SOCIAL JUSTICE IRELAND

working to build a just society

Budget 2020
Analysis & Critique

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CONTENTS:

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Budget betrays the vulnerable as many left further behind

Budget 2020 failed in its basic task to protect the vulnerable. While TDs will see their salaries rise by about €1,600 in the coming year (€30 a week) many of Ireland's most vulnerable people will see their welfare payments remain unchanged. Among other things they will face additional increases in the cost of food as a result of Brexit; they also face higher charges for public transport as a result of increased carbon tax. The choices made by Government in Budget 2020 mean that vulnerable people will see their standard of living fall and they will slip even further behind the rest of society. This is not acceptable.

The Taoiseach claimed that this is a social justice budget. However, there is little evidence to support this claim.

The imminence and uncertainty of Brexit provided Government with challenging choices. No matter what the final outcome of Brexit, Ireland will be hit by many negative impacts when the UK leaves the EU. While *Social Justice Ireland* welcomes the allocation of resources to a fund that will be available to assist those most affected, we regret the lack of focus on the impact that Brexit would have on the living costs and living standards of low income households.

Cost of living

The cost of living for average Irish households will rise by between €892 and €1,360 a year as a result of Brexit. The ESRI has pointed out that these increases will be "very unevenly distributed across households" with those on lower incomes being most exposed. The poorest 30% of the population spend a far higher proportion of their income on food. So Brexit will hit them hardest while they have the least capacity to absorb an increase in living costs (cf. page 4).

Context

It is important to note that there are many positive signs in the economy and society. The economy is growing, inflation is low, job-creation has been steady and house prices are not rising as fast as previously.

Negative signals, however, abound. Consumer confidence is weak, unemployment has begun to rise again, homelessness is growing and Ireland's infrastructure is unable to cope with the pressures it faces.

Housing

In his Budget speech the Minister for Finance highlighted that Government was allocating €2.5 billion to housing. More than €400,000 of this is being spent every day to provide emergency accommodation alone. Yet 5,532 homeless households have no homes to go to! Approximately €2,200 is currently being spent every month to accommodate each of these families in hotels, B&Bs and family

Continued on page 2

Welcome

- Increase in Stamp Duty on non-residential property
- Fund to deal with Brexit
- Carbon tax increase
- Hot school meals programme
- Allocation for Special Needs

Regret

- No social welfare increase for many vulnerable people
- No increase in the Minimum Wage
- Lack of transparency on Budget information
- Lack of focus on prevention in housing policy
- Lack of progress towards a Just Transition

hubs. This amount, however, is more than the average asking rent for a 3-bed house in South County Dublin and comes with none of the tenant protections. The housing crisis requires a huge increase in the provision of social housing. The scale of the response in Budget 2020 is nowhere near the level required to solve the crisis. Again, the vulnerable are forced to wait as their situation deteriorates. (p.5)

Climate and environment

Budget 2020 does not contain the 'bold and new decisions' required to meet the 'defining challenge' of climate change. There was no move to introduce a levy on single use coffee cups, to introduce a commercial air transport tax or to invest in the circular economy. We welcome the increase in carbon tax and ringfencing commitments (cf. p3). However not everyone who will be most impacted is entitled to the fuel allowance and little progress was made on delivering a scaled up National Retrofitting Programme. The Midlands Fund is welcome, but must be replicated across all regions. (p.9)

Poverty - the gap widens

One in every six people in Ireland lives with an income below the poverty line (15.7% of the population). Based on the latest CSO data, this corresponds to approximately 760,000 people.

Social Justice Ireland has consistently pointed out that a lesson from previous experiences is that the vulnerable in our society get left behind unless welfare increases keep pace with increases elsewhere in the economy.

A €9 per week increase in minimum social welfare payments was required in Budget 2020 in order that social welfare rates keep up with wage growth (based on a benchmark of 27.5% of average earnings). Yet there was no increase at all for many depending on these payments.

If social welfare rates are allowed to fall behind earnings over time, increases in poverty are inevitable.

Low total tax-take is not sustainable

Social Justice Ireland has continually highlighted the fact that Ireland is a low-tax economy with its total tax-take among the lowest in the EU. The overall impact of Budget 2020 on revenue was a rise of €340 million.

Social Justice Ireland welcomes the increase in stamp duty on non-residential property for which we have long advocated. It will bring in €141m annually. (p.7)

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 it should be of a scale appropriate to maintain current public service provisions while providing the resources to build a better society.

Social Justice Ireland believes that the issue of **corporate tax** contributions is principally one of fairness. A recent report from the Comptroller and Auditor General found that among the top 100 corporate tax payers, who account for 70% of tax paid, 8 had a 0% or less rate, 5 paid between 0% and 1%, 1 paid between 1% and 5%, and 7 paid between 5% and 10%. It is clear that a small number of very large firms are at the core of the tax adequacy issues in this sector. (p.9)

Social Justice Ireland believes that Government should introduce a minimum effective rate of tax on corporate profits. We have proposed a rate of 6% and regret that Budget 2020 did not do this.

Tax expenditures (i.e. breaks) amount to approximately 10% of total tax revenue. However, unlike direct government expenditure, tax expenditures are not subject to annual assessment as part of the budgetary process. It is extraordinary that this is the case given the cost involved.

We believe the full list of tax expenditures and their cost should be published each year with the Budget documentation. They should all be reviewed regularly and have 'sunset' clauses.

Transparency - Hiding facts?

Social Justice Ireland's analysis of the Budget documents supplied by Government raise some questions of transparency. For example, we do not believe that the information and back-up figures on the healthcare budget are really transparent. These figures do not appear to us to add up. This is a totally unacceptable situation. Transparency is an essential component of democracy. (p.16)

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 2020 included a number of welcome initiatives. However, its failure to protect the vulnerable is very disappointing. *Social Justice Ireland* acknowledges the importance of prudence in preparing for an uncertain Brexit impact. But we know that the vulnerable will be among the first to take the hit it brings. Budget 2020 doesn't provide the scale of response that protecting the vulnerable requires.

If a hard Brexit emerges there is an unavoidable need for a Supplementary Budget to ensure the vulnerable are protected from its inevitable impact.

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Children, Child Poverty and Budget 2020

Earlier this year *Social Justice Ireland* focused on children and the experience and extent of child poverty as the central theme of our annual *Poverty Focus* document. The latest CSO data indicate that around 1 in every 5 children in this country (about 230,000) lives in a household below the poverty line. Despite various targets, announcements and initiatives this figure has remained relatively unchanged over many years.

The *National Policy Framework for Children and Young People 2014-2020* set a target to reduce the number of children in consistent poverty (poverty and deprivation combined) by two-thirds by 2020 and this target, like so many before it, looks set to be missed next year.

While Budget 2020 has included some welcome initiatives for children and families with children, the combined effect of these measures will be small relative to the challenges Ireland faces on these issues.

However, progress is welcome and we note Budget measures to increase the qualified child payment, enhance the hot school meal programme, increase the earnings disregard for lone parents and increase the working family payment.

The Budget has also increased funding for the National Childcare Scheme (NCS) by €54m. While this is a welcome development, and is a further step towards the comprehensive Early Childhood Care and Education (ECCE) programme we have called for for some time, it did not address the substantial deficits in the available places and number of hours on the NCS.

As a society we need to substantially invest in our children and their education and care. Budget 2020 has made limited progress on this.

Regret on Welfare Package

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

Without the social welfare system 43.8 per cent of the Irish population would have been living in poverty in 2017. However, welfare payments reduced the poverty rate by 28 percentage points to 15.7 per cent. Thus, when Budget resources are focused on the welfare system they assists those who need most help. Conversely, when a Budget largely ignores the welfare system it ignores the living standards and needs of the weakest in our society.

We regret that Budget 2020 did not deliver any increase to core welfare payments. As we detailed in our pre-Budget document, *Budget Choices*, a lesson from past experiences of economic recovery and growth is that the weakest in our society get left behind unless welfare increases keep track with increases elsewhere in the economy. 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. We called for an increase of €9 per week in all weekly minimum welfare payments to ensure that their value was benchmarked to movements that have already occurred in average earnings. We regret that this was not delivered. Despite the necessary Brexit-induced caution, we believe that the resources were available to deliver this increase.

Other Budget measures, including the increase in jobseekers payments for young people and increases to the living alone and fuel allowances were welcome. These assist low income vulnerable groups in our society.

Carbon Tax and a Just Transition

Social Justice Ireland welcomes the Budget 2020 decision to increase the carbon tax from €20 per tonne to €26 per tonne. While we had called for a higher increase, of €10 per tonne, we note that this is the first significant increase in the tax since it was introduced almost one decade ago. Furthermore, we welcome the commitment by the Minister for Finance that the additional revenue from this tax will be ringfenced and used to address some of the challenges associated with a transition from our current model of production, resource use and pollution.

We also welcome that the Budget signalled a commitment to implement the recommendation of the Joint Oireachtas Committee on Climate Action that the carbon tax will continue to increase and reach €80 per tonne by 2030.

Collectively, these developments reflect an overdue engagement by Government with the unsustainability of our current systems, one reflect in the wide gap between today's levels of greenhouse gas emissions and the much lower target Ireland had committed to achieve by next year.

Social Justice Ireland has highlighted the importance of investing in a just transition using the additional resources generated from these carbon tax increases. In today's terms the additional tax revenue will total more than €1 billion per annum by 2030.

At a minimum such a programme should contain: (i) re-training and support for those communities who will be most impacted by the loss of employment; (ii) support and investment in the circular economy and bioeconomy with regional strategies and targets; (iii) investment in the deep retrofitting of homes and community facilities; (iv) investment in renewable energy schemes and in community energy advisors and community energy programmes; (v) policies to eliminate energy poverty; and (vi) investment in a quality, accessible and well-connected public transport network.

Brexit and Low Income Households

A central theme of Budget 2020 has been the possible threat of a hard-Brexit at some stage in the months ahead and the implications this will carry for Ireland.

While we welcome the allocation of resources in the Budget to a fund that will be available to assist those most impacted by a hard-Brexit, we regret the lack of focus on the impact that this event would have on the living costs and living standards of low income households.

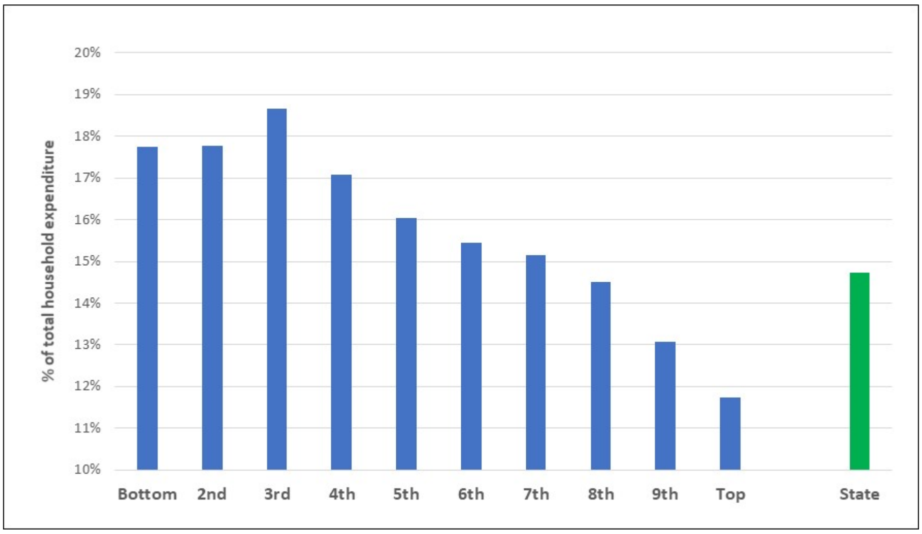
An ESRI report, from March 2018, highlighted the dependence of the Irish consumers on imports from other states. In particular, it noted the concentration of UK imports on household expenditure in areas such as food. In the context of a hard–Brexit, where World Trade Organisation tariffs would automatically apply to imports from the UK, it found that consumer prices would rise by between 2% and 3.1% and this would raise the cost of living for average Irish households by between €892 and €1,360 a year.

However, the report also noted that these increases would be "very unevenly distributed across households" with lower income households, who spend a higher proportion of their income, being most exposed.

Among the products identified as most prone to price increases, food expenditure was highlighted as the expenditure category most exposed. It would experience some of the heaviest post-Brexit tariffs and the current structure of the Irish food market (supermarkets and food outlets) is one that is very exposed to imports from the UK.

Chart 4.1 uses data from the CSO's Household Budget Survey to illustrate the exposure of households across the income distribution to changes in food prices. It shows the proportion of total household expenditure on food. On average, Irish households spend 14.7% of their total expenditure on food. However, food represents a much larger proportion of all spending among the households in the bottom 40% of the income distribution standing at between 17% and 19% of total expenditure.

Chart 4.1: Percentage of Total Expenditure spent on Food, by income decile



Source: CSO Household Budget Survey

A sudden increase in consumer food prices will hit lower income households hardest

A sudden increase in consumer food prices, which would be unavoidable in the context of a hard-Brexit, will hit these households hardest. They are also the households with the lowest capacity to absorb such impacts on their living costs. Even in the context of a negotiated departure of the UK from the EU, the absence of a customs agreement may push consumer food prices higher and have a less severe but similarly distributed effect.

Social Justice Ireland believes that Government needs to widen its consideration of those who would be impacted by a hard-Brexit. Should it happen, low income households will need supports to absorb the living cost increases they will inevitably face.

Tax: Self-employed & Entrepreneurs

One of the few income tax changes in Budget 2020 has seen the Government increase the earned income tax credit by €150 to €1,500 per annum. This tax credit is available to self-employed earners and has grown substantially over recent Budgets, rising from €550 when it was introduced in Budget 2016. As a result of these increases, some of the largest gains from recent Budget's have flowed to the self-employed. This annual credit is now almost equivalent in value to the PAYE tax credit which is available to employees. While there may be a case for the near-equalisation of the PAYE and earned income tax credits, it has been striking that the policy choices around this issue have received little attention. According to the Revenue Commissioners, the full-year cost of providing this credit is approximately €350m per annum.

Recent Budgets, and Social Welfare Acts, have also seen a number of PRSI benefits extended to the self-employed. This is welcome, as it represents a widening of the societal safety net that protects against sudden income falls associated with illness or disability. However, it is of concern that PRSI rates for the self-employed were not increased to accompany the provision of these additional benefits. Given recent changes to the earned income tax credit, we regret that Budget 2020 did not include an announcement to increase these PRSI rates.

The Budget also signalled plans to review and reform measures aimed at supporting entrepreneurs. While such activity is important to many Irish business sectors, Government needs to more clearly articulate the expectation that entrepreneurs, where successful, are expected to contribute their fair share of income and profit taxes to the state. We regret Budget 2020 did not strongly state this.

€400,000 a day and no homes to go to

Last year, the Government spent almost €147m on Emergency Accommodation alone. That amounts to over €402,000 per day, every day that year, while less than €10m was spent on homelessness prevention.

Over the last 5 years, the amount spent on emergency homeless accommodation has increased by 311 per cent, and all indications suggest this will increase again by the end of this year.

Since 2014, almost €440m has been spent on Emergency Accommodation across all 31 local authority areas. If the Minister's estimate of the "all-in" cost of a 3 bed property of €234,571 is correct, 1,867 3 bed social housing units could have been built, and fully serviced, for the cost of normalising homelessness.

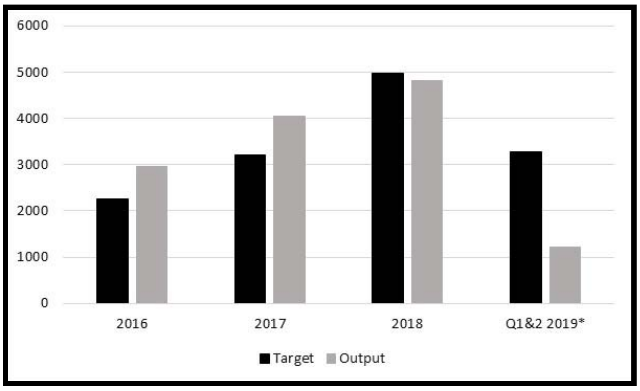
Urgent Need

There is an urgent need to build more social and affordable homes, not yet felt at Government level.

Lack of social and affordable homes hit single-adult households the hardest. Of the 71,858 households on the social housing waiting list, 77.5 per cent are single-adult households (including 22,195 single-parent households). The cost of an "affordable home" is €300-320,000. As a first time buyer, assuming the capacity to save a deposit of between €30,000 and €32,000, household income would need to reach between €77,150 and €82,300 per year to service a mortgage. This is twice the average salary and out of the reach of most single-adult households.

In 2016 there were just 2,965 Local Authority 'builds' (which include regenerations, voids and Part V properties), accounting for 16 per cent of all social housing output that year. Targets increased gradually between 2016 and 2019, however in the last two years, these targets have been missed with latest figures showing just 38 per cent of projected 'builds' were delivered in the first half of this year, accounting for 10 per cent of all social housing output in that period (Chart 5.1. In contrast, the number of new households in receipt of the Household Assistance Payment (HAP), a subsidy to private landlords, has consistently exceeded targets.

Chart 5.1: "Builds" v Targets, 2016-19*



Source: Department of Housing, Planning and Local Government, Rebuilding Ireland Targets & Progress Report

Note: 2019 data assumes 50% of annual target for Q1&2

Budget 2020 has again largely ignored the needs of vulnerable households by concentrating the majority of homelessness spending on the provision of emergency accommodation, rather than prevention, and again relying on subsidies to the private rented sector for "social housing solutions". Long-term solutions should be prioritised if we are to avoid normalising the crisis.

Tenants or Tenements?

One in seven people in Ireland are renting in the private rented sector. Rent Pressure Zones now exist in 44 locations, with 21 of those designated this year. Legislation passed in June introduced a range of increased tenant protections, all of which were welcome. However, legislation passed in 2015 to introduce a deposit protection scheme under the remit of the Residential Tenancies Board (RTB) is yet to be commenced, notwithstanding the RTB reporting disputes relating to deposit retention consistently being one of the main areas of dispute between landlords and tenants. The dearth of rent inspections, persistent discrimination against HAP households and recent reports of other questionable practices in the sector clearly indicate a need to provide more resources to support the implementation and enforcement of existing legislation to properly protect tenants. In addition, the policy shift towards co-living, with no tenancy protections for licencees, shows how removed this Government is from the needs of generations struggling to find a place to call home.

In allocating just €2m of additional funding to the RTB for investigating and sanctioning non-compliance with the Rent Pressure Zone measures, and no additional funding for rent inspections and sanctions under other landlord and tenant legislation, the Government has shown that they are not serious about protecting tenants.

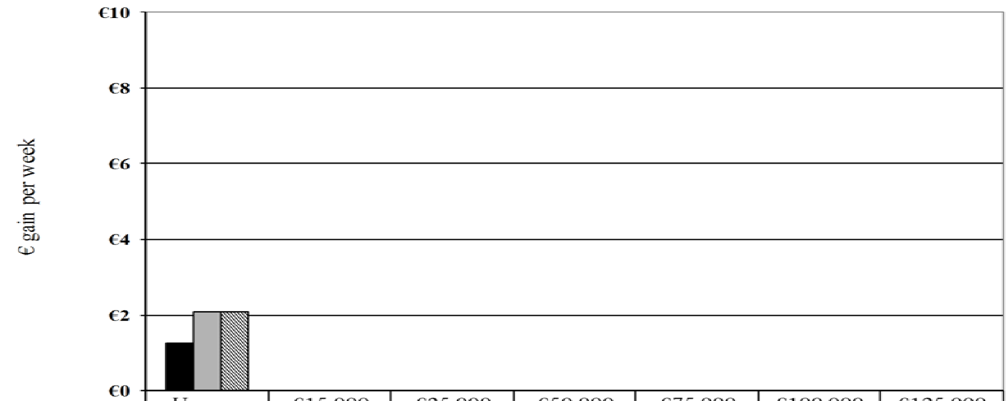
Subsidised Inflation

The Help to Buy Scheme was introduced in 2016 to provide support for first time buyers saving for a deposit on a newly built home, thereby also stimulating activity in a construction sector still feeling the effects of the downturn. To avail of the scheme, the applicant must be a first time buyer, must have a mortgage of at least 70 per cent of the value of the home and, initially, the property must have a value of €600,000 or less (this was changed to €500,000 or less for homes built after 01 January 2017).

The maximum amount available under the Scheme is €20,000 per home. Data available from Revenue show that the Scheme has overrun every year since it was introduced. The total allocation for 2019 was €130 million, by August this year total expenditure had reached €206.4 million. Analysis of the Scheme by the Parliamentary Budget Office last month shows that the average value of a home subsidised by the Scheme was above the average residential sales price, with at least 56 per cent of subsidised homes valued over the average market price. This is subsidised house price inflation. With Central Bank macroprudential rules in place, these higher house values need higher incomes to service the associated mortgages.

Extending the Help to Buy Scheme for an additional two years subsidises the better off at the expense of providing sustainable and affordable homes for those in most need.

Chart 6.1: Impact of Tax and Headline Welfare Payment Changes from Budget 2020



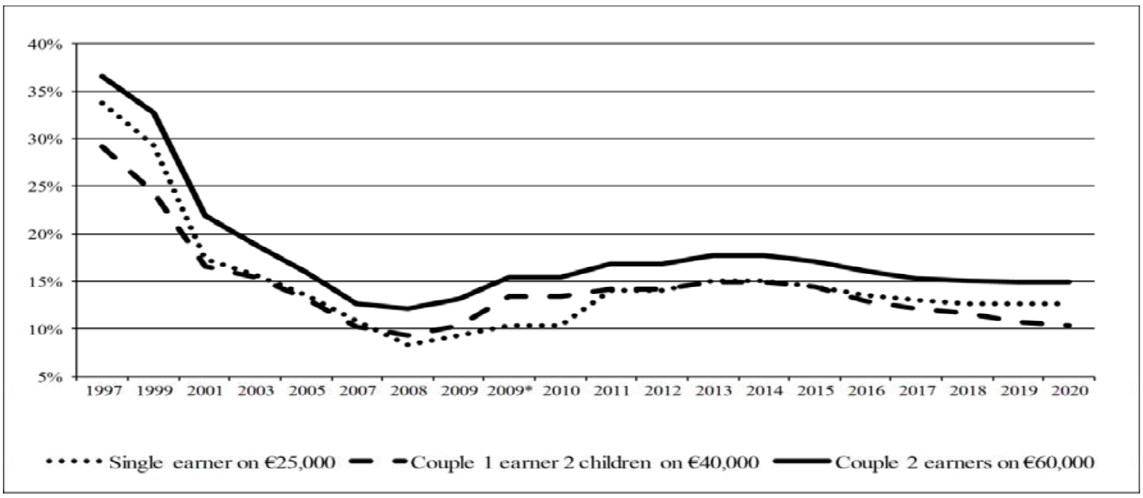
	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	1.25	0.00	0.00	0.00	0.00	0.00	0.00
Couple 1 Earner*	2.08	0.00	0.00	0.00	0.00	0.00	0.00
Couple 2 Earners*	2.08	0.00	0.00	0.00	0.00	0.00	0.00

Notes: * Except in case of the unemployed where there is no earner. Unemployed aged 26 years plus. 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 an increase in the minimum wage.

Table 6.1: Effective Income Tax Rates following Budget's 2000/ 2008/ 2020			
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% / 6.9%	8.3% / 2.7% / 3.4%	6.1% / 0.0% / 0.0%
€25,000	24.0% / 8.3% / 12.6%	12.3% / 2.9% / 5.8%	11.0% / 0.0% / 0.6%
€30,000	28.4% / 12.9% / 15.2%	15.0% / 5.1% / 6.2%	14.6% / 1.7% / 1.9%
€40,000	33.3% / 18.6% / 20.9%	20.2% / 9.4% / 10.4%	17.5% / 3.6% / 7.6%
€60,000	37.7% / 27.5% / 30.1%	29.0% / 19.8% / 21.7%	28.0% / 12.2% / 14.9%
€100,000	41.1% / 33.8% / 38.5%	35.9% / 29.2% / 33.5%	35.9% / 23.8% / 26.4%
€120,000	41.9% / 35.4% / 40.8%	37.6% / 31.6% / 36.6%	37.7% / 27.2% / 30.3%

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

Chart 6.2: Effective Income Tax Rates in Ireland, 1997-2020



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 2020

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) demonstrates that there is little change arising from Budget 2020 announcements on the various household groupings we track annually.

There is no proposed increase in the weekly rate of jobseekers benefit in Budget 2020 and the increase shown in Chart 6.1 (page 6) for the unemployed merely reflects the full year effect of Budget 2019's increase of €5 per week for single people and €8.30 per week for persons with a qualified adult which came into effect from March 2019 together with the increased value of the Christmas Bonus i.e. total increase year on year of €65 for a single person and €108 for a couple.

However, many of those in employment will benefit from pay increases or incremental credits which will not apply to those in receipt of social welfare benefits alone.

For example TDs have recently benefited by approx. €1,600 per annum arising from public sector pay restoration and will receive a further €2,113 per annum from October next year, an overall increase of approx. €71 per week gross.

Such increases in income benefit those better off while not accruing to those most vulnerable in society.

Effective Income Tax Rates after Budget 2020

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 scale of income taxation faced by earners.

Following Budget 2020 we have calculated effective tax rates for a single person, a single income couple with two children 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 2020, for a single person with an income of €15,000 the effective tax rate will be 0.8 %, rising to 12.6 % of an income of €25,000 and 40.8 % 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 5.8 % at an income of €25,000, 21.7 % at an income of €60,000 and 36.6 % 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 7.6 %, rising to 30.3 % for combined earnings of €120,000.

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

Ireland's Overall Tax Take Remains Inadequate

Data accompanying Budget 2020 outlines Government's plans for taxation and spending over the next 5 years (to 2024). Over that period, assuming the policies signalled by Government are followed, overall tax receipts will climb from €58.6bn in 2019 to €72.9bn in 2024.

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 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.

Over the past year we have researched and proposed a new tax take target set on a per-capita (or per-person) basis; an approach which minimises some of the distortionary effects associated with targets linked to national income. The target we propose is:

Ireland's overall level of taxation should reach a level equivalent to €15,000 per capita in 2017 terms. This target should increase each year in line with growth in GNI*.

In our pre-Budget *Budget Choices* document we estimated that the yield from such an increase would average €3.2 billion per annum in additional taxation revenue over the period 2018-2020. Increasing overall taxation revenue to meet this new target would represent a small overall increase in taxation levels and one which is unlikely to have any significant negative impact on the economy.

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 we regret that Budget 2020 did not take greater steps to address this.

Impact of Tax & Benefit Changes, 2017-2020

Budget 2020 marks the fourth Budget of the current Government. On this page we track the cumulative impact of changes to income taxation and welfare over the Government's four Budgets.

Our analysis tracks the cumulative impact of changes to income taxation and welfare following all four of this Government's 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 impact hardest on households with the lowest incomes.

The households we examine are spread across all areas of society and capture those with a job, families with children (under 12 years), 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 recent Bud targeted on the self-employed (see p4). 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.

Among households with jobs (see chart 8.2), the gains experienced range from €4.22 per week (for single workers on €25,000) to almost nine times as much, €37.19 per week, for a couple with 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 €16.19 per week (to single unemployed individuals) to €38.58 per week to unemployed couples with two children - see chart 8.1.

Our analysis points towards the choices and priorities the Government has made. Overall these choices have given least to single welfare-dependent households and those on the lowest earnings.

Chart 8.1 Overall Impact 2017-2020 on Welfare Dependent Households

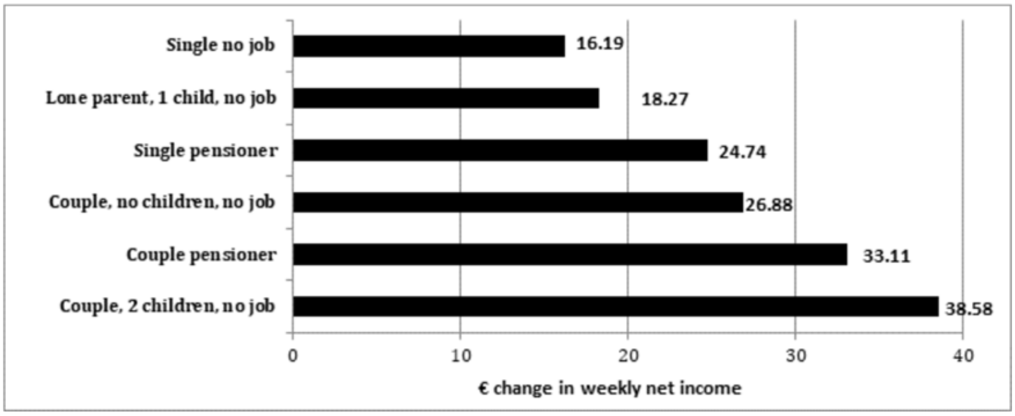
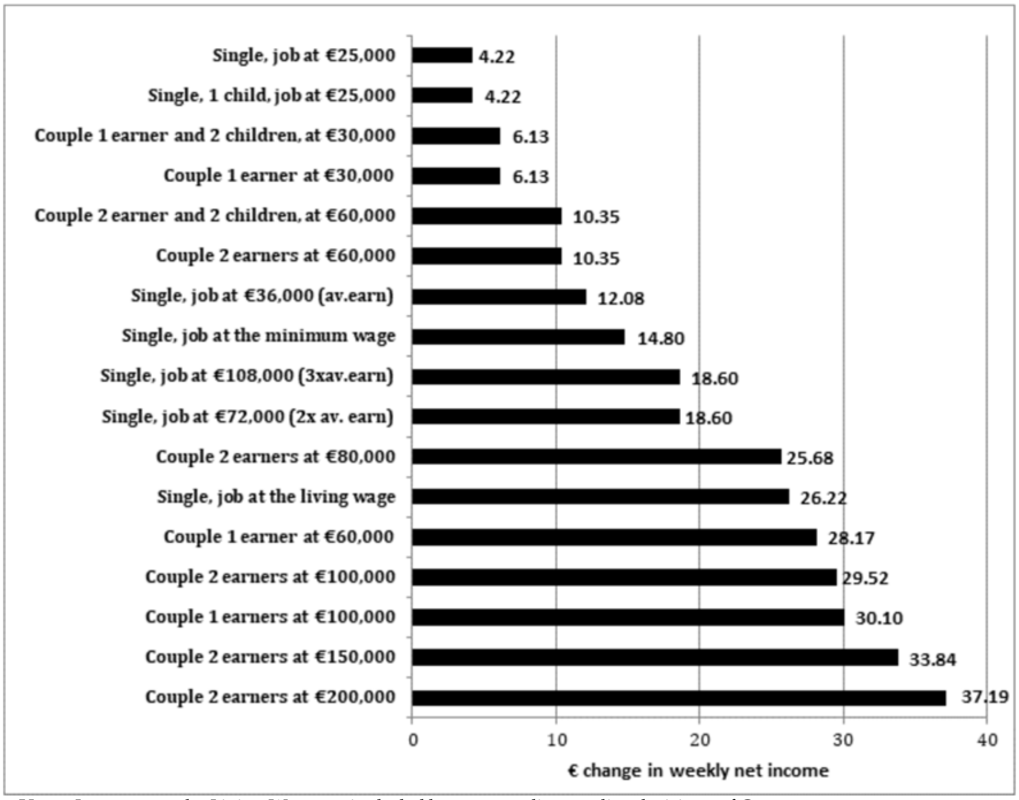


Chart 8.2 Overall Impact 2017-2020 on Households with Jobs



Note: Increases to the Living Wage are included but are not direct policy decisions of Government.

Corporation Tax

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.

A recent report from the Comptroller and Auditor General found that there was an overall effective corporation tax rate of 9.8% in 2016. Among the top 100 corporate tax payers, who account for 70% of tax paid, 8 had a 0% or less rate, 5 paid between 0% and 1%, 1 paid between 1% and 5%, 7 paid between 5% and 10%, while the remainder (79 firms) paid more than 10%. It is clear that a small number of very large firms are at the core of the tax adequacy issues in this sector.

In our pre-Budget submission *Budget Choices* we called for the introduction a minimum effective corporate tax rate of 6%. We regret that Budget 2020 did not do so.

Minimum Wage & Low Pay

Social Justice Ireland regrets that Budget 2020 did not increase the minimum wage by 30c per hour as recommended by the Low Pay Commission. This is in contrast to ongoing increases in pay across the rest of society. Why should all others experience gains, but not those on the lowest earnings?

Addressing low pay, which is experienced by at least 1 in 5 workers, remains a key challenge for Irish society. In 2020 the hourly minimum wage will be €2.50 below the living wage. The Living Wage provides a benchmark for minimum living standards for workers.

Chart 9.1 The Low Pay Gap

Older People

According to the CSO's 2016 *Census Results* there were 637,567 people aged over 65 years in Ireland in 2016. The CSO noted that this age group experienced the largest increase in the population since the previous Census in 2011 (+100,000 individuals). Projections indicate this trend will continue and will exceed 1 million people by 2031. Of those in this age group, more than a quarter live alone comprising almost 98,000 women and 59,000 men. When poverty is analysed by age group the 2017 figures show that 8.6% of those aged above 65 years live on an income below the poverty line.

While Budget 2020 has made welcome moves such as increasing the living alone allowance, paying the Christmas bonus and increasing the fuel allowance, it has taken limited steps to commence planning for future health and care needs of this group (see page 16). There are significant and unavoidable public policy challenges ahead and a comprehensive plan is long overdue.

Disability: no progress

Disability is strongly associated with poverty in Ireland. Among people who are unable to work due to illness or disability more than one in three (35.4%) 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 (see page 19). Research from the National Disability Authority and the Workplace Relations Commission highlights the challenges people with disabilities have in finding employment and remaining in a job given the daily challenges many face.

Budget 2020 did not take the necessary steps to improve services and funding for this area. We also regret that the Budget did not move to introduce a cost of disability payment despite Government commissioning work on this issue in Budget 2019. 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. Progress on this issue is long overdue.

Sustainability, the Environment and Rural Communities

Budget 2020 does not contain the 'bold and new decisions' required to meet the 'defining challenge' of climate change. There was no move to introduce a levy on single use coffee cups, to introduce a commercial air transport tax or to invest in the circular economy. We welcome the increase in carbon tax and ringfencing commitments (see page 3). However not everyone who will be most impacted is entitled to the fuel allowance and little progress was made on delivering a scaled up National Retrofitting Programme. The Midlands Fund is welcome, but must be replicated across all regions.

There was no progress on examining subsidies that the CSO has highlighted as potentially environmentally damaging. At the very least Budget 2020 should have committed to reporting to the Oireachtas on this in 2020.

The Brexit fund targeting agri-food, fishing, SMEs, and tourism is welcome, although a proportion of the funding announced is contingent on a no-deal Brexit. It is important to remember that Rural Ireland has needed and continues to need investment regardless of Brexit.

The lack of a regional development and transition programme to ensure that rural Ireland can adapt not just to the impact of Brexit, but the challenges that reducing our emissions and adapting to new technologies pose is disappointing. Such a programme would have ensured that sufficient investment was made in areas such as rural transport and in particular broadband which is crucial to support diversifying the rural economy. Without this investment it is difficult to see how rural communities will meet these challenges.

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.
- Ireland's overall tax take (estimated at €15,959 per capita in 2019) is significantly below the tax take of most of our EU peer countries. The *Social Justice Ireland* target for 2019 of €16,505 would still leave Ireland in the bottom half in relation to our EU peers.
- Ireland needs an increased tax take to address important demands, including housing, health, education, environment, water, transport, broadband.
- It is futile to think that these investments can be undertaken without additional taxation.
- The necessary increase in Ireland's overall level of taxation can best be carried out on a planned and phased basis.
- Widening the tax base will form an important part of this process. This can be done through limiting the availability of tax expenditures and reliefs for both individuals and corporates and reforming land, capital and environmental taxes.
- Brexit, particularly a disorderly Brexit, will present many challenges. Particularly exposed to reductions in disposable income will be those households who are already on low incomes.
- Measures to combat climate change can also be expected to impact most severely on the less well off.

The Budget

Income tax

- Increase in the Home Carer Tax Credit of €100 to €1,600.
- Increase in the Earned Income Tax Credit of €150 to €1,500.
- Key Employee Engagement Programme (KEEP): Extended to group companies; part-time / flexible working; and existing shares.
- Special Assignment Relief Programme (SARP) and Foreign Earnings Deduction: Extended to end-2022.
- Employment and Investment Scheme: Full relief to be provided in the year the investment is made; the annual investment limit to be increased from €150,000 to €200,000 and to €500,000 if the investment period is at least ten years
- Research and Development Tax Credit: Increased from 25% to 30% for micro and small companies; these companies will be able to claim relief during 'pre-trading'. The limit on out-sourcing to third level institutes increased for all claimants from 5% to 15%.
- Microbrewery relief: Production ceiling for qualification raised from 40,000hl to 50,000hl.
- Diesel Rebate Scheme: Users to be relieved from increase in carbon tax.
- Betting Tax: Relief from betting duty and betting intermediary duty for single unit undertakings up to €50,000.

The full-year cost of all the above Income Tax changes: €123m.

Housing

- Help to Buy Scheme extended to end-2021.
- Living City Initiative extended to end-2022.

The full-year cost of the housing measures: €40m.

Climate and Environment

- Carbon Tax: Increase of €6 to €26 per tonne.
- Electricity Tax: Rate equalised for business and non-business.
- Vehicle Registration Tax: VRT Environmental Health (NOx) Surcharge and extension of VRT relief for plug-in hybrids and electric vehicles.

The full-year yield from Climate and Environment measures: €157.5m.

Anti-Avoidance

- Allowance for capital expenditure on scientific research: Correction of unintended relief.
- Irish Real Estate Funds (IREFS) and Section 110 : Anti-avoidance provisions, including limits on interest expenses.
- Real Estate Investment Trusts (REITs): Anti-avoidance measures, including the imposition of Dividend Withholding Tax.
- Corporation Tax—BEPS implementation and changes to the rules on transfer pricing.
- Stamp Duty on certain company acquisitions: Rate of 1% to be applied.

The full-year yield from the Anti-Avoidance measures: €94m.

Other Tax measures

- Tobacco Tax: Increase of 50c on a pack of 20 cigarettes with pro rata increases on other tobacco products.
- Capital Acquisition Tax: The current Class A threshold increased from €320,000 to €335,000.
- Stamp Duty on Non-Residential Property: Increased from 6% to 7.5%.

The full-year net yield from 'Other Tax measures': €187.9m.

Compliance

- Dividend Withholding Tax increased from 20% to 25%.

The full-year yield of this compliance measure: €80m.

Employer contribution to National Training Fund Levy

- Increased by 0.1% to 1%.

The full-year yield: €74m.

Taxation

Our Response

In Budget Choices , published in June 2019, *Social Justice Ireland* asked Government, among other things, to:

⇒ Increase the PAYE and Earned Income Tax Credit.

⇒ Make the Personal and PAYE Tax Credits refundable.

⇒ Standard rate all discretionary tax reliefs.

⇒ Increase the rate of Stamp Duty on non-residential property transfers.

⇒ Limit to ten years the ability of individuals and corporations to carry losses forward

⇒ Increase the National Training Fund Levy.

⇒ Tax empty houses and undeveloped land.

⇒ Equalise Petrol and Diesel Excise Duty.

Social Justice Ireland welcomes :

- The Increase in the rate of Stamp Duty on non-residential property transfers.
- The increase in the Training Fund Levy.
- The increase in Carbon Tax to be ring-fenced to finance new climate action measures.

However, *Social Justice Ireland* regrets that discretionary tax reliefs were not standard rated.

The thrust of the taxation measures is to support business and the better off. However, the taxation measures will do very little to assist the less well off, who will be most adversely affected by Brexit and Carbon taxes.

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 is required to meet both current and future demand and to address persistent under funding within the education system. It must be focussed on protecting and promoting quality services for those in the education system.
- Our below average performance on lifelong learning, above average class sizes at primary and second level, and the future resourcing of higher education are just some of the key challenges in education policy that Government currently faces.

The Budget

- 150 additional teachers to meet demographic pressures.
- 1,000 additional SNAs, 400 additional special education teaching posts and 1,300 new special class places.
- An increase of 0.1% in the National Training Fund Levy to yield an additional €74m in 2020.
- An additional €26m for the School Transport Scheme to meet additional demand.
- An additional €60m for the Human Capital Initiative including an additional 3,000 places for sectors in priority skills areas.
- Additional funding to provide for 7,000 new apprenticeship registrations in 2020.

Our Response

- *Social Justice Ireland* welcomes additional teaching posts to meet demographic pressures. We regret that additional resources were not made available to reduce the pupil teacher ratio at primary and second level.
- We welcome the increased allocation towards Special Needs Assistants and in special education teaching posts, and the increase in special education places.
- We welcome the 0.1% increase in the employer contribution to the National Training Fund which brings the contribution to 1% completing the reforms announced in budget 2018. This additional funding should support skills development throughout the lifecycle with a targeted approach for older workers whose jobs are at risk from technological change.
- We welcome the allocation in apprenticeships and Skillnet and lifelong learning.
- Overall Budget 2020 did not include measures to address the main challenges facing our education system at present. We regret that Budget 2020 did not include:

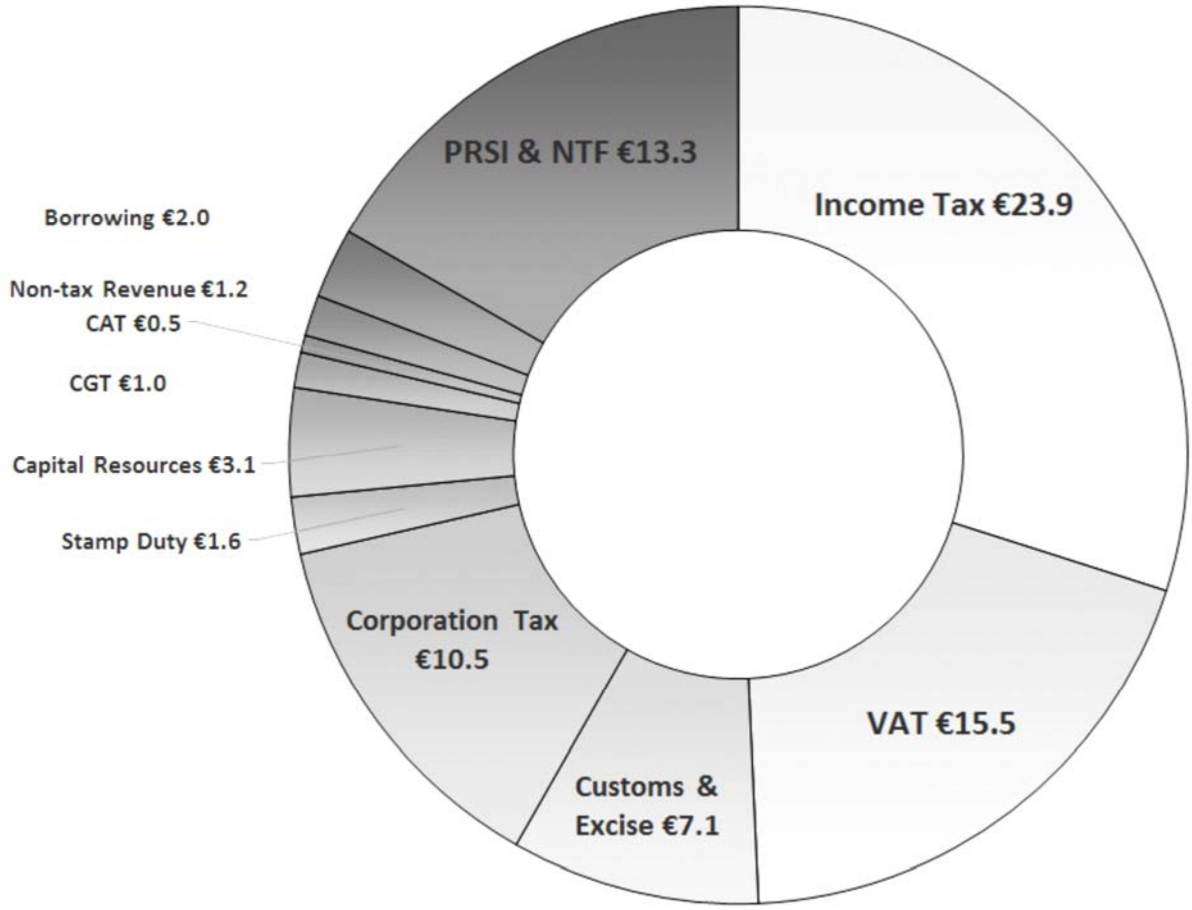
⇒ Increased funding for DEIS schools, including the expansion of the Student Support Scheme Pilot.

⇒ Additional investment in Higher Education and in Further Education and Training to develop and expand apprenticeships and traineeships with a regional focus.

⇒ Extension of the maintenance grant to part-time students at both under- and post-graduate levels.

⇒ The expansion of the Human Capital Initiative to include digital literacy and underrepresented groups identified in the National Access Plan.

Main Sources of Government Revenue - Budget 2020 €bn



Source: Data on pages 12 and 13 of this document are from various Budget documents published by the Department of Finance and the Department of Public Expenditure and Reform. The diagrams outline the main areas of income and expenditure for the coming year.

Year-to-year Revenue Changes, €bn

Here we compared the expected revenue from last years Budget to that proposed on this occasion. The comparison is not perfect as it does not capture unexpected increases or decreases in revenue during the current year or during next year. However it does provide an insight into the direction of policy choices and their outcomes.

Income Tax ↑ €1bn

VAT ↑ €0.4bn

Corporation Tax ↑ €1bn

PRSI ↑ €0.5bn

Key Government Revenue Sources in 2020

Income tax = 31% of all revenue

VAT = 20% of all revenue

Corporation tax = 13% of all revenue

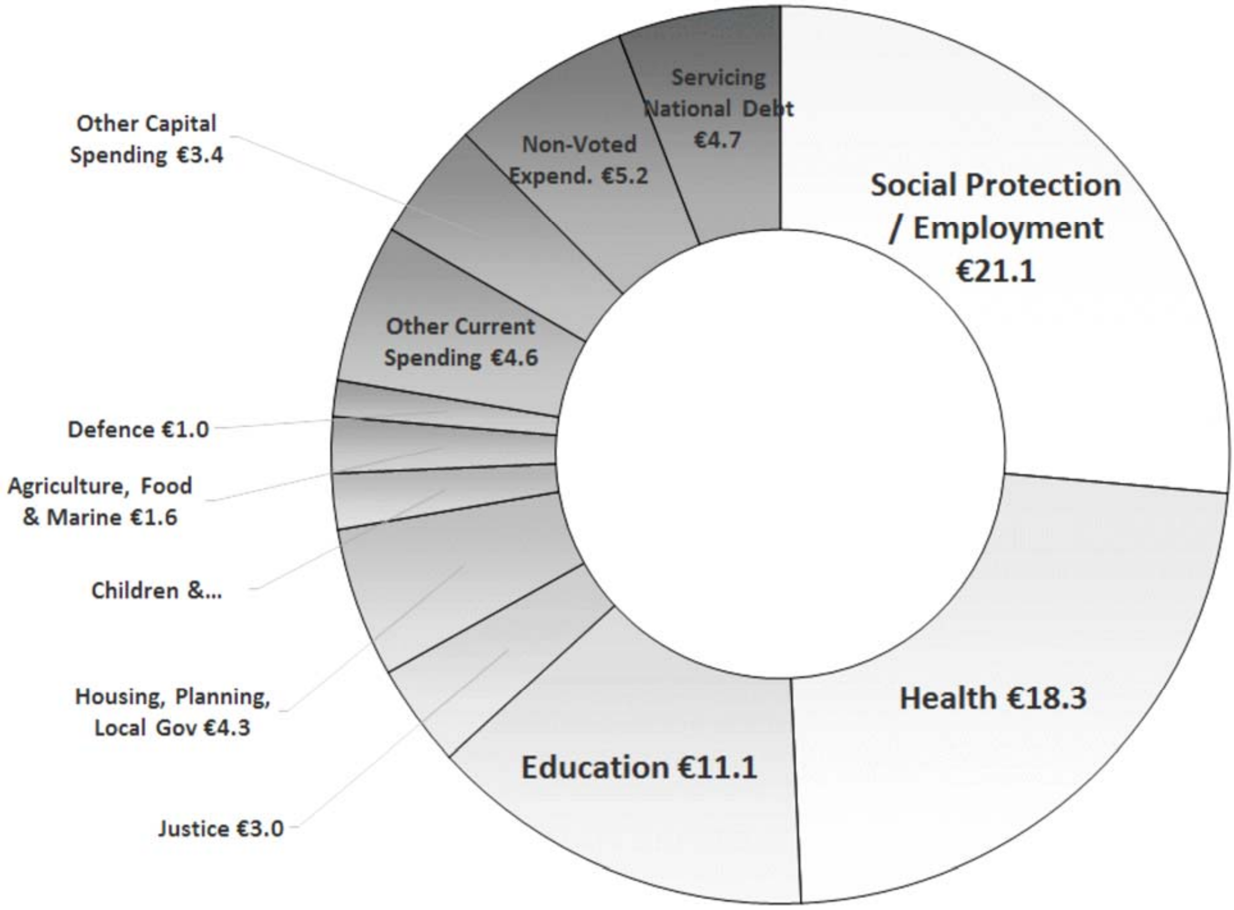
Social Insurance = 17% of all revenue

Main Revenue Changes for 2020

- Increased the carbon tax by €6 per tonne.
- Increased the Stamp duty on Non-Residential Property to 7.5%.
- Increased excise duty on cigarettes and other tobacco products.

See pages 10 and 11 for further details and our response

Main Sources of Government Expenditure - Budget 2020 €bn



Other Current Spending includes: Foreign Affairs (including overseas aid): €808m; Transport, Tourism and Sport: €783m.

Other Capital Spending includes: Housing, Planning and Local Government: €2.2bn; Transport, Tourism and Sport: €1.9bn.

Year-to-year Expenditure Changes €bn

Here we compared the current expenditure allocations from last years Budget to those proposed for a number of the main areas of expenditure on this occasion. The comparison is not perfect as there may be overspends and underspends within various Budgets during the current year or during next year.

Social Protection ↑ €0.6bn

Health ↑ €1.3bn

Education ↑ €0.3bn

Debt Servicing ↓ €0.8bn

Notable Expenditure Developments for 2020

- The **Social Protection** budget includes an increase in the Living Alone Allowance of €5 from March 2020.
- The **Health** budget in 2020 includes investment in older people services, Sláintecare and mental health.
- The **Education** budget in 2020 includes increased funding for Special Needs Assistants and 1,300 additional special class places.
- The **Foreign Affairs** budget for 2020 includes additional resources for Overseas Development Aid (see p17).
- A legacy of the economic crash is that Ireland carries a very high national debt. Although interest rates are low, **debt servicing** costs will amount to €4.7bn in 2020.

Each of these areas of expenditure, and others, are analysed in more details throughout this document.

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 2017 SILC survey shows that:

⇒ 15.7% of the population are 'at risk of poverty';

⇒ Children are the largest group of the population who are poor with children under 18 accounting for 19.3% of those 'at risk of poverty';

⇒ 18.8% of the population is experiencing deprivation.

⇒ 6.7% of the population are living in 'consistent poverty';

- There is a significant distance to go to reach Government's National Reform Programme targets of reducing consistent poverty to 2% by 2020 and lifting over 70,000 children out of consistent poverty by 2020 (a reduction of at least two-thirds on the 2011 level).
- Without the social welfare system 43.8% of the Irish population would have been living in poverty in 2017. Such an underlying poverty rate suggests a deeply unequal distribution of direct income.
- A lesson from past experiences of economic recovery and growth is that the most vulnerable in our society get left behind unless welfare increases keep track with increases elsewhere in the economy.
- Wages are increasing. If social welfare rates do not keep pace, an increase in poverty is inevitable. In our *Budget Choices 2020* submission, *Social Justice Ireland* called for a €9 per week increase in minimum social welfare payments, in order to keep pace with increases elsewhere in the economy.

The Budget

- Left all primary social welfare rates unchanged.

⇒ Equalized Jobseekers rates for those aged 25 to the maximum rate of €203 weekly.

⇒ Jobseekers rates for those aged 18-24, living independently and receiving housing supports similarly increased (January 2020).

⇒ Targeted Qualified Child Increase (QCI) of €3 for children between 12-18 years, and €2 for children under 12 (January 2020).

- Targeted increase to Living Alone Allowance (LAA) from €9 to €14 weekly (January 2020).

⇒ Broadened the eligibility, marginally, for the Households Benefits Package.

- Increased the Fuel Allowance (FA) from €22.50 to €24.50 over 28 weeks (January 2020).

⇒ Introduced a programme to address Fuel poverty: "warm a home" (13m).

- Increased the Working Family Payment (WFP) income thresholds by €10, for families with up to 3 children (January 2020).
- Restored earnings disregard for the One-Parent Family Payment (OFP) and Jobseekers Transition Payment (JST) from €150 to €165 (January 2020).
- Enhanced the Schools Meal Programme (4m).
- Extended the number of hours Carers can work/study outside the home from 15-18.5 hours.
- Maintained the Christmas bonus at 100% of one's normal weekly social welfare payment.
- Removed the Blind Welfare Allowance from Social Welfare (SW) means assessments.

Our Response

- *Social Justice Ireland* regrets that primary social welfare rates were not increased, *SJI* advocated for a €9 to build on the steps taken in Budget 2017, 2018 & 2019.

⇒ Current rates are insufficient to restore the proportional relationship with avg. earnings. Unless welfare increases keep track with increases elsewhere, the most vulnerable in our society will continue to fall further behind.

⇒ *SJI* welcomes that Jobseeker's rates for those aged 25 were brought in line with other age groups, but notes that the rates for all those aged 18-24 were not equalized.

- *SJI* acknowledges the further increase in both QCI rates, as continued acknowledgement of the costs associated with older children, and a measure to tackle child poverty.
- *SJI* regrets that the State Pension rates were not increased. *SJI* advocated for a €9 increase, as a move towards the commitments set out in the "Roadmap for Pensions Reform 2018-2023."

⇒ *SJI* notes the €5 increase to the LAA as a targeted support for elderly people living alone, who are struggling with a single income.

- *SJI* welcomes the increase to the FA of €2 p/week, as a move towards achieving 2010 purchasing power.
- *SJI* regrets that the budget did not introduce a weekly Cost of Disability Payment.
- *SJI* notes the adjustment to income thresholds for the WFP, it is a move towards restoring the relative value of the limit in terms of minimum living costs and increased SW rates.
- The €15 increase in the weekly earnings disregard for all lone-parents receiving JST and OPF is welcomed.

Work, Unemployment, Job Creation

The Context

- Positive trends in Ireland's headline unemployment numbers continued in the last 12 months, albeit at a notably slower pace.
- The Irish economy experienced its 28th consecutive quarter of jobs growth, with more than 45,000 net new jobs at end Q2 2019. The unemployment rate stood at 5.2 per cent at the end of August, down from 9.6 four years previously.
- However, this has happened in the context of a notably lower participation rate than at our previous employment peak. Ireland's labour force participation rate is 62.1 per cent, compared with 67.4 in 2007.
- There is an unacceptably high instance of low paid employment in Ireland, as well as an increase in precarious working practices. One in ten workers in Ireland earns the National Minimum Wage (NMW) and approximately one quarter earn below the Living Wage. More than 100,000 people are living in poverty despite having a job, while almost 240,000 people at work are experiencing deprivation. An increase in the NMW would go some way to alleviating this.
- People with a disability are less than half as likely as those without to have a job, while 35 per cent of people with a disability haven't had a job in more than four years, despite more than 80 per cent having been employed at some point .
- Ensuring sufficient resources for the up-skilling of those who are unemployed and at risk of becoming unemployed should be a crucial part of the policy response to Brexit.
- In particular the needs of older workers, people with a disability, and those in rural areas must be addressed.

The Budget

- Allocated €1 billion to the Department of Business, Enterprise and Innovation—a 2 per cent increase on last year.
- Despite the flagged increase of 30c per hour in the National Minimum Wage - from €9.80 to €10.10 - Budget 2020 failed to confirm this change.
- Increased the Earned Income Tax Credit (availed of by the self-employed) by €150 per annum. This is now €1,500 per annum
- €15 increase inthe One Parent Family Payment income disregard and €10 for the Working Family Payment disregard.
- Increased the National Training Fund levy from 0.9 per cent to 1 per cent, as indicated in Budget 2019.
- Allocated an additional €10 million to a Disruptive Technologies Innovation Fund.
- Additional funding to provide for 7,000 new apprenticeship registrations in 2020.
- Brexit Loan Scheme and the Future Growth Loan Scheme, providing up to €600 million in supports for businesses, including a fund of €220m immediately to assist firms adjust to Brexit.
- €40m for the tourism sector, focusing on regions that will suffer most from a no-deal Brexit, such as the Border counties and the southeast, and targeting the British market through Tourism Ireland
- Increased the R&D credit from 25 per cent to 30 per cent for micro and small companies.
- Forecast unemployment rate of 5.7 per cent on average in 2020. Government expects to create an additional net 19,000 jobs next year.

Our Response

- *Social Justice Ireland* considers it very unfortunate that Government has chosen not to increase the National Minimum Wage (NMW) to €10.10 per hour.
- Given that the Living Wage - the hourly rate one must earn in order to achieve a minimally decent standard of living in Ireland - has risen to €12.30 per hour, the fact that the NMW has not risen by at least the 30 cents anticipated means it is inevitable that the low paid will fall further behind.
- The Living Wage is now more than 20 per cent higher than the NMW. With ongoing increases in pay across the rest of society, it is profoundly unfair that those on the lowest incomes should not also benefit.
- The increase to the Earned Income Tax Credit for self-employed people highlights the need for a discussion around PRSI rates for this group, given the expansion of social insurance benefits in recent years.
- Given the acknowledgement of the probability of job losses post-Brexit, *Social Justice Ireland* welcomes the increase in apprenticeships which we hope will provide opportunities for those likely to lose out.
- Budget 2020 heavily favours business and enterprises believed to be at risk due to Brexit. While acknowledging the need for support mechanisms for vulnerable firms and jobs, it is important that this assistance is only directed at long-term viable targets and firms that provide quality jobs.
- We regret that government did not consider implementing a system of refundable tax credits that would allow government to effectively target benefits at low paid workers.

Healthcare

The Context

- CSO population forecasts suggest that, by 2031, the number of people aged 60 and over will be over 1.3 million, accounting for almost one quarter of the total population. It is also anticipated that the number of people aged 85 and over will have almost doubled by 2031.
- As of August 2019, over 133,400 people aged 65 and over were awaiting outpatient appointments, with almost 1 in five waiting for 18 months or more.
- Healthcare needs in older age can be multi-faceted and require a spectrum of supports and interdisciplinary teams. The provision of these supports outside of the acute hospital setting would allow older people to age in place and provide better health outcomes.
- Homecare provision in Ireland is below the standard delivered in other European countries, at an average of just over 6 hours per week per recipient and a waiting list of over 7,200 people. The lack of funding for home care and the reluctance of Government to place homecare on a statutory footing is a policy failure.
- Deaths related to respiratory disease and related cancers have both increased by approximately 15 per cent. The most effective healthcare delivery for these illnesses is at primary care level, particularly in socioeconomically disadvantaged areas where these diseases are most prevalent.
- As of August 2019, there were almost 85,400 children awaiting outpatient appointments, 1 in 5 of whom were waiting for 18 months or more.
- The implementation of Sláintecare cannot wait.

The Budget

- Allocated €18.2bn (current and capital) said to comprise: Pay & Pensions, €8.4bn; Non-Pay, €7.9bn; capital €667.3m.
- The allocation for current expenditure was €17.4bn representing an additional €917m consisting of:

⇒ €55m Carryover, Budget 2019.

⇒ €200m Allocation, Central Pay Agreement.

⇒ €18m Brexit compliance.

⇒ Additional resources: €643m.

- Details supplied by way of Summary of New Measures (Dept. of Finance Expenditure Estimates) include:

⇒ An increase of €97m for Older Persons including 1m home care hours; also, design and development of future home support services.

⇒ €25m for Disability services (continuing support/services for young people; building capacity in respite; Emergency Protocols for residential/other services; and for an Autism plan).

⇒ €53m for measures that include reduced prescription charges; increased Medical Card income limits for ages 70+; reduced threshold for Drugs Repayment Scheme; free GP care extended to under 8s; free dental care for under 6s; and review of discretionary Medical Cards to terminally ill people.

⇒ €40m for Enhancement of GP services; €25m for National Treatment Purchase Fund.

⇒ €10m for enhanced Community services including allied health professionals (€60m in 2021).

⇒ €13m Mental Health—National Forensic Mental Health Hospital.

⇒ €8m for continued implementation of National Strategies.

- Sláintecare: €20m Integration Fund ; €12m Care Redesign Fund.

Our Response

- *Social Justice Ireland* welcomes several initiatives. These include the ostensible commitment to community care and Sláintecare.
- We welcome the extra 1 million hours for home support.
- We also welcome increased income limits to qualify for Medical Cards (people 70+).
- *Social Justice Ireland* also welcomes the measures for free dental care for children under 6 and the extension of free GP care to children under 8, however this will be subject to GP engagement.
- We welcome the reduced prescription charges and the reduced Drugs Repayment Scheme threshold.
- We have long argued for a more community-based approach and we acknowledge the commitment towards implementation of Sláintecare. However, the amount allocated falls far short of what is required.
- We regret that ongoing problems with waiting lists will not be addressed in the coming year given the limitations of the allocation.
- As in previous years, the details provided lack transparency. We are concerned that allocations may be insufficient to address new measures *and* existing commitments, and to address and plan for population ageing.
- In practice we suspect that the new initiatives announced will be part-funded by cuts in the existing level of service. These cuts have not been identified in the Budget documentation.
- We welcome the increased allocation for mental health services.

Public Finances 2020 — 2022

Below we outline the government finances for 2020 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, State Owned Companies (e.g. ESB) 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 measure is used by the European Central Bank and other institutions when assessing compliance with the Stability & Growth Pact.

Rounding may impact on totals	**2020**	**2021**	**2022**
CURRENT BUDGET	€m	€m	€m
Expenditure			
Gross Voted Current Expenditure	62,040	63,880	65,950
Non-Voted (Central Fund) Expenditure	8,690	7,925	8,130
Gross Current Expenditure	**70,730**	**71,805**	**74,085**
less Receipts and Balances (incl PRSI)	13,315	13,510	13,705
Net Current Expenditure	**57,415**	**58,300**	**60,380**
Receipts			
Tax Revenue	61,125	63,615	66,375
Non-Tax Revenue	2,080	1,355	1,255
Net Current Revenue	**63,205**	**64,970**	**67,625**
CURRENT BUDGET BALANCE	**5,785**	**6,670**	**7,245**
CAPITAL BUDGET			
Expenditure			
Gross Voted Capital	8,140	9,160	9,415
Non-Voted Expenditure	1,175	1,685	1,710
Gross Capital Expenditure	**9,310**	**10,845**	**11,125**
less Capital Receipts	30	30	30
Net Capital Expenditure	**9,280**	**10,815**	**11,095**
Capital Resources	**3,135**	**3,540**	**1,205**
CAPITAL BUDGET BALANCE	**-6,145**	**-7,275**	**-9,890**
Brexit Contingency	1,220	780	780
EXCHEQUER BALANCE	**-1,580**	**-1,380**	**-3,425**
GENERAL GOVT BALANCE	**-2,020**	**-730**	**195**
% of GDP	-0.6%	-0.2%	0.1%

Overseas Aid

Budget 2020 allocated €837m to Ireland's Official Development Assistance (ODA) programme; an increase of approximately €20m on the amount pledged in Budget 2019.

Approximately €550m was allocated through the Department of Foreign Affairs and Trade, with the rest allocated through other government departments, including the Department of Finance and the Department of Agriculture, Food and the Marine.

While welcoming the small increase, *Social Justice Ireland* is disappointed that this will not result in any significant improvement in Ireland's ODA in terms of national income. ODA committed in Budget 2019 looks likely to amount to approximately 0.40 per cent of new modified GNI (also known as GNI*), which is perhaps the best measure of Ireland's national income.

In our Budget Choices 2020 briefing, *Social Justice Ireland* urged Government to make a commitment to increase the aid budget over the six years to 2025 in order to reach 0.70 per cent of national income. We estimate that the increase in ODA in Budget 2020 will bring the total ODA allocation to 0.41 per cent of projected GNI* in 2020.

Social Justice Ireland welcomed the large increase in ODA in last year's budget as being a firm step in the right direction with regard to meeting our UN-agreed obligations. (Developed countries like Ireland have pledged to donate 0.7 per cent of their national income as ODA each year). It is disappointing that this has not been built upon to any significant extent.

One positive feature of the Minister's speech was the announcement that Ireland will double its annual contribution to the Green Climate Fund, which provides much needed financial support to reduce GHG emissions in developing countries.

Ireland is regularly 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. Our pre-recession peak (reached in 2008) was 0.59 per cent.

Ireland still lacks a strategy for reaching the 0.7 per cent target and *Social Justice Ireland* calls on government to develop such a roadmap with a view to reaching this target.

At uncertain economic times, it is important that policymakers remember to protect the vulnerable. ODA plays a major role in such an approach. This is particularly so given that the recipients of Irish ODA tend to live in some of the countries who experience the worst effects of climate change—an area is which Ireland is a prime offender.

SOCIAL WELFARE: Social Insurance weekly rates in 2020

PERSONAL AND QUALIFIED ADULT RATES	Present Rate	New Rate	Change
	€	€	€
Jobseekers Benefit			
Personal rate	203.00	203.00	0.00
Person with qualified adult	337.70	337.70	0.00
State Pension (Contributory)			
Personal rate	248.30	248.30	0.00
Person with qualified adult (under 66)	413.70	413.70	0.00
Person with qualified adult (66 or over)	470.80	470.80	0.00
Personal rate (aged 80 or over)	258.30	258.30	0.00
Person (aged 80 or over) with qualified adult (under 66)	423.70	423.70	0.00
Person (aged 80 or over) with qualified adult (66 or over)	480.80	480.80	0.00
Widow's/Widower's Contributory Pension			
Personal rate (under 66)	208.50	208.50	0.00
Personal rate (66 - 79)	248.30	248.30	0.00
Personal rate (80 or over)	258.30	258.30	0.00
Invalidity Pension:			
Personal rate	208.50	208.50	0.00
Person with qualified adult	357.40	357.40	0.00
Carer's Benefit			
Personal rate (caring for one person)	220.00	220.00	0.00
Maternity Benefit			
Personal rate	245.00	245.00	0.00
Occupational Injuries Benefit - Death Benefit Pension			
Personal rate (under 66)	233.50	233.50	0.00
Personal rate (66 - 79)	252.70	252.70	0.00
Personal rate (80 or over)	262.70	262.70	0.00
Occupational Injuries Benefit - Disablement Benefit			
Personal rate (maximum)	234.00	234.00	0.00
Illness Benefit			
Personal rate	203.00	203.00	0.00
Person with qualified adult	337.70	337.70	0.00
Injury Benefit/Health and Safety Benefit			
Personal rate	203.00	203.00	0.00
Person with qualified adult	337.70	337.70	0.00
Guardian's Payment (Contributory)			
Personal rate	186.00	186.00	0.00
Increases for a qualified child			
All schemes in respect of children under 12	34.00	36.00	2.00
All schemes in respect of children over 12	37.00	40.00	3.00
Child Benefit			
Rate per child (all children)	140.00	140.00	0.00
Living Alone Allowance (All Relevant Schemes)	9.00	14.00	5.00

SOCIAL WELFARE: Social Assistance weekly rates in 2020

	Present Rate	New Rate	Change
	€	€	€
Jobseeker's Allowance			
Personal rate (18 to 24 years)	112.70	112.70	0.00
Person with qualified adult	225.40	225.40	0.00
Personal rate (25 years)	157.80	203.00	45.20
Person with qualified adult	292.50	337.70	45.20
Personal rate (aged 26 and over)	203.00	203.00	0.00
Person with qualified adult	337.70	337.70	0.00
State Pension (Non-Contributory)			
Personal rate	237.00	237.00	0.00
Person with qualified adult (under 66)	393.60	393.60	0.00
Personal rate (aged 80 or over)	247.00	247.00	0.00
Person (aged 80 or over) with qualified adult (under 66)	403.60	403.60	0.00
Widow(er)'s Non-Contributory Pension	203.00	203.00	0.00
Carer's Allowance			
Aged under 66 (caring for one person)	219.00	219.00	0.00
Aged 66 or over (caring for one person)	257.00	257.00	0.00
Disability Allowance			
Personal rate	203.00	203.00	0.00
Person with qualified adult	337.70	337.70	0.00
Farm Assist			
Personal rate	203.00	203.00	0.00
Person with qualified adult	337.70	337.70	0.00
Guardian's Payment (Non-Contributory)	186.00	186.00	0.00
Living Alone Allowance (All Relevant Schemes)	9.00	14.00	5.00
One-Parent Family Payment			
Personal rate with one qualified child (up to age 18)	237.00	239.00	2.00
Increases for a qualified child			
All schemes in respect of children under 12	34.00	36.00	2.00
All schemes in respect of children over 12	37.00	40.00	3.00

Social Welfare and Poverty in Budget 2020

Life on a low income is the norm for a large proportion of our society. One in every six people in Ireland lives with an income below the poverty line (15.7% of the population). As highlighted in our most recent *Poverty Focus* briefing, this corresponds to approximately 760,000 people.

Poverty levels reached their lowest point in Ireland in 2009 when 14.1 per cent of the population were classified as poor. Since then the rate has increased, though in recent years, Budgetary policies which increased core welfare payments have helped to bring it back down again.

Budget 2020 has included some welcome initiatives that will assist those living below the poverty line. These include increases in the Living Alone Allowance and the Qualified Child Payment; something that is particularly welcome given that approximately 230,000 children in Ireland live below the poverty line.

However, the Budget lacked any serious initiatives to significantly reduce poverty. At rates of near full employment, the simple policy solution to 'create more jobs' no longer stands, especially with around 110,000 people experiencing poverty despite being in employment.

We also regret that the equalisation of Jobseekers Allowance rates for young people has been restricted to a small cohort.

In our Budget submission, *Social Justice Ireland* pointed out that a lesson from previous experiences of economic growth is that the vulnerable in our society get left behind unless welfare increases keep track with increases elsewhere in the economy. A €9 per week increase in minimum social welfare payments was required in order that social welfare rates keep up with wage growth (based on a benchmark of 27.5% of average earnings). Yet there was no universal increase in these payments at all.

If social welfare rates are allowed to fall behind earnings over time, increases in poverty are inevitable.

The Socio-Economic Context of Budget 2020

Table 20.1: Ireland's Social and Economic Context - Budget 2020			
Population		**Housing and Homelessness**	
Population (April 2009 / 2019)	4.53 / 4.92 million	Current Social Housing Waiting List	71,858 households
% of population older than 65 in 2016/2036	13.3% / 20.6%	Approximate number of households in need of sustainable housing	120,000
% of population older than 80 in 2016/2036	1.5% / 3.2%	Homeless adults (Dec 2014 / Aug 2019)	2,858 / 6,490
Net migration (year to April 2018 / year to April 2019)	34,000 / 33,700	Homeless children (Dec 2014 / Aug 2019)	880 / 3,848
Net migration (year to April 2018 / year to April 2019) of Irish nationals	100 / 2,100	Adult/child homelessness (% change since December 2014)	+227% / +437%
Income, Poverty and Inequality		**Labour Market** **(all figures Q2 2018, unless otherwise stated**	
Average Equivalised Disposable Income in 2017	€24,983	Labour Force (Number / change in previous12 months)	2.43 mill / +31,400
Average Equivalised Disposable Income in 2017	€20,869	Employment (Number / % change in previous12 months)	2.3 mill / +45,000
Poverty Threshold in 2017, based on 60% of the Median Disposable Income	€12,521	Unemployment (Number / fall in previous 12 months)	130,800 / -13,600
Poverty line, 1 Adult (week/year)	€252 / €13,155	Long-term Unemployment (Number / rate)	40,800 / 1.7%
Poverty line, 2 Adults (week/year)	€419 / €21,837	Youth Unemployment Rate	15.7%
Poverty line, 1 Adult + 1 Child (week/year)	€335 / €17,496	% of workers earning the Minimum Wage (or less)	137,200 / 7.6%
Poverty line, 2 Adults + 2 Children (wk/yr)	€585 / €30,520	National Minimum Wage 2020 (per hour / 39 hr week)	€9.80/ €382
Living in poverty in 2017 (% / number)	15.7% / 760,000	Living Wage (per hour / 39 hr week)	€12.30 / €480
Children in poverty in 2016 (% / number)	19.3% / 230,000	**Social Welfare**	
Experiencing deprivation in 2017	18.8%	Jobseekers Benefit: Personal rate / Increase for qualified adult	€203 / €134.70
Poverty rate in 2017 (Urban vs Rural)	15.1% vs 17.2%	Jobseekers Allowance: Maximum Personal Rate / Rate for those aged 18-24	€203 / €112.70
Deprivation rate in 2017 (Urban vs Rural)	20.2% vs 15.9%	State Pension: contributory / non-contrib (from March 2020)	€248.30 / €237
Ratio of bottom 20% to top 20% in income share (2009/2017)	4.3 / 4.8	Child Benefit (flat rate for all children)	€140 per month
Gini coefficient 2009 / 2013 / 2017	29.3 / 32 / 31.5	Minimum Social Welfare Payment (1 adult)	€203
Median equivalised disposable income In 2017 (Dublin vs the Border region)	€25,073 / €16,756	Minimum Essential Standard of Living amount—working age adult living alone (urban/rural)	€245 / €284 per week

Sources: CSO population projections; CSO SILC data; CSO Labour Force Survey; Department of Housing, Planning and Local Government; Housing Agency; NERI; Budget 2020 Comprehensive Expenditure Report; Central Bank; ESRI; Various other Government Departments and Agencies
Notes: * = projection; ** = CSO SILC data; ^ = latest available figure

Budget 2020 — Key Numbers, Data & Trends

To accompany Budget 2020, 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 the Exchequer Budgetary Position in a number of areas, and outlines the projected exchequer budgetary position over that period.

Expectations of future changes to employment, unemployment and inflation are also detailed.

Also included is information on the taxation system following the implementation of Budgetary changes (albeit there were very few this year), 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 2020.

Table 21.1: The Budget in Numbers - Key Data from Budget 2020

National Income (nominal)		**Inflation and the Labour Market**	
GDP/GNI* in 2020 (€ billion)	351.4 / 204.7	Inflation in 2020 (HICP)	1.5%
GDP/GNI* in 2021 (€ billion)	365.2 / 210.7	Inflation 2020-2022 (HICP, average)	1.6%
GDP/GNI* in 2022 (€ billion)	380.7 / 218.1	Unemployment rate in 2020 (average)	5.7%
Projected GDP growth 2020-2022 (average)	2%	Projected employment growth in 2020	1.7%
Projected GNP growth 2020-2022 (average)	1.6%	Unemployment rate 2020-2022 (average)	5.8%
Exchequer Budgetary Position		Employment growth 2020-2022 (average)	1.1%
Current Budget Balance, 2020 (€m)	5,785	**Taxation**	
Capital Budget Balance, 2020 (€m)	-6,145	Income Taxation - lower rate / higher rate	20% / 40%
Net Capital Expenditure, 2020 (€m)	9,280	Employer PRSI / Employee PRSI	12.05% / 4%
Government Expenditure Ceiling 2020	71,395	USC on incomes of €13,000 or less:	Exempt
General Government Balance 2020 (€m)	-2,020	USC, €0-€12,012	0.5%
General Govt. Balance (% GDP)	-0.6%	USC, €12,012-€19,874	2%
Debt as % of GDP in 2020	56.5	USC, €19,874-€70,044	4.5%
Debt as % of GNI* in 2020	97.4	USC, €70,044-€100,000	8%
Interest on National Debt 2020 (% GDP)	1.1	USC, €100,000+ (PAYE / Self employed)	8% / 11%
Size of Budgetary Changes in 2020		%Tax on €25,000 income (single / 2 earners)	12.6% / 0.6%
Tax Reductions (€m)	-110	%Tax on €60,000 income (single / 2 earners)	30.1% / 14.9%
Revenue Increases (€m)	450	%Tax on €100,000 income (single / 2 earners)	38.5% / 26.4%
Net Revenue Change (€m)	340	Capital Gains Tax Rate	10%* / 33%
Expenditure changes (€m)	931	Corporation Tax Rate	12.5%

Sources: Various tables throughout Budgetary publications, and our own calculations. *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.

Acknowledging progress on policy proposals

We have been analysing and critiquing the Government's annual budget since 1988, outlining proposals in advance and providing detailed analysis when the Budget is announced. Since 2011 *Social Justice Ireland* has been presenting fully costed budgetary proposals which would help to deliver a fair and just society.

We have strongly advocated on economic and social issues and consistently highlighted fair and progressive options that are available to Government within the Budgetary process. Below we draw attention to some of the policy areas we have consistently highlighted in our budgetary proposals and where progress has been made. It is important to acknowledge progress on policy issues. It is equally important to highlight those policy areas that are not seeing adequate progress or invest-

Public Services or tax-cuts

The current Programme for Government committed to cut taxes by €1 for every €2 spent on investment. We've consistently argued that the bulk of available resources should go on services and investment to address the country's deficits. We welcome the increased focus on services and investment during the lifetime of the present Government.

Jobseekers Rates Under 26

We have proposed the equalisation of jobseekers rates for under 26's to the full rate for many years. While we welcome the decision in Budget 2020 to equalise the rate for 25 year olds to the full rate we are disappointed that this move was not extended to all young people on jobseekers allowance payment.

Carbon tax

We proposed a €10 increase in carbon tax with the resulting revenue to be ringfenced for a Just Transition fund addressing areas such as fuel poverty and retrofitting. While we welcome the progress in Budget 2020, much more remains to be done to move Ireland to a low carbon future and to deliver a Just Transition.

Vacant Site Levy

There has been an urgent need for a Vacant Site Levy for quite some time. Budget 2018 took some steps towards our proposals in this area. We continue to urge Government to extend this levy to residential units.

Gambling tax

We proposed that taxation on in-shop and online betting be increased to 3%. We welcome recent progress in this area, and a commitment to fund gambling addiction services. We continue to urge Government to work towards our proposed target.

Sugar Sweetened Drinks

Social Justice Ireland and the Irish Heart Foundation produced research arguing for the introduction of a tax on sugar sweetened drinks. While it took a number of years, we were glad to see this introduced in Budget 2018.

Home Care

While there has been some recent Budgetary improvements in this area we continue to highlight the need for significant increased investment in the area of home care and home support. The allocation of an additional 1 million hours in Budget 2020 is welcome, but will not eliminate the current waiting list. This becomes more urgent given our growing and ageing population.

Minimum Wage

More than 100,000 people have a job but are living in poverty. We have argued that the minimum wage should be increased and welcome the increases which commenced in Budget 2017. As a member of the Living Wage Technical Group we continue to advocate for the introduction of a Living Wage which is a weekly rate that should provide employees with sufficient income to achieve an acceptable minimum standard of living.

Rural Programme

We welcome the increased investment in rural development in recent Budgets. However, rural Ireland is still experiencing serious exclusion due to the lack of effective broadband. We continue to highlight that the Action Plan For Rural Ireland depends on significant and ongoing public investment and the delivery of broadband to rural areas.

Childcare

Ireland has an under resourced childcare sector. The National Childcare Scheme is a positive move towards delivering quality, accessible and affordable childcare options to families. However much remains to be done.

VAT

We proposed that the VAT break given to the hospitality industry at the peak of the crisis should be ended. We welcomed Budget 2019's moves in this direction.

Capitation Grant

We argued for a reversal in cuts to capitation grants in schools. While progress on this has been slow, we are glad to see it is moving in the right direction.

Budget 2020: PPNs and Communities

Social Justice Ireland was a key stakeholder in the development of the Public Participation Networks (PPNs) and continues to work closely with them to build their capacity in areas such as policy engagement, strategy and advocacy. Recently, PPNs have become a touchstone for Governmental initiatives requiring community engagement. We are therefore disappointed to note the lack of detail in Budget 2020 in respect of the allocation of funding for PPNs into the future.

We welcome the announcement of the role of Just Transition Commissioner to support stakeholders to transition to a low carbon economy. As a network of almost 15,000 member organisations, PPNs are a key stakeholder in this process.

Of interest to PPNs, their members, and to the wider communities in which they operate, are the additional allocations to programmes such as Library Development (€1m), PEACE Programme (€2m), Community Services Programme and SICAP (€1.5m between them), the recently launched Strategy for Community and Voluntary Sector development in Ireland (€1.2m) and the Social Enterprise and Rural Policies (€300,000 between them). These are key initiatives which deliver important services to disadvantaged areas, such as social networks and education, meals on wheels, community childcare, supports for people with disabilities, community centres and so on. While these additional allocations are welcome, they represent a fraction of what is needed to sustain these community supports. In a broader community context, the following Budget lines may also be of interest to those involved in their communities. While *Social Justice Ireland* welcomes the increases in many of these areas, these are mostly small to moderate increases which will struggle to meet demand.

Budget Line	Allocation 2020 (,000)	Change 2019/2020
Health (Physical and Mental)		
Healthy Ireland Fund	6,000	+20%
Drugs Initiative	7,487	+7%
Primary Care Reimbursement Services and Community Demand led schemes	3,185,387	+1%
Economy and Resources		
Jobs and Enterprise Development	471,278	+1%
Innovation	410,972	+3%
Skills Development	449,436	+2%
Higher Education	1,744,696	+1%
Social and Community Development		
Rural Development and Regional Affairs	149,747	+8%
Community Development	154,069	+4%
Sports and Recreation Services	125,390	+0.02
Land Transport	2,274,061	+19%
Children and Family Support Programmes	848,431	+4%
Sectoral Programmes for Children and Young People	720,572	+8%

Budget Line	Allocation 2020 (,000)	Change 2019/2020
Participation, Democracy and Good Governance		
Local Government	185,409	-13%
Standards in Public Office Commission	1,893	-15%
Charities Regulatory Authority	4,606	-
Gardaí (Working with Communities to Protect and Serve)	1,882,036	+7%
Access to Justice for All	55,681	+1%
Values, Culture and Meaning		
Human Rights and Equality Commission	6,814	+1%
Culture	192,805	+2%
Heritage	62,454	+15%
Irish Language, Gaeltacht and the Islands	57,967	+4%
Immigration, Asylum and Citizenship System	160,484	+1%
Work on Poverty and Hunger Reduction (ODA)	549,702	+1%
Environment and Sustainability		
Natural Resources	24,462	-0.4%
Environment and Waste Management	84,806	+1%

Ireland continues to lag on SDG progress

The 17 Sustainable Development Goals (SDGs), 169 targets and over 230 indicators are designed to refocus efforts towards policies that directly help people and communities in the long run. They aim to provide both a pathway out of poverty for about a billion people in the world, and a pathway to a sustainable future for all countries and peoples.

A recent study published by *Social Justice Ireland* (*Measuring Progress: Economy, Society and Environment in Ireland 2019*) analysed the country's performance on these indicators across the Economy, Environment and Society, and compares Ireland with our EU-15 peers. Since the SDGs came into effect in January 2016, Ireland has performed in the bottom half of the EU-15 on a range of these goals. In 2019, Ireland ranked 11th out of the EU-15 overall, and 13th on the Environmental Indicators.

All levels of Government have a role to play in progressing towards Ireland's SDG targets. To this end, we have also produced a briefing for Local Authorities and how they can support Ireland's progress towards the Goals.

If Government is serious in making up for lost ground on our progress towards the SDGs, we need to see real political leadership on climate action, sustainability and inequalities. Budget 2020 has made only moderate progress in this regard. Our ODA allocation, while representing an increase of €20m on 2019 will not result in any significant improvement in terms of national income and moves us only marginally closer to the UN target of 0.70 per cent of national income by 2025. Inequalities were left unaddressed, as the poorest households were disregarded in favour of businesses in Brexit plans. Action on climate change was disappointing, particularly when it came to supporting rural Ireland to make a just transition irrespective of Brexit. The SDGs aims to leave no one behind. Budget 2020 reinforces Irelands position as a laggard.

Government ignores need for tax reform

In our *Budget Choices 2020* submission, *Social Justice Ireland* called for increased scrutiny of tax expenditures as part of the budgetary process. We regret that, at a time when the Minister for Finance has made a point of repeatedly noting the scarcity of available resources, government has ignored a real opportunity to increase the total tax-take whilst making the tax system fairer.

Tax expenditures - or tax reliefs, as they are often known - are policy tools for reducing an individual's or firm's tax liability, usually with the goal of encouraging certain behaviours.

They can be politically appealing as they don't increase direct government expenditure, so it is often overlooked that they represent revenue to the government that is being foregone and so there is always a cost attached.

In 2016, the latest year for which data is available, tax expenditures amounted to approximately 10 per cent of total tax revenue. However, unlike direct government expenditure, tax expenditures are not subject to annual assessment as part of the budgetary process.

It is extraordinary that this is the case given the cost involved.

As part of the budgetary process, all such expenditures and reliefs should undergo proper administrative scrutiny and parliamentary debate to ensure they remain fit for purpose and cost-effective.

The cost of tax expenditures (by type) for each past year should be published in the lead-up to the Budget, as should the estimated cost of tax expenditures for the year ahead.

More generally, when considering whether to implement a proposed tax expenditure, government should be obliged to state publicly: the objective it aims to achieve; the other options considered, and why the tax expenditure is deemed to be the best approach; the likely economic impact of the tax expenditure; and the estimated cost.

There should also be, at the very least, scope for automatic periodic review of each expenditure. The preferable option would be for a sunset clause on each expenditure so that each must be reviewed and judged on its merits as each annual Budget approaches. **At present, only 13 per cent of tax reliefs have a sunset clause, and 23 per cent have *never* been reviewed.**

Tax expenditures are, by their very nature, regressive. Because government revenue is being foregone, this funding needs to be made up elsewhere to maintain the same level of service provision. The *cost* of tax expenditures is spread among all tax payers, but not everyone can *benefit* from them, and it is almost always those with high incomes that are best placed to avail of them.

Tax expenditures have even been acknowledged to be regressive by the government's own Commission on Taxation, which has commented that 'in general, direct Exchequer expenditure should be used instead of tax expenditures' and asserted that 'to the extent that the beneficiaries of tax expenditures are those with higher incomes... this results in a transfer of financial resources to these beneficiaries by the rest of the taxpaying community, including those on low income'.

It is time for reform of how this policy instrument is used and scrutinised.

Some recent Publications from *Social Justice Ireland*

National Social Monitor, Sustainability Edition (September 2018)

Budget Choices 2020 (June 2019)

National Social Monitor, Local Issues Edition (May 2019)

Poverty Focus 2019 (April 2019)

Ireland the Europe 2020 Strategy—2019 Review (April 2019)

Measuring Progress: The Sustainable Progress Index 2019 (February 2019)

Social Justice Matters - 2019 guide to a fairer Irish Society (January 2019)

All of these publications are available on our website at www.socialjustice.ie

SOCIAL JUSTICE IRELAND

working to build a just society

Social Justice Ireland is an independent think tank and justice advocacy organisation that advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole.

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An Roinn Forbartha Tuaithe agus Pobail

pobal government supporting communities

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