Budget 2011

Economic activity has stabilised

- GDP expected to record a small increase this year.
- Exports up 7% in real terms in the first half of this year.
- Manufacturing output up 12% in the third quarter.
- Export orders remained strong in October.
- Live Register down for the third month in a row and redundancies down more than 30%.
- Underlying budget deficit stabilised at 11.6% of GDP.
- Tax revenues ahead of target.
- GDP projected to grow 2.7% per year on average to 2014.

Financial support from the IMF/EU

- Without this support, there would have been serious doubts about the ability of the State to raise funds at a reasonable cost to pay for key public services and to provide a functioning banking system to support economic activity.
- Policies set out in the Joint Programme are a continuation of the Government's strategy for recovery.

Necessity of budgetary adjustment

- €6bn in adjustments in Budget 2011.
- €19bn gap between Exchequer receipts and spending in 2010.
- If we postpone actions, even bigger and more wrenching adjustments will be needed at a later date.

Social protection adjustments

- State can not afford current level of social provision.
- No reductions in the state pension.
- Additional payment of €40 to households that receive the fuel allowance payment.
- Working-age rates down 4%, but still 117% above levels in 1997 and slightly ahead of rates in 2007.
- Child benefit down €10 with an additional €10 reduction for a third child only.

Helping the unemployed

- Refocus the National Employment Action Plan to provide opportunities for education, training and work experience placements.
- Additional 15,000 activation places and supports for the unemployed.
- Extension of Employer Job (PRSI) Incentive Scheme to end-2011.
- Transformation of the Business Expansion Scheme into a new Employment and Investment Incentive to boost job creation by SMEs.

Public investment spending will be kept above 3% of GNP

- Focus our more limited resources on key strategic areas including Education, Enterprise and Tourism Developments; as set out in the National Recovery Plan.
- NPRF to invest in Irish infrastructure assets on a commercial basis in partnership with third party institutional investors.

Public Service Pay and Pensions

- Salaries of the Taoiseach, Tánaiste and Ministers reduced.
- Maximum salary rate of €250,000 in the public sector, including State Agencies.
- Public service pensions above €12,000 cut by an average of 4%.
- 10% cut in the pay for new entrants and changes to new entrant's pension entitlements.

Taxation

A fundamental principle of the Budget is that all taxpayers must contribute according to their means. Those who can pay most will pay most but no group can be sheltered.

- Replace Income Levy and Health Levy with a single Universal Social Charge.
- Remove employee PRSI contribution ceiling.
- Increase the PRSI rate for the self-employed, higher earning public servants and office holders.
- Reduce the value of bands and credits by 10%.
- Tackle over-generous reliefs on private pensions.
- Abolish or restrict many tax reliefs that higher earners use to shelter income unfairly.
- Target the remaining reliefs more clearly on employment growth.
- DIRT up 2% to 27% on ordinary deposit accounts and 30% on longer-term deposit accounts.
- Excise up by 4 cent per litre on petrol and 2 cent per litre on auto-diesel.

Supporting businesses, economic activity and jobs

- No change to Ireland's corporation tax rate.
- Employment and Investment Incentive to boost job creation by SMEs.
- Extend the 3-year corporation tax exemption for start-up companies.
- Extend the accelerated Capital Allowance Scheme for Energy Efficient Equipment for a further three years.
- Fundamental reform of Stamp Duty on homes to stimulate the property market:
  - A flat 1% rate for all transactions of residential property valued up to €1 million with 2% applying to amounts above €1 million.
  - Abolishing all existing reliefs and exemptions for Stamp Duty on residential property.
- New tax incentive to support employment and improve energy efficiency in homes.
- Reduction in the air travel tax to €3 from March 2011 to boost tourism.
- All bookmakers taking bets from Ireland will pay 1% betting duty on those bets in the same way that betting shops currently do.

Fairness of actions taken by Government

The distributive impact of the four Budgets (2009 to 2011) using the SWITCH tax/benefit model is as follows:

- The average income loss for families of the combined tax/social welfare package is almost 7% (€43pw).
- The greatest percentage losses are in the top 70% of the income distribution (i.e. higher earners) progressively rising from 3 to 11% (€16 to €160pw).
- Lower earners (i.e. the 2nd and 3rd income deciles) are largely unchanged under the four Budgets.
- The lowest earners (i.e. bottom income decile) lose 5% primarily due to the reduction in welfare payments from under 25s.