SOCIAL JUSTICE IRELAND

working to build a just society

Budget 2018
Analysis & Critique

OCTOBER 2017

CONTENTS:

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ISSN: 1649-4954

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Modest progress but lacking strategy and ambition

Budget 2018 sees modest improvements for some but fails to get to grips with the scale of the crises needing to be addressed.

Many Irish people today are facing grave and persistent challenges; over 8,000 people (3,000 of whom are children) are without a home; over 213,000 children, or nearly one in five, are at risk of poverty; over 414,000, or one in three, are experiencing deprivation, and 128,000 children, or 11.2%, are living in consistent poverty. Over 90,000 households are on the housing waiting list. Ireland's two-tier healthcare system and the growing regional divide between those living in urban and rural areas are just two more of the challenges that Irish people are facing.

Budget 2018 must be measured by whether it allocates sufficient resources – based on a coherent vision and strategy - to begin to address these crises and to achieve a more equitable distribution of income, wealth and opportunity in Irish society. On this basis, the choices made in Budget 2018 fall far short of what was required and what was possible.

While there are some welcome initiatives and the impact is mildly progressive, *Social Justice Ireland*'s overall assessment is that the Budget fails to get to grips with the major crises and challenges facing Irish society at present. It suggests that Government has not fully appreciated the scale of the response required to address the crises being experienced by so many Irish people.

For almost a decade, Irish people accepted extraordinary levels of austerity as Government sought to deal with the consequences of the economic crash. As we have documented, budgetary choices were made which allocated the burden of fiscal contraction to already vulnerable groups in Irish society and which severely reduced investment by Government at a time when more, not less, investment was required. Today Irish people are reaping the consequences of many of the choices made during those years.

It is now time to devote all the available resources of our expanding economy to tackling the infrastructure and service crises currently being faced by the country, some of which existed even during the years before the crisis. Yet, the choices made in Budget 2018 will only make a small contribution in addressing any of these major challenges. Given the fact that all those engaged in budgetary policy had already acknowledged, if not fully appreciated, the seriousness of the current social crisis the decision to cut income taxes seems both perverse and contradictory. Irish people deserve better than this.

Tax changes could be much fairer

Even if policymakers felt they had to make some tax cuts, the ones chosen are most unfair. *Social Justice Ireland* is very disap-

Continued on page 2

Welcome

- Increase in stamp duty
- Increases in Social Welfare rates
- Increases in State Pension rates
- Change in vacant site levy
- Introduction of a sugar-sweetened drinks tax

Regret

- Provision of inadequate resources to address the social housing shortage
- Unfair choices in income tax package
- The lack of transparency in areas such as the healthcare budget
- Ireland's high incidence of low pay was not adequately addressed

Low Tax, Low Investment, Low Ambition

pointed with the choices made in cutting the Universal Social Charge and income tax. These changes provide larger gains to those on higher incomes compared to those on lower incomes. For example, a single person earning €25,000 gains €65.87 per annum while a single person on €75,000 gains almost five times more (€328.48 per annum). For the same amount of money income tax credits could have been made refundable (thus tackling the working poor issue) and every tax-payer could be given an additional tax credit of €100 per annum. In practice this would have meant that everyone would be €100 better off while the working poor would gain a little more (page 6).

Low total tax-take not sustainable

An increase in Ireland's overall level of taxation is unavoidable in the years to come; even to maintain current levels of public services and supports, more revenue will need to be collected. Consequently, an increase in the tax-take is a question of how, rather than if, and we believe it should be of a scale appropriate to maintain current public service provisions while providing the resources to build a better society.

The Budget has introduced some welcome changes to the provision of capital allowances for intellectual property assets. However, they represent only a partial attempt to address core structural problems in the corporate tax system. These remain and cannot be ignored.

Social Justice Ireland believes that the issue of corporate tax contributions is principally one of fairness. Profitable firms with substantial income should make a contribution to society rather than pursue various schemes and methods to avoid these contributions.

We believe that Government should introduce a minimum effective rate of tax on corporate profits. We have proposed a rate of 6% and regret that Budget 2018 did not do this.

Greater public investment required

Budget 2018 does not address the fact that Ireland has one of the lowest levels of public investment in the EU. While the resources available for distribution were relatively small, Government chose to spend some of these meagre resources reducing the tax-contribution of the better off in Irish society.

Having raised taxes equitably, the net available resources should have been put into public investment. Government should also have sought adjustments to the fiscal rules which are blocking the investment Ireland so badly needs if it is ever to address its infrastructure deficits in areas such as social housing, rural broadband and water.

The approach taken in Budget 2018 towards addressing the need for a substantial programme of building social housing is totally inadequate. We spell this out in detail on page 5.

Transparency - Hiding facts?

Social Justice Ireland's analysis of the Budget documents supplied by Government raise some questions about transparency. For example, we do not believe that the information and back-up figures on the healthcare budget are really transparent.

There is outstanding expenditure of about €100m being carried forward but no provision appears to have been made to cover this in the allocation for 2018.

While welcome new initiatives and increased overall expenditure on health have been announced it will not be possible to maintain the existing level of service and implement the new initiatives on the budget provided.

Budget proofing

The response to the economic crisis has had a devastating impact on poor and vulnerable people. There is an urgent need to ensure that the annual Budget does not increase inequality, but rather reduces it—in particular that it reduces poverty among all groups living in this situation.

Budget 2018 has not taken any significant initiative to measure whether or not poverty and inequality will fall or rise as a result of the overall impact of the decisions taken.

Social Justice Ireland welcomes the Minister's statement that "the Government is working with partners such as the Irish Human Rights and Equality Commission to achieve the goal set out in the Programme for Government relating to equality and gender proofing of Budget measures."

Budget proofing should be an integral part of all future Budgets in Ireland. This means that efforts must be made at policy level to ensure the desired outcomes are achieved. This, in turn, requires resources and commitment particularly from the Government of the day but it should be a priority for all members of the Dáil and Seanad.

Conclusion

Drafting a Budget involves Government in major decision-making about the direction of society and of how the available resources can best be used to address the challenges currently being faced by society while moving towards a desirable and just future.

Budget 2018 included a number of welcome initiatives such as increasing social welfare rates and the minimum wage. However, its failure to address some of the major challenges Irish people currently face, such as the housing crisis or the incidence of Ireland's low pay, on anything like the scale required is very disappointing.

Budget 2018 included a number of welcome initiatives .... However, its failure to address some of the major challenges Irish people currently face, such as the housing crisis or the incidence of Ireland's low pay, on anything like the scale required is very disappointing.

Welfare: Some Progress, Some Regrets

Welfare payments target those most in need within Irish society. They also play a central role in alleviating poverty.

Budget 2018 delivered a €5 increase to most welfare rates although this increase has been delayed until later March 2018.

Social Justice Ireland welcomes this increase. In particular we welcome that it has been distributed across all those dependent on these payments rather than a select few. The Budget increase will bring the rate of payment for Jobseekers to €198 a week from March.

As we detailed in our pre-Budget document, *Budget Choices*, over recent years the value of this payment has fallen behind its previous benchmark with average earnings. In the broader context of widespread pay increases and tax cuts there is potential for the relative position of welfare recipients to disimprove. If divides open up, as in the late 1990s, poverty for this group will rise.

The Budget increases are a welcome attempt to address this and we believe this trend should continue over the years to come.

Budget increases in the Qualified Child payment and Fuel Allowance are also welcome. These assist low income vulnerable groups in our society.

However, we regret that the Budget did not address the need to equalise the rate of jobseekers payments for those under 26 years with the rest of the population. The gap now stands at between €43.20 and €88.30 per week and there is little evidence to suggest that this difference has any effect on the activation and participation of young people in the labour market.

We also regret that the Budget did not increase direct provision payments.

Minimum Wage: a low pay gap of €2.15 remains

As part of Budget 2018 the Government have announced an increase to the minimum wage of 30c per hour - effective from January 2018. This increase will give a full-time worker on the minimum wage an additional €11.70 per week in gross pay.

Addressing low pay, which is experienced by at least one in every five workers, remains a key challenge for Irish society. As we have continuously highlighted, the annual poverty figures show that just over 100,000 people in employment are living in poverty (the working poor). Improvements in the low pay rates received by many employees offer an important method by which these levels of poverty and exclusion can be reduced.

Chart 3.1 The Low Pay Gap

However, the new hourly minimum wage rate of €9.55 is €2.15 below the living wage of €11.70 per hour.

In principle, a living wage is intended to establish an hourly wage rate that should provide employees with sufficient income to achieve an agreed acceptable minimum standard of living. Paying low paid employees a Living Wage offers the prospect of significantly benefiting the living standards of these employees. *Social Justice Ireland* has supported the emergence of this concept and we hope to it adopted across many sectors of society.

Low Paid: left behind

One group who received limited benefits from Budget 2018 are the low paid. They will experience no gains from the increase in the threshold for entering the top tax rate and experience limited gains from the reductions in the USC. As working households they do not receive any welfare benefits.

For example, a full-time worker on €11.70 per hour (€23,800 per year), the Living Wage, will receive only €1.21 per week. In contrast a worker earning almost three times as much (on twice average earnings at €72,000 per annum) will gain €6.30.

In international terms Ireland is an economy with high rates of low pay. Recent OECD figures show that only Columbia and the US have a higher percentage of full-time workers recorded as being low paid (see Table 3.1).

Ireland's high level of low pay contrasts with the experiences in other European countries. The next highest rate in the EU is in the Czech Republic (20.7% of employees).

Rates of low pay are also high for part-time workers in Ireland and overall one in four workers is classified low paid. Very many of these workers have received little or no benefits from Budget 2018.

Table 3.1: Four Highest and Lowest Rates of Low Pay among full-time employees, 2015

Highest 4 nations	**% employees**
Columbia	25.3%
United States	25.0%
Ireland	24.0%
South Korea	23.5%
Lowest 4 nations	
Japan	13.5%
Chile	11.9%
Denmark	8.2%
Finland	7.8%

Fairer Income Tax Choices were Possible

The Budget included an income tax package with a full year cost of €397m (€206m on USC reductions, €152m on income tax reductions and €39m on credit increases).

As we show elsewhere in this document (see pages 6-7) these changes are skewed and provide larger gains to those on higher incomes compared to those on lower incomes. For example, a single person earning €25,000 gains €65.87 per annum while a single person on €75,000 gains almost five times more (€328.48 per annum).

For the same commitment of resources that the Government allocated to reforming these income taxes (€397m) Government could have chosen a much fairer set of alternatives. These include:

- Refunding the unused proportion of PAYE and personal tax credits to those who are active in the labour market but earn insufficient income to use up all these tax credits (i.e. introduce a system of refundable tax credits): ***full year cost of €140m***
- Increase the personal tax credit for all earners by €100 per annum: ***full year cost of €238m***

Our costings for these measures are based on a previous *Social Justice Ireland* study on refundable tax credits (see p5 of our pre-Budget *Budget Choices* document) and the recently released Revenue Commissioners *Ready Reckoner for Budget 2018*.

The costing of the €100 per annum increase in the personal tax credit also assumes a commensurate increase in the married persons, widowed persons and lone parent credit. The full year cost of this increase according to the Revenue Commissioners is €238m; and to ensure our estimates are conservative, we assume the other €19m is allocated to those not currently factored into Revenue's estimates who would receive an increase in their tax credit refund (e.g. home carer tax credit).

The distributive impact of this alternative policy choice is outlined in Chart 4.1.

It provides an increase of €100 per annum to all single earners and couples with one earner. Couples with two earners gain twice this amount, €200 per annum. In contrast to the Budget outcomes (see p6-7) a single person earning €25,000 gains €100 per annum while a similar person on €75,000 gains the same. Below €16,500 single earners experience further gains due to a refund of unused tax credits.

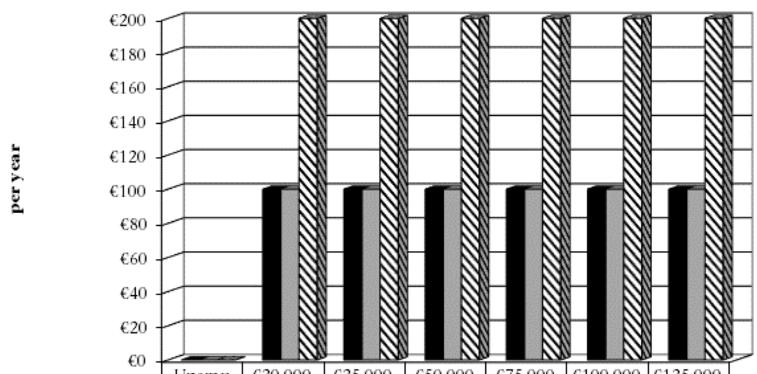
As the chart shows, a fairer tax package could have delivered the same amount of income gains to all single earners above €16,500.

Proportionally, such a gain is greater for lower income earners reflecting a more progressive distribution of budget income tax resources.

As our analysis shows, the Government could have chosen a fairer and more equitable income tax package in this Budget. We regret that Government ignored this option.

The skewed outcome of the income tax measures in Budget 2018 could have been avoided. A fairer alternative was available.

Chart 4.1: Distributive Effects of an Alternative Budget 2018 Income Tax Package



	Unemp	€20,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	-	100	100	100	100	100	100
Couple 1 Earner	-	100	100	100	100	100	100
Couple 2 Earners	-	200	200	200	200	200	200

Corporate Tax Approach is Broken

Budget 2018 has made limited progress in addressing the significant limitations and inequities within Ireland's corporate tax system. Over the past few years a growing body of evidence has emerged demonstrating that Ireland's Corporate Tax system is broken. Reports from the C&AG, OECD and EU among others have highlighted that the current system has allowed, and continues to allow, some large firms to pay very small amounts of tax on large profits.

While *Social Justice Ireland*, among others, has highlighted these deficiencies for some time, it is now clear that they are the focus of international attention. Domestically and internationally there is a growing unacceptance of this outcome and of Ireland's role in facilitating it.

The Budget has introduced some welcome changes to the provision of capital allowances for intellectual property assets. However, they represent only a partial attempt to address core structural problems in the corporate tax system. These remain and cannot be ignored.

It is worth considering the approach taken some years ago when dealing with high income earners who paid little or no income tax because they made extensive use of tax reliefs and loopholes. At the time Government introduced the "High Income Individuals' Restriction" so that, regardless of a person's use of tax breaks, such incomes would be subject to an effective income tax rate of around 30 per cent.

Social Justice Ireland believes that the issue of corporate tax contributions is principally one of fairness. Profitable firms with substantial income should make a contribution to society rather than pursue various schemes and methods to avoid these contributions. We believe that Government should introduce a minimum effective rate of tax on corporate profits. We have proposed a rate of 6% and regret that Budget 2018 did not do this.

Back to the Future: Piecemeal Housing Policy

With 91,600 families on the Social Housing list, not including the 8,633 Housing Assistance Payment tenancies reported to Q2 2017, and a record number of homeless (5,222 adults and 3,048 children) accessing emergency accommodation in Ireland, we are in the midst of a housing crisis that is spiralling out of control. The Minister stated that 3,800 new social houses will be built in 2018 by Local Authorities and Approved Housing Bodies. This goes nowhere near addressing the current crisis.

Reliance by successive Governments on the private sector to address a public need has only served to destabilise the market, increasing rents and decreasing the availability of long-term, sustainable homes. In fact, the number of properties currently available to rent has reached its lowest point in over a decade, driving rents far beyond the reach of low-income families, including those in receipt of the Housing Assistance Payment, notwithstanding the expansion of the so called 'Rent Pressure Zones'.

...we are in the midst of a housing crisis that is spiralling out of control

The Help to Buy Scheme was introduced in Budget 2017 to assist first time buyers to buy a newly constructed property. 4,088 claims have been paid to date, 60 per cent of which have a loan to value ratio of 85 per cent or more. Mortgages granted on high loan to value ratios are susceptible to even minor income shocks. By continuing to support this Scheme, the Government is contributing to another mortgage crisis.

Social Justice Ireland welcomes the increase of €17m for homeless services. However focus needs also to be on preventing homelessness.

Increasing housing supply is the only way to address the housing crisis. The Goodbody BER house-building tracker puts the number of newly constructed dwellings in 2016 at 5,377, over 9,500 below official Government figures. This is less than 6 per cent of the homes needed to meet existing social housing requirements to say nothing of the continuing needs of an expanding and ageing population.

Budget 2018 allocated an additional €149m to enable a further 17,000 households to be accommodated under the Housing Assistance Payment (HAP). While this is welcome to those experiencing difficulties in meeting their rental costs, it needs to be acknowledged that it does not increase the supply of housing by a single unit!

Additional capital funding of €326m was provided for social housing construction and acquisition. This will be supplemented with €77m in local authority self-financing. This is welcome but nowhere near the scale required to address the crisis.

A new body to be knows as Home Building Finance Ireland (HBFI) is to be established to work with NAMA to support the provision of an additional €750m of the Ireland Strategic Investment Fund to finance commercial investment in housing finance.

The Government must move away from policies which focus on home ownership and commodification, and rely too much on the market as the delivery mechanism for housing, and focus instead on the welfare of its citizens and the provision of their basic human rights.

Vacant Sites, Empty Houses and Financing

Budget 2018 has taken some steps towards addressing the issue of vacant sites that *Social Justice Ireland* has been highlighting for some time.

The Government, has decided to more than double the current 3 per cent levy rate that applies to vacant sites in the first year to 7 per cent in the second and subsequent years. What this means in practical terms is that any owner of a vacant site on the register who does not develop their land in 2018 will pay the 3 per cent levy in 2019 and then become liable to the increased rate of 7 per cent from 1 January 2019.

If they continue to hoard their land in 2019, they will pay 7 per cent in 2020, resulting in an effective vacant site levy of 10 per cent over the two years.

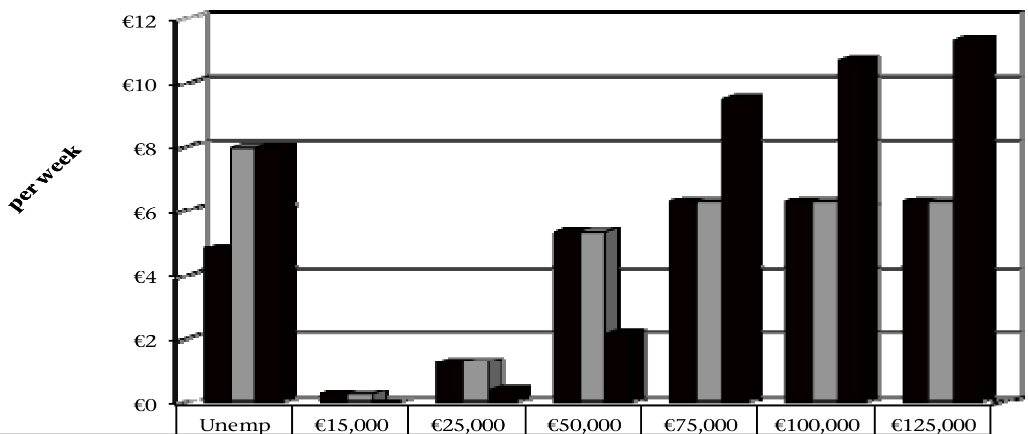
This is a welcome development but it is will take some time before it can be seen to be having an effect on the stock of underdeveloped land and tackle the unacceptable practices of land hoarding and speculation. Social Justice Ireland believes more urgent action is required given the scale of the current housing crisis.

In its Policy Briefing on Budget Choices *Social Justice Ireland* proposed that, in the context of a shortage of housing stock, a levy of €200 per month should be applied to homes and apartments, which have been vacant for six months or more. Unfortunately, Budget 2018 contains no provision to levy vacant residential units.

With regard to the new body announced in Budget 2018 - Home Building Finance Limited – it is set to operate on a commercial basis rather than to provide for the construction of social housing. Substantial further commercial finance will be required (in addition to the allocation of €750m) to achieve the additional 6,000 homes which are projected in Budget 2018. In Budget Choices, *Social Justice Ireland* proposed different ways in which the State could finance social housing, using 'off-balance sheet' mechanisms.

One way that was suggested was to set up a Special Purpose Vehicle (SPV) using as collateral the 107,000 social housing units which are owned by local authorities and which are generating rental income. It should be possible to put together a proposal which would meet the Eurostat conditions for an acceptable off-balance sheet initiative. Helping to finance such an SPV focused on social housing would be a much better use of the €750m earmarked for the new body.

Chart 6.1: Impact of Tax and Headline Welfare Payment Changes from Budget 2018



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	4.79	0.29	1.26	5.33	6.30	6.30	6.30
Couple 1 Earner*	7.96	0.29	1.26	5.33	6.30	6.30	6.30
Couple 2 Earners*	7.96	0.00	0.41	2.15	9.47	10.67	11.33

Notes: * Except in case of the unemployed where there is no earner. Unemployed aged 26 years and over. All other earners have PAYE income. Couple with 2 earners are assumed to have a 65%/35% income division.

** Lower Income earners may also benefit from increase in minimum wage.

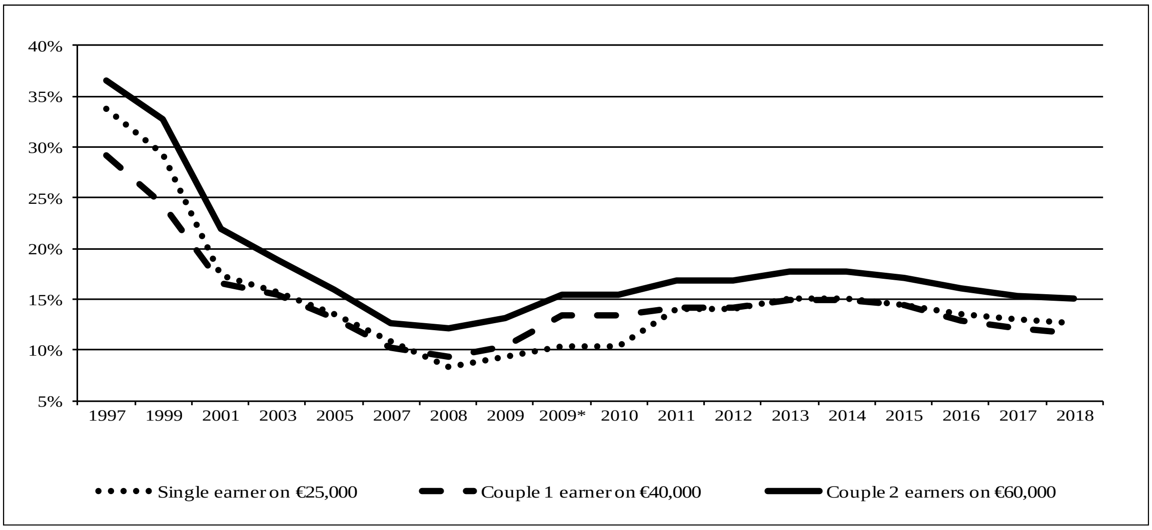
Table 6.1: Effective Tax Rates following Budgets 2000/ 2008/ 2018

Income Level	Single Person	Couple 1 Earner	Couple 2 Earners
€15,000	13.9% / 0.0% / 0.8%	2.5% / 0.0% / 0.8%	0.8% / 0.0% / 0.0%
€20,000	13.9% / 4.4% / 7.0%	8.3% / 2.7% / 3.5%	6.1% / 0.0% / 0.0%
€25,000	24.0% / 8.3% / 12.7%	12.3% / 2.9% / 5.9%	11.0% / 0.0% / 0.6%
€30,000	28.4% / 12.9% / 15.4%	15.0% / 5.1% / 6.4%	14.6% / 1.7% / 1.9%
€40,000	33.3% / 18.6% / 21.4%	20.2% / 9.4% / 11.6%	17.5% / 3.6% / 7.7%
€60,000	37.7% / 27.5% / 30.5%	29.0% /19.8% / 22.8%	28.0% /12.2% / 15.1%
€100,000	41.1% / 33.8% / 38.8%	35.9% /29.2% / 34.2%	35.9% /23.8% / 26.9%
€120,000	41.9% / 35.4% / 41.0%	37.6% /31.6% / 37.1%	37.7% /27.2% / 30.8%

Notes: Total of income tax, levies and PRSI as a % total income. Couples assume: 65%/35% income division. PAYE earners.

Couple 1 earner with children

Chart 6.2: Effective Tax Rates in Ireland, 1997-2018



Notes: Total of income tax, levies and PRSI as a % total income. Couples assume a 65%/35% income division. PAYE earners.

Income Gains from Budget 2018

When assessing the change in people's incomes following any Budget, it is important that tax changes be included as well as changes to basic social welfare payments. In our calculations we have not included any changes to other welfare allowances and secondary benefits as these payments do not flow to all households. Similarly, we have not included changes to other taxes (including indirect taxes and property taxes) as these are also experienced differently by households. Chart 6.1 (page 6) sets out the implications of the Budget announcements on various household groupings in 2018.

Single people who are unemployed will benefit from the weekly increase from March and the Christmas bonus increase which equates to €4.79 a week (€250 a year). Those on €25,000 a year will see an increase of €1.26 a week (€66 a year) in their take-home pay while those on €50,000 will be €5.33 a week (€278 a year) better off in the coming year and those on €75,000 a year will be €6.30 a week (€329 a year) better-off.

Couples with one income on €25,000 a year will be €1.26 a week (€66 a year) better-off while those on €50,000 will be €5.33 a week (€278 a year) better off.

Couples with two incomes on €25,000 a year will be €0.41 a week (€21a year) better off while those on €50,000 will be €2.15 a week (€112 a year) better-off in the coming year.

Some **lower income earners** may also benefit from the increase in the minimum wage. This is not factored into these calculations as most lower income earners earn more than the minimum hourly rate albeit for a limited number of hours per week and therefore will not benefit from the 30c per hour increase in the minimum wage. (cf. p. 3)

Effective Tax Rates after Budget 2018

Central to a thorough understanding of income taxation in Ireland are effective tax rates. These rates are calculated by comparing the total amount of income tax a person pays with their pre-tax income. For example, a person earning €50,000 who pays €10,000 in taxation (after all their credits and allowances) will have an effective tax rate of 20 per cent. Calculating the scale of income taxation in this way provides a more accurate reflection of the burden of income taxation faced by earners.

Following Budget 2018 we have calculated effective tax rates for a single person, a single income couple and a couple with two earners. Table 6.1 (p6) presents the results of this analysis. For comparative purposes, it also presents the effective tax rates which existed for people with the same income levels in 2000 and 2008.

In 2018, for a single person with an income of €15,000 the effective tax rate will be 0.8 %, rising to 12.7 % of an income of €25,000 and 41.0 % of an income of €120,000. A single income couple will have an effective tax rate of 0.8 % at an income of €15,000, rising to 5.9 % at an income of €25,000, 22.8 % at an income of €60,000 and 37.1 % at an income of €120,000. In the case of a couple where both are earning and their combined income is €40,000 their effective tax rate is 7.7 %, rising to 30.8 % for combined earnings of €120,000.

As chart 6.2 (p6) shows, despite recent increases, these effective tax rates have decreased considerably over the past two decades for all earners.

Low Overall Tax-Take is not Sustainable

Data accompanying Budget 2018 outlines Government's plans for taxation and spending over the next 5 years (to 2022). Over that period, assuming the policies signalled by Government are followed, overall tax receipts will climb from €50.6bn in 2017 to €61.96bn in 2022.

Despite significant increases in the tax-take from households (both directly and indirectly) over the crisis period, Ireland remains a low tax economy with its tax take (as a % of national income) among the lowest in the EU.

Social Justice Ireland believes that over the next few years policy should focus on increasing Ireland's tax take. In the absence of a robust measure of national income, it is difficult to propose a measure fixed to this benchmark. However, given the historically low levels of taxation reported in the documents accompanying Budget 2018, we believe an increase in the overall tax take is more than feasible.

In our pre-Budget *Budget Choices* document we suggest that Government should work towards raising the overall tax take by three percentage points of GDP. This would represent a small overall increase and one which, if properly structured, is unlikely to have any significant negative impact on the economy in the long term.

The yield from such an increase would average €9 billion per annum in additional taxation revenue between now and 2021/22.

As a policy objective, Ireland should remain a low-tax economy, but not one incapable of adequately supporting necessary economic, social and infrastructural requirements. Judged in that manner the current low tax model is not sustainable and continues to impede Ireland socio-economic progress. We regret that Budget 2018 did not take greater steps to address this.

Impact of Tax & Benefit Changes, 2017 & 2018

Budget 2018 marks the second Budget of the current Government. On this page we track the cumulative impact of changes to income taxation and welfare over the Government's two Budgets.

At the outset it is important to stress that our analysis does not take account of other budgetary changes, most particularly to indirect taxes (VAT and excise), other charges (such as prescription charges) and property taxes. Similarly, it does not capture the impact of changes to the provision of public services. As the impact of these measures differs between households it is impossible to quantify precise household impacts and include them here. However, as we have demonstrated in previous editions of our *Budget Analysis and Critique*, these changes have been predominantly regressive – impacting hardest on households with the lowest incomes.

Our analysis tracks the cumulative impact of changes to income taxation and welfare in Budget 2017 and 2018

The households we examine are spread across all areas of society and capture those with a job, families with children, those unemployed and pensioner households. Within those households that have income from a job, we include workers on the minimum wage, on the living wage, workers on average earnings and multiples of this benchmark, and families with incomes ranging from €25,000 to €200,000.

In the case of working households, the analysis is focused on PAYE earners only and therefore does not capture the changes in Budget's 2017-18 targeted at the self-employed. The analysis complements our assessments of the current Budget on pages 6 and 7.

Over the years examined all household types record an increase in disposable income. However, the gains have been skewed towards those with the highest incomes.

Among households with jobs (see chart 8.2), the gains experienced range from €3.71 per week (for single workers on €25,000) to over seven times as much, €26.11 per week, for a couple 2 earners on €200,000. Overall, across these households the main gains have flowed to those on the highest incomes.

Among households dependent on welfare, the gains have ranged from €10.94 per week (to single unemployed individuals) to €23.26 per week to pensioner couples - see chart 8.1.

Our analysis points towards the choices and priorities the Government has made. Overall these choices have favoured higher earners in our society.

Chart 8.1 Overall Impact 2017 & 2018 on Welfare Dependent Households

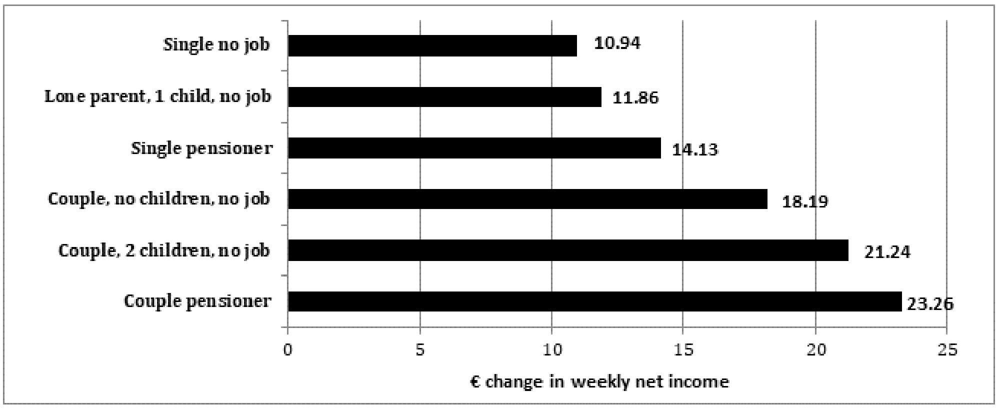
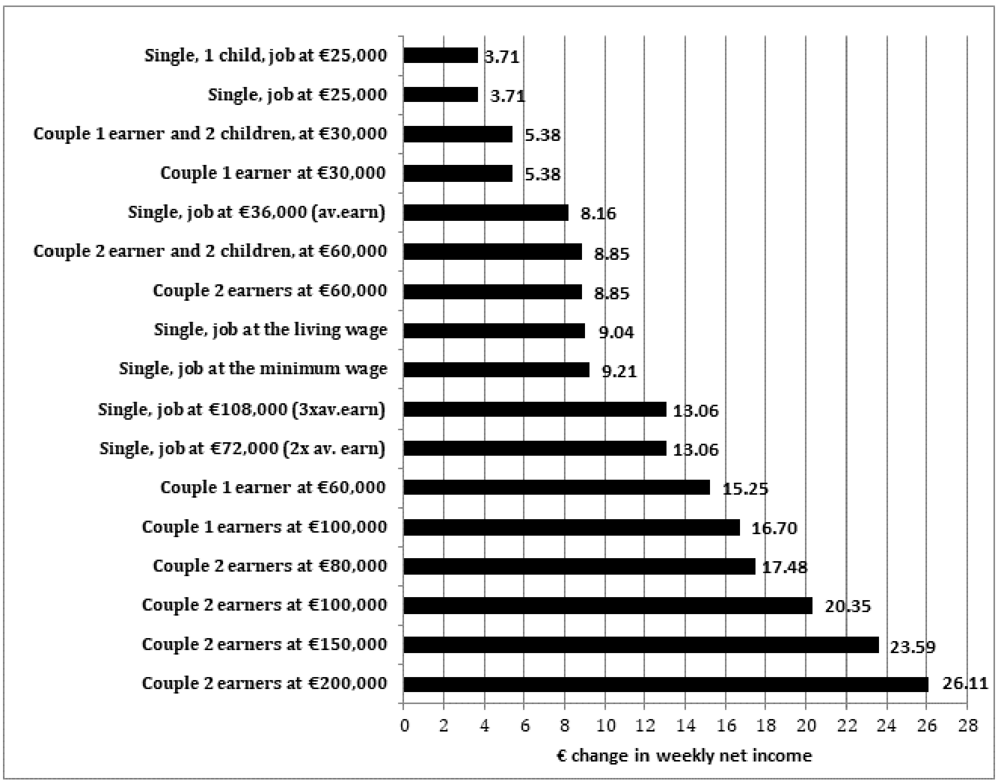


Chart 8.2 Overall Impact 2017 & 2018 on Households with Jobs



Sugar Tax

Social Justice Ireland welcomes the introduction of a Sugar -Sweetened Drinks Tax in Budget 2018. A 2015 joint report by the Irish Heart Foundation and *Social Justice Ireland* estimated that the cost of obesity could more than quadruple within the next 15 years to a total of €1,175 a year for every man woman and child in the State unless more is done to tackle the problem. However, by targeting a 5% reduction in the population's body mass index (BMI) through a package of measures funded by revenue from a sugar sweetened drinks tax, the annual cost of obesity could actually be reduced by as much as €394 million by 2020. The report proposed a package of measures including: targeted subsidies for fruit and vegetables, food poverty initiatives, school programmes and reforms and labelling and marketing reforms. A portion of the revenue generated by the Sugar Sweetened Drinks tax should be used to develop effective obesity prevention programmes and meet the targets in the Obesity Policy and Action Plan 2016-2025.

Children

Social Justice Ireland regrets that Budget 2018 did not contain additional measures to ensure that Ireland meets it's child poverty target of lifting 70,000 children out of consistent poverty by 2020 (a reduction of at least two thirds on the 2011 figure). The 2011 figure for children in consistent poverty was 107,000, the 2015 figure is 139,000. Ireland has a very considerable distance to go to reach this target.

We welcome the increase of €40m in funding for Tusla and the extension of the ECCE scheme from 61 weeks to 76 weeks. We note the lack of progress in rolling out the Affordable Childcare Scheme. The Budget also included a €2 weekly increase in the qualified child increase, changes to the earnings disregards for One-Parent Family Payment, Jobseekers Transition Payment and the increase in the earnings threshold for FIS. While also welcome, these measures are not enough to ensure Ireland meets its 2020 Child Poverty Target.

Older People

According to the CSO's 2016 *Census Results* there were 637,567 people aged over 65 years in Ireland in 2016. Of these, more than a quarter live alone. When poverty is analysed by age group the figures show that 10.7% of those aged above 65 years live in poverty. The Census also revealed that this group is growing; there were 100,000 more people aged over 65 years in Ireland in 2016 versus 2011. Projections indicate this trend will continue and will exceed 1 million people by 2031. While the Budget has made welcome moves on the old age pension rate, Christmas bonus and fuel allowance, it has taken limited steps to commence planning for future health and care needs of this group. A comprehensive plan is long overdue.

Disability

Disability is strongly associated with poverty in Ireland. Among people who are unable to work due to illness or disability more than one-third live on an income below the poverty line. Among those who are able to work many people with a disability are unemployed; a classification where more than four in ten are in poverty. Research from the National Disability Authority highlights the challenges people with disabilities have in finding employment and remaining in a job given the daily challenges many face.

Budget 2018 has taken some steps to improve services and funding for this area. However, we regret that the Budget did not move to introduce a cost of disability payment. If people with a disability are to be equal participants in society, the extra costs generated by their disability should not be borne by them alone.

Budget 2018 was a missed opportunity to make overdue progress on this issue.

Rural

Social Justice Ireland welcomes the additional allocation of €19m to the Department of Rural and Community Development in Budget 2018 and the additional 250 places on the Rural Social Scheme.

However a considerable increase in this level of investment is required if Government is to meet it's own commitments in the Action Plan for Rural Development. The success of the action plan is reliant on adequate and ongoing public investment. It is disappointing that Government did not take the opportunity in Budget 2018 to demonstrate ambition, leadership and commitment to balanced regional development by frontloading resources to these programmes. It is important that people, businesses and communities have access to the necessary infrastructure and services to ensure that they can adapt to current and future challenges, be these related to Brexit, climate change, employment patterns or regeneration. Unfortunately Budget 2018 falls short in this regard

Environment

Social Justice Ireland regrets that Budget 2018 contained little to ensure that Ireland will meet international climate commitments in 2020 and beyond, and support the move to carbon neutrality by 2050. In our *Budget Choices* policy briefing we made a number of specific proposals in relation to environmental taxation that would have broadened the tax base, generated necessary revenue and promoted positive behavioural change. Unfortunately none of these measures were introduced in Budget 2018.

Regrettably Government continues to pursue policies that will ensure that Ireland will exceed our limits in terms of emissions targets as soon as 2020.

Taxation

The Context

- Taxation plays a key role in shaping Irish society through funding public services, supporting economic activity, and redistributing resources to enhance the fairness of society. Consequently, it is crucial that clarity exist with regard to both the objectives and instruments aimed at achieving these goals.
- Ireland's overall tax take has remained notably below the EU average in recent years.

⇒ Ireland's 2015 total tax take of 24.4% of GDP represents a record low.

- The EU average total tax take is 37.1% GDP.
- *Social Justice Ireland* believes that, over the next few years, policy should focus on increasing Ireland's tax-take.
- Government decisions to raise or reduce overall taxation revenue need to be linked to the demands on its resources. New future taxation needs (such as servicing the national debt and ensuring our public services can adapt and meet the demands of changing demographics), are in addition to those that already exist including funding local government, repairing and modernising our water infrastructure, and paying for the health and pension needs of an ageing population.
- Ireland's overall level of taxation will have to rise significantly in the years to come – a reality Irish society and the political system need to begin to seriously address. Given that Ireland's overall tax take is consistently below the EU average we believe an increase in the overall tax-take over a period of time is more than feasible.

The Budget

USC

- No change for incomes below €12,012. The 2.5% rate was reduced to 2% and the 5% rate was reduced by 0.25% to 4.75%.
- For 2018 the rates will be:

⇒ Up to €13,000: exempt

⇒ €0-€12,012: 0.5%

⇒ €12,012- €19,372: 2%

⇒ €19,372-€70,044: 4.75%

⇒ €70,044+: 8%

⇒ For the self-employed, income over €100,000, surcharge of 3%

⇒ USC relief for medical card holders was extended for a further two years

⇒ Medical card holders and those aged over 70 years whose income does not exceed €60,000 will pay a maximum USC rate of 2%.

- The cost of the USC changes in 2018: €177m.

Income Tax

- The threshold at which income tax is levied at 40 per cent was increased by

⇒ €750 to €34,550 p.a. for single people

⇒ €750 to €43,550 p. a. for couples with one earner

⇒ €1,500 to €69,100 p. a. for couples with two incomes.

- The Home Carer Tax Credit was increased by €100 to €1,200 p.a.
- The Earned Income Credit for the self-employed was increased by €200 to €1,150 p. a.
- Mortgage Interest Relief which is available to owner-occupiers who took out qualifying mortgages between 2004 and 2012 was extended to 2020, but reduced on a tapering basis.
- A 0% benefit-in-kind rate for electric vehicles will be introduced for 2018.
- A share-based remuneration scheme (KEEP) will be introduced for unquoted SMEs to enable them to attract key employees. Gains arising for employees on the exercise of KEEP share options will be liable to Capital Gains Tax rather than Income Tax and USC
- The cost of the Income Tax changes in 2018: €107m.

Excise duties

- The excise duty on a packet of 20 cigarettes was increased by 50 cents with pro rata increases on other tobacco products; there will be an additional 25 cents on roll your own tobacco. Yield in 2018: €64m.
- A tax on sugar-sweetened drinks will be introduced from April 2018. Yield in 2018: €30m.

Stamp duty

- The rate of Stamp Duty on non-residential property was trebled to 6% . Yield in 2018: €376m.

Corporation Tax

- The deduction for capital allowances which can be used to offset against income arising from relevant intangible assets was reduced from100% to 80% in an accounting period. Yield in 2018: €150m.

Employer contribution to National Training Fund levy

- Increased by 0.1% to 0.8%. Yield in 2018: €58m.

Revenue compliance

- Ensuring compliance with employer obligations via ICT and data analytics.
- Compliance project for e-commerce and online businesses.
- Tackling tax avoidance and base erosion.
- Yield from compliance measures in 2018: €100m.

Vacant Site Levy

- Will remain at 3% for the first year; increasing to 7% in the second year and subsequent years. No yield in 2018.

Taxation

Our Response

- In Budget Choices, published in July 2017, *Social Justice Ireland* asked Government, among other things, to:
  - ⇒ Increase the PAYE tax credit and make tax credits refundable to benefit low-income workers
  - ⇒ Standard rate to 20% all discretionary tax reliefs/ expenditures, so that low income workers can benefit equally with those on higher incomes
  - ⇒ Reform the R&D tax credit and introduce a minimum effective tax rate of 6% on corporation profits made here
  - ⇒ Tax empty houses and undeveloped land
  - ⇒ Increase stamp duty on non-residential property transfers
  - ⇒ Increase the National Training Fund Levy.
- Budget 2018 did not implement the first three of these proposals.
- *Social Justice Ireland* welcomes
  - ⇒ The changes to the Vacant Site levy, which provides for an accelerating levy on sites that remain undeveloped
  - ⇒ The significant increase in the rate of Stamp Duty on non-residential property transfers
  - ⇒ The increase in the National Training Fund Levy.
- The changes in USC and Income Tax are less regressive than in previous budgets; however, more equity could have been achieved.

Education

The Context

- Ireland is facing significant demographic pressures at all levels of the education system. This will require significant and sustainable capital and current expenditure on education at all levels in the medium and long term.
- This increased investment must be focussed on protecting and promoting quality services for those in the education system.
- Under-funding is particularly severe in the areas of early childhood education and lifelong learning– the very areas that are most vital in terms of the promotion of greater equity and fairness. Higher education is also facing a significant funding shortfall and future resourcing of this sector is a key challenge currently facing Government.

The Budget

- Allocated €46m to provide for demographic growth
- 1,280 additional teaching posts at primary and second level and 1,091 Special Needs Assistants.
- An additional €64.5m for Further and Higher Education.
- An additional €28m in capital expenditure, €8m earmarked for Further and Higher Education.
- Increased the employer contribution to the National Training Fund by 0.1%.
- An additional €4m to broaden access at Third Level.
- An additional €7.5m to support new policy measures including STEM, foreign languages and speech and language therapy.

Our Response

- Social Justice Ireland welcomes, the €46m allocation to provide for demographic growth in the school sector.
- We welcome the 1,280 additional teaching posts and the 1,091 additional Special Needs Assistants announced in Budget 2018. It is important that these posts represent a coordinated strategy to reduce the pupil teacher ratio at all levels, address any gaps due to reduced funding in previous years and keep pace with demographic projections.
- We welcome the commitment to reduce the primary staffing schedule to 26:1, however more progress is required. Ireland currently has the second highest average class size in the EU at primary level and the eight highest pupil teacher ratio at primary level in the EU. Future Budgets should continue to focus on improving this situation.
- We welcome the additional allocation of €64.5m to higher education in 2018. However we regret that Budget 2018 does not address the future resourcing of higher education. The sector is facing a significant investment deficit and it is disappointing that Budget 2018 delivers no strategy for future resourcing of the sector.
- We regret that there is no provision made in Budget 2018 to support part-time students in higher education at undergraduate and postgraduate level through the maintenance grant system.
- The investment in Skillnets is welcome however we regret that there is no additional allocation for community education and vocational education for people who are not in the labour market in Budget 2018.

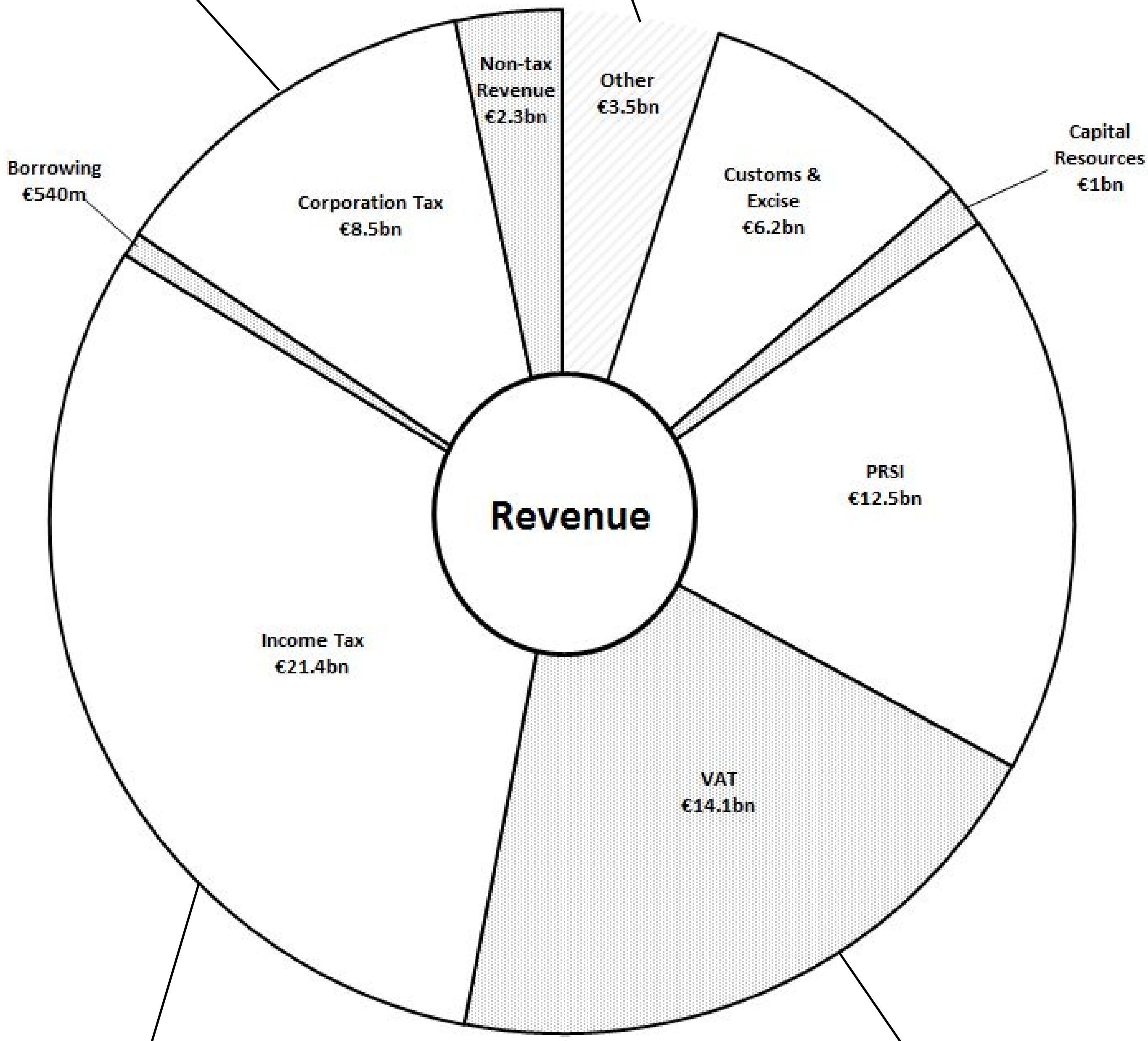
Main Sources of Government Revenue — Budget 2018

Includes:

- Local Property Tax: €470m
- Capital Gains Tax: €843m
- Capital Acquisitions Tax: €472m
- Stamp Duty: €1,673

Data on pages 12 and 13 is from various Budget documents published by the Department of Finance and the Department of Public Expenditure and Reform. The diagram outlines the main areas of income and expenditure for the coming year. Expenditure includes gross current figures

Corporation tax receipts are expected to increase from about €7.9bn in 2017 to €8.65bn next year.



Income tax accounts for about 40% of tax revenue.

Additional Revenue Information:

Government will increase the tax from stamp duty by approximately €400m, thanks to an increase from 2% to 6% in stamp duty on commercial property

A preferential 9% VAT rate for the hospitality and tourism sector was maintained in Budget 2018.

VAT could have generated an extra €189m if *Social Justice Ireland's* proposal to remove this preferential rate for accommodation was adopted.

Main Areas of Government Expenditure — Budget 2018

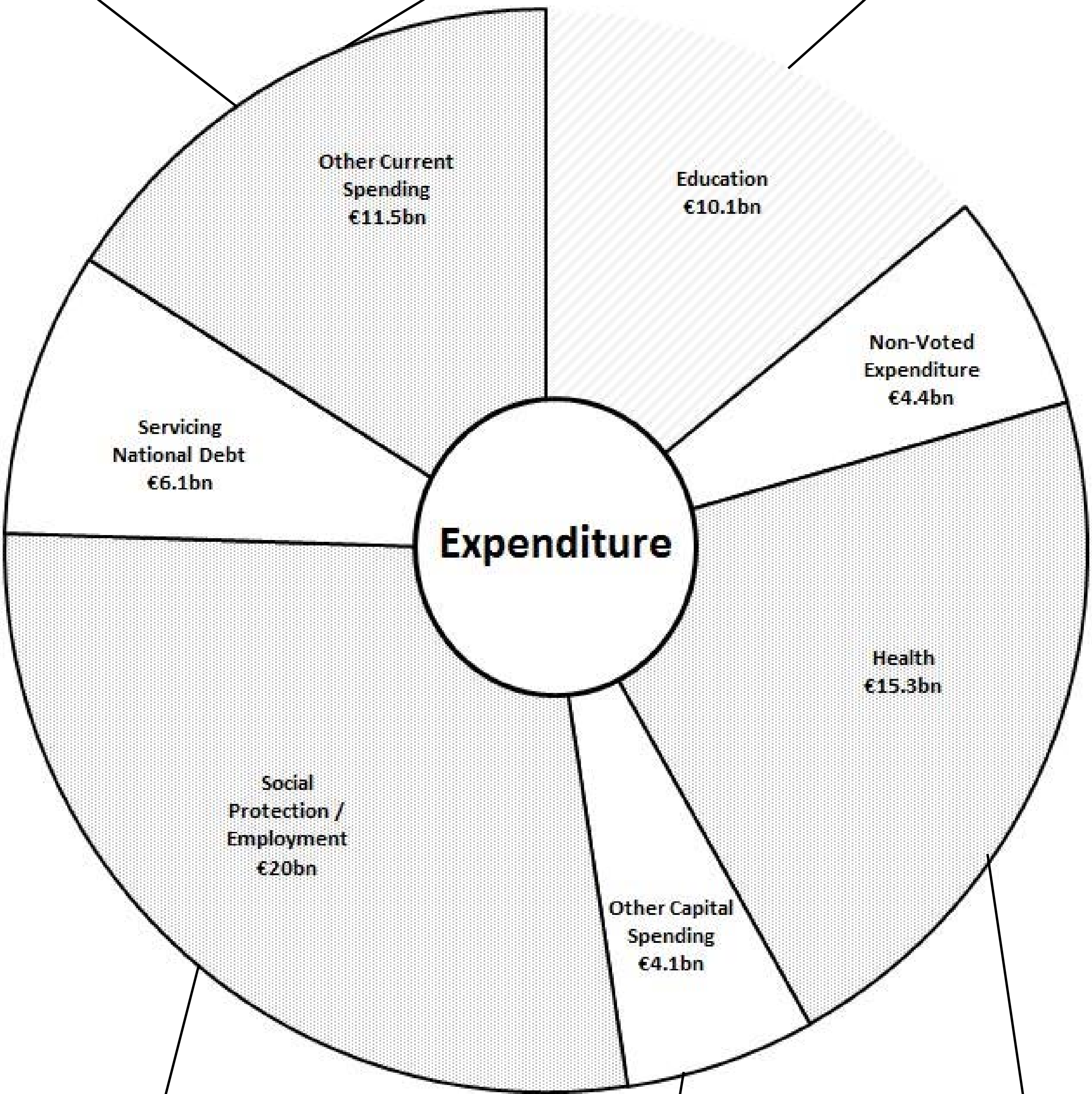
Other Current Spending includes:

- Justice: €2.5bn
- Housing, Planning & Local Gov: €1.3bn
- Children & Youth Affairs: €1.4bn
- Agriculture, Food & Marine: €1.3bn
- Defence: €869m

Other Current Spending includes:

- Agriculture, Food & Marine: €1.3bn
- Defence: €869m
- Foreign Affairs: €725m
- Transport, Tourism & Sport: €699m

Includes increased funding for Special Needs Assistants, and 1,280 additional teaching posts.



The maximum rate of all weekly social welfare payments increased by €5 per week in Budget 2018.

However, government passed on the opportunity to equalise Jobseekers rates for those under the age of 26.

Includes:

- Housing, Planning & Local Gov: €1.1bn
- Transport, Tourism & Sport: €1.3bn

The health budget in 2018 includes investment in acute services, Primary Care, mental health services, and older people's services.

Social Protection

The Context

- The persistence of high rates of poverty and income inequality in Ireland requires greater attention than they currently receive. The most recent data on Ireland's income distribution, from the 2015 SILC survey shows that:

⇒ 16.9% of the population are 'at risk of poverty';

⇒ Children are the largest group of the population who are poor with children under 16 accounting for 26% of those 'at risk of poverty';

⇒ 8.7% of the population are living in 'consistent poverty';

⇒ 25.5% of the population is experiencing deprivation.

- There is a significant distance to go to reach Government's National Reform Programme target of reducing consistent poverty to 2% by 2020.
- Without the social welfare system 46.3% of the Irish population would have been living in poverty in 2015. Such an underlying poverty rate suggests a deeply unequal distribution of direct income.
- If we wish to address this underlying poverty rate Government policy must prioritise those at the bottom of the income distribution. No anti-poverty strategy can possibly be successful without an effective approach to addressing low incomes.
- Tackling high rates of poverty and inequality effectively requires action on many fronts, ranging from healthcare and education to accommodation and employment.
- However the most important requirement in tackling poverty is the provision of sufficient income to enable people to live life with dignity.

The Budget

- Further increased primary social welfare rates by €5 weekly – proportional increases for qualified adults and those on reduced rates of payment (March 26th).

⇒ Increased Jobseeker's Allowance for those under 26yrs by €5 a week.

- Adjusted Qualified Child Increase (QCI) by €2 per week to €31.80. First increase to this payment in eight years.
- Extended Early Childhood Care and Education (ECCE) from 61 weeks of entitlement to 76 weeks (September, 2018).

⇒ Did not implement the Single Affordable Childcare Scheme.

- Increased the Contributory and Non-Contributory State Pension rates by €5 weekly.
- Maintained the current rates for the Living Alone Allowance.

⇒ Introduced the Telephone Support Allowance, paid at €2.50 weekly.

- Increased funding for the Free Travel Scheme.
- Extended the Fuel Allowance from 26 weeks of payment to 27 weeks, an annual increase of €22.50.
- Increased Working Family Payment (formerly known as FIS) earnings threshold by €10 per week, for families with up to three children.
- Partially restored the earnings disregard for One-Parent Family Payment (OFP) from €110 to €130.
- Increased the earnings disregard for Jobseeker's Transition Payment (JST) from €110 to €130.
- Maintained the 2017 Christmas Bonus at 85% of weekly payments.
- Failed to increase the Direct Provision Allowance rates.

Our Response

- *Social Justice Ireland (SJI)* welcomes the increase to primary social welfare supports, whilst not sufficient to restore the proportional relationship with average earnings, it builds on the steps taken in Budget 2017.

⇒ It is regrettable that implementation is delayed for 12 weeks.

- *SJI* acknowledges that Jobseeker's Allowance for those under 26yrs was increased by the full €5, unlike Budget 2017. However, it is regrettable there was no move to equalise Jobseeker's rates for this group.
- *SJI* welcomes the adjustment to the Qualified Child Increase (QCI), after the support was neglected in 2017. The €2 increase begins to restore the relative combined value of QCI and Child Benefit to a third of the adult Personal Rate.

⇒ Government aims to lift 102,000 children out of consistent poverty by 2020. The €2 adjustment to the QCI will not achieve this goal.

- *SJI* notes the extension of the Fuel Allowance by one week, an approximate increase of .85c per week. This is €5.65 short of *SJI*'s recommended increase of €6.50, which would have restored purchasing power to 2010 levels.
- The increases to the State Pension and the Fuel Allowance in Budget 2018 has a combined cost of €125m.

⇒ *SJI* regrets that the Living Alone Allowance and the Fuel Allowance were not prioritised in the Budget. Older people living alone have a high rate of poverty and deprivation. These two measures would have cost €114m.

- *SJI* welcomes the Telephone Support Allowance as a targeted increase to those eligible for both the Living Alone Allowance and passing the Fuel Allowance means test.

Work, Unemployment, Job Creation

The Context

- There have been many welcome employment trends in Ireland over the last 12 months. The number of people employed increased by 2.4 per cent in the year to end June 2017, and the unemployment rate stood at 6.1 per cent at the end of September.
- Despite the positive trends in headline employment numbers, there is an increasing instance of low paid employment in Ireland, as well as precarious working conditions.
- One in ten workers in Ireland earn the National Minimum Wage, and approximately one quarter earn below the Living Wage.
- 13 per cent of those living in poverty have a job, while a quarter of those experiencing deprivation have a job.
- Long-term unemployment, which had become an increasingly prevalent feature of the Irish labour market, has recently fallen below half of all unemployment for the first time in seven years. However, it is still unacceptably high.
- While the increases in the number of people in employment is most welcome, the jobs being created are unevenly spread. Dublin and the east of the country have benefitted to a far greater extent than other regions, particularly the West and the Border region.
- Ensuring sufficient resources are available for the up-skilling of those who are unemployed and at risk of becoming unemployed through integrating training and labour market programmes should be a crucial part of the policy response. In particular the needs of older workers and those in rural areas must be addressed.

The Budget

- Allocated €261m in current expenditure and €560m in capital expenditure to the Department of Business, Enterprise and Innovation.
- Introduced a Brexit Loan Scheme to assist SMEs and funding for a further 40 agency staff to support exporting companies.
- Allocated a further €25m to Enterprise Ireland to roll out a series of competitive regional funds to support job creation projects.
- Increased the National Minimum Wage by €0.30 per hour to €9.55.
- Increased expenditure on training/ upskilling for people in employment by 45 per cent to €154m.
- Increased Jobseekers payments by €5 per week from March 2018, and increased the earning disregard for WPP/FIS and One Parent Families.
- Increased the National Training Fund levy from 0.7% to 0.8% in 2018. This provides an increase in €47.5m for Higher or Further Education in 2018. Employers will have a role in determining educational priorities to be developed via the fund.
- Expanded apprenticeships by 6,000 places introducing 10 new programmes in new sectors
- Created a further 1,000 Springboard places to reskill and upskill people not in employment.
- Enhancement of the JobsPlus scheme whereby employers receive a subsidy of €10,000 to employ people aged over 50 who are long term unemployed.
- Announced a Youth Employment Support Scheme.
- Forecast unemployment rate of 5.7 per cent on average in 2018.

Our Response

- *Social Justice Ireland* welcomes the increase in the National Minimum Wage by 30c to €9.55 per hour. However, we note that this is still significantly lower than the Living Wage which currently is €11.70 per hour.
- We welcome the increase in payments to Jobseekers. We regret, however, that the Government has not taken this opportunity to equalise payments for those under 26 who receive a significantly reduced payment; something that is unjustified and discriminatory.
- *Social Justice Ireland* welcomes the increase in provision for training for people who are employed. This fund must prioritise the needs of those in precarious, low paid or vulnerable employment, to ensure that they can develop the skills needed for progression.
- We note the commitment to increasing employment in the regions. However, we regret the lack of significant extra investment in Budget 2018 in rural areas.
- In a recovering jobs market, it is more important than ever to ensure that long-term unemployed people are able to access new opportunities. We welcome the focus on both younger and older long term unemployed people. These initiatives need to be monitored closely.
- *Social Justice Ireland* welcomes the increased allocation to apprenticeships and to other training opportunities for people who are not in employment. It is essential that all approaches are taken to support people to both upskill and reskill.
- Brexit poses a major challenge to employment in Ireland. The scale of the response from the Government in this regard is not sufficient .

Healthcare

The Context

- Although Ireland's population is young in comparison to those of other European countries, it is still ageing.
- The projected increases in population forecast by the CSO imply that there will be more people living in Ireland in ten to fifteen years' time and many of them will be older people. One clear implication of this will be additional demand for healthcare services and facilities.
- Support for people to remain in their own homes is a key and appropriate policy objective and coincides with the wish of older people. *Social Justice Ireland* is seriously concerned that adequate funding is not being provided to address the ageing of the population that will result in a steady increase in older people and people with disabilities accessing services.
- With an ageing population, the acute hospital system, which is already under some considerable pressure, will be unable to operate effectively unless there is a greater shift towards primary and community services as a principal means of meeting patient needs. This is particularly so in the areas of home support and continuing care, and enabling older people to live in the community for as long as possible.
- With our growing and ageing population this means acknowledging that the amount of funding required for home care and social care will gradually increase over time.
- Sufficient funding must be provided to both maintain the existing level of service and implement new initiatives. If this is not done, the inappropriate admission of older people to acute care facilities will continue.

The Budget

- Allocated almost €15.3billion. This represents an addition of €548m, which consists of:

⇒ Carry-over €97m,

⇒ Central pay agreement €165m,

⇒ Additional resources of €269m to fund existing services and new measures.

⇒ Additional capital resources €20m.

(Less inter-vote transfers,€3m).

- Committed to introduce a sugar-tax on sweetened drinks.
- Details were supplied in respect of an allocation of €234.5m for existing and new measures as follows (as per the Expenditure Estimates from the Department of Finance) :

⇒ Additional €35m to Waiting List Initiative (National Treatment Purchase Fund) with focus on those waiting longest.

⇒ Committed (€50m) to Acute Services to address service pressures.

⇒ Primary care services (€40m).

⇒ Support to older people (€32m).

⇒ Mental health services in line with Mental Health Strategy (€35m).

⇒ Support to young disabled people (€15m).

⇒ Reduction in prescription charges for medical card holders aged under 70; reduction in monthly threshold for Drug Payment Scheme (€17.5m).

⇒ Social inclusion measures (€7.5m).

⇒ Patient safety and quality measures (€2.5m).

Our Response

- *Social Justice Ireland* welcomes the increase in health service funding announced in the budget.
- *Social Justice Ireland* also welcomes several initiatives announced in the budget, including investment in primary care, mental health services and services for older people, and introduction of a sugar-sweetened-drinks tax.
- In addition, *Social Justice Ireland* asked for a number of measures including;

⇒ Support to meet demographic pressures in disability services.

⇒ Capital investment in community nursing facilities. It is unclear if this has been addressed.

- Of particular significance is the apparent commitment to move to a community-based model of service provision.
- *Social Justice Ireland* welcomes this development for which we have argued over many years.
- However, it appears to be under-resourced and so is unlikely to achieve the policy objectives set out.
- Reviewing the 2017 Health Service Plan and the commitments made in it which have a full-year cost in 2018 it would appear that there is limited real additional funding for new services in 2018.
- It appears that much of the new funding provided is to maintain the existing level of service (ELS).
- Our doubts in this regard are strengthened when we factor in the growth in Ireland's population, particularly among older people, which has major implications for health funding.

Public Finances 2018 — 2020

Below we outline the government finances for 2018 and the following two years. The current budget comprises the income (or receipts) and expenditure associated with the day-to-day running of the country. Income includes revenue from taxation and flows of funds to the government from other sources including the Central Bank and the National Lottery. Collectively these give a figure for the total income expected by the government. Expenditure includes interest payments on the national debt, contributions to the European Union, and the costs associated with the day-to-day running of Ireland's economic and social services.

When transfers to the social insurance fund (PRSI) and unspent resources from previous years are excluded, a figure for ***net current expenditure*** planned for next year is reached. The ***current budget balance*** indicates how much day-to-day income exceeds (if positive), or falls short of (if negative), day-to-day spending. The capital budget captures government investment. Collectively the current budget balance and capital budget balance combine to give the Exchequer Balance. Finally, the General Government Balance measures the fiscal performance of all arms of Government, thus providing an accurate assessment of the fiscal performance of a more complete "government" sector. This is the measure used by the European Central Bank and other institutions when assessing compliance under the Stability and Growth Pact.

Rounding may impact on totals	**2018**	**2019**	**2020**
CURRENT BUDGET	€m	€m	€m
Expenditure			
Gross Voted Current Expenditure	55,595	56,945	58,395
Non-Voted (Central Fund) Expenditure	9,695	9,475	9,310
Gross Current Expenditure	**65,290**	**66,425**	**67,705**
less Receipts and Balances (including PRSI)	12,220	12,340	12,465
Net Current Expenditure	**53,070**	**54,080**	**55,240**
Receipts			
Tax Revenue	53,660	56,380	59,095
Non-Tax Revenue	2,345	1,925	1,655
Net Current Revenue	**56,005**	**58,305**	**60,750**
CURRENT BUDGET BALANCE	**2,935**	**4,225**	**5,510**
CAPITAL BUDGET			
Expenditure			
Gross Voted Capital	5,330	6,570	7,175
Non-Voted Expenditure	1,080	1,085	1,085
Gross Capital Expenditure	**6,410**	**7,655**	**8,260**
less Capital Receipts	255	255	255
Net Capital Expenditure	**6,160**	**7,405**	**8,005**
Capital Resources	**945**	**1,210**	**935**
CAPITAL BUDGET BALANCE	**-5,215**	**-6,195**	**-7,070**
EXCHEQUER BALANCE	**-2,275**	**-2,475**	**-2,065**
GENERAL GOVERNMENT BALANCE	**-540**	**-330**	**820**
% of GDP	-0.2%	-0.1%	0.3%

SOCIAL WELFARE: Social Insurance weekly rates from end March 2018

PERSONAL AND QUALIFIED ADULT RATES	Present Rate	New Rate	Change
	€	€	€
Jobseekers Benefit			
Personal rate	193.00	198.00	5.00
Person with qualified adult	321.10	329.40	8.30
State Pension (Contributory)			
Personal rate	238.30	243.30	5.00
Person with qualified adult (under 66)	397.10	405.40	8.30
Person with qualified adult (66 or over)	451.80	461.30	9.50
Personal rate (aged 80 or over)	248.30	253.30	5.00
Person (aged 80 or over) with qualified adult (under 66)	407.10	415.40	8.30
Person (aged 80 or over) with qualified adult (66 or over)	461.80	471.30	9.50
Widow's/Widower's Contributory Pension			
Personal rate (under 66)	198.50	203.50	5.00
Personal rate (66 - 79)	238.30	243.30	5.00
Personal rate (80 or over)	248.30	253.30	5.00
Invalidity Pension:			
Personal rate	198.50	203.50	5.00
Person with qualified adult	340.20	348.80	8.60
Carer's Benefit			
Personal rate (caring for one person)	210.00	215.00	5.00
Maternity Benefit			
Personal rate	235.00	240.00	5.00
Occupational Injuries Benefit - Death Benefit Pension			
Personal rate (under 66)	223.50	228.50	5.00
Personal rate (66 - 79)	242.70	247.70	5.00
Personal rate (80 or over)	252.70	257.70	5.00
Occupational Injuries Benefit - Disablement Benefit			
Personal rate (maximum)	224.00	229.00	5.00
Illness Benefit			
Personal rate	193.00	198.00	5.00
Person with qualified adult	321.10	329.40	8.30
Injury Benefit/Health and Safety Benefit			
Personal rate	193.00	198.00	5.00
Person with qualified adult	321.10	329.40	8.30
Guardian's Payment (Contributory)			
Personal rate	176.00	181.00	5.00
Increases for a qualified child			
All schemes in respect of all children	29.80	31.80	2.00
Child Benefit			
Rate per child (all children)	140.00	140.00	0.00

SOCIAL WELFARE: Social Assistance weekly rates from end March 2018

	Present Rate	New Rate	Change
	€	€	€
Jobseeker's Allowance			
Personal rate (18 to 24 years)	102.70	107.70	5.00
Person with qualified adult	205.40	215.40	10.00
Personal rate (25 years)	147.80	152.80	5.00
Person with qualified adult	275.90	284.20	8.30
Personal rate (aged 26 and over)	193.00	198.00	5.00
Person with qualified adult	321.10	329.40	8.30
State Pension (Non-Contributory)			
Personal rate	227.00	232.00	5.00
Person with qualified adult (under 66)	377.00	385.30	8.30
Personal rate (aged 80 or over)	237.00	242.00	5.00
Person (aged 80 or over) with qualified adult (under 66)	387.00	395.30	8.30
Widow(er)'s Non-Contributory Pension			
Personal rate	193.00	198.00	5.00
Carer's Allowance			
Aged under 66 (caring for one person)	209.00	214.00	5.00
Aged 66 or over (caring for one person)	247.00	252.00	5.00
Disability Allowance			
Personal rate	193.00	198.00	5.00
Person with qualified adult	321.10	329.40	8.30
Pre-Retirement Allowance			
Personal rate	193.00	198.00	5.00
Person with qualified adult	321.10	329.40	8.30
Farm Assist			
Personal rate	193.00	198.00	5.00
Person with qualified adult	321.10	329.40	8.30
Guardian's Payment (Non-Contributory)			
Personal rate	176.00	181.00	5.00
Living Alone Allowance			
Weekly	9.00	9.00	0.00
One-Parent Family Payment			
Personal rate with one qualified child (up to age 18)	222.80	229.80	7.00
Increases for a qualified child			
All schemes in respect of all children	29.80	31.80	2.00

The Socio-Economic Context of Budget 2018

Table 20.1: Ireland's Social and Economic Context - Budget 2018			
Population		**Housing**	
Population (April 2017)	4.79 million	Local Authority Waiting List	91,600 households
Increase in population aged 15-64 / 65+ between 2011 and 2016	44,500 / 102,000	On the waiting list more than 7 /10 years	13,380 / 5,096
% increase in population (projected) of people aged older than 65 / 85	59% / 95%	Median time on waiting list (2013 / 2017)	2yr 8m / 3yr 9m
Income Levels **		Homelessness (August 17)	5,222
Average Weekly Gross Household Income (2014/2015	€1,080 / €1,121	12 month increase in homeless families	27%
Average Weekly Disposable Household Income (2014/2015)	€836 / €868	Homeless children (August 17)	3,048
Poverty and Inequality **		**Labour Market** (all figures Q2 2017, unless otherwise stated)	
Poverty line, 1 Adult (week/year)	€235 / €12,301	Labour Force (Number / % change last 12 months)	2.2 mill / 0%
Poverty line, 2 Adults (week/year)	€391 / €20,419	Employment (Number / % change last 12 months)	2.06 mill / +2.3%
Poverty line, 1 Adult + 1 Child (week/year)	€313 / €16,360	Unemployment (Number / fall in last 12 months)	141,500 / -46,300
Poverty line, 2 Adults + 2 Children (wk/yr)	€547 / €28,537	Long-term Unemployment (Number / rate)	68,900 / 3.1%
Living in poverty in 2015 (% / number)	16.9% / 789,855	Youth Unemployment Rate / Overall rate	16.5% / 6.4%
Children in poverty in 2015 (% / number)	20.1% / 245,645	% of workers earning the Minimum Wage	10.1%
Experiencing deprivation in 2007/2015	11.8% / 25.5%	National Minimum Wage 2017 (per hour / 39 hr week)	€9.25 / €361
Gini coefficient 2009 / 2013 / 2015	29.3 / 32 / 30.8	National Minimum Wage 2018 (per hour / 39 hr week)	€9.55 / €372
Ratio of bottom 20% to top 20% (2009/2015)	4.3 / 4.7	Living Wage (per hour / 39 hr week)	€11.70 / €456
Social Welfare Rates		% of employees on less than Living Wage	25% (estimate)
Jobseekers Benefit personal rate / Increase for qualified adult	€198 / €131.40	Net Migration: (total year to April 2017 / Irish Nationals 2008—2017)	19,800 / -158,300
Jobseekers Allowance Maximum Personal Rate aged 26 and over/aged 25/aged 18-24	€198 / €152.80 / €107.70	**Miscellaneous**	
State Pension: contributory / non-contrib	€243.30 / €232	Illiteracy rate of adult population (2013)	17.9%
Child Benefit (flat rate for all children)	€140 per month	ODA as a % of: GNP in 2008 / GNI* in 2017	0.59 / 0.35
Taxation		Estimated best / worse case fine (under EU 2020) if Ireland remains on current course	€700m / €1,400m
Ireland's total revenue as % of GDP vs Eurostat's mark for a "low-tax economy"	26.1% vs 34.9%	CSO annual CPI inflation rate (year to August 2017)	+0.40%
Value of costed tax reliefs per annum	€17.4 billion	CPI, excluding mortgage interest (year to August 2017)	+0.50%

Sources: CSO population projections; CSO SILC data; CSO QNHS survey; Department of Housing, Planning and Local Government; Housing Agency; NERI; Irish Aid annual reports; Comprehensive Expenditure Report; Central Bank; ESRI; OECD Literacy Survey; www.citizensinformation.ie CSO Environment Indicators; Various other Government Departments and Agencies
Notes: * = projection; ** = CSO SILC data; ^ = latest available figure

Budget 2018 — Key Numbers, Data & Trends

To accompany Budget 2018, the Departments of Finance and Public Expenditure and Reform have published a series of documents detailing the changes announced in the Budget. Throughout this *Analysis and Critique,* we have examined various aspects of these changes.

The table below brings together some of the key figures from the published Budget documents. It presents the Department of Finance's expectations of National Income next year, and for the following two years.

It outlines expectations of national income growth next year and in subsequent years.

It also outlines the projected exchequer budgetary position over that period. Expectations of future changes to employment, unemployment and inflation are also detailed.

Included is information on the taxation system following the implementation of Budgetary changes, and details Government projections in inflation, the labour market, and the size of budgetary adjustments.

The table also outlines the Department of Finance's calculations regarding full year costs of tax and social welfare changes announced in Budget 2018.

Table 21.1: The Budget in Numbers - Key Data from Budget 2018

National Income (nominal)		**Inflation and the Labour Market**	
GDP in 2018 (€m)	301,825	Inflation in 2018 (HICP)	0.8%
GDP in 2019 (€m)	315,075	Inflation 2018-2020 (HICP average)	1.3%
GDP in 2020 (€m)	328,00	Unemployment rate in 2018	5.7%
Projected GDP growth in 2018 and 2019	4.4%	Employment growth in 2018	2.3%
GDP growth in 2018-2020 (average)	4.3%	Unemployment rate 2018-2020(average)	5.5%
Exchequer Budgetary Position		Employment growth 2018-2020 (average)	2.1%
Current Budget Balance, 2018 (€m)	2,935	**Taxation**	
Current Budget Balance, 2019 (€m)	4,225	Income Taxation - lower rate / higher rate	20% / 40%
Current Budget Balance, 2020 (€m)	5,510	Employer PRSI / Employee PRSI	11.75% / 4%
Net Capital Investment, 2018 (€m)	6,160	USC on incomes of €13,000 or less:	Exempt
Net Capital Investment, 2019 (€m)	7,405	USC, €0-€12,012	0.5%
Net Capital Investment, 2020 (€m)	8,005	USC, €12,012-€19,372	2%
Underlying General Govt. Balance 2018 (€m)	-540	USC, €18,772-€70,044	4.75%
Underlying General Govt. Balance (% GDP)	-0.2%	USC, €70,044-€100,000	8%
Interest on National Debt 2018 (€m)	6,104	USC, €100,000+ (PAYE / Self employed)	8% / 11%
Interest on National Debt 2017-2021 (€m)	28,803	%Tax on €25,000 income (single / 2 earners)	12.7% / 0.6%
Debt to GDP ratio 2018 / 2021	69% / 61.2%	%Tax on €60,000 income (single / 2 earners)	30.5% / 15.1%
Size of Budgetary Changes		%Tax on €100,000 income (single / 2 earners)	41.0% / 30.8%
Yield in 2018 of Tax changes (€m)	-335	Capital Gains Tax Rate	10%* / 33%
Value in 2018 of Expenditure changes (€m)	1,080	Corporation Tax Rate	12.5%

Sources: Various tables throughout Budgetary publications. *This special CGT rate applies to new start-ups with a €10m cap on gains. **If you are aged 70 or over or a medical card holder aged under 70 and your aggregate income for the year is €60,000 or less you pay a reduced rate of USC.

How the Budget Works: Frequently Asked Questions

What is the Budget?

The annual Budget arranges a Government's income and expenditure for the year ahead. It sets out what monies Government will bring in, how they will be collected and spent in the coming year. It also allocates a vote / budget for each Government Department and states the funding to be given to some headline activities.

How big is the Budget?

In 2017 the Budget was approximately €58bn.

What are the main sources of income (revenue) for Government?

The main source of income is taxation, which can broadly be divided into

- 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).

Details of Government's expected income (revenue) in 2018 are set out on page 12 of this Briefing.

What are the main types of expenditure (spending) that the Government must budget for?

Current expenditure: This includes what is needed to keep services and infrastructure operating, and it occurs every year. A large component is payments to individuals as salaries, pensions and social welfare entitlements. Other items include upkeep of State infrastructure (roads, buildings, assets etc), provision of services e.g. education, justice, health etc, and servicing the National Debt.

Capital expenditure: This includes funding for new infrastructure such as broadband, schools, housing transport etc. In general, this money is allocated once for a particular project. Capital Expenditure is planned on a 3-5 year cycle known as an envelope, which sets out the expenditure year by year.

Details of Government's expected expenditure (spending) in 2018 are set out on page 13 of this Briefing.

How much freedom does the government have?

Ireland's membership of the EU means that we are committed to staying within parameters set by the European Commission under the Stability and Growth Pact. This pact is a set of rules designed to ensure that countries in the European Union pursue sound public finances and coordinate their fiscal/budget policies. Ireland is also subject to the rules of the Fiscal Compact which was introduced in 2012 . Effectively, these rules restrict how much money Ireland can borrow, our deficit and debt. Our Budget is submitted to the EU by 15th October every year to ensure it complies with these "fiscal rules" or "fiscal compact".

What is Fiscal Space?

This is the money available for Budget decisions after account is taken of demographic pressures on public spending, capital plans, the indexation of income taxation structures and other pre-committed policies.

What factors influence expenditure?

Increases in the population and in the number of people in specific categories have a big impact on expenditure. For example, as the population aged 13-20 increases, the cost of second level education increases. The welcome fact that more and more people are living beyond their 80s means that the overall cost of pensions will increase, as will expenditure on care.

The other factors are the policy choices made by Government, for example to increase welfare rates or invest in housing or infrastructure, or meet our climate change obligations.

How the Budget Works: Frequently Asked Questions

Will the Budget statement tell me everything?

The Minister for Finance's statement on Budget Day outlines the main provisions of the budget. However, as always, the devil is in the detail. All the information is published on www.budget.gov.ie as the Minister is speaking.

The Expenditure Allocations and Estimates for Public Services give a Department by Department breakdown of allocated expenditure for the year ahead, with the previous year for reference. This is very useful to identify changes which may not be apparent in the Budget Speech.

However, while excise and VAT changes tend to be passed on to consumers immediately, the final expenditure decisions are not made until the Finance Bill is published, debated and passed. Often quite significant changes can be made between the announcement on Budget Day and the passing of the Finance Bill towards the end of the year.

What are the key stages in the budget cycle?

The publication of the Budget is one step in a year-long cycle of activity. Approximate dates are as follows :-

April: Stability Programme Update is published. This outlines the Government's broad budget strategy over the coming 3 years, keeping within the European fiscal rules. It is published on www.finance.gov.ie

Spring/Summer Economic Statement: lays out the basic strategy, economic indicators and outlook for the coming year as seen by the Government. It is published on www.finance.gov.ie

July: National Economic Dialogue brings politicians, civil servants, employers, trades unions, community, environmental and other sectoral groups together to discuss the social and economic aspects of the Budget. It is usually livestreamed on per.gov.ie

July, August & September: Lobbying Various meetings between lobby groups and the relevant Minister, and also between each Department and the Minister for Finance. Details of lobbying done by various groups and organisations can be found on www.lobbying.ie.

Early October: Budget announced. Budget must be submitted to EU by 15th October, so the latest date for publication is 15th October. Just prior to the Budget announcement, the Estimates of receipts and expenditure are published which gives the opening position for the Budget.

Late October / November: Social Welfare Bill published, debated and passed to give effect to the social welfare and related changed in the Budget. Finance Bill published, debated and amended to give effect to the main taxation and related changes in the Budget.

Late December: Finance Bill adopted (with amendments).

So if we have suggestions for next year—when should we lobby?

As you can see the Budget preparation starts in April! So you should have your proposals costed and ready by then. The main time for lobbying runs from June onwards, but the earlier you can start discussing your proposals the better.

How can we cost our proposals?

Under the programme for Government, there is a commitment to a Budget Office which will support groups to **cost proposals**. This is not in place yet, so in the meantime you could ask your local TD to put down a question in Dáil Eireann asking the relevant Minister(s) for the costs of the proposal(s) you are making.

In terms of changing **income tax rates**, there is a ready reckoner available which will give the cost of a very wide range of measures. This can be found at http://www.revenue.ie/en/corporate/information-about-revenue/statistics/ready-reckoner/index.aspx

Where the cost of **social welfare rates** changes are concerned it is best to follow the proposal set out above and ask your local TD to put down a question to the Minister for Employment Affairs and Social Protection seeking an answer to your question.

What other websites have relevant information?

A graphical overview of spending in different areas across the past 10 years is on Www.whereyourmoneygoes.gov.ie. The DPER databank www.databank.per.gov.ie gives more detailed information and analysis of expenditure. The Central Statistics Officer www.cso.ie has regular relevant reports on a range of economic and social indicators.

Making choices that support long-term progress

Drafting a Budget involves Government in major decision-making about the distribution of available resources which has long-term implications for people. While the resources may be limited in the short term, they should be allocated in a manner that is consistent with the development of a viable and vibrant future for all. These decisions should be based on careful evaluation of the **choices available**. Do the Budget choices, for example, contribute to increasing social cohesion or will they widen the gap between poor people and the better off in society? The recent UN Human Development Report ranked Ireland as the eight richest country in a world of 188 countries; yet over 8,000 of our people are homeless, over 3,000 of whom are children. This raises very serious questions about the choices being made.

Decisions are based on values. Opinion polls show that most Irish people would like to live in a society based on the values of human dignity, equality, human rights, solidarity and the pursuit of the common good. These values should be at the core of Government decision-making on the distribution of resources and infrastructural programmes in the national budget.

A new policy framework is required - one that rejects the failed approach of focusing firstly on the economy and assuming everything else will follow. Instead it is critical to recognise the importance of an integrated approach that seeks to deliver five outcomes simultaneously: 1) A thriving economy; 2). Just taxation; 3) Decent services and infrastructure; 4) Good governance, and 5) Sustainability.

These five policy areas are interdependent. All must be focused on in tandem if Ireland is to achieve its long term economic, social and environmental policy goals. This integrated approach also recognises the need to plan now to ensure Ireland has the required infrastructure in place to provide for its growing population.

Broken societies are bad for business. Without the integrated approach advocated here Ireland will not become a fair, just, sustainable society but will, instead, continue to be a country being shamed by its poverty, homelessness, unemployment, waiting lists and poor infrastructure. Details of this suggested framework are available in chapter 2 of our Socio-Economic Review 2017 'A New Social Contract for a New Century'.

Overseas Development Aid

Budget 2018 allocated €707m to Ireland's Official Development Assistance (ODA) programme; an increase of approximately €55m on 2017.

Social Justice Ireland welcomes this increase as being significant in nominal monetary terms. Approximately €500m was allocated through the Department of Foreign Affairs and Trade, with another €207m through other government departments and Ireland's share of the EU Development Cooperation Budget.

As a percentage of new modified GNI (GNI*), perhaps the best measure of Ireland's national income, ODA represents 0.35 per cent.

In our Budget Choices Briefing, *Social Justice Ireland* urged Government to make a commitment to increase the aid budget over the next five years in order to reach 0.59 per cent of national income, matching our pre-recession peak. This would serve as a staging post, from which Ireland could then progress to reach the 0.7 per cent target by 2025.

It is disappointing that the increase in Budget 2018 is an improvement of only 0.01 per cent of GNI*, showing little ambition to reach the UN-agreed 0.7 per cent target. Ireland's improving economic situation is an opportunity to recover lost ground in relation to our ODA commitments.

In recent times, Ireland has been commended by the OECD Development Assistance Committee Peer Review for the effectiveness of our aid programme. We can be justifiably proud of our record of providing high quality, untied, grant-based aid.

However, many other countries have taken a leadership role in moving towards the 0.7 per cent target, and Ireland's record in this regard has historically been very poor.

It should also be noted that Ireland had previously led on reaching the UN target of 0.15% of ODA to Least Developed Countries (LDCs), consistently exceeding it between 2011 and 2014. This very positive run has ended. Seven donors gave more than 0.15% of GNI as ODA to LDCs in 2016 and Ireland was not one of them, giving just under 0.15% .

This work is partly supported by the Department of Rural and Community Development via the Scheme to Support National Organisations and Pobal.

Social Justice Ireland is an independent think-tank and justice advocacy organisation of individuals and groups throughout Ireland who are committed to working to build a just society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected.

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