



Budget 2021

What is the Budget and how will it affect me?



So, what is the Budget?

It is the amount of money the Government has to spend each year, and what it decides to spend it on.

On Budget Day, the Government will give a detailed breakdown of how much money it expects to collect in the year ahead (its income) and how that income will be spent across all Government Departments (the expenditure).

Each Government Department gets a piece of this expenditure, called a 'vote', and announcements will be made about key spending areas, such as housing, healthcare, education and so on, by the relevant Department.



How much are we talking about?

In 2020, the Budget was approximately €71.4bn.



Where does Government get this money from?

Most of the Government's income (also called revenue) comes from tax. The main taxes collected by Government are:

- Income tax and Social Insurance on earnings (PAYE, PRSI, USC or Self Employed tax payable)
- Corporation Tax (Tax on profits for companies)
- VAT (on goods and services)
- Customs and Excise Duties
- Other (on property, land, Deposit Interest, Capital Gains and Acquisitions etc)

Other sources of income include EU funds, interest on investments, sales of state assets (e.g. AIB shares in 2017).



What does the Government spend this money on?

There are two types of spending (also called 'expenditure'), current expenditure and capital expenditure.

- **Current expenditure** is the ongoing, day to day expenses of the country, and includes things like the cost of running our schools, hospitals and other essential services. It also includes wages to public servants, welfare payments, housing support payments and servicing the National Debt.
- **Capital expenditure** is where the Government spends money on long-term projects such as buildings, roads, broadband, schools and so on. Capital Expenditure is planned on a 3-5 year cycle, known as an envelope, which sets out a year by year account of the spending involved.



Can the Government do whatever it wants with the Budget?

Yes and No.

Ireland is part of the European Union (the EU). Membership of the EU comes with certain financial conditions. Many of these conditions are set out in the Stability and Growth Pact, a set of rules aimed at making sure all countries within the EU make good financial choices. These choices must also be similar across the EU Member countries.

Another set of rules is set out in the Fiscal Compact, which was introduced in Ireland in 2012. This Fiscal Compact places limits on what Ireland can borrow and how much debt we are allowed carry forward into the following years. Government must submit Ireland's Budget to the EU by the 15th October every year to make sure that it is in line with these rules.



Can the Government do whatever it wants with the Budget? (cont'd)

Once it works within these rules, the Government can collect income and make spending decisions depending on what it has already promised to do in previous years (particularly where it comes to capital expenditures which can spread over 3-5 years) and on what it chooses to make a priority in each year.



What is a Budgetary Stance?

This used to be called the 'Fiscal Space' and is what's left of the Budget once the Government have provided for known current and capital expenditures. The Budgetary Stance for 2021 is estimated at about €900m.



What else affects Budget decisions?

There are many things that might affect how Budget decisions are made. We know, for example, that the number of people living in Ireland is growing, and getting older. That means that Government should spend on areas such as childcare, education and health services to make sure that the basic needs of this ageing population are being met.



When will I feel the effects of the Budget?

Changes to excise duties and VAT tend to happen straight away, so the price of petrol / cigarettes / alcohol and so on will go up or down on Budget day. The final decisions are not made on other areas until the Finance Bill has been passed into law. This is a law that is changed every year depending on the Government's Budget decisions.

Even if you have read the Budget Statement and other documents posted on the Department's website, there is still room for change between the date the Budget is announced (usually in October) and the day the Finance Act is a law (usually towards the end of the year).



Where can I read the Budget day statement?

On the day of the Budget, the Minister for Finance will read a statement giving some details about the main changes to how income is collected and where spending will be made. This is a 'highlights' statement only, and sets out the main priorities. If you want more detail on what exactly is contained in Budget 2021, all of the information is published on **www.budget.gov.ie** as the Minister is speaking.

One useful document is the 'Expenditure Allocations and Estimates for Public Services'. This gives a breakdown of what every Government Department has been given from the Budget, as well as what they were given the year before so you can compare.

Each Department also releases its own press release on the day with key data about its Budget allocation and intended spending areas.



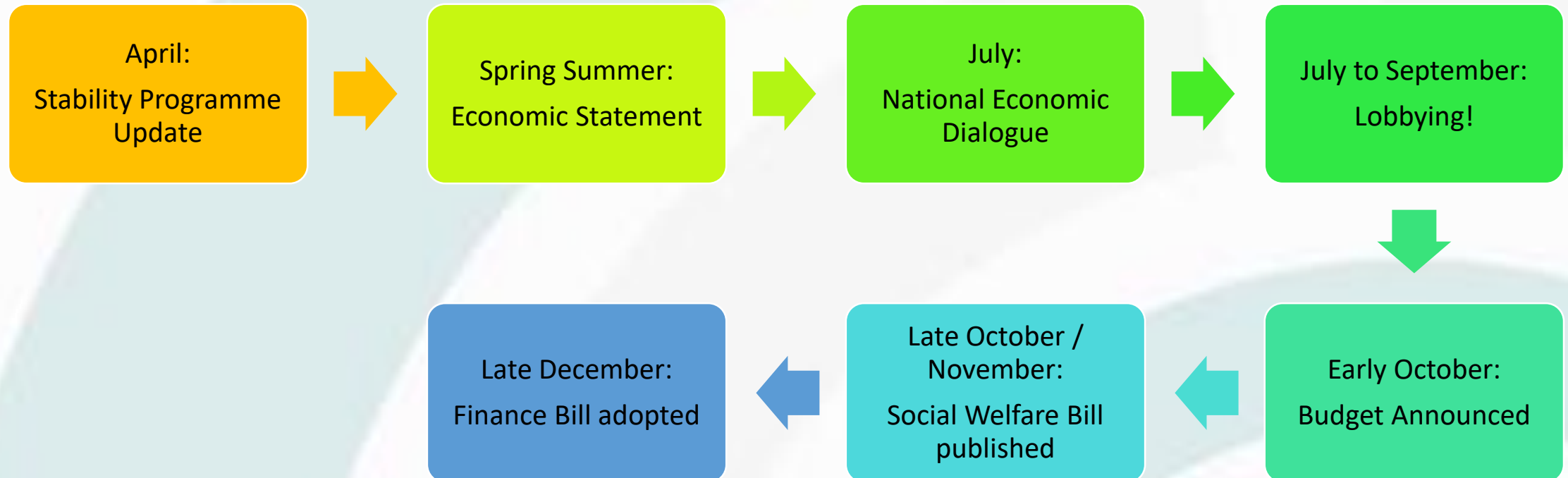
When should I start lobbying for change next year?

The sooner the better!

Budget preparation starts in April, and lobbying really starts to run from about June, so the earlier you have costed proposals ready to present, the more effective you're likely to be.



The Budget Cycle



How can I cost my proposals?

The Parliamentary Budget Office, established in 2017, produces a range of useful briefings throughout the year, which will help you to cost your proposals. These are available on their website at

<https://www.oireachtas.ie/en/how-parliament-is-run/houses-of-the-oireachtas-service/parliamentary-budget-office/>

You could also ask a local TD to raise a Parliamentary Question of the relevant Minister(s) in the Dáil.

For income tax proposals, the Revenue Commissioners produce a handy ready reckoner, available at www.revenue.ie



Other Useful Information

For more information on Budgets and data to support your submissions, check out:

- www.whereyourmoneygoes.gov.ie—a Government website with charts outlining key spending areas.
- www.databank.per.gov.ie— a website operated by DPER giving detailed information on spending.
- www.cso.ie—the website of the Central Statistics Office, providing a range of data on the economy and society.





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