**Statement of the Minister for Finance and Public Expenditure and Reform**

**Mr. Paschal Donohoe T.D.**

**8th October 2019**

## INTRODUCTION

A Cheann Comhairle,
This is a Budget without precedent.

In bringing it to this House, we seek to manage risk for our nation while aiming to make progress on so much, from the health of our national finances, to the quality of our public services and to the great challenge of climate change.

But, these are also times without precedent.

And, as we respond, we do so with the resources of a well-run economy and the purpose and certainty of good government and responsible politics.

This is a budget that has been developed in the shadow of Brexit.

And the context for Brexit has now shifted to No Deal as our central assumption.
This does not mean that No Deal is inevitable.

But equally we stand ready if it does happen.
In preparing for No Deal, we can ensure that the Government has the necessary resources at its disposal to meet the impact of Brexit, while keeping our public finances on the credible and sustainable path they have been on since 2011.

Our responsible management of the public finances means that we will meet the challenge of a No Deal Brexit from a position of strength.

This year we have eliminated the deficit and are projecting a surplus of 0.2 per cent of GDP.

In the event that the UK leaves the EU with an agreement, we will continue to build on this surplus.

And in the event of a No Deal, we will intervene in a sustained and meaningful way to support jobs and the economy.

We stand ready to act.

Intervening to support the economy in the event of a No Deal will see the surplus swing to a deficit of 0.6 per cent of GDP next year.

However, there is large uncertainty around this given the unprecedented nature of a disorderly Brexit.

And while this would be a setback, it is important to place it in the context of our recent strong performance in restoring the public finances – for example, moving from a deficit of 2 per cent of GDP in 2015 to a balanced Budget last year while meeting the demands of an increasing population.

It is also the right thing to do for our economy, our society and our citizens for whom Brexit is something they did not choose and had no hand, act or part in.
But make no mistake, No Deal will be challenging.

But it is a challenge Ireland has the measure of.

I wish to acknowledge the contribution of my Government colleagues in preparing this Budget and the positive engagement of the main opposition party in the context of the Confidence and Supply Agreement.

**PREPARING FOR BREXIT**

Brexit is the most pressing and immediate risk to our economy and with just 23 days to go before the UK is due to withdraw from the EU, the decisions I am announcing today have been influenced by the increasing likelihood of a No Deal.

As I stated in the Summer Economic Statement, the economy is poised at a point between the twin risks of overheating and Brexit.

In addition, risks to the global economy are multiplying.

A No Deal Brexit will mean a slower pace of growth in Ireland.

However, this would be on a different scale to the multiple crises our economy faced during the great recession.

Employment growth will slow, but we still expect an additional 19,000 new jobs to be created next year.

An increase in tax revenue is also in prospect for 2020.

However, the risks associated with a No Deal outcome could become more severe than forecast.

The rate at which we create new jobs may be slower which could put pressure on tax revenues.

And while currently low, the cost of borrowing and market sentiment can shift rapidly, as Ireland's recent experience shows.

This Government is clear about the challenges posed by Brexit.

This is why we have been actively preparing for Brexit since before the Referendum in 2016.

At all times we have sought to protect our citizens and support the economy, enterprise and jobs.

To date we have:

- Published two comprehensive Contingency Action Plans;
- Enhanced physical capacity at our ports and airports;
- Provided training and financial supports to increase our customs capacity; and
- Recruited 750 additional staff in key areas.

In addition, we have made up to €600 million available through the Future Growth Loan Scheme and Brexit Loan Scheme.

This is already helping our businesses to mitigate the risks of Brexit.
However, our central scenario is for a No Deal Brexit.

This means that we must increase the level and range of supports to ensure that our economy is protected.

That is why I am today announcing a package of over €1.2 billion, excluding EU funding, to respond to Brexit.

This package is in two parts.

In the first part I am making approximately €200 million in Brexit expenditure available next year.

I am allocating this across a number of Departments and Agencies to increase the level of staffing, upgrade infrastructure at our ports and airports and invest in Information Technology (IT) and facilities management.

This is to ensure we are ready for Brexit, whatever form it takes.

**STANDING READY FOR NO DEAL**

If a No Deal happens, we will intervene to further protect our economy.

This intervention will be based on the following principles.

This funding is available to manage a No Deal Brexit.

It will be borrowed money.

**<u>If we do not need it, we will not borrow it.</u>**

If No Deal does not happen, it will not be borrowed for other purposes.

A No Deal is unpredictable and different sectors could be impacted in different ways.

Ceann Comhairle, our response to No Deal will demand flexibility and responsiveness.

In the event of No Deal, €650 million will be made available to support the Agriculture, Enterprise and Tourism sectors and to assist the most affected citizens and regions.

Of this, €220 million will be deployed immediately in the event of a No Deal.

From this, €110 million for enterprises has been identified for the first wave of funding for targeted new interventions to help vulnerable but viable firms adjust to a No Deal Brexit.

These interventions will support firms of all sizes at all levels of difficulty with a particular focus on sectors most exposed, including food, manufacturing and internationally traded services.

Support will be by way of grants, loans and equity investment and will include:

- A €45 million Transition Fund;
- A €42 million Rescue and Restructuring Fund;
- An €8 million Transformation Fund for Food and Non-Food businesses;
- €5 million extra for Micro Finance Ireland;
- €5 million for a Local Enterprise Offices Emergency Brexit Fund;
- €2m extra for Intertrade Ireland; and
- €3m extra for Regulatory Bodies.

€110m will be provided through the Department of Agriculture, Food and the Marine Vote in the event of a No Deal Brexit.

The provision of immediate supports for our beef sector will be a first priority, as will support for our fishing fleet.

We also want to support food companies to re-orient towards new products and markets. To do this:

- €85 million will be provided for beef farmers;
- €14 million for fisheries;
- €6 million for other livestock farmers and mushrooms sector; and
- €5 million for the food and drinks processing industry.

In addition, €40 million of funding for the tourism sector will be provided from the €650 million contingency. This funding will focus on:

- The regions that will suffer most from a No Deal Brexit, such as the Border counties and the South-East;
- Targeting the British market, through Tourism Ireland;
- Dedicated promotions in other key markets, such as North America and Europe;
- Encouraging direct access into our regional airports and ports from overseas markets; and
- Domestically, for Fáilte Ireland to support tourism enterprises through the Brexit Response Programme.

The sequencing and deployment of the balance of €390 million of Brexit contingency expenditure will be determined closer to the time.

This funding will assist our farms, our businesses and our citizens should no deal happen.

Alongside this, €365 million will also be provided for extra Social Protection expenditure on the Live Register and related schemes with a further €45 million being made available to assist people to transition to new employment opportunities.

I believe these supports will be sufficient but if required, this Government stands ready to do more.

**RAINY DAY FUND**

If the economic impact of a No Deal is more severe than forecast, I am prepared to use resources that would otherwise have been dedicated to the Rainy Day Fund.

The rationale for the Rainy Day Fund is to accumulate funding that can be deployed in the event of an adverse shock to the economy.

Given the small size and openness of the Irish economy, the use of this type of funding is an important way to protect the economy in more challenging times.

My original intention was to transfer €500 million to the Rainy Day Fund from the Exchequer this year, with an additional €1.5 billion being transferred from the Ireland Strategic Investment Fund.

While I am committing that this €1.5 billion will be transferred to the Rainy Day Fund, given that a No Deal Brexit is more likely, I have decided not to transfer the additional €500 million from the Exchequer this year.

This is the appropriate response to the more challenging economic environment we may be facing.

It will ensure that we have in place the right supports so that our economy is protected from the impacts of Brexit and it ensures that Government can continue to protect our public services in the years ahead.

**ECONOMIC PROGRESS IN 2019**

As we prepare for Brexit, I can confirm to the House that our economy is in a strong position.

After a long and difficult journey, balance was finally restored to the public finances last year. Despite many challenges, our economic growth is broadly based.

Public capital investment will increase by 22 per cent this year.

The unemployment rate has fallen to 5.3 per cent from the peak of 16 per cent in 2012.

Tax revenues are largely in line with forecasts for this year with €40.7 billion collected to end-September, an annual increase of 8.7 per cent.

We expect to meet our revised target of €58.6 billon by end year.

The Department of Finance, with the endorsement of the Irish Fiscal Advisory Council (IFAC), is forecasting GDP growth of 5.5 per cent for this year, up from 3.9 per cent in the Stability Programme Update.

The economy is forecast to grow by 0.7 per cent next year.

IFAC has also pointed out the uncertainty around this given the unprecedented nature of a disorderly Brexit. I share this assessment.

The same is true for the forecast of the budgetary position next year.

My Department is forecasting a deficit of 0.6 per cent, but in reality there is a wide margin around this given this unprecedented event. Furthermore, it does not take account of any expenditure from the Rainy Day Fund.

It is imperative to boost the resilience of the Irish economy in order to minimise, in so far as is possible, any future disruption.

The Budget I am announcing today is designed to protect recent progress in our economy.

It will act as a bridge to a better future for our country.
Crucial to this will be how we manage our public spending.

**SUSTAINABLE EXPENDITURE**

Since 2011 we have diversified our economy and it is now more balanced.

In the run up to the crisis, nearly 11 per cent of jobs in the Irish economy were in construction; today, that figure is just above 6 per cent.

When it comes to the public finances, the contrast is even more stark.

At the peak of the last economic cycle, day to day spending had grown by 57 per cent, an average increase of 11 per cent each year.

By contrast, between 2015 and 2019, as we emerged from the bailout period and with significant pent-up pressures in our economy, day to day spending has grown by a more modest 19 per cent – an average annual growth rate in the region of 4 per cent.

As such, we are entering a time of uncertainty from a position of strength and I am confident that we are more than capable of meeting the challenges ahead.
So today's Budget has two strands to it.

The first strand deals with the extra steps we are now taking to face up to the very real risk of a No Deal Brexit.

The second will ensure that we can improve our public services, and help our most vulnerable citizens.

The sustainable funding and effective delivery of our public services is the touchstone for good government.

So it is an important principle that, when a Government sets out its plans for the future budget, people should have confidence that the Government will indeed deliver a budget of this scale – not more, and certainly not less.

As Minister for Finance and Public Expenditure and Reform, I take this responsibility seriously and this is what we have endeavoured to do.

In the past, it has proven difficult to deliver a Budget in October which lines up closely with the Government's plans from the first half of the year.

In part, this was due to cost pressures that have arisen especially in the Health sector.

Those overruns have had to be dealt with, on top of the planned budgetary package.

As IFAC has repeatedly stated, this is not a satisfactory way to manage the budget process from year to year.

I accept this view.

This year marks a turning point in overcoming these problems. In total, the supplementary estimates that I am providing this year are less than half of last year.

They are still high, but a significant reduction has occurred.

My colleague the Minister for Health, and the new leadership team in the HSE, have succeeded in containing the additional pressures in the Health sector to less than half of the level of last year.

The new HSE Governance Board can prepare a 2020 National Service Plan with improved health services for our citizens, and without carrying over a large financial overhang from this year.

In other words, 2020 will see a full transition to a new, sound and stable model of financial governance within the health sector.

In the Summer Economic Statement I stated that €2.8 billion of additional resources were available for 2020. Of this, €2.1 billion has been pre-committed to expenditure measures, leaving €700 million to be allocated.

To enhance the resources for allocation in this budget, I am implementing targeted tax changes to the net value of around €300 million. This is paying for additional expenditure, bringing the total net Budget package to just over €2.9 billion.

Within this package, which incorporates fully the extra expenditure pressures to be carried over from 2019, current spending will increase by 3½ per cent compared to what we expect to spend by the end of this year.

I believe this is appropriate at this stage of the economic cycle.

This is a different approach from last year, which fully takes on board IFAC's concerns.

This approach balances stability – a very precious commodity in these uncertain times – with the need to protect and enhance the public services that our citizens depend upon.

The details of these increases, and what they mean for our public services, are set out in the Expenditure Report.
Total voted expenditure in 2020 will be €70 billion.

This will allow Government to fund new capital investment projects, respond to demographic demands and provide targeted improvements in public services.

**CLIMATE CHANGE**

While Brexit represents our most immediate economic risk, climate change is without doubt the defining challenge of our generation.

We need to prove that we can grow the economy while reducing our environmental impact.

For the first time, we now have a plan that sets out a pathway towards achieving our 2030 climate and energy targets.

The Climate Action Plan will be supported by the climate related National Development Plan investment of €8.1 billion and a further €13.7 billion of investment by our State companies.

But this investment, by itself, will not solve Ireland's climate challenge.

**Carbon Tax**

Bold decisions are needed on our investment priorities but also on taxation and regulation.

Carbon pricing is part of this.

There is cross-party support to increase the price of carbon from €20 today to €80 per tonne by 2030. This would raise an additional €6 billion that could be invested in decarbonising the economy while also protecting the most vulnerable from the increases in living costs associated with the carbon tax.

I know that this will not be easy for everyone.

Therefore, instead of a larger increase in any one year, I am committing to a €6 increase as a first step towards the 2030 target. It is this Government's intention, and my ambition, to increase this steadily to meet the 2030 target.

This increase will apply from midnight tonight to auto fuels but its application to other fuels will be delayed until May 2020, after the winter heating season.

This measure will raise €90 million in 2020 all of which will be ring-fenced to fund new climate action measures which will:

- Protect the most vulnerable in society;
- Support sustainable mobility projects;
- Deliver new agri-environmental schemes; and
- Invest in our low carbon future.

**Investing in our low carbon future**

We know that climate disruption is already impacting our country. In the Midlands in particular, job losses are already being experienced.

Midland communities feel very threatened by the potential closure of Bord Na Móna and ESB power stations in their region.

These companies have sustained families and communities for many decades. While it is accepted that there is a need to change, it is the Government's duty to ensure that no one cohort of citizens, workers, communities or enterprises is left behind by this disruption and the Midlands will be the first region facing this disruption.

This is why I am using a portion of the carbon tax revenues next year to fund a package targeted at the Midlands. The Government will work with local communities on the best use of this funding.

Twenty million euro will be dedicated to the creation of a new energy efficiency scheme targeted, initially, at the social housing stock in the region. This will create new, sustainable employment in the region.

I am providing a further €5 million for peatland rehabilitation. This is a 250 per cent increase in the budget allocated for peatland rehabilitation, which supports the reduction of greenhouse gas emissions and enhanced bio-diversity.

In addition, a dedicated new Just Transition Fund is being created. This fund will be devoted to those priorities identified by local communities. Six million euro will be available for this Just Transition Fund in 2020.

To help communities determine the most pressing priorities, the Minister for Communications, Climate Action and Environment, Richard Bruton TD, will shortly appoint a Just Transition Commissioner.

The Commissioner will engage with all relevant stakeholders in the Midlands, including Bord na Móna and the relevant unions, and will work closely with the National Economic and Social Council and with the local taskforce.

Investment of this scale in energy efficiency will support over 400 environmentally sustainable jobs, with up to 100 more jobs through expanded peatlands rehabilitation.

**Other climate related tax changes**

In relation to tax measures and in support of climate and public health policy, I am replacing the 1 per cent diesel surcharge introduced last year with a nitrogen oxide (NOx) emissions-based charge.

This surcharge will apply to all passenger cars registering for the first time in the State from 1 January 2020. The charge will apply on a euro (€) per milligram/kilometre basis, with the rate increasing in line with the level of nitrogen oxide emitted.

The surcharge reflects the detrimental effect of these emissions on our environment and will have a particular impact on older, more pollutant cars.

In addition, in the Finance Bill I will:

- Introduce an environmental rationale for Benefit In Kind for commercial vehicles from 2023;
- Extend the Benefit In Kind zero rate on electric vehicles to 2022;
- Extend VRT reliefs for conventional and plug in hybrids to 2020, subject to $CO_2$ thresholds;
- Reduce qualifying $CO_2$ thresholds for reliefs in respect of Capital Allowances and VAT reclaim on commercial vehicles; and
- Provide additional relief through the Diesel Rebate Scheme to hauliers to compensate that sector for the increased cost of fuel.

Furthermore, in line with the recommendation in the Climate Action Plan, I am equalising electricity tax rates for business and non-business.

These are necessary changes to support our transition to a low carbon economy. This is important across all sectors including for our businesses.

**SUPPORTING IRISH BUSINESS**

More people are employed in our country today than ever before and this reflects the vital contribution that businesses make to our economy.

Our goal in Government is to support businesses to compete both at home and abroad.

This is even more important with Brexit approaching.

Future Jobs Ireland, along with Project Ireland 2040, Global Ireland 2025 and the Climate Action Plan, represents an integrated approach to prepare for the opportunities and challenges of the future.

Government is backing businesses by allocating nearly €1 billion to the Department of Business, Enterprise and Innovation in 2020. This is a 2 per cent increase and will allow the Department and our enterprise agencies to continue to support business into the future.

Ten million euro of this increase will go towards the Disruptive Technologies Innovation fund, meaning a total amount of €30 million will be available for co-funded projects involving enterprises and research partners in 2020.

One of the key challenges for our SMEs is Brexit and I am conscious that a disorderly Brexit will present unique difficulties.

This is why we already have in place a suite of supports for enterprises, including the Brexit Loan Scheme and the Future Growth Loan Scheme, which are providing up to €600 million in supports for businesses.

I am also putting together a timely package of improvements to a number of tax supports for Irish business.

**Key Employee Engagement Programme (KEEP)**

I am providing for the Key Employee Engagement Programme (KEEP) to apply to company group structures as well as allowing for greater flexibility for employees to move within such structures.

I am also adjusting the rules of the scheme to allow for part-time and family-friendly working arrangements for KEEP employees. These changes are subject to State Aid approval.

**Employment and Investment Incentive (EII)**

I also intend to continue the reform of the Employment and Investment Incentive (EII) that I started last year.

I am allowing for full income tax relief to be provided in the year of investment rather than splitting it over years one and four as has been the case up to now.

I also intend to increase the annual investment limit for the incentive to €250,000 and provide for a new €500,000 annual investment limit being introduced for those investors who are prepared to invest in EII for ten years or more. The legislation will provide that these changes to EII will apply from today's date.

Full details regarding KEEP and EII will be included in the Finance Bill.

**R&D Tax Credit**

Research and Development plays an important role in the economy by contributing to innovation and productivity and ensuring that Ireland is competitive in attracting quality employment and investment.

That is why I am pleased to announce a number of enhancements to Ireland's long standing R&D Tax Credit, with a particular focus on supporting claims to the credit by smaller companies.

Firstly, I am increasing the R&D credit from 25 per cent to 30 per cent for micro and small companies, and allowing an improved method of calculating the limit on payable credit.
I am also introducing a new provision to allow micro and small companies to claim the R&D tax credit on qualifying pre-trading R&D expenditure before commencing to trade. While pre-trading, the credit will be limited to offset against VAT and payroll taxes. These measures will be introduced subject to State Aid approval.

Finally, in respect of all claimants, I am increasing the current limit to third level institutes of education from 5 per cent to 15 per cent. This may be of particular benefit to smaller companies who rely on outsourcing to undertake R&D, and it will also support R&D activities in the third level sector.

**Special Assignee Relief Programme and the Foreign Earnings Deduction**

Earlier this year, I commissioned an independent review of the Special Assignee Relief Programme, (SARP) and the Foreign Earnings Deduction (FED). The review confirms that the policy rationale for the existence and continuation of both is strong.

In addition to the changes to the SME supports that I have just mentioned, and consistent with the findings of the review and my Department's Tax Expenditure Guidelines, I will be extending SARP and FED until the end of 2022.

**Revised Capital Gains Tax Entrepreneurial Relief**

Following the findings of an external review of the revised Capital Gains Tax Entrepreneurial Relief, I do not propose to make any changes to the relief at this time but have asked my Department to consider the outcome of the review to determine any changes that could be made to the relief to better support entrepreneurs and entrepreneurial activity.

**Micro breweries**

In order to allow larger microbreweries to expand, particularly with regard to their export sales, I am increasing the qualifying production threshold from 40,000 hectolitres to 50,000 hectolitres. I am retaining the cap of 30,000 hectolitres as the volume of relief upon which claims can be made.

**Betting Tax**

In recognition of the difficulties experienced by small independent bookmakers I am introducing a relief from betting duty and betting intermediary duty up to a limit of €50,000 per calendar year. This relief is subject to the conditions laid down in State Aid regulations.

Another key area we must secure for the future is our rural economy which supports thousands of jobs in increasingly diverse areas.

**Extension of relief for farm restructuring**

As such, and subject to State Aid approval, I am extending the farm restructuring relief, introduced in Budget 2013, to the end of 2022 with no change to the conditions of the relief.

**AGRICULTURE AND RURAL DEVELOPMENT**

Agriculture and rural development are cornerstones of our economy, supporting thousands of jobs in increasingly diverse areas.

Challenges facing our rural economy, such as Brexit, globalisation and climate change, will necessitate adaptation over time.

This is why the Government is investing nearly €2 billion in rural Ireland in 2020. This includes an additional €51 million for the Department of Agriculture, Food and the Marine and €17 million for the Department of Rural and Community Development.

Within this, I am allocating €3 million in order to pilot new agri-environmental schemes in 2020. These schemes will help to reduce emissions from the sector, while improving bio-diversity and water quality, and supporting farm incomes.

Conscious of the particular impact that a No Deal Brexit will have on our rural economy, Government stands ready to further increase the level of investment already in place.

**TOURISM**

The tourism sector is another key part of our economy rooted in regional areas and supporting rural job creation.

The tourism sector has been performing very well in recent years. A record 10.6 million visitors from abroad last year has led to record job numbers in the sector.
However, I understand the concerns for the future of our tourism sector.

These stem from the slowdown in economic growth in our main tourism markets, in addition to known negative impacts that a No Deal Brexit would have.

To support the sector in 2020, I am allocating €40 million for tourism specific initiatives and the Government will further support the industry should a No Deal happen.

**GLOBAL IRELAND**

Government will also support the tourism sector by continuing to promote and strengthen Ireland's position internationally.

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

In this context, I am pleased to announce an increase of €21 million in Ireland's overseas development assistance next year. This means that Ireland will provide €837 million in 2020 to be invested in less developed countries.

As part of this, I am announcing that Ireland will double its annual contribution to the Green Climate Fund, which provides much needed financial support to reduce greenhouse gas emissions in developing countries.

**TRANSPORT**

Transforming our approach to transport is also one of the ways we will rise to our climate challenge. The Government's ambitious Climate Action Plan sets out our long term vision.

In order to support this effort, I am allocating €2.7 billion to the Department of Transport, Tourism and Sport in 2020. This is a substantial increase of €384 million on 2019.

This will include investment in our rural transport network.

This funding includes a portion of the 2020 carbon tax revenues to support the sector.

From this, I am providing €9 million for sustainable mobility projects around the country including for greenways and new urban cycling projects.

I am allocating an additional €3 million for electric vehicle infrastructure.
This new funding will:

- Double the number of Local Authority on street charge points that will be installed in 2020;
- Support a new scheme to install communal charging points at apartment blocks; and
- Facilitate the roll-out of fast charging points to taxi ranks at transport hubs around the country.

In addition, €8 million will be allocated to the Department of Communications, Climate Action & Environment to maintain grants for individuals purchasing electric cars.

These measures represent critical steps to future proof our transport system.

**CULTURE, HERITAGE AND THE GAELTEACHT**

In the area of culture, I am pleased to be providing additional allocations in 2020 to facilitate:

- Delivery of the Government's Commemorations Programme in line with the advice of the Expert Advisory Group;
- Increased support for artists and culture;
- Increased investment in Gaeltacht areas and our language, including Údarás na Gaeltachta and our islands; and
- Increased support for biodiversity and the restoration of our peatlands.

This builds on the increases in cultural investment of previous years.
Another area where further investment is required is in housing.

**HOUSING**

Following years of underinvestment, Government has allocated €6.6 billion for the delivery of social housing supports in the last four years.

Building on this, I am allocating over €2.5 billion to the Housing Programme in 2020.

This is an unprecedented level of investment, which will allow Government to continue to respond to the significant increase in demand for housing supports while also prioritising investment in the social housing programme.

In the wider housing market there has been an 82 per cent increase in new dwelling completions between 2016 and 2018.

As a result, house price increases are moderating.

Government policies are helping but more needs to be done.

We will also continue to engage with the credit union movement on appropriate mechanisms for them to establish a vehicle to invest in approved housing bodies.

**Homelessness**

Despite the significant investment in homelessness in the last couple of years, the numbers in receipt of homeless services remains too high.

Therefore, I am allocating a further €20 million for homeless services bringing total funding to €166 million in 2020. This will support people in emergency accommodation and increase preventative measures, long-term support and day services.

**Social Housing**

In the area of social housing, I am allocating capital funding of over €1.1 billion to support the delivery of over 11,000 new social homes in 2020. A further 12,000 units will be delivered in 2021.

I am providing an additional €80 million for the Housing Assistance Payment scheme next year. This funding will support the existing tenancies availing of the payment, as well as an additional 15,750 new tenancies in 2020.

**Affordability**

In order to assist with the provision of new affordable homes, an additional €17.5 million is being provided to the Land Development Agency and €186 million is being allocated for the Serviced Site Fund and Local Infrastructure Housing Activation Fund in 2020.

**Regeneration and Development**

This Government is making €130 million in Urban Regeneration and Development funding available next year. This will support projects that will contribute to the rejuvenation of Ireland's five main cities and other large towns.

**Rental Market**

The high cost of renting is a key concern for this Government. In response, we have introduced Rent Pressure Zones and there are now 44 in operation throughout the State.

In Budget 2020, I am providing almost €2 million in additional funding to the Residential Tenancies Board to support their increased powers to investigate and sanction non-compliance with Rent Pressure Zone measures.

**Help to Buy**

To-date, some 15,000 new homes have been purchased or built by first-time buyers under the Help to Buy Scheme. In order to provide certainty to those who are hoping to buy their first home soon, and to those who are planning and building those homes, I am extending the incentive in its current form for a further period of two years to the end of 2021.

**Living City Initiative**

I can also confirm to the house an extension to the Living City Initiative out to the end of 2022.

**Stamp Duty**

I have decided to increase the rate of stamp duty applicable to non-residential property by 1½ per cent with effect from tonight.

The commercial property market continues to perform strongly and I expect that this increase can be borne by the sector without any significant impact. There are long-standing relief measures which should mitigate the increase in certain circumstances. Normal transitional arrangements will apply for transactions in process.

**Stamp Duty Change – Company acquisitions**

I have decided that, with effect from tonight, stamp duty at the rate of 1 per cent will be applicable where a scheme of arrangement involving a so called 'cancellation scheme', in accordance with part 9 of the Companies Act 2014, is used for the sale of a company.

Full details on these two measures will be contained in the Financial Resolution to be presented to the House later this evening.

**HEALTH**

This Government has overseen the largest investment in our health service in the history of the State.

Building on this, today I am announcing that current expenditure in Health is set to increase by 6.3 per cent to €17.4 billion in 2020.

This represents a €1 billion increase which will be used to fund a supplementary estimate of €335 million and will ensure that we can continue to respond to the significant demographic changes that are placing greater demands on our health services.

Among other changes, I am investing an additional €25 million in the National Treatment Purchase Fund to reduce waiting lists.

I will reduce prescription charges for all persons by 50 cent.

The monthly threshold for the Drug Payment Scheme is being reduced by €10 per month. I am also increasing medical card income thresholds for people over 70 by €50 for a single person or €150 for a couple per week.

This will benefit up to 56,000 people.

Following the success of the rollout of free GP care to Under 6s, from September, the Government intends to expand free GP care to children under 8 and free dental care for children under 6.

These changes represent important cost of living reductions for the most vulnerable in our society.

To further support older people to be cared for in their own homes instead of hospital or residential care, 1 million additional home care hours will be provided in 2020.

Funding to support the Sláintecare Implementation Strategy will include a ring-fenced Sláintecare Integration Fund of €20 million and €12 million Care Redesign Fund, as well as new investment in enhancing community healthcare services with the recruitment of up to 1,000 therapists, nurses and other healthcare professionals.

**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 €13.50.

## EDUCATION

Education is another area that has been prioritised by this Government.

Over €11 billion will be provided to the Department of Education and Skills in 2020. This is the highest ever allocation to the sector and an increase of nearly €2 billion since 2016.

Within this allocation, I am providing for over 150 new mainstream teaching posts in schools and investment of €1.9 billion in special education. This will provide over 400 additional teaching posts to support those with special educational needs and for the hiring of over 1,000additional Special Needs Assistants (SNAs). At over 17,000, we will have more SNAs in schools than ever before.

I am also providing funding for a schools package including supports for small schools, increases in the standard and enhanced capitation rates and additional funding for school books in primary schools.

One hundred and ninety million euro of additional funding has been invested into the higher and further education and training sector since 2018. This has been secured by a phased increase in the National Training Fund levy.

2020 will see a final 0.1 per cent increase in the levy which will enable a further €74 million investment in 2020. It will enable reskilling and lifelong learning with a focus on responding to the sectoral and regional impact of Brexit.

This will complement the major investment in higher education under the €300 million Human Capital Initiative. An additional €60 million in 2020 funding will:

- Provide an estimated 3,000 additional places in identified priority skills areas; and
- Drive continued reform and innovation of our higher education system.

**CHILDREN**

I am allocating an additional €94 million for the Department of Children and Youth Affairs in 2020.

Within this, I am increasing the allocation for Túsla, the Child and Family Agency, by over €29 million, to just over €814 million. This additional funding will support the:

- Continued reduction in the number of children for a social worker; and
- Address cost pressures in private residential and foster care.

Funding for early learning and childcare will increase by €54 million. This increase in funding will:

- Support the continued provision of two years ECCE for all children;
- Ensure the full participation of children with disabilities under the Access and Inclusion Model; and
- Support the introduction of the National Childcare Scheme.

**PROMOTING SAFER COMMUNITIES**

This Government is also delivering in the area of justice and policing.

Investment in the sector will increase by €120 million in 2020, an increase of 4.7 per cent.

Next year I am increasing the budget of An Garda Síochána by €81 million.

This will deliver up to 700 new Garda recruits. In addition, extra civilian staff will allow more trained Gardaí to return to frontline policing.

I am allocating an additional €39 million in current expenditure to the broader Justice sector, an increase of approximately 4.8 per cent.

This will fund increasing costs in direct provision and greater levels of activity in both the Courts Service and the Prison Service.

In addition the Abhaile scheme has been extended for people in mortgage arrears and 2020 will see the establishment of the Judicial Council.

I am also increasing capital investment. An allocation of €265 million in 2020 will support:

- Construction of the new Forensic Science Laboratory;
- The redevelopment and modernisation of Limerick Prison;
- New Garda offices in Dublin to replace Harcourt Square; and

- Further investment in Garda IT to allow their digital strategy to be advanced.

**DEFENCE**

I also want to acknowledge the great work our Defence Forces do, both at home and overseas and I am pleased to be allocating over €32 million in additional funding to the Defence Vote Group.

This increased allocation emphasises the importance attached by the Government to ensuring that the Defence Forces have the resources necessary to deliver on all the roles assigned by Government, both at home and overseas.

**TAX CHANGES**

Turning to our taxation system, I will not commit to across the board personal tax cuts at this time of economic uncertainty as to do so could potentially undermine the sustainability of our public finances.

The unfunded tax cut of today is the unwelcome tax increase of tomorrow.
It is important to avoid a situation in which decisions made this year might be reversed in the future.

I do not want to go down that path again.
Care is needed.

In terms of personal income tax changes today I am announcing an increase in the Home Carer Credit of €100 to bring the value of the credit to €1,600. This will support working families with caring responsibilities in the home.

For the self-employed, I am increasing the Earned Income Credit by €150 to bring the value of the credit to €1,500.

These changes will cost an additional €27 million in 2020.

I am also announcing the extension of the reduced rate of USC for medical card holders for a further year to the end of December 2020.

**Tax Compliance**

I am announcing a two stage process that will increase tax compliance and thereby increase tax yields as part of Budget 2020, focused on ensuring the correct amounts of income tax and USC are paid on the income from distributions of Irish resident companies.

Revenue has identified a potential gap between the Dividend Withholding Tax remitted by companies and the income tax and USC that is ultimately payable by the individual Irish resident taxpayer.

In order to address this gap I am announcing targeted changes to the Dividend Withholding Tax regime that will take place in two steps:

- First, an increase in the rate of Dividend Withholding Tax from 20 per cent to 25 per cent from 1 January 2020.
- Second, from 1 January 2021, Revenue will be introducing a modified Dividend Withholding Tax regime. This will utilise real-time data collected under the newly modernised PAYE system and allow a personalised rate of Dividend Withholding Tax to be applied to each individual taxpayer, based on the actual rates of tax that they pay.

These changes will not alter the underlying amounts of tax that are due to be paid by Irish residents and will increase compliance by facilitating taxpayers in paying the right amount of tax at the right time.

They also provide further opportunity to deliver tangible benefits to taxpayers of the newly modernised PAYE system that has been in effect since January this year.

**Bank Levy**

As I announced in May of this year I have decided to increase the rate at which the banking levy is charged from 59 per cent to 170 per cent. This new rate will preserve the existing contribution of €150 million paid by the affected financial institutions for 2019 and 2020. A Financial Resolution will give effect to this increase from tonight.

## CORPORATION TAX

Ireland has a competitive corporation tax rate. It has served us well and it will not be changing.

Our corporation tax revenue has been growing strongly.
At the end of September, receipts totalled €5,839 million, a year on year increase of 13.2 per cent.

While the increase in receipts is welcome, I am acutely aware of the risks associated with their concentration. This is something I have long acknowledged.

Earlier this year I committed to the publication of a paper which addresses these specific vulnerabilities and the risks they raise for both the economy and the public finances.

Today, I am publishing the Fiscal Vulnerabilities Scoping Paper which examines corporation tax over-performance and policy options aimed at ensuring the sustainability of the public finances.

### Corporation Tax Reform

The certainty of Ireland's corporation tax rate and our broader regime is an important factor in promoting investment here at a time of growing global uncertainty. That certainty is only achievable because we continue to take actions to ensure our tax regime is transparent, sustainable and legitimate.

To that end, I will be continuing to take action on corporation tax reform, as set out in Ireland's Corporation Tax Roadmap.

In the Finance Bill 2019 I will be introducing new anti-hybrid mismatch rules, in line with our commitments under the Anti-Tax Avoidance Directive.

I will also be making a technical amendment to the Exit Tax rules introduced last year to ensure they function as intended, to be introduced via Financial Resolution this evening.

I will also be reforming our transfer pricing provisions to ensure that these are in line with up to date OECD standards. Those new rules will apply from 1 January 2020.

The process of global tax reform is ongoing. The challenge before us is to build a global and robust tax architecture that works for all into the future. I believe that it is in Ireland's interest that this work is successful at ensuring the continuation of a stable and consensus-based international tax framework into the future.

As this work continues into 2020, my priority will be to ensure that Ireland's interests are central to the process of forming that globally agreed consensus.

**Irish Real Estate Funds and Real Estate Investment Trust**

Institutional investors have an important role to play in terms of increasing supply, both of commercial and residential property.

This type of investment is very welcome at a time when increasing supply to meet housing challenges is of the utmost importance.

However it is also essential that an appropriate level of tax is paid by such investors.

Following review of the first financial statements filed this year by Irish Real Estate Funds (IREFs), Revenue has identified that some IREFs have engaged in aggressive behaviour to avoid tax.

Therefore I am introducing a number of new anti-avoidance measures to take effect via Financial Resolution this evening.

These include new limitations on interest expenses to prevent over-leveraging and a measure to combat the artificial avoidance of gains on redemption of IREF units.

I have instructed my officials to intensely scrutinise activities in the IREF regime over the coming year, with a view to taking further action if necessary.

I will also be making a number of targeted amendments to the Real Estate Investment Trust (REITs) regime from today, to ensure that an appropriate level of tax is paid on property gains by REITs.

The REIT framework was introduced to promote stable, long-term investment in rental property by removing a double layer of tax that would otherwise apply on collective investment.

It is not intended to provide an exemption from tax on income or gains, and the amendments I am introducing will ensure that this objective is upheld.

**Capital Acquisitions Tax**

I recognise that there are ongoing concerns about the Capital Acquisitions Tax impact 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 €320,000 to €335,000.

**SOCIAL WELFARE**

In addition to our progressive tax system, this Government's investment in social transfers has significantly reduced the level of inequality in our society.

In previous Budgets, I have provided for significant increases in resources.
The social welfare allocation I am announcing today is more moderate and targeted.

It commits to an increase of €690 million in 2020 for the Department of Employment Affairs and Social Protection.

This will enable us to:

- Maintain the increases in welfare rates from previous years;
- Support the elderly and children and families at risk of poverty; and
- Protect the most vulnerable from the impact of the carbon tax.

With these goals in mind, today I am announcing the payment of a 100 per cent Christmas bonus to all social welfare recipients in 2019.

In 2020, I am increasing by €5 the Living Alone Allowance to help our most vulnerable elderly and disabled people.

I am providing for further increases of €15 for the One Parent Family Payment and Jobseeker Transition income disregards and €10 for the Working Family Payment income threshold for families with up to three children to ensure that work pays.

I am also committing to increases in the Qualified Child Payment by a further €3 for over 12s and €2 for under 12s.

The burden of the increase in carbon tax falls unequally.
That is why I am increasing the fuel allowance by €2 per week and I will match this with increases to programmes that help address the causes of fuel poverty.

I am providing €13 million for the Warmer Homes scheme to provide free energy efficiency upgrades to households deemed to be in or at risk of energy poverty.

This reduces the energy required to adequately heat a home, thus reducing a household's exposure to increases in energy costs.

**CIVIL SERVICE OF THE FUTURE**

Finally, I am proud to be Minister for the Civil Service and want to pay tribute to all our civil and public servants who do great work on behalf of our country and its citizens. The number of public servants now stands at 335,594, an increase of 42,248 since 2014. Civil service numbers have also increased during that period.

Demographic changes and the next wave of technological change will place new demands on our key offices and Departments. The Civil Service of the future will be different in terms of its skills mix, use of technology and geographical footprint. We are therefore developing a longer term vision and strategy for the Civil Service.

As part of this future strategy I have asked my officials to review future workforce and office requirements for our Civil Service and to report to me next year. This review will consider the location of support offices and services to ensure consistency with the goals of Ireland 2040 and balanced regional development.

**CONCLUSION**

Brexit is a great challenge. But our country will grow and our economy will develop.

Budget 2020 aims to make progress on much, at a time of risk, but also at a time of opportunity.

It invests in our future, while meeting the needs of today.

It aims to further improve our national finances while the demands on public spending are so many.

It marks a necessary step in our response to climate change while conscious of the needs and difficulties that this step creates.

And it does all this while continuing to get our country ready for Brexit.

Measures in this budget strengthen our foundations and deepen our resilience.
Few, Ceann Comhairle, expected this Dáil to pass a third budget.

Those hardy few predicting a fourth would hardly have predicted one such as this.

Yet, here we are.

We have shown that the centre of Irish politics can not only hold, but adopt and change.

And, it is in that spirit that I commend this Budget to the House.

**Ends**