Summary of

2010 Budget Measures

Policy Changes

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The Annexes to the Summary of Budget Measures are available as part of the Budget-day supporting documentation and can be found at www.budget.gov.ie. The relevant Annexes are:-

Annex A: The Effect of Budget 2010 Measures on Different Categories of Income Earners
Annex B: Social Welfare and Health Rates
Annex C: Exchequer Capital Programme 2010: Key Features
Annex D: Effect of Public Service Salary Reductions at Various Pay Levels
Annex E: Main Features of the Carbon Tax
Annex F: Scrappage Scheme

Section I – Taxation Measures for Introduction in 2010

Measure	Yield/Cost 2010 €m	Yield/Cost Full Year €m
INCOME TAX **Restriction of Reliefs or Horizontal Measure** The restriction of reliefs measure is being amended for 2010 and subsequent tax years in order to achieve an effective rate of income tax of 30% for those subject to the full restriction. The entry level threshold for the restriction will now occur at adjusted income levels of €125,000 and the full restriction will apply at €400,000.	0	+55
OTHER INCOME TAX **Mortgage Interest Relief** Qualifying loans taken out before 1 July 2011 will continue to get relief for 7 years. Transitional measures will be provided for qualifying loans taken out between 1 July 2011 and end 2012. Those whose entitlement to relief would, in the absence of this change, expire in 2010 or after, will continue to qualify for relief at the applicable rate up until end 2017. Abolition of the relief entirely by end 2017.	-	-
Capital Allowances Extension of the existing capital allowances scheme for energy efficient equipment purchased by companies from seven categories of eligible equipment to ten.	-1	-2
Corporation Tax Extension of the existing scheme providing a three year exemption from tax on the income and gains of new start-up companies to include companies who commence trading in 2010. This measure will cost approximately €15m over a three year period.	-	-
Relief from Income Levy for certain Farm expenditure Relief from the income levy will be allowed in respect of certain expenditure incurred by farmers to comply with the requirements of the EU Nitrates Directive 91/676/EEC. This measure will cost approximately €6m over a three year period and will cost €1.8m in 2010.	-1.8	-

EXCISES **Decrease in Excise on Alcohol** Excise Duty is being reduced on Beer and Cider by 12 cent (VAT inclusive) per pint, on Spirits by 14 cent (VAT inclusive) per half glass, and on Wine by 60 cent (VAT inclusive) per 75cl bottle. These reductions will take effect from midnight on 9 December 2009. **Vehicle Registration Tax (VRT)** The following package of measures will be introduced: • Car Scrappage Scheme • Extension of VRT exemption for Electric Vehicles • Extension of VRT relief scheme for Plug-in Hybrid Electric Vehicles A car scrappage scheme is being introduced with effect from 1 January 2010, to run until 31 December 2010. VRT relief of up to €1,500 will be provided where a car of 10 years or older is scrapped in accordance with certain criteria and a new car of emissions bands A or B (i.e. with CO_2 emissions of 140g/km or less) is purchased. Further details on the scrappage scheme are set out at Annex F which is available on www.budget.gov.ie. The existing VRT exemption for series production electric vehicles and the VRT relief of up to €2,500 for series production plug-in hybrid electric vehicles (both of which are due to expire on 31 December 2010) are being extended for two years until 31 December 2012.	-90 Broadly Revenue Neutral	-90 Broadly Revenue Neutral
Carbon Tax A carbon tax at a rate of €15 per tonne is being introduced on fossil fuels. The tax will apply to petrol and auto-diesel with effect from midnight, 9 December 2009; and from 1 May 2010 to Kerosene, Marked Gas Oil, Liquid Petroleum Gas (LPG), Fuel Oil and Natural Gas. The application of the tax to coal and commercial peat is subject to a Commencement Order. Exemption from the tax will apply only to participants in the EU Emissions Trading Scheme (ETS) in respect of fuels so covered. Further information on the carbon tax is set out at Annex E which is available on www.budget.gov.ie.	+250 (inclusive of VAT)	+330 (inclusive of VAT)

VALUE ADDED TAX **Reduction in standard VAT rate from 21.5 per cent to 21 per cent.** The standard rate of VAT will be reduced from 21.5 to 21 per cent with effect from 1 January 2010. This decrease will apply to all goods and services which are currently subject to VAT at 21.5 per cent.	-140	-167
Total	**+17.2**	**+126**

Section II - Expenditure Measures for Introduction in 2010

The 2010 Budget provides for overall savings of €3,090 million in Gross Current expenditure and €961 million in Gross Capital expenditure* relative to the pre-Budget position as published on Saturday 5 December 2009. The detailed 2010 Estimates of Expenditure for each area are available as part of the Budget-day supporting documentation available at www.budget.gov.ie.

An overview of the expenditure savings is as follows:-

2010 Budget – Expenditure Savings		
		€m
Estimating adjustments from *Pre-Budget Outlook* (November 2009) to *2010 Estimates of Receipts and Expenditure* ('White Paper', December 2009)		*243*
Savings on Current Expenditure Programmes versus 'White Paper' position		
Social & Family Affairs		*760*
Agriculture, Fisheries & Food		20
Arts, Sport & Tourism		28
Communications, Energy & Natural Resources		13
Community, Rural & Gaeltacht Affairs		15
Defence		38
Enterprise, Trade & Employment		50
Education & Science		134
Environment, Heritage & Local Government		78
Finance		58
Foreign Affairs		22
Health & Children		400
Justice, Equality & Law Reform		49
Taoiseach's Group of Votes		12
Transport		60
Non Social Welfare Programmes	*subtotal*	*976*
Other cross-departmental programme savings[+]		106
Current Expenditure Programme Savings		*2,085*
Payroll Savings**		1,005
Total Current Expenditure Savings		**3,090**
Capital savings		**961**
Total Expenditure Savings		**4,051**

Rounding may affect totals.
* €750 million capital savings were included in the Pre-Budget Outlook published in November
[+] mainly savings on grants, grants-in-aid and professional fees
** net of offsetting reduction in pension levy receipts

The key expenditure adjustments for each Department are set out overleaf.

Current Expenditure

Measure	Yield/Cost 2010 €m	Yield/Cost Full Year €m
SOCIAL WELFARE	**-760**	**-809**
People of Working Age The maximum personal rate for all weekly schemes (other than personal rates applicable to those aged 66 and over) will generally decrease by amounts varying between €8.20 and €8.50 per week from the first week in January 2010 and proportionate decreases will apply in respect of people on reduced rates of payment. Associated maximum Qualified Adult Allowances (QAAs) will generally decrease by €5.50 per week from the first week in January 2010 and proportionate decreases will apply in respect of people on reduced rates of payment.	-425	-425
There will also be a decrease of €10 per week in the maximum rate and a decrease of €4.50 per week in the minimum rate of Maternity Benefit and Adoptive Benefit from the first week of January 2010.	-11	-11
Activation Measures There are a number of changes to the Jobseeker's Allowance and Supplementary Welfare Allowance schemes as set out below: • New maximum personal rates of Jobseeker's Allowance and basic Supplementary Welfare Allowance will be introduced for new applicants aged 20 to 24 inclusive. The new rate will be €100 per week for new applicants aged 20 to 21 and €150 per week for new applicants aged 22 to 24. The Qualified Adult rate applicable to Jobseeker's Allowance/basic Supplementary Welfare Allowance applicants aged 20 and 21 will also be €100 per week and for those applicants aged 22, 23 and 24 will be €130.10 per week. These rate reductions will not apply to claimants with dependant children. • The personal rate of Jobseeker's Allowance and basic Supplementary Welfare Allowance will be reduced to €150 per week where job offers or activation measures have been refused. Further details of this measure will be published in the Social Welfare Bill, 2010.	-94	-197
Children Child Benefit rates will be reduced by €16 per month from January 2010 bringing the lower rate to €150 per month and the higher rate to €187 per month.	-221	-221

The increase for a Qualified Child will be improved by €3.80 per week from 1 January 2010.	+84	+84
All Family Income Supplement (FIS) earnings thresholds will be increased by €6 per week per child.	+14	+14
Rent Supplement There will be savings arising from a review of maximum rent levels.	-20	-20
Treatment Benefits In 2010, the entitlements under the Treatment Benefit Scheme will be limited to the Medical and Surgical appliances scheme and the free examination elements of the Dental and Optical Benefit schemes.	-54	-
Control Measures Additional savings of €33 million from general control measures in 2010.	-33	-33
Annex B sets out the amended weekly and monthly rates of payment that will apply for the various social welfare payments from January 2010.		
HEALTH & CHILDREN	**-400**	**-415**
Reduction in payments to Pharmaceutical suppliers Reductions on the overall reimbursement cost to the State of drugs and medicines provided through the GMS and community drugs schemes are estimated based on discussions under way with pharmaceutical manufacturers.	-141	-141
Increase in DPS Threshold of €20 The monthly threshold for the Drugs Payment Scheme is being increased from €100 to €120.	-27	-27
Prescription charge of 50c per item The number of prescriptions under the GMS has increased in recent years from 12.79m in 2004 to 15.65 m in 2008. The number of items dispensed in the GMS has increased from 35m to 48.21m in the same period. To address the associated rising costs a 50 cent charge per item subject to a monthly ceiling of €10 per family is being introduced for the GMS and LTI scheme.	-15	-25
Private income collection There are significant sums outstanding in respect of the treatment of private and semi private patients by the HSE and its funded hospitals. Measures are being undertaken to speed up the billing and payment process in order to reduce outstanding amounts which will result in an increased level of income to the hospitals.	-75	-75

Revision to DTSS Scheme Under the Dental Treatment Services Scheme, adult medical card holders may obtain dental services from dentists in private practice under contract to the HSE. Expenditure in the Dental Treatment Services Scheme has risen by 60% over the past five years. In order to achieve the savings outlined in Budget 2010, the HSE will put measures in place to contain DTSS expenditure at 2008 levels.	-30	-30
HSE Economies The HSE will undertake further measures to achieve reductions in costs following on its Value for Money Programmes over the last 2 years. The costs which will be targeted next year include procurement, transport, insurance, and other non-pay savings.	-106	-106
Department of Health & Children Reductions are being made on non-pay expenditure by the Department and its directly-funded agencies.	-3.5	-3.5
National Childcare Investment Programme (NCIP) Savings will arise in expenditure on the Community Childcare Subvention Scheme (CCSS) as a result of the changes to that scheme, effective from September 2010.	-2.5	-7.5
Recommendations of the Ryan Report The implementation of the recommendations of the Ryan Report will also be provided for in 2010. The details of this allocation will be set out in the 2010 Revised Estimates Volume.		
EDUCATION & SCIENCE	**-134**	**-200**
The key adjustments are as follows:-		
• Staffing and other non-pay efficiencies in the Higher Education Sector;	-50	-50
• Reduce funding for the Strategic Innovation Fund;	-8	-16
• Reduction in rates of Student Support Grants and Youthreach, VTOS, allowances etc.;	-13	-13
• Removal of eligibility for student support grants from Recipients of Back to Education Allowance and certain VTOS allowances;	-4	-35
• Rationalisation of teacher support services;	-7	-7
• Administrative efficiencies in School Transport;	-9	-9
• Other savings across a range of programmes.	-43	-70

Additional Expenditure Measures In addition to these savings measures, the 2010 Estimates provide for the implementation of Government Programme commitments in the following areas:- • Provision of 500 additional teachers over 3 years, as well as additional teachers to meet demographic pressures and ensure no further increase in the Pupil-teacher ratio; • Maintain Capitation Grants and provide additional resources for books and curricular activities; • Provision for 28 additional NEPS psychologists; • Increased costs of VTOS programme; • Promotion of Irish Language in schools, as part of the new 20-year Strategy for the Irish Language. These additional measures entail costs of €57.5m in 2010 (provided for in 'White Paper' of 4 December 2009) and €172.5m in a full year.	*(costs in the 'White Paper')*	*(costs in the 'White Paper')*
ENTERPRISE, TRADE & EMPLOYMENT Within the overall allocation for Enterprise, Trade & Employment, resources will be directed towards Support Measures for the Food Industry and a range of activation measures including 10/20 week FÁS Training Courses or work placements to provide additional training and upskilling places for the unemployed; and an Activation Fund which will involve an open call for activation proposals targeted at the construction and low skilled sectors. Savings will be made in the following areas:- • Reduced funding to FÁS and Skillnets for training those in employment; • Reduction in grant for Community Employment (CE) training and materials overhead; • Reduction in part-time Third level places for FAS and ending of Science Challenge (closing in 2009); • Cessation of the FÁS Training Allowance of €204.30 per week to new entrants not entitled to Jobseeker's Benefit/Allowance; • Reduction in Current Non-Pay funding for Agencies and Offices under the aegis of the Department of Enterprise, Trade & Employment; • Reduction in Current Non-Pay funding for Science and Technology programmes; • Reduction in CE/Jobs Initiative allowances; • A range of smaller reductions in other programmes and services.	**-50**	**-50**

OTHER DEPARTMENTAL ADJUSTMENTS		
<u>Agriculture, Fisheries and Food</u> Reductions in grants-in-aid for State Agencies; estimating reductions in provision for Research and Training, Food Safety and Animal Health; non-pay Administrative Budget cuts; as well as savings arising from the continued impact of closure of the Early Retirement Scheme.	**-20**	**-20**
<u>Arts, Sport & Tourism</u> Reductions in allocations across the range of programmes in the area of tourism, sports, and cultural supports.	**-28**	**-28**
<u>Communications, Energy & Natural Resources</u> Savings across various areas including reductions in funding for TG4 and the Central and Regional Fisheries Boards. In addition, there has been a €7m reduction in the allocation for RTÉ, An Post and the Broadcasting Fund reflecting lower receipts from the broadcasting licence fee. An additional €5m has been provided for the Petroleum Infrastructure research programme funded by the proceeds of an exploration licence.	**-13**	**-13**
<u>Community, Rural & Gaeltacht Affairs</u> Savings across various areas including supports for Developing Communities, Drugs Initiative funding, Rural, Gaeltacht and Islands development and Irish Language supports	**-15**	**-15**
<u>Defence</u> Reduction in the number serving overseas, in Naval Service patrol days and Air Corps Flying hours and non-pay cost reductions, including a reduction in the number of paid training days for the Reserve Defence Force. Abolition of the *Coiste an Asgard* Sail Training Scheme Appropriations-in-Aid will be increased, including through charging of An Post, the Central Bank and other organisations for services on the same basis as the banks. Receipts from the UN in respect of overseas operations will also increase.	**-38**	**-43**
<u>Environment, Heritage & Local Government</u> There will be a reduction across most sub-heads including housing and the Local Government Fund. There will be a change in social housing investment programme away from acquisition and construction towards less costly, more market based delivery mechanisms, including leasing.	**-78**	**-78**

Finance Group of Votes Administrative savings and staffing economies in all areas, including Revenue and OPW. OPW will also rationalise Dublin office accommodation including surrender of leases, as well as securing economies on engineering and maintenance, and through revised opening hours at parks and national monuments.	**-58**	**-62**
Foreign Affairs and Overseas Development Aid (ODA) Savings will arise from administrative efficiencies, including foreign service allowances, as well as reduced payments to international organisations and lower spending on emigrant support.	**-22**	**-22**
The 2010 Budget Estimates also include provision for an increase in the Overseas Development Aid to 0.52% of GNP.	**(costs in the 'White Paper')**	**(costs in the 'White Paper')**
Justice Group of Votes Reductions will be made across a wide range of areas. Funding is continuing to be provided for programmes relating to equality, disability, asylum, probation, legal aid and for the unitary payment for the Criminal Courts Complex.	**-49**	**-49**
Taoiseach's Group of Votes A range of administrative efficiencies and organisational restructuring will be applied across the Department and its agencies, along with the Law Offices and the Central Statistics Office (CSO).	**-12**	**-12**
Transport Savings have been identified arising from the planned implementation of various efficiency programmes across the Transport Sector and also from reductions in some expenditure programmes. The savings will arise mostly from the CIE companies and the Department of Transport's administrative efficiencies and the reductions in expenditure mostly from a 10% cut in road maintenance.	**-60**	**-60**

Capital Expenditure

Based upon a comprehensive review of the Government's capital investment programme, an Exchequer capital allocation of €6,445 million has been formulated for 2010, with an indicative Exchequer investment programme of over €39 billion from 2010 to 2016. This will be supplemented by €126 million in allocations carried over from 2009, and will be targeted at sustainable job creation and economic recovery, in line with the Government's strategy for building a Smart/Green competitive economy. Details of the 2010 capital investment programme are set out in Annex C which is available on www.budget.gov.ie.

Reductions in public service salaries and professional fees

Public Service salaries will be reduced as follows:-

- 5% on the first €30,000 of salary
- 7.5% on the next €40,000 of salary
- 10% on the next €55,000 of salary

This produces overall reductions in salaries ranging from 5% to just under 8% in the case of salaries up to €125,000.

In place of the above reductions, salaries above this level will be adjusted in line with the recommendations of the Review Body on Higher Remuneration in the Public Sector. This will produce reductions ranging from 8% on salaries of up to €165,000, 12% on salaries up to €200,000, 15% on salaries of €200,000 or more and 20% in the case of the Taoiseach. These measures will lead to savings of **over €1 billion in 2010** and in a full year.

Annex D shows the effect of the above salary reductions at different pay levels. To ensure that any increase in the number of retirements can be managed, the legislation on pay reductions in the public service will provide that any retirements in 2010 would be on existing, pre-cut pay terms.

In addition, the Government intends to apply further reductions in fees paid by State bodies in respect of professional services, in line with the provisions of the relevant legislation, with a view to generating Exchequer savings of **at least €56 million** in 2010. Savings will also arise from general reductions in grants and grants-in-aid paid out across Departments.

Public Service Pensions

A new single scheme for all new entrants to the public service from 2010 onwards will be introduced – with main provisions as follows:

- **raising the minimum public service pension age to 66 years** initially from 65 at present to bring it into line and link it henceforth with the State Pension age;

- setting a **maximum retirement age of 70 years** – the *Public Service Superannuation (Miscellaneous Provisions) Act 2004* removed the retirement age for most new entrants to the public service; for staff recruited before 2004, a maximum retirement age of 65 generally applies; and

- **pensions to be based on "career average" earnings rather than final salary as currently applies**. A specific "pension accrual rate" will be applied to pensionable pay so that each year public servants will earn or accrue a certain amount of pension payable on retirement. This is a fairer, more equitable and progressive system: it lowers the pensions of persons with high earnings especially in late career with less impact on the pensions of lower paid public servants with relatively "flat" career earnings such as nurses and manual workers.

These are significant reform measures. Legislation will be introduced early in 2010 to give effect to these measures.

The Government will consider using the CPI as the basis for post-retirement increases for both existing and future pensioners. This change would reduce the actuarial cost of public service pensions from an estimated €108 billion to €87 billion. The introduction of a single public service scheme will, in time, produce significant administrative advantages and efficiencies.

For existing public servants retiring after 2010 (or any longer period authorised by statutory instrument), the Minister will consider what legislative changes, if any, will be appropriate and bring forward proposals as part of the legislation introducing the single new scheme.

It is proposed that other details of the single new scheme would be considered by Government in finalising relevant legislation following consultation between the Department of Finance and public service employers and unions. In developing the new scheme the Government will be considering:

- **employee pension contribution** - the rate of employee pension contribution remains at 6.5% but may apply to all pensionable pay;

- **pension accrual rate applying to pensionable pay** taking account of entitlement to a State Pension;

- **fast accrual terms** – such terms generally apply at present to the Gardaí, Permanent Defences Forces, Prison Officers and Firefighters. These groups will retain early retirement ages which reflect operational needs and will continue to be paid their pensions at these early retirement ages where this is currently the position; other special terms such as added years and non-actuarially reduced early retirement benefits will be generally discontinued; and

- the terms to apply to **the President, Oireachtas members, the Judiciary and the Attorney General**.

National Solidarity Bond

It is proposed to establish, early in the New Year, a new National Solidarity Bond to assist the financing of the capital investment programme underlying this Budget (i.e., the bond will not be used to fund additional spending).

The bond will be in addition to the current range of "State Savings" products (savings bonds, savings certificates, prize bonds, national instalment savings and the Post Office deposit account).

The main features of the new bond will be:-

- investors can choose to invest for a five, seven or ten year period;
- interest will be paid annually;
- investors will be entitled to a final redemption bonus on maturity as an incentive to leave their funds invested - the bonus will be different for each investment period;
- full details of the tax treatment of the bond will be provided in Finance Bill 2010;
- it will be possible to invest in the bond by lump sum or by occasional payments;
- the bond will be available through the following channels
    - internet,
    - telephone,
    - direct debit,
    - at your local Post Office.

The bond will be sold by An Post on behalf of the National Treasury Management Agency (NTMA). Further details will be announced by the NTMA early in the New Year.

Credit Review System on Business Lending

Small and Medium Enterprises (SMEs), farm enterprises and sole traders are being given a right of appeal where an application for credit is refused by a participating bank, after the bank's own internal process has been finalised. Where it is recommended that credit should be granted, the participating institution which refused credit must comply or provide a written explanation.

Where a decision on an application is not given by the participating institution within a reasonable period of 15 working days, or where the terms or conditions attached to a credit facility or its price are excessively onerous, this will be regarded as constructive refusal and creates a right to appeal. A fee will be charged for each appeal, which will be refunded by the bank if successful.

Mr John Trethowan has been asked to oversee the establishment of this credit review system with initial administrative support from Enterprise Ireland.

There will be a regular analysis of appeals and their outcomes in respect of each participating institution, which will be published, but commercial confidentiality of customers will be maintained.

In addition to reviewing individual business decisions, the credit review system will also entail review of the credit policies and practices of the banks, in relation to all SME sectors, paying particular attention to sectors, such as the retail sector, including car dealerships, tourism, and agriculture, where particular stresses have been reported. Mr. Trethowan and his team will review the credit policies of the Banks, including the sectoral availability of credit and to report to the Minister for Finance. This will enable him to decide what further action might be necessary in this area.