measures were introduced on a transitional basis this September when it was estimated that there will be an increase of some 7 per cent in emissions; this will rise to 20 per cent with effect from 2020 when the transitional arrangements no longer apply.

In line with several other EU States and in support of climate and public health policy, I am providing for a 1 per cent surcharge for diesel vehicles to apply across all VRT bands.

Carbon Tax

Turning to Carbon Tax, I welcome the ESRI report as a first step in better understanding the environmental, social and economic impact of Carbon Tax. It is my intention to put in place a long-term trajectory for Carbon Tax increases out to 2030 in line with the recommendations of the Climate Change Advisory Council and the special Oireachtas Committee which are examining climate changes.

Gas Propelled Vehicles and Refueling Equipment

I will be introducing a new accelerated capital allowances scheme for gas-propelled vehicles and refuelling equipment. This is designed to encourage the uptake of gas-propelled commercial vehicles as an economic and environmentally friendly alternative to diesel.

The Green Public Transport Fund was established to support the uptake of low carbon, energy efficient technologies within the public transport sector and as set out in the National Development Plan, Ireland will no longer purchase diesel-only buses for the urban public service obligation (PSO) bus fleets after July 2019.

Green Budgeting and Green Finance

The publication of a Special Report from the UN's International Panel on Climate Change underscores the need for resolute action across all areas of public policy to meet our commitments under the Paris Agreement.

In support of this, I am committing Ireland to joining the Paris Collaborative on Green Budgeting. Under this initiative, we will develop new and innovative ways of embedding climate change in the budgetary process. As a first step, my Department will publish a list of all Exchequer climate related expenditure in this year's Revised Estimates Volume.

The National Treasury Management Agency (NTMA) will also shortly be issuing Ireland's first ever green bond. This bond will broaden the funding base for Ireland's debt and, in future, may even allow the financing of climate related expenditure at a lower rate of interest than other expenditures.

AGRICULTURE AND RURAL IRELAND

Turning now to Agriculture, which of course, makes a significant contribution to our economy and society.

However, the sector is facing a number of threats with Brexit posing specific challenges.

To support the sector and in particular, disadvantaged farmers, I am allocating an additional €57 million of current expenditure to the Department of Agriculture, Food and the Marine in 2019.

€60 million in current and capital Brexit related supports will be provided to improve resilience in the farm sector, as along with supporting productivity improvements in the food sector. As well as making provision for the initial staffing and ICT needs in relation to the regulatory requirements of Brexit, Agencies will be allocated additional resources to promote new markets and retain competitiveness.

I also recognise that 2018 has been a difficult year for farmers. With that in mind, I am renewing the existing stock relief measures for a further three years. To help support more farmers to cope with the problem of income volatility, I am extending income averaging to farms with off-farm trading income.

I also intend to provide for a three year extension of the Young Trained Farmer stamp duty relief, which was due to expire at the end of this year.

RURAL AND COMMUNITY DEVELOPMENT

This Government is fully committed to supporting the sustainable development of Ireland and through the Department of Rural and Community Development, I am allocating an additional €53 million in capital next year to fund the first round of projects under the new Rural Regeneration and Development Fund.

This fund represents an unprecedented commitment by this Government to strengthen our rural economies and communities.

In the context of Brexit, I am also pleased to provide increasing funding for the PEACE programme which will support economic and social stability in the Border region at this particularly important time.

TACKLING CRIME

Turning to the area of policing, three weeks ago saw the publication of the Report from the Commission on the Future of Policing in Ireland. I would like to complement the Commission on an excellent report that lays the groundwork for the transformation that is required.

Reflecting my commitment to this transformation, next year I am increasing the budget of An Garda Síochána by €60 million or 3.5 per cent.

This increase allows for recruitment of up to 800 Gardaí and will support Commissioner Harris to drive the reforms that our citizens deserve.

The years ahead offer much opportunity for policing in Ireland.

I am allocating an additional €60 million current expenditure to the broader Justice sector – an increase of approximately 7 per cent which will be used to:

- provide additional asylum accommodation;
- widen the Magdalen scheme;
- fund reforms within the Department of Justice and Equality and the Courts Service;
- address pressures on Criminal Legal Aid and in Prisons; and
- respond to the demands faced by the Office of the Data Protection Commissioner in its EU-wide role.

The 2019 capital allocation of €220 million includes:

- construction of the Forensic Science Laboratory;

- investment in Garda ICT and the purchase of Garda vehicles; and
- works on Limerick prison.

DEFENCE

In the Defence sector, €29 million will be provided for additional major investment projects for 2019.

This will fund a programme of equipment replacement and infrastructural development across the Army, Air Corps and Naval Service.

These investments will make a significant contribution to the security of our nation as will the expansion of Ireland's international presence.

OUR GLOBAL FOOTPRINT AND ODA

As part of our Brexit strategy, we are opening new markets for our businesses and promoting our international profile through our Global Ireland 2025 strategy, which aims to double Ireland's global footprint.

Investing in our international presence in this way will enable Ireland to be more ambitious in advancing our strategic international objectives, promoting our values and exerting our influence, both within and beyond the European Union.

The Strategy has already realised significant commitments, including opening a new Embassy in Wellington, New Zealand and a new Consulate in Vancouver, Canada, as well as strengthening existing diplomatic missions.

In addition, today's budget also includes the most significant increase in Ireland's international development cooperation budget for many years, with our overseas aid set to increase by almost €110 million in comparison with figures outlined in Budget 2018.

This brings our overseas development assistance to its highest level in ten years. At 0.31 per cent of GNI*, this level of assistance represents a clear statement that this Government and the Irish people will not be found wanting in addressing some of the major humanitarian crises and development challenges our planet faces.

SPORT

Investment in sport remains a priority for this Government and I am committing €126 million across a range of sporting initiatives next year.

Our continued spending in sport means that we are making progress towards doubling our investment in this area, a key commitment of our National Sports Policy.

I am providing over €41 million next year for investment in sports projects, which will benefit clubs and organisations in every county in Ireland.

I am retaining the 9 per cent VAT rate for sporting facilities.

CULTURE

To the Department of Culture, Heritage and the Gaeltacht, I am allocating an additional €15 million in current funding and €21 million in capital.

This increased funding is tangible evidence of the importance attached to our cultural and creative heritage under Project Ireland 2040. This will put spending in the sector on a trajectory that will see funding doubled by 2025.

The increased funding will:

- facilitate the planning and early stage implementation of the Department's 10 year Capital Plan;
- increase support for arts and artists via the Arts Council and Creative Ireland; and
- additional restoration and development works across our built and natural heritage portfolios.

A FOCUS ON CHILDREN

I am pleased to announce an additional €127 million for the Department of Children and Youth Affairs in 2019. This funding will facilitate our children and young people in reaching their potential, it will support the protection of our most vulnerable children and will assist hard pressed families in accessing childcare.

Funding for Tusla will increase by over €30 million to just over €786 million, while funding for early learning and childcare will increase by just under €90 million to €574 million. Acknowledging the importance of early intervention in the lives of children, this funding supports the ECCE Pre-School Programme and the ongoing development of the Affordable Childcare Scheme.

I am also pleased to announce that the income thresholds for the Affordable Childcare Scheme will increase next year. In net terms,

- the base income threshold is being raised from €22,700 to €26,000;
- the maximum income threshold will go from €47,500 to €60,000; and
- the multiple child deduction will increase from €3,800 to €4,300.

This scheme makes a real difference to the lives of thousands of families not only in terms of accessing childcare but also in terms of encouraging people back into the workplace.

INCENTIVISING WORK

Turning to incentivising work, the income tax system has been transformed since 2008. It is now broadly based and stable and I am committed to ensuring this remains the case. I will not be drawn into unrealistic promises that risk repeating the mistakes of the past by undermining the stability of tax receipts.

Instead, I will continue to make targeted changes to the income tax system within available resources to reduce the tax burden on low and middle income earners.

INCOME TAX REFORM

This Government believes that workers enter the higher rate of income tax at too low a level of income. We cannot hope to remain competitive if someone who is on a relatively low income works overtime and has nearly half that extra money taken in tax.

To ease the burden facing low and middle income earners, I am again increasing the entry point to the higher rate of income tax for all earners by €750, raising it from €34,550 to €35,300 in the case of a single worker.

I will also be reducing the third rate of the Universal Social Charge (USC) from 4.75 per cent to 4.5 per cent to give a further targeted benefit to low and middle level incomes.

The impact of these changes means that the top marginal rate on incomes up to €70,000 will be reduced to 48.5 per cent and fewer people on incomes around the national average will have any income subject to the 40 per cent rate of income tax.

I am making some modest changes to give a particular support to minimum wage workers, all of which will take effect from 1 January 2019.

- the hourly minimum wage will be increased to €9.80 following the recommendation of the Low Pay Commission;
- the ceiling of the second USC rate band will be increased from €19,372 to €19,874 in order to ensure that the salary of a full-time worker on the minimum wage will remain outside the top rates of USC; and
- the weekly threshold for the higher rate of employer's PRSI will be increased from €376 to €386 to ensure that there is no incentive to reduce working hours for a full-time minimum wage worker.

Other targeted measures are being introduced to help working families and the self-employed.

For the 80,000 families where one spouse works primarily in the home to care for children or other dependants, I am happy to announce an increase to the Home Carer Credit of €300. This brings the value of the credit to €1,500 per year.

For the 150,000 self-employed workers who make up an important part of our economy, the Earned Income Credit will be increased by a further €200 to €1,350.

The income tax changes I am making today are responsible.

They provide targeted relief for those on lower and middle incomes.

They do not erode our tax base and they are sustainable.

Another area the Government is providing sustainable improvements is in public service pay.

PUBLIC SERVICE PAY AND NEW ENTRANT PAY

We are now entering the second year of the Public Service Stability Agreement, through which Government is committing €1.2 billion to increase pay for public servants over the period 2018 to

2021. This benefits different income groups by between 6.2 per cent and 10 per cent over a 3 year period.

These increases are in line with general wage developments in our economy and provide a negotiated pathway for the dismantling of the financial emergency legislation; a core commitment of the Programme for Government.

We have also delivered on the establishment of the Public Service Pay Commission which recently published its second report into recruitment and retention in the Health Service. While the Commission found that there were no general recruitment and retention difficulties for nursing and midwifery, they did recommend a targeted €20 million increase in certain allowances.

This Government accepts the findings and recommendations of the Pay Commission. Resources have been allocated to implement this recommendation from March 2019 subject to acceptance by the relevant unions.

On the issue of new entrant pay, the measures recently agreed with the Irish Congress of Trade Unions make good on this Government's commitment and provide certainty. The agreement equalises the length of time both new and existing members of staff will take to reach the end point of their salary scales.

It will cost approximately €200 million out to 2025 and will benefit over 61,500 new entrants including 16,000 teachers, nearly 5,000 Special Needs Assistants and almost 10,000 nurses.

As with all elements of Government expenditure, ensuring value for money from this additional investment is vitally important.

EXPENDITURE REFORM

To support the value for money initiative across Government, my Department is engaged in a multi-annual spending review process to promote the development of better policy options. Today I am releasing additional spending review papers which brings to 50 the number of analyses produced for the spending review over the past two years.

Furthermore, my Department will publish an additional 15 papers today which focus on areas including Social Impact Assessment and Prevention and Early Intervention. This work informs many of the decisions I have announced today.

This Government believes that the public has a right to know how and why decisions are made and the impacts that these decisions will have.

Through the Open Data Initiative, Public Service Performance Reporting and the National Economic Dialogue, we have already made much progress on delivering increased transparency.

Just a number of weeks ago, my Department published, for the first time, an interactive, user-friendly capital projects tracker as part of the National Development Plan.

This tracker provides:

- details of costs, timelines, location and many other useful indicators across 270 projects and programmes; and

- a template for a more open approach to Government.

I will be working with my Ministerial colleagues to extend this framework to more areas of expenditure over time.

This type of transparency also extends to how we now prepare our budgets.

A good example of this can be seen through the introduction of equality and gender budgeting, which is bringing greater awareness to the impacts of budgetary decisions and greater transparency to the areas which need attention.

Having successfully piloted the initiative across six programme areas in 2018, next year I am expanding the initiative to broaden its scope to other dimensions of equality including poverty, socioeconomic inequality and disability. This expansion is being supported by an Equality Budgeting Expert Advisory Group, which will bring expert knowledge on how best to progress this important work.

CONCLUSION

Budget 2019 further secures the shared progress we have made.

It provides record levels of funding to continue to improve our public services.

It helps those on low and middle incomes.

It increases living standards for those less well off in our society.

It balances our books.

It provides significant investment to build resilience in our economy and support its long term growth.

It makes us Brexit ready by providing sufficient flexibility to deal with the risk of a more disorderly outcome. This will be done by balancing our books,while allowing us to invest €1.5 billion in our country's future, including measures such as:

  - the Human Capital Initiative;
  - the Future Growth Loan Scheme;
  - Over €110 million for Brexit measures across a number of Departments; and
  - additional Exchequer and semi-State capital across a range of sectors.

This is responsible; this is sensible; this is consistent with maintaining stability in the public finances.

Most importantly this is a caring Budget that recognises the real social needs our citizens face and provides the sustainable funding and effective polices to address them.

Budget 2019 is about securing our future, renewing the centre.

It addresses the risks we face both domestically and on the international front.

The Budget I have announced today is a progressive budget with an emphasis on strengthening our national finances.

It is a responsible Budget for a modern and caring Ireland that aims to be at the centre of a changing world. I commend the Budget to the House.

Ends.