

SUMMARY OF 2005 BUDGET MEASURES - POLICY CHANGES

CONTENTS

	Page
SECTION I	
TAXATION MEASURES.....	B. 5
Income Tax Changes.....	B. 5
Other Income Tax.....	B. 6
Stamp Duty.....	B. 6
Farmer Taxation.....	B. 8
Excises.....	B. 9
VAT.....	B. 9
PRSI Changes.....	B. 9
Review of Tax Incentives and Exemptions.....	B. 10
SECTION II	
EXPENDITURE MEASURES.....	B. 11
Social Welfare.....	B. 11
Health and Children.....	B. 13
Enterprise, Trade & Employment.....	B. 13
Community, Rural & Gaeltacht Affairs.....	B. 13
Taoiseach.....	B. 13
SECTION III	
SERVICES FOR PEOPLE WITH A DISABILITY.....	B. 14
Multi-Annual Investment Programme 2006-2009.....	B. 14
Health & Children.....	B. 15
Education & Science.....	B. 15
Environment, Heritage & Local Government.....	B. 15
Justice, Equality & Law Reform.....	B. 15
Office of Public Works.....	B. 16
Other Once-Off Measures.....	B. 16
SECTION IV	
MULTI-ANNUAL CAPITAL ENVELOPES 2005-2009.....	B. 17

SECTION I

TAXATION MEASURES

INCOME TAX CHANGES

Personal Tax Package

The main elements, including associated costs, of the personal tax package, which will take effect from 1 January 2005, are as follows:

Changes to Income Tax	Full Year Cost €m																																																
Employee Tax Credit increased by €230 to €1,270	283																																																
Personal Credits increased by €60 single/€120 married to €1,580 single/€3,160 married	115																																																
New Standard Rate Bands from 1 January 2005:																																																	
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Health Levy threshold increased from €356 per week to €400 per week	34 ²																																																
Total	682																																																

Further details of the main income tax elements of the package are set out in Annex A

¹ With a maximum transferability between spouses of €37,000 in 2004 and €38,400 in 2005.

² This cost will be reflected in a reduction in appropriations-in-aid in the Health Vote.

OTHER INCOME TAX

All measures take effect from 1 January 2005 unless otherwise stated.

Allowance for Rent Paid by Certain Tenants

For those aged under 55 years of age, the maximum level of rent paid for private rented accommodation on which tax relief can be claimed, at the standard rate of tax, is being increased from €1,270 to €1,500 per annum for a single person and from €2,540 to €3,000 per annum for widowed and married persons. This equates to a tax credit of €300 per annum for single persons and €600 per annum for widowed persons and married couples. For those aged 55 years and over, the maximum level of rent paid on which tax relief can be claimed is being increased from €2,540 to €3,000 per annum for a single person and from €5,080 to €6,000 per annum for widowed and married persons. This equates to a tax credit of €600 per annum for a single person and €1,200 for widowed and married persons.

This measure is estimated to cost €3.6 million in 2005 and €5.2 million in a full year.

Tax Relief for Fees Paid for Third Level Education

The maximum amount of qualifying fees allowable under the scheme of tax relief for third level fees is being increased from €3,175 per annum to €5,000 per annum. The relief can be claimed at the standard rate of tax and the new maximum amount will be available in respect of fees paid in relation to the academic year 2005/2006.

This measure is estimated to cost €1 million in 2005 and €3 million in a full year.

Taxation of Unemployment Benefit – Systematic Short-Time Workers

The special tax exemption for unemployment benefit for systematic short-time workers, which was introduced in the 1994 Finance Act and broadened in the 1995 Finance Act, will be extended for a further two years up to 31 December 2006.

The cost of continuing this measure is estimated at €1.1 million in 2005 and €1.5 million in a full year.

Benefits in Kind – Increase in Small Benefit Exemption Threshold

Under the existing Benefit-in-Kind arrangements introduced in January 2004, an employer can provide an employee with a small benefit to a value not exceeding €100 without applying PAYE and PRSI to that benefit. No more than one such benefit given to an employee in a tax year qualifies for such treatment. The current small benefit threshold will be increased to €250.

This measure is estimated to cost €1.6 million in 2005 and €2 million in a full year.

STAMP DUTY

Change in Stamp Duty Rates for First-time Buyers of Second-hand Residential Property

The stamp duty rates for first-time buyers who are owner-occupiers of second-hand residential property are being changed. The existing and new stamp duty rate structures are as shown below:

Thresholds	Existing First-Time Buyer Rate	New First-Time Buyer Rate
Up to €127,000	Exempt	Exempt
€127,001 to €190,500	Exempt	Exempt
€190,501 to €254,000	3%	Exempt
€254,001 to €317,500	3.75%	Exempt
€317,501 to €381,000	4.5%	3%
€381,001 to €635,000	7.5%	6%
Over €635,000	9%	9%

The new rate structure will apply to legal instruments relating to these properties executed on or after 2 December 2004. This will result in the following stamp duty savings for first-time buyers of second-hand property at the range of prices shown below:

Property price	Saving (€)
€150,000	Nil
€200,000	6,000
€232,000	6,960
€250,000	7,500
€300,000	11,250
€308,000	11,550
€350,000	5,250
€400,000	6,000
€450,000	6,750
€500,000	7,500
€550,000	8,250
€600,000	9,000
€650,000	Nil

The following are the average national and Dublin second-hand property prices for the second quarter of 2004:

Average second-hand house price	National average	Overall	€301,620
		First-Time Buyers*	€232,000
	Dublin average	Overall	€399,536
		First-Time Buyers*	€308,000
*Estimated data from Department of Environment, Heritage and Local Government			

First-time buyers who are owner-occupiers will continue to be exempt from stamp duty on new residential property up to 125 square metres. Partial relief, based on the new rate structure outlined above, will continue to apply where such property exceeds 125 square metres.

This measure is estimated to cost €60 million in 2005 and €63 million in a full year.

Companies Capital Duty

The 1% duty that is charged on the issuing of share capital is being reduced to 0.5% for transactions effected on or after 2 December 2004.

This measure is estimated to cost €12 million in 2005 and in a full year.

Stamp Duty Exemption for Switching of Financial Cards

The 2005 Finance Bill will provide a stamp duty exemption from the double charge arising from the switching of financial cards such as credit cards, charge cards, ATM cards and Laser cards. There will be consultations with relevant bodies about the timing and scope of the provision before publication of the Finance Bill.

This measure is estimated to cost €0.2 million in 2005 and €3 million in a full year.

Stamp Duty Relief for Exchange of Farmland for Farm Consolidation Purposes

The 2005 Finance Bill will provide a new stamp duty relief for an exchange of farmland between two farmers for the purposes of consolidating each farmer's holding by applying the stamp duty only in respect of an amount equal to the difference in the values of the lands concerned, which must be payable in cash. At present each farmer is liable to the full stamp duty on property s/he receives. This once-off relief will apply for a two year period and full details, including the qualifying conditions, will be contained in the Finance Bill.

This measure is estimated to cost €0.5 million in 2005 and €1 million in a full year.

FARMER TAXATION

Farmer Stock Relief

The existing general 25 per cent stock relief for farmers and the special incentive stock relief of 100 per cent for certain young trained farmers are being extended from 1 January 2005 for a further two years.

The cost of continuing this measure is estimated at €2 million in 2005 and in a full year.

Farm Pollution Control

The writing down period of the special tax relief scheme for expenditure on farm pollution control measures will be reduced from 7 to 3 years in order to assist farmers to comply with the Nitrates Action Programme. At present, expenditure qualifying for tax relief under this special scheme can be written down over 7 years at 15 per cent per annum for 6 years and 10 per cent in year 7 with an option to avail of a more flexible writing down arrangement in respect of the lesser of €31,750 or 50 per cent of qualifying expenditure in any one year. For such expenditure incurred during the 4 year period commencing on 1 January 2005, relief under this scheme will be provided at 33⅓ per cent per annum over a 3 year writing down period. Farmers who wish to avail of the existing flexible writing down arrangement will still be able to continue to so. Full details will be contained in the Finance Bill.

This measure is estimated to cost €2 million in 2005 and €4 million in a full year.

Averaging of certain payments outstanding under FEOGA Direct Payment Schemes

Provision will be made in the 2005 Finance Bill to enable farmers not already using income averaging for income tax purposes to average certain payments outstanding under FEOGA direct payments schemes in 3 equal instalments over the three years 2005, 2006 and 2007. This measure will apply to payments made in 2005 for entitlements established for the calendar year 2004 in respect of the FEOGA schemes that are to be replaced by the new Single Farm Payment Scheme.

EXCISES

Excise Relief for Microbreweries

A special relief reducing the standard rate of Alcohol Products Tax by 50% is being introduced for beers produced in microbreweries. This relief is equivalent to 29 cent (VAT inclusive) on a pint of beer of typical strength. For the purpose of this relief, microbreweries are breweries which produce not more than 20,000 hectolitres per annum.

This measure is estimated to cost €1 million in 2005 and in a full year.

Initiative on Sulphur Free Petrol

As an environmental measure, it is intended to introduce, during 2005, an excise differential for sulphur free petrol (defined as petrol with a sulphur content of less than 10 parts per million) along the lines of that which was introduced for sulphur free diesel in Budget 2002. Further details will be announced in the Finance Bill.

This measure is intended to be Exchequer neutral.

Vehicle Registration Tax

The scheme which provides a 50% refund of VRT on the purchase of 'hybrid' vehicles will be extended for a further two years until 31 December 2006. The issue of introducing a restriction of this relief to vehicles below a certain engine size will be kept under review.

The cost of continuing this measure is estimated at €2 million in 2005 and in a full year.

VAT

Farmers' VAT Flat Rate Addition

The farmers' flat rate is being increased from 4.4 per cent to 4.8 per cent from 1 January 2005. This rate change will ensure that unregistered farmers are compensated in full for the VAT they bear on their business inputs. There will be a corresponding increase to 4.8 per cent for the sale of livestock by VAT registered farmers.

This measure is estimated to cost €13 million in 2005 and €16 million in a full year.

PRSI CHANGES

Employee

As from 1 January 2005, the annual employee PRSI contribution ceiling will increase from €42,160 to €44,180.

This is in accordance with the assumption made for PRSI income as set out in the 2005 Estimates for the Public Services.

Note: Status of Taxation Measures

It is important to note that, in general, taxation measures outlined in the Financial Statement and associated documents and not included in the Financial Resolutions under the Provisional Collection of Taxes Act 1927 are given legislative effect through enactment by the Oireachtas of the Finance Bill 2005. Changes may arise during this legislative process. They may also arise if EU State aid issues are involved and the European Commission requires these changes before it gives its approval or clearance.

Review of Tax Incentives and Exemptions

The Department of Finance and the Office of the Revenue Commissioners will undertake in 2005 a detailed review of certain tax incentive schemes and tax exemptions. This review will evaluate their impact and operation including their economic and social benefits for the different locations and sectors involved and to the wider community. In addition the review will examine the degree to which these schemes allow high-income individuals to reduce their tax liabilities.

As well as examining relevant international approaches, the review will include a consultation process seeking submissions on measures that could be introduced to limit the extent to which the use of such incentives by high-earners reduces their tax bill. The review will also involve external consultancy work on the evaluation of the following incentive schemes:

- Urban Renewal
- Rural Renewal
- Town Renewal
- Living-over-the-Shop
- Multi-Storey Carparks
- Park and Ride
- Student Accommodation
- Third Level Buildings
- Hotels and Holiday Cottages
- Nursing Homes
- Private Hospitals
- Sports Clinics
- Childcare Facilities

Finally, the review will also incorporate an examination of data that is due to come to hand in late 2005 in relation to certain exempt income i.e. woodlands, stallions and greyhounds as well as data already available on other exemptions e.g. for artists. The termination dates for various schemes laid down in Finance Act 2004 will remain unchanged.

The Minister for Finance will consider the outcome of this work and bring forward proposals for the 2006 Budget next December.

SECTION II

EXPENDITURE MEASURES

Note for Information

The sums set out below should be read in conjunction with the amounts provided in the Abridged Estimates Volume published on 18 November 2004.

SOCIAL WELFARE

(See also Annex C, where the changes in maximum weekly rates of payment from January 2005 and increases in Child Benefit from April 2005 are shown.)

The total cost of the Social Welfare improvements is €834.15 million in 2005 and €874.00 million in a full year.

Social Welfare Weekly Rates

Maximum weekly personal rates for all old age and related pensions will be increased by €12.00, with proportionate increases for pensioners on reduced rates, from the first week of January 2005.

Other maximum personal rates will increase by €14.00 per week, with proportionate increases for claimants on reduced rates, from the first week of January 2005.

Maximum Qualified Adult Allowances (QAAs) will be increased as follows:

- €9.30 per week for Old Age (Contributory), Retirement and Invalidity Pensions where the qualified adult is aged 66 or over;
- €8.00 per week for Old Age (Contributory) and Retirement Pensions where the qualified adult is aged under 66;
- €7.90 per week for Old Age (Non-Contributory) Pension;
- €7.90 per week for Blind Pension where the qualified adult is aged 66 or over;
- €10.00 per week for Invalidity Pension where the qualified adult is aged under 66;
- €9.30 per week for all other QAA payments.

Proportionate increases will be applied where persons are in receipt of reduced rate QAA payments.

There will be an increase of €14.00 per week to €165.60 in the minimum rate of Maternity Benefit and Adoptive Benefit from January 2005.

There will also be an increase in the rate of Maternity Benefit and Adoptive Benefit from 70% to 75% of reckonable weekly earnings from January 2005.

The above increases will cost €678.82 million in 2005 and in a full year.

Support to Work

Family Income Supplement income thresholds will be increased by €39 per week from January 2005.

The Cost of Education Allowance will be increased by €146 per annum to €400 per annum and, in respect of the third level option, the qualifying period for the Back to Education Allowance will be reduced from 15 months to 12 months from September 2005.

The upper ceiling for entitlement to tapered qualified adult allowance payment will be increased by €10.00 to €220.00 per week from January 2005.

A transitional half-rate payment for six months of One Parent Family Payment where recipient's income exceeds €293.00 per week will be introduced from January 2005.

These measures will cost €17.73 million in 2005 and €19.36 million in a full year.

Child Income Support and Fighting Family Poverty

Child Benefit will be increased by €10.00 per month for each of the first and second children to €141.60 per month; and by €12.00 per month for each of the third and subsequent children to €177.30 per month, effective from April 2005.

These increases will cost €102.08 million in 2005 and €136.11 million in a full year.

The income thresholds for entitlement to half-rate Child Dependant Allowance with unemployment benefit, disability benefit (and related benefits) will be increased by €50.00 to €350.00 per week from January 2005.

Enhancements in the Supplementary Welfare Allowance scheme in regard to Diet Supplements and Rent and Mortgage Interest Supplements will include an increase in the income disregard by €10.00 to €60.00 per week. Funding is also being provided for certain crèche costs.

The assessment of benefit and privilege for Unemployment Assistance for persons aged 26 will be abolished from April 2005.

The amount of capital disregarded for means test purposes for all schemes (except Supplementary Welfare Allowance) will be increased from €12,694.38 to €20,000 from June 2005.

Additional funding will be provided for the Family Support Agency to support work in areas such as marriage and family counselling and an expansion of the Family and Resource Centre Programme; the Money Advice and Budgeting Service (MABS), the Combat Poverty Agency and Comhairle will also be given increased funding.

These measures will cost €16.91 million in 2005 and €19.13 million in a full year.

Supporting Carers and Persons with Disabilities

The €250.00(single)/€500.00 (couple) weekly income disregard for means assessment for the Carer's Allowance scheme will be increased to €270.00/€540.00 respectively, from April 2005.

The Respite Care Grant will be increased by €165.00 to €1,000.00 from June 2005 and will be provided in respect of each care recipient.

Entitlement to the Respite Care Grant will be extended to persons providing full time care and attention who are otherwise not working over ten hours per week or who are not in receipt of an unemployment payment.

Special funding will be provided to Comhairle to begin preparatory work towards the setting up of a personal advocacy service for persons with disabilities.

Miscellaneous enhancements will be made to a number of illness and disability schemes.

The cost of these measures will be €18.61 million in 2005 and €20.58 million in a full year.

HEALTH & CHILDREN

Health Allowances

Increases in line with those for social welfare recipients are being implemented from January 2005.

This will cost €6.62 million in 2005 and in a full year, of which €1.6 million was provided in the 2005 Estimates for Public Services.

World AIDS Day

A once-off sum of €0.5 million is being allocated to groups involved in projects under the National Aids Strategy. Groups which will benefit include Open Heart House, Dublin Aids Alliance and Red Ribbon.

This measure will cost €0.5 million in 2005.

ENTERPRISE, TRADE & EMPLOYMENT

Increases in FÁS allowances in line with those for social welfare recipients are being implemented from January 2005.

This will cost €30 million in 2005 and in a full year, of which €7.5 million was provided in the 2005 Estimates for Public Services.

COMMUNITY, RURAL & GAELTACHT AFFAIRS

Support for the Development of Community Services in Disadvantaged Areas

Additional funding of €5 million allocated to support the development of community services in disadvantaged areas, to complement the contribution of workers employed for service delivery under the Social Economy and Job Initiative Programme operated by FÁS.

TAOISEACH

European Union Science Olympiad

Funding is being provided to allow the European Union Science Olympiad to be held in Ireland in 2005.

This will cost €0.5 million in 2005.

SECTION III

SERVICES FOR PEOPLE WITH A DISABILITY

MULTI-ANNUAL INVESTMENT PROGRAMME, 2006-2009

In addition to the funding already provided for 2005 in the Abridged Estimates Volume, a multi-annual investment programme is being introduced to support the development of high priority disability support services over the 2006-2009 period. This programme will cover both current and capital spending as follows:

Current Expenditure (€m)

<u>Department/Office</u>		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Health & Children	<i>Additional</i>	50	50	50	50
	<i>Ongoing base</i>	50	100	150	200
	<i>Cumulative</i>	50	150	300	500
Education & Science	<i>Additional</i>	7	13	5	5
	<i>Ongoing base</i>	7	20	25	30
	<i>Cumulative</i>	7	27	52	82
Total	<i>Additional</i>	57	63	55	55
	<i>Ongoing base</i>	57	120	175	230
	<i>Cumulative</i>	57	177	352	582

In addition, €3m will be provided each year in the period 2006-09 to the Department of Justice, Equality & Law Reform. Overall, therefore, cumulative additional current spending will amount to €594 million in the period 2006 – 09.

Capital Expenditure (€m)

<u>Department/Office</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Health & Children	55	55	55	55
Environment, Heritage & Local Government	10	10	10	10
Office of Public Works	10	10	10	10
Total	75	75	75	75

Cumulative capital spending will total €300 million in the 2006 – 09 period.

Taking account of the additional funding already allocated for 2005, the projected impact of this extra funding is outlined below:

HEALTH & CHILDREN

Services for Persons with an Intellectual Disability and those with Autism

255 new residential places will be provided each year. Taking account of the 270 new places being provided in 2005, this will give a total of 1,290 new residential places.

85 new respite places will be provided each year. Taking account of the 90 new places being provided in 2005, this will give a total of 430 new respite places.

535 new day places will be provided each year. Taking account of the 400 new places being provided in 2005, this will give a total of 2,540 new day places.

An extra €2m will be provided each year to cover the cost of additional staffing needed in order to transfer about 600 persons with intellectual disability/autism from psychiatric hospitals and other inappropriate placements.

Services for Persons with Physical or Sensory Disabilities

80 new residential places will be provided each year for persons with significant disabilities who are currently placed in inappropriate settings (hospitals and nursing homes for example). Taking account of the 60 new places being provided in 2005, this will give a total of 380 new residential places.

250,000 extra hours of home support and personal assistance will be provided each year in line with the philosophy of supporting independent living for persons with a disability. Taking account of the 200,000 extra hours being provided in 2005, this will give a total of 1,200,000 extra hours.

Mental Health Services

100 new places will be provided each year, commencing in 2006, in community-based mental health facilities (day centres, day hospitals and residential facilities). This will give a total of 400 new places by the end of 2009.

EDUCATION & SCIENCE

The additional funding will be used to enhance the provision of education services for adults with disabilities, to expand the role of the National Council for Special Education, to increase the level of pre-school provision and to introduce new appeals processes as envisaged in the Education for Persons with Special Educational Needs Act 2004.

ENVIRONMENT, HERITAGE & LOCAL GOVERNMENT

The funding will be used by local authorities to make public buildings, roads and pavements, parks, amenities, harbours and heritage sites more accessible to people with disabilities.

JUSTICE, EQUALITY & LAW REFORM

A scheme of grant aid support is being introduced in 2005 for voluntary sector projects. Support will be given to once-off projects which demonstrate an innovative and cost-effective approach to service provision for people with disabilities and which have the capacity to be mainstreamed in the future.

A sum of €3 million is also being provided in 2005. Accordingly, the total package of support over the period 2005 – 2009 is €15 million.

OFFICE OF PUBLIC WORKS

€2m has been invested in 2003 and 2004 in an ongoing programme of public building accessibility audits and subsequent improvement work. This programme will be accelerated with the provision of €5m in 2005 and €10m in each year from 2006 to 2009 to improve access to public buildings.

OTHER ONCE-OFF MEASURES

From within the revised capital envelopes for 2005:

- €3.7 million will be paid from the Department of Arts, Sports and Tourism Vote to St. Michael's House, Belcamp, Dublin, towards the cost of a swimming pool.
- €0.5 million will be paid from the Department of Health & Children Vote to the Irish Wheelchair Association towards the cost of renovating their National Holiday Centre (Cuisle) in Donamon, Co. Roscommon.

These measures will cost €4.2 million in 2005.

SECTION IV

MULTI-ANNUAL CAPITAL ENVELOPES 2005 – 2009

Rolling 5 year multi-annual capital envelopes were introduced in Budget 2004. The 2004 Budget envelope covered the period 2004 – 2008.

The capital envelope comprises a mixture of Exchequer investment and Public Private Partnership / National Development Finance Agency capital funded annually by unitary payments from the Exchequer in the relevant Departmental Votes. The latter involves design, build and operate projects which will be delivered by public private partnership and financed either by the private sector or by the National Development Finance Agency.

A key element of the capital envelope arrangements is that they permit the carryover into the following year of unspent capital up to a maximum of 10% of Voted capital.

Projects which are delivered by public private partnership and which are financed by user charges are additional to the envelopes.

The envelope in this Budget covers the period 2005 – 2009. The 2005-2009 envelope allocates the unallocated reserve for 2005 included in the 2004-2008 Capital Envelope and rolls out the envelope to include capital provision for 2009 to reflect Government investment priorities for the 5 years ahead.

The capital carryover of Exchequer capital from 2004 into 2005 is €237 million. This is additional to the envelope provision for 2005. Including the capital carryover almost €6.3 billion Exchequer capital will be available for investment in 2005.

The Table at [Annex D] summarises by Ministerial Group the allocations under the capital envelope for the period 2005 – 2009, equivalent to maintaining investment at around 4.7% of GNP over the period. Total capital investment in the envelope will amount to €36.3 billion. The funding breakdown in the Table is:

	€bn
Exchequer	32.0
PPP's	2.7
Unallocated reserve of which:	
Exchequer	0.6
PPP's	1.0
	36.3

Additional targets have been set outside of the envelopes of €1.2 billion over the period for public private partnerships funded by user charges.