

# SUMMARY OF 2006 BUDGET MEASURES - POLICY CHANGES

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## SECTION I

### TAXATION MEASURES

#### INCOME TAX CHANGES

##### **Personal Tax Package**

The main elements, including associated costs<sup>1</sup>, of the personal tax package, which take effect from 1 January 2006, are as follows:

Changes to Income Tax	Full Year Cost €m
Employee Tax Credit increased by €220 to €1,490	285
Personal Credits increased by €50 single/€100 married to €1,630 single/€3,260 married	96
New Standard Rate Bands from 1 January 2006:	
Single	456
Married One Income	
Married Two Incomes <sup>2</sup>	
Lone Parent/Widowed Parent	
Single	456
Married One Income	
Married Two Incomes <sup>2</sup>	
Lone Parent/Widowed Parent	
Age Exemption Limits (single/married) increased from €16,500/€33,000 to €17,000/€34,000	6
Other Credits from 1 January 2006:	
Widowed person	12
Widowed parent:	
Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Blind Persons:	
Single	
Married (both blind)	
Incapacitated Child	
Dependent Relative	
Age credit	
Single	
Married	
Health Levy threshold increased from €400 per week to €440 per week	32 <sup>3</sup>
<b>Total</b>	<b>887</b>

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

<sup>1</sup> Costs rounded to the nearest €1 million in each case as appropriate

<sup>2</sup> With a maximum transferability between spouses of €38,400 in 2005 and €41,000 in 2006

<sup>3</sup> This cost will be reflected in reduction in appropriations-in-aid in the Health and Children Vote.

## **OTHER INCOME TAX**

### **Allowance for Rent Paid by Certain Tenants**

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 for those aged under 55 years of age, from €1,500 to €1,650 per annum for a single person and from €3,000 to €3,300 per annum for widowed and married persons. This equates to a tax credit of €330 per annum for single persons and €660 for widowed and married persons. For those aged 55 years and over, the maximum level of rent paid on which tax relief can be claimed is being increased from €3,000 to €3,300 per annum for a single person and from €6,000 to €6,600 per annum for widowed and married persons. This equates to a tax credit of €660 per annum for a single person and €1,320 per annum for widowed and married persons.

**This measure is estimated to cost €2.2 million in 2006 and €3 million in a full year.**

### **Tax Relief on Trade Union Subscriptions**

The standard-rated tax allowance in respect of subscriptions paid by members of trade unions is to be increased from €200 to €300 per annum. This is equivalent to a tax credit of €60 per annum.

**The cost of this measure is estimated to be €4.7 million in 2006 and €6.5 million in a full year.**

### **Employment of a Carer**

A tax allowance can be claimed at an individual's marginal tax rate for the cost of employing a person to care for a family member who is incapacitated. The ceiling on the amount that can be claimed under this relief is being increased from €30,000 to €50,000 per annum.

**The cost of this measure is estimated to be about €0.1 million in 2006 and €0.1 million in a full year.**

### **Tax relief for the donation of heritage property to the Proposed Heritage Trust**

A new tax relief is being introduced for the donation of heritage property to the proposed Heritage Trust which is to be established shortly. The scheme will provide for up to 100% of the total market value of the heritage properties donated to the Trust to be offset against the tax liabilities of the donor. There will be a ceiling on the aggregate value of property qualifying for the scheme in any one year of €6m. Full details of the scheme and its commencement date will be set out in the Finance Bill.

**The cost of this measure is €6 million per year.**

### **Childminding relief**

A new childminding relief is being introduced. Where an individual minds up to three children in the minder's own home, no tax will be payable on the childminding earnings received, provided the amount is less than €10,000 per annum. Following the "Rent-a-Room" scheme model, if childminding income exceeds this, the total amount will be taxable, as normal, under self-assessment. An individual will be obliged to return their childminding income in their annual tax return and also to notify their County Childcare Committee that they are providing a childminding service. Full details of the scheme will be set out in the Finance Bill.

**The cost of this measure is estimated to be €3 million in 2006 and €4 million in a full year.**

### **Tax Relief to Individuals for Interest on Loans taken out to acquire shares in, or to lend to, Property Rental Income Companies**

Tax relief currently available to individuals for interest on loans taken out to acquire an interest in property rental income companies is being abolished for all new loans taken out after 7 December 2005. However, tax relief will continue to be available to individuals for interest on existing loans taken out to acquire an interest in such companies and on new loans taken out in relation to trading companies.

**The yield from this measure is estimated at €5 million in a full year.**

### **Tax relief on Donations to Approved Bodies**

The scheme of tax relief on donations to approved bodies which has up to now provided tax relief on qualifying donations in the form of money only is being extended to include the donation of publicly quoted securities. Where income tax relief is given in relation to such donations, no other relief will be available.

Full details of this measure will be contained in the Finance Bill.

### **Change from Monthly to Quarterly Filing for PAYE Forms P30**

From 1 April 2006 employers whose annual PAYE and PRSI payments do not exceed €30,000 will be able to return their PAYE and PRSI on a quarterly basis, rather than monthly as at present. The first quarterly return will be due on 14 July 2006.

**There is a once off cash flow loss to the Exchequer of €102 million in 2006.**

### **Remittance Basis of Taxation**

The remittance basis of income taxation applies at present to individuals resident here who are either not domiciled or not ordinarily resident in the State and it provides that such individuals are liable to Irish income tax only on that portion of their income arising outside the State or the UK that is remitted here.

The remittance basis of taxation will now be discontinued in respect of employment income in so far as the employment is exercised in the State. This will take effect from 1 January 2006.

**The yield from this measure is estimated at over €50 million in 2006, €75 million in 2007 and €100 million in subsequent full years.**

## **ANTI-AVOIDANCE MEASURE**

### **Capital Gains Tax**

The deferral of capital gains tax on a disposal of a chargeable asset to a spouse, a separated spouse or a former spouse (i.e. following a divorce) will not apply to disposals on or after 7 December 2005 where the spouse acquiring the asset would not be liable to Irish capital gains tax if he/she disposed of that asset in the year in which he/she acquired it. This is to ensure that Irish capital gains tax is not avoided by such an individual disposing of the asset abroad while being non tax resident in the State.

**It is not possible to estimate the precise yield from this measure**

## **PENSIONS**

### **Tax relief for pensions**

The maximum allowable pension fund on retirement for tax purposes will be €5 million or, if higher, the value of the fund on 7 December 2005. Both sums will be adjusted annually from the tax year 2007 in line with an earnings index. The relevant maximum will apply to the aggregate value of all pension provision held by an individual. Where a fund exceeds the relevant limit, the excess in the pension fund will be liable to a once-off income tax charge at the 42% rate when it is drawn down, so as to recover the excess tax relief granted.

### **Tax exemption for pension lump sums**

At present, various restrictions apply to the size of a pension lump sum which may be taken tax free. In certain circumstances up to 25% of a pension fund may be taken as a lump sum. Where existing lower limits do not apply, the maximum tax free lump sum for drawdowns made on or after 7 December 2005 will be €1.25 million, being 25% of the new maximum fund amount of €5 million. The balance of a lump sum greater than this amount will be taxed at the marginal rate as income. The restriction applies to a single lump sum or, where more than one lump sum is drawn down, the aggregate value of those lump sums.

### **Approved Retirement Funds (ARFs)**

An annual 3% imputed distribution will apply to the value of assets in an ARF at 31 December each year and will be taxable. This will be phased in over three years from 2007, at 1% in 2007, 2% in 2008 and 3% from 2009 onwards. Any actual distributions from the ARF during the year will be deducted from the imputed distribution for that year and any net amount will be taxed at the individual's marginal income tax rate. The charge will apply to ARFs created on or after 6 April 2000. This imputed distribution will not apply in the case of Approved Minimum Retirement Funds.

**The annual saving to the Exchequer from these three measures is estimated at €12 million in 2006 and €42 million in a full year.**

### **Contribution limit**

The current annual earnings limit of €254,000 for contributions to personal pensions, and PRSAs and for employee contributions to occupational pensions will also be adjusted annually from the tax year 2007 in line with an earnings index.

**This indexation will involve a cost to the Exchequer in excess of €6m in a full year.**

Further details of these pension measures will be contained in the Finance Bill.

## **FARMER TAXATION**

### **Extension of the Young Trained Farmer Stamp Duty Relief for a Further Three Years**

The Finance Act 2003 provided for full exemption from stamp duty on the transfer of land to a young trained farmer for a three year period until 31 December 2005. This exemption will be extended for a further three year period to 31 December 2008 and will be provided for in the Finance Bill 2006.

**The cost of extending this measure is estimated at €19 million in 2006 and in a full year.**

### **EU Single Farm Payment Entitlement and Capital Acquisitions Tax Agricultural Relief**

The EU Single Farm Payment Entitlement will be recognised as a qualifying agricultural asset for the purposes of the Capital Acquisitions Tax Agricultural Relief qualification test in relation to gifts or inheritances. This measure will be included in the Finance Bill 2006.

**The cost of this measure is unlikely to be significant.**

### **EU Single Farm Payment Entitlement and Capital Gains Tax Retirement Relief**

The EU Single Farm Payment Entitlement will qualify as an asset for the purpose of Capital Gains Tax Retirement Relief provided the farmer in question fulfils the 10 year rule in relation to ownership and usage of the land which will be disposed of at the same time as that Entitlement. This measure will be included in the Finance Bill 2006.

**The cost of this measure is unlikely to be significant.**

### **EU Single Farm Payment Entitlement and Young Trained Farmer Stamp Duty Relief**

The stamp duty relief for Young Trained Farmers will be expanded to apply also to the transfer of the new EU Single Farm Payment Entitlement to young trained farmers. This additional relief will only apply to the transfer of an Entitlement where the land associated with that Entitlement is also being transferred. This measure will be included in the Finance Bill 2006.

**The cost of this measure is estimated to be approximately €2 million in 2006 and in a full year.**

### **Farm Pollution Control Relief**

The annual cap on the amount that can be claimed under the flexible writing down arrangement for the special tax relief scheme for expenditure on farm pollution control measures is to be increased to the lesser of €50,000 or 50 per cent of qualifying expenditure with effect from 1 January 2006.

**The cost of this measure is estimated to be about €0.5 million in 2006 and €1 million in a full year.**

### **Leased Land Exemption**

The exemption for income derived from certain leases of farmland is being increased from 1 January 2006 from €7,500 to €12,000 per annum for leases of between five and seven years and from €10,000 to €15,000 per annum for leases of seven or more years.

**The cost of this measure is estimated to be about €1 million in 2006 and €2 million in a full year.**

## **EXCISES**

### **Reduction in Excise Duty for Home Heating Oils (Kerosene and LPG)**

The Excise Duty on Kerosene used for heating is being reduced from €31.74 to €16.00 per 1,000 litres with effect from midnight on 7 December 2005. The Excise Duty on Liquid Petroleum Gas used for heating is being reduced from €20.86 to €10.00 per 1,000 litres from the same date. These rates will be reduced to zero in Budget 2007.

**The cost of this measure is estimated to be €1.5 million in 2005, €24 million in 2006 and €46 million in 2007.**

### **Reduction in Betting Duty from 2% to 1%**

The Betting Duty rate of 2% will be reduced to 1% with effect from 1 July 2006 with the duty to be borne by the industry. This will be provided for in the Finance Bill. The potential for widening the tax base on which this 1% will apply will be examined.

**The cost of this measure is estimated to be €12.5 million in 2006 and €25 million in a full year.**

### **Excise Relief for Biofuels**

In order to achieve an initial target of 2% of the fuel market to be taken up by biofuels by 2008, a five-year scheme of targeted excise relief will commence in 2006. The framework of this scheme will be contained in the Finance Bill.

**The cost of this measure is estimated to be €20 million in 2006, €35 million in 2007 and €50 million in 2008, 2009 and 2010.**

### **Introduction of a Vehicle Registration Tax Relief for Flexible Fuel Vehicles**

A VRT relief of 50% for new flexible fuel vehicles – vehicles capable of operating on high-grade biofuels – is being introduced for a two year period, with effect from 1 January 2006. Further details will be provided in the Finance Bill.

**The cost of this measure is estimated to be €1 million in 2006 and €1 million in 2007.**

## **VAT**

### **VAT Registration Thresholds**

The VAT registration thresholds for small businesses are being increased from €25,500 to €27,500 in the case of services and from €51,000 to €55,000 in the case of goods. These increases will be introduced in the Finance Bill and will take effect from 1 May 2006. This will reduce the administrative burden for both small businesses and the Revenue Commissioners.

**The cost of this measure is estimated to be €6 million in 2006 and €12 million a full year and remove 2,200 businesses from the VAT net.**

## **STAMP DUTY**

### **Companies Capital Duty (CCD)**

The Finance Bill 2006 will provide for the abolition of companies capital duty. This 0.5% duty that is charged on the issuing of share capital is being abolished for transactions effected on or after 7 December 2005.

**The cost of this measure is estimated at €16m in a full year.**

## **CORPORATION TAX**

### **Section 247 Relief - Restriction of Interest Relief in certain group company circumstances**

Measures will be introduced to restrict the use of the interest relief provisions of Section 247 of the TCA 1997 in the context of transactions between related companies, where the principal purpose of the transactions is apparently to generate, in an artificial manner, interest charges qualifying for relief under Section 247.

The proposed restriction will apply to structures whereby indebtedness is created, effectively between companies in a group, in connection with the transfer of share ownership from one company to another company in that group.

It is intended therefore to bring forward legislation in the Finance Bill 2006, to prevent these kinds of artificial structures availing of the interest relief provisions of Section 247. If further similar arrangements emerge, additional measures will be introduced.

Any measures introduced will be carefully targeted so as to minimise the possible impact, if any, on legitimate commercial use of Section 247, or any other area of the tax code introduced to facilitate bona-fide transactions between companies. The measures will affect transactions effected on or after 7 December 2005.

## **LEASING INCOME RELIEF**

### **Changes to the tax treatment of losses in the leasing of long-life assets**

The Finance Bill 2006 will contain measures to alleviate certain restrictions on the offset by companies of losses arising from capital allowances on the leasing of long-life plant or machinery. While this will be of benefit to business, it is not intended to remove the overall restrictions on the use of capital allowances, thereby safeguarding the Exchequer position.

Under existing law, losses incurred from leasing plant or machinery may only be offset against income from similar leasing activities. The scope of income against which these losses can be offset will be extended to include income from certain activities that are ancillary to the trade of leasing.

A further restriction applies to certain leases of plant or machinery that do not have an even flow of lease payments over the primary period of the lease. Losses arising on such a lease may only be offset against income from that lease. It is proposed to adjust this restriction by allowing losses on the lease of long-life plant or machinery to be offset against income from similar leasing activities.

Finally, in the case of a lease that is denominated in a foreign currency it will be permitted to determine whether the lease has an even flow of lease payments by reference to the payment schedule in that currency without having to convert those payments into euro.

## **CAPITAL ALLOWANCES AND TAX INCENTIVE SCHEMES**

### **Capital Allowances (and Expenses) for Business Cars**

The car value threshold for business cars is being increased from €22,000 to €23,000. The new threshold will apply to capital allowances and leasing charges for new and second-hand cars used in the course of a trade, profession or employment.

In the case of corporation tax, the new threshold will apply for expenditure incurred in an accounting period ending on or after 1 January 2006. In the case of income tax, the new threshold will apply for expenditure incurred in the basis period for the tax year 2006 and subsequent tax years.

**These measures will cost €1.5m in 2006 and €3m in a full year.**

### **Capital Allowances for Private Hospitals – extension of list of qualifying services**

At present in order to qualify as a private hospital eligible for capital allowances, the hospital must, inter alia, provide five specialist services from a list of fourteen potential services ranging from oncology to paediatric services. This list will be augmented to include psychiatric care services.

### **Capital Allowances for Private Psychiatric Hospitals**

In addition, the current scheme of capital allowances for private hospitals will be extended to provide for capital allowances for the construction or refurbishment of buildings used as private psychiatric hospitals. While the hospital will provide services to private patients, 20 per cent of the bed capacity must be available for public patients, and the hospital must provide a discount of at least 10 per cent to the State in respect of the fees to be charged in respect of the treatment of these patients.

The scheme is subject to clearance by the European Commission from an EU State Aids perspective.

**The cost of this measure is estimated at €2m in 2007 and €2m in a full year.**

Full details will be announced in the Finance Bill 2006.

### **Termination of Certain Tax Reliefs and Transitional Measures**

The following property-based tax incentive schemes are to be discontinued: the Urban Renewal Scheme, Rural Renewal Scheme, Town Renewal Scheme, and the special reliefs for hotels, holiday cottages, student accommodation, multi-storey car parks, third-level educational buildings, sports injury clinics, developments associated with park-and-ride facilities, and the general rental refurbishment scheme.

Transitional arrangements will apply as follows: full relief will be available for qualifying expenditure up to end-December 2006; 75% of the normal relief will apply for qualifying expenditure in the period January to end-December 2007; 50% of the normal relief will apply for qualifying expenditure in the period January to end-July 2008; and no relief under the schemes will apply for expenditure after that date.

The transitional measures will apply only to “pipeline” projects which will have to have incurred at least 15% of qualifying construction costs (not including site costs) by end-December 2006; this condition will not apply to the general rental refurbishment scheme.

Other existing scheme conditions must also be complied with: this means that, in the case of the Urban Renewal Scheme and the relief for multi-storey car parks, 15% of total project expenditure must have been incurred by a certain date (30 June 2003 and 30 September 2003 respectively); in the case of the relief for third-level buildings, a Ministerial certificate must have been applied for by end-December 2004; in the case of all of the other schemes (apart from the relief for sports injury clinics and the general rental refurbishment scheme), full planning permission must have been applied for before end-December 2004.

The detailed provisions, which will need to be discussed in advance with the European Commission in the case of the non-residential reliefs, will be contained in the 2006 Finance Bill.

**The termination of tax schemes will yield full-year tax savings of several hundred million euro p.a. The full benefit will not arise until after 2012 when the bulk of existing capital allowances have been fully claimed in tax returns. The transitional measures**

being put in place now will entail a cash-flow saving estimated at €12 million in 2006 and €34 million in 2007, with a cost of €17 million on average in the period 2008 to 2014. These estimates are sensitive to assumptions made regarding the take-up of reliefs and are therefore tentative.

### **Tax relief for Park-and-Ride Facilities and the Living-Over-the-Shop Scheme – New Provisions**

Both the relief for investment in park-and-ride facilities and the Living-Over-the-Shop scheme are closed to new projects since end-December 2004. These schemes will be reintroduced in a more focused way; but the relief for commercial and residential developments associated with park-and-ride facilities will not be reintroduced. “Pipeline” projects under the outgoing provisions will be eligible for the same transitional measures as the Rural Renewal and Town Renewal schemes (see above). Full details will be set out in the 2006 Finance Bill.

**The cost of this measure is estimated to be less than €1 million in 2006 and approximately €7 million in a full year.**

### **Tax Relief for Investment in Childcare Facilities, Private Hospitals and Private Nursing Homes**

The tax reliefs for investment in childcare facilities, private hospitals and private nursing homes are to be continued, subject to the consideration of additional investment options. Detailed provisions will be set out in the 2006 Finance Bill.

**These measures will entail a cash-flow cost estimated at around €3 million in 2006 and €8 million in 2007, with savings of around €10 million p.a. arising in future years.**

### **Exemption of Stallion and Greyhound Stud Fees**

The exemption from tax of stallion and greyhound stud fees will end as of 31 July 2008, which is the same termination date as that for various property tax incentives. In the meantime new taxation arrangements will be introduced for the stallion and greyhound stud industries and these will be subject to discussions in due course with the EU Commission.

**There will be no gain to the Exchequer from this measure in 2006 and 2007. There will be some gain in 2008 which it is not possible to quantify at this stage.**

## **PRSI CHANGES**

### **Employee PRSI annual ceiling**

As from 1 January 2006, the employee PRSI contribution ceiling will increase from €44,180 to €46,600.

**This is in accordance with the assumption made for PRSI income as set out in the 2006 Estimates for the Public Services.**

### **Employee PRSI weekly threshold**

As from 1 January 2006, the employee weekly threshold for liability to PRSI will increase from €287 to €300.

**This will cost €8 million in 2006 and €8.7 million in a full year.**

## **RESTRICTION OF RELIEFS**

### **Restriction on the use of Tax Reliefs by High Income Taxpayers**

The new measure is being introduced with effect from 1 January 2007 and will limit the use of tax breaks by those with high incomes. It is based on restricting the amount of specified reliefs which a person can use to reduce their tax bill in any one year to 50% of the person's income.

#### **How it will work**

The measure will work on the following lines:

- The taxpayer will **add up the total amount of specified reliefs being claimed** (these will be listed in the Finance Bill and will include the property based incentive reliefs in general and various other reliefs, including exemption of artistic income, but will exclude the normal items claimed by taxpayers such as medical expenses, trade union subscriptions, exemptions such as that for child benefit, as well as the normal business expenses and deductions for capital allowances on plant and machinery, losses etc);
- The **specified reliefs will be added back** to the taxpayer's taxable income to give a "**recomputed gross income**" figure;
- Where the recomputed gross income is greater than a **high income threshold** of €250,000, then the aggregate deduction for specified reliefs in the year will be restricted to 50% of recomputed gross income;
- The new taxable income figure will be **taxed at the ordinary income tax rates**; since the top rate of 42% will generally apply, an effective rate of close to 20% will be achieved;
- The system will contain a **taper to avoid a sudden jump in tax at the threshold**. This is a normal feature of tax systems. The taper is demonstrated in Appendix 1;
- Finally, any relief denied in a particular year will be **carried forward** to the following year (or years).

For example, where an individual has taxable income, i.e. income after reliefs, of €100,000 and specified reliefs of €500,000 in 2007, the aggregate of reliefs (€500,000) to be allowed will be restricted to half of the recomputed gross income – which will be €300,000, i.e.  $(€100,000 + €500,000) \times 50\%$ . The allowances of €200,000 disallowed in 2007 may be carried forward to 2008. The effect of the restriction will be to increase the amount of the individual's taxable income to €300,000, (i.e. €100,000 + €200,000) and consequently to increase the amount of tax payable.

The €200,000 reliefs not allowed in 2007 will be carried forward for deduction in 2008 – subject, again, to not less than half the gross income of that year being kept in charge.

A further example showing how the system will apply is set out in Appendix 2. Other examples will be made available on the Department of Finance's website [www.finance.gov.ie](http://www.finance.gov.ie)

Full details of the measure will be provided in the Finance Bill 2006. It will take effect from 1 January 2007.

**It is estimated that the measure will yield €5 million in 2007 and €50 million in a full year.**

## Appendix 1

**Table 1. Percentage restriction of reliefs over €250,000 to €500,000 income band**

This table is intended to explain how the tapering arrangement will work to restrict the reliefs of a person who had sufficient reliefs to eliminate all of his/her income for taxation purposes under the current system.

<b>Recomputed gross income</b>	<b>Example value of specified reliefs<sup>a</sup></b>	<b>Taxable without restriction (current system)</b>	<b>Restricted reliefs <u>with</u> taper(<i>restricted to greater of €250k or 50% of recomputed income</i>)</b>	<b>% of reliefs allowed</b>	<b>Taxable income after restriction of reliefs <u>with</u> taper<sup>b</sup></b>
249,000	249,000	Nil	249,000	100%	Nil
250,000	250,000	Nil	250,000	100%	Nil
251,000	251,000	Nil	250,000	99%	1,000
252,000	252,000	Nil	250,000	99%	2,000
255,000	255,000	Nil	250,000	98%	5,000
260,000	260,000	Nil	250,000	96%	10,000
265,000	265,000	Nil	250,000	94%	15,000
270,000	270,000	Nil	250,000	93%	20,000
275,000	275,000	Nil	250,000	91%	25,000
280,000	280,000	Nil	250,000	89%	30,000
290,000	290,000	Nil	250,000	86%	40,000
300,000	300,000	Nil	250,000	83%	50,000
325,000	325,000	Nil	250,000	77%	75,000
350,000	350,000	Nil	250,000	71%	100,000
375,000	375,000	Nil	250,000	67%	125,000
400,000	400,000	Nil	250,000	63%	150,000
425,000	425,000	Nil	250,000	59%	175,000
450,000	450,000	Nil	250,000	56%	200,000
460,000	460,000	Nil	250,000	54%	210,000
470,000	470,000	Nil	250,000	53%	220,000
480,000	480,000	Nil	250,000	52%	230,000
490,000	490,000	Nil	250,000	51%	240,000
500,000	500,000	Nil	250,000	50%	250,000
501,000	501,000	Nil	250,500	50%	250,500
510,000	510,000	Nil	255,000	50%	255,000
525,000	525,000	Nil	262,500	50%	262,500
550,000	550,000	Nil	275,000	50%	275,000

<sup>a</sup> Assumes all reliefs are “specified” reliefs. In practice this is unlikely to apply.

<sup>b</sup> Where restriction applies, i.e. recomputed income is greater than €250,000, the tapering rule mitigates the effect of the restriction by allowing specified reliefs to be deducted up to the greater of either €250,000 or 50% of recomputed income. This means that the restriction gradually increases to a 50% restriction over recomputed income from €250,001 to €500,000.

**Example 1: Individual Subject to Full Restriction**

Mr. A, a single man, owns a property portfolio from which he receives €797,150 in 2006 in rents (net of expenses). His entitlement to property incentive reliefs for the year is €700,000.

He also invests €31,750 each in BES and Film relief (film relief is restricted to 80% of €31,750 i.e. €25,400).

In addition, Mr. A is in receipt of dividends of €160,000.

<b>Example 1: Position for 2007 if <u>no restriction</u></b>		€
Rents (net of expenses)		797,150
Less property incentive reliefs		<u>(700,000)</u>
Taxable rents		97,150
Dividends		<u>160,000</u>
Total income		257,150
Less other tax deductions		<u>(57,150)</u>
<b>Taxable income</b>		<b><u>200,000</u></b>
Tax:		
▪ 32,000 @ 20%		6,400
▪ 168,000 @ 42%		<u>70,560</u>
		76,960
Less personal tax credit		<u>(1,630)</u>
Final Tax		75,330
<b>Effective rate of tax:</b>	<b><math>\frac{75,330 * 100}{(797,150 + 160,000)}</math></b>	<b>7.87%</b>

**Example 1: Position for 2007 applying new restriction**

	€
Original taxable income	200,000
<b>Add specified reliefs</b>	<u>757,150</u>
Recomputed gross income	957,150
Deductible reliefs restricted to greater of 50% of €957,150 or €250,000	478,575
<b>Original Taxable income</b>	<b>200,000</b>
Add Restriction of deductible reliefs (€757,150 less €478,575)	<u>278,575</u>
<b>Revised taxable income</b>	<b><u>478,575</u></b>
Tax:	
▪ 32,000 @ 20%	6,400
▪ 446,575 @ 42%	<u>187,561</u>
	193,961
Less personal tax credit	<u>(1,630)</u>
<b>Final tax</b>	<b>192,331</b>
<b>Effective rate of tax:</b> $\frac{192,331 * 100}{(797,150 + 160,000)}$	<b>20.09%</b>

**CONSULTANTS' REVIEWS OF PROPERTY-BASED TAX SCHEMES:**  
**SUMMARY OVERVIEW**

**Indecon International Economic Consultants:**  
**Review of Sectoral Property-based Tax Incentive Schemes**

<b><i>(A) Summary of General Conclusions and Recommendations</i></b>	
<i>Full disclosure of information by claimants</i>	All tax incentives schemes should require full disclosures of key information to the Exchequer by investors/promoters via a certification scheme or other mechanism to enable the full cost and impact of the schemes to be monitored.
<i>Assessment of Costs and Benefits</i>	The decision to introduce any new tax incentives should be informed by a formal assessment of the likely costs and benefits.
<i>Consider option of public expenditure</i>	Where there is justification for government incentives the option of direct public expenditure as an alternative to tax incentives should be considered.
<i>Maximum three-year review period</i>	Any tax incentive schemes which are introduced should have a defined lifespan of a maximum of 3 years and extensions should only be considered after evaluation of the results of a formal cost-benefit appraisal.
<i>Independent certification</i>	Developers/investors in any tax incentive scheme should be responsible for securing independent certification that the conditions of the schemes have been met.
<i>Refocus reliefs beyond rental income</i>	Restrictions on capital allowances which focus exclusively on shelters on rental income rather than on personal income should be refocused to allow relief against all income. This change would open the possibility of altering the level of allowances so as to reduce Exchequer costs.
<i>Cap on tax reliefs</i>	Consideration should be given to introducing a cap on total annual allowances which can be claimed by any individual.
<i>Differential allowances</i>	Differential allowances in any tax incentive scheme should be introduced depending on whether these allowances are being claimed at corporate or personal tax rates.
<b><i>(B) Scheme-specific Conclusions and Recommendations</i></b>	
<i>Tax Relief</i>	<i>Summary of Indecon's Conclusions and Recommendations</i>
<i>Hotels and Holiday Camps*</i>	The tax scheme has led to an improvement in both the quantity and the quality of hotel accommodation, and the levels of investment experienced since 1997 would not have occurred in the absence of the incentive. There is now a potential over-supply of hotel accommodation. <i>Discontinue scheme</i> subject to a 5-year extension for 'pipeline' projects only (see below).
<i>Holiday Cottages*</i>	This tax scheme has had a lower level of uptake than the hotel scheme. However, the scheme has had a large positive impact on supply in the sector. There is evidence of emerging over-supply. <i>Discontinue scheme</i> subject to a 5-year extension for 'pipeline' projects only.

<i>Sports Injury Clinics</i>	There is little awareness of this scheme and it has had very little uptake. The scheme is not justified by reference to any strong externalities and, if utilised, would be characterised by high levels of deadweight. <i>Discontinue scheme.</i>
<i>Third-level Education Buildings*</i>	The need for investment in this area is acknowledged as important for the Irish economy, and the scheme has facilitated such investment. However, the incentives are a very costly and inefficient way of achieving this objective. <i>Discontinue scheme</i> , and instead allocate additional public expenditure resources.
<i>Student Accommodation*</i>	The scheme has facilitated a significant expansion of high-quality student accommodation, against a backdrop of significant improvements in the private rental sector generally. Over-supply of student accommodation is now an issue. The objectives of the scheme have been largely met. <i>Discontinue scheme</i> subject to a 5-year extension for 'pipeline' projects only.
<i>Refurbishment of Certain Rental Accommodation</i>	There is very little awareness of this scheme and Indecon believes that uptake has been very limited. The tax incentive is not justified by reference to a market failure; other policy interventions would be more appropriate to address the problems associated with low-quality rental accommodation. <i>Discontinue scheme.</i>
<i>Multi-storey Car Parks*</i>	The scheme has had high uptake and has been effective in increasing supply. However, Indecon see no economic or transport policy case for subsidising multi-storey car parks, which tend to accelerate congestion in city areas. <i>Discontinue scheme</i> subject to a 5-year extension for 'pipeline' projects only.
<i>Park-and-Ride Facilities</i>	There has been limited uptake of this scheme. Park-and-ride facilities tend to reduce congestion by encouraging use of public transport. Relief targeted specifically on such facilities <i>could be continued</i> where it is likely to be effective in encouraging supply. Relief for associated commercial / residential developments is costly relative to benefits arising: this aspect should be <i>discontinued</i> . Funds saved should be used to increase public expenditure support for park-and-ride developments.
<i>Private hospitals</i>	While there has not yet been a high level of investment under this scheme, there are plans for a large number of these facilities coming on line. The incentives have the potential to contribute to the challenges facing the health sector. <i>Continue scheme</i> subject to some amendments (including an extension of the clawback period, and a new option for investors to claim all relief in year one but at a restricted 50% rate).
<i>Private nursing homes</i>	The scheme is widely perceived within the sector as having been effective in supporting supply. There is a need for ongoing investment in private nursing homes to address the significant shortage in supply, with high levels of regional variation. <i>Continue scheme</i> subject to similar amendments as for private hospitals relief.
<i>Childcare facilities</i>	Although there has been a significant increase in childcare places in recent years, this has not kept pace with demand and the market is characterised by a significant supply shortage. The scheme has encouraged supply of childcare facilities. <i>Continue scheme</i> subject to similar amendments as for private hospitals relief.

<i>*Transitional Measures for Certain Schemes</i>	Tax schemes marked with an asterisk should be discontinued on a transitional basis, by extending the July 2006 construction deadline by five years, subject to a reduction in the capital allowances claimed by 50% in respect of the total project costs.
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**Goodbody Economic Consultants:  
Review of Area-based Tax Incentive Renewal Schemes**

<b><i>(A) Scheme-specific Conclusions and Recommendations</i></b>	
<i>Tax scheme</i>	<i>Summary of Goodbody Economic Consultants' Conclusions and Recommendations</i>
<i>Rural Renewal Scheme</i>	Overall, the Scheme has had little direct impact on commercial or industrial activity, except in the larger urban areas, and the wider economic benefits have therefore been limited. The scheme has delivered a modest increase in housing output and has improved the quality of the housing stock in the participating areas. The tax benefits have been reasonably widespread across a relatively large number of beneficiaries. However, much of the housing output has been taken up by existing residents; deadweight levels have been high; and there is now evidence of housing over-supply in the Scheme area. <i>The Scheme should not be renewed</i> after its expiry date: it is not a cost-effective approach to the problems of rural decline, and is not a model that should be employed elsewhere in the country.
<i>Urban Renewal Scheme</i>	The Scheme has been successful in catalysing renewal and regeneration in Scheme areas. The structures in place, including the Integrated Area Plans, have been vital in matching development with local needs and priorities. The Scheme has had very positive impacts on reducing dereliction, and has been reasonably successful in delivering urban design benefits. As to economic impacts, the Scheme has enhanced housing output in targeted areas; this has been widely taken up and there is no evidence of excess supply. The Scheme has been less successful in delivering social and community benefits: the heavy involvement of investors as distinct from owner-occupiers has led to concerns about negative effects on social integration. <i>The success of the Scheme has reduced the need for it going forward</i> - the market is driving development at this stage and deadweight costs have risen. However, tax incentivisation should be retained as a tool of policy, should economic conditions require further action to regenerate urban areas.
<i>Town Renewal Scheme</i>	The impact of the Scheme has been relatively patchy: some towns have benefited enormously from the Scheme but in other areas the take-up has been low. Where progress has been poor, this is largely attributable to lack of interest among site developers and owners, reflecting both the higher perceived risk of investing in smaller towns, and the relative focus on refurbishment rather than new build. The resources of local authorities were spread too thinly to manage the Scheme effectively: either a greater allocation of managerial resources, or a limit on the number of towns designated, would have led to better outcomes. Where successfully implemented, the Scheme has had a significant impact on addressing urban dereliction. Because of the relatively low level of new build, economic impacts have not been to the fore. <i>Similar recommendations are reached as for the Urban Renewal Scheme.</i>

<i>Living-Over-the-Shop Scheme (LOTS)</i>	LOTS has had relatively low take-up, with most development taking place in Dublin. A number of factors, including shopkeepers' reluctance to disrupt their retail activities or to lose storage space, have hindered take-up. However, where implemented successfully, the Scheme has had positive impacts, including on urban design through the focus on refurbishment. The key factor in successful implementation appears to have been the application of resources to managing and marketing the Scheme. Given its narrow focus on fostering a living urban environment, LOTS should be retained, subject to sufficient local authority resources being committed to manage the Scheme effectively.
<b><i>(B) General Recommendations</i></b>	
<i>Transitional arrangements</i>	The deadline for completion of 'pipeline' projects under the Schemes should be extended by 18 months to end-2007, subject to compliance with EU State Aid rules.
<i>Design of Future Schemes</i>	<p>Tax incentivisation should be retained as a policy tool for addressing urban regeneration, if necessary, in the future. However, any future schemes should incorporate a number of structural changes to improve equity and effectiveness, and to reduce Exchequer cost.</p> <p>The existing Schemes have had negative equity impacts. This is particularly so for the Urban Renewal Scheme, under which the benefits arising were confined to relatively few people, including landowners, developers and investors. Also, the Urban and Town Renewal Schemes have resulted in an inordinate focus on investor rather than owner-occupied purchase. To address such issues, any future schemes aimed at urban regeneration should incorporate a more balanced allocation of housing units between owner-occupiers and investors, both by stipulating a minimum owner-occupier/investor mix and by re-balancing the residential reliefs in favour of owner-occupiers. In addition, consideration should be given to reducing the scale of incentives by reducing the proportion of expenditure that is allowable for tax relief purposes.</p>

**SUMMARY OF OUTCOMES ARISING FROM THE REVIEW OF OTHER TAX INCENTIVE SCHEMES BY THE DEPARTMENT OF FINANCE AND THE OFFICE OF THE REVENUE COMMISSIONERS**

<b>Tax Incentive Scheme</b>	<b>Outcome</b>
<i>Forestry Exemption</i>	No change. The cost-benefit review was positive from the Exchequer point of view due to significant environmental benefits arising.
<i>Tax Incentive for Significant Buildings and Gardens</i>	No change recommended. The incentive is not very costly to the Exchequer. It is achieving its purpose.
<i>Donations Scheme</i>	No significant change recommended at present.
<i>Patent Income Exemption</i>	No change recommended at present
<i>Tonnage Tax</i>	No change recommended. The relief is not used by those with high incomes as it is a company relief and it does not cover dividends
<i>Artists Exemption</i>	The exemption is to be kept but the restriction of reliefs for those with high incomes will apply to this relief.
<i>Pension Reliefs</i>	Various issues were considered in relation to the use, in particular by those with high incomes, of pension reliefs and ARFs. Restrictions and changes as announced in the Budget Statement.
<i>Relief for Interest on Personal Loans taken out to acquire a Share in a Company or Partnership</i>	Restriction in the case of new loans for property rental companies after 7 December 2005.
<i>Stallion Exemption} Greyhound Exemption}</i>	Arising from EU considerations these exemptions are being abolished from 31 July 2008. Replacement schemes to be discussed with the European Commission

**CLASSIFICATION OF TAX RELIEFS**  
**WHERE TAX EXPENDITURES GO**  
**(LATEST YEAR 2002)**

<b>A. Income Tax System – Personal Credits and Reliefs</b>	<b>€ million</b>	<b>€ million</b>
1. Basic Personal Credits		4,670
2. Personal Reliefs		
Child Benefit	266	
Mortgage Interest	193	
VHI/BUPA etc.	162	
PAYE Expenses	154	
Health Expenses Reimbursed	63	
Other (Trade Union Subs, Rent, Redundancy etc.)	77	915
<b>B. Other Discretionary/Incentive</b>		
3. Pensions		2,709
4. Capital Allowances		
Companies	1,048	
Self-Employed & Farmers	547	1,595
5. SSIA's		433
6. Government Saving Schemes		239
7. Others		
Charities	40	
Profit Sharing Schemes	38	
Artists	24	
Films	22	
BES	20	
Maintenance of spouses	13	
Other (Heritage Items, Stock relief etc.)	92	249
<b>Total</b>		<b>10,810</b>

## SECTION II

### EXPENDITURE MEASURES

#### Note for Information

**The sums set out below should be read in conjunction with the amounts provided in the Estimates for Public Services (Abridged Volume) published on 17 November 2005.**

#### SOCIAL & FAMILY AFFAIRS

**(See also Annex C, where the changes in maximum weekly rates of payment from January 2006 and increases in Child Benefit from April 2006 are shown.)**

The total cost of the social welfare improvements is €1,065.43 million in 2006 and €1,120 million in a full year.

#### **Social Welfare Weekly Rates**

Maximum weekly personal rates for all old age and related pensions will be increased by €14, with proportionate increases for pensioners on reduced rates, from the first week of January 2006. In addition, there is a further special increase for all non-contributory pensioners aged 66 and over (see item on Retired and Older People below).

Other maximum personal rates will be increased by €17 per week, with proportionate increases for claimants on reduced rates, from the first week of January 2006. In addition, there is a further special increase for all Carer's Allowance recipients (see item on Supporting Carers below).

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

- €10.80 per week for Old Age (Contributory), Retirement and Invalidity Pensions where the qualified adult is aged 66 or over;
- €9.30 per week for Old Age (Contributory) and Retirement Pensions where the qualified adult is aged under 66;
- €10.60 per week for Old Age (Non-Contributory) Pension;
- €10.60 per week for Blind Pension where the qualified adult is aged 66 or over;
- €12.10 per week for Invalidity Pension where the qualified adult is aged under 66;
- €11.30 per week for all other QAA payments.

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

There will also be an increase of €17 per week, to €182.60, in the minimum rate of Maternity Benefit and Adoptive Benefit from January 2006.

**The above increases will cost €808.18 million in 2006 and in a full year.**

## **Child and Family Poverty Package**

Child Benefit will be increased by €8.40 per month for each of the first and second qualifying children to €150 per month; and by €7.70 per month for each of the third and subsequent qualifying children to €185 per month, effective from April 2006.

Family Income Supplement income thresholds will be increased by amounts ranging from €19 to €282 per week, depending on family size, from January 2006.

The Back to School Clothing and Footwear Allowance will be increased by €40 per child, to €120 in respect of a child aged 2 to 11 years old and €190 in respect of a child aged 12 to, where appropriate, 22 years old, effective from June 2006.

Other improvements in the Back to School Clothing and Footwear scheme.

Improvements in the One Parent Family Scheme where a recipient engages in employment.

**These measures will cost €121.84 million in 2006 and €154.22 million in a full year.**

## **Retired and Older People**

An additional special increase of €2 per week, bringing the overall weekly increase to €16, in the weekly personal rates for all non-contributory pensioners aged 66 and over.

A €100 per week earnings disregard and a €12.40 per week increase, to €20, in the overall weekly means disregard for all non-contributory pensions aged 66 and over.

The Over-80 Allowance payable to all contributory and non-contributory pensioners aged 80 years and over will be increased by €3.60 per week, to €10, from the first week in January.

**These measures will cost €35.66 million in 2006 and €50.20 million in a full year.**

## **Fuel Poverty**

The Fuel Allowance will increase by €5 per week, to €14, from the first week of January.

€2 million will be provided to Sustainable Energy Ireland for the installation of insulation in households experiencing fuel poverty.

**These measures will cost €42.55 million in 2006 and €42.50 million in a full year.**

## **Supporting Carers**

Additional special increases to bring the Carer's Allowance rate to €200 per week for recipients aged 66 and over and to €180 per week for those under 66, with effect from the first week in January.

The Respite Care Grant will be increased by €200 to €1,200 from June 2006.

The €270(single)/€540(couple) weekly income disregard for means assessment for the Carer's Allowance scheme will be increased to €290/€580 respectively, from April 2006.

Carer's Benefit will be payable for up to two years, an increase of nine months, with effect from May 2006.

Other improvements to the Carer's Allowance, Carer's Benefit and Respite Care Grant schemes.

**These measures will cost €27.10 million in 2006 and €29.79 million in a full year.**

### **Enhancing Employment Opportunities**

Improvements to the Disability Allowance and Blind Pension schemes where a recipient engages in employment of a rehabilitative nature, effective from June 2006.

The upper ceiling for entitlement to tapered qualified adult allowance payment will be increased by €20 to €240 per week from January 2006. It will further increase to €250 per week during the course of 2006.

Improvements for entitlement to Qualified Adult Allowances where the Qualified Adult engages in employment or has other income.

There will be an increase in the rate of Maternity Benefit and Adoptive Benefit from 75% to 80% of reckonable weekly earnings from January 2006.

Enhancements to the Rent and Mortgage Interest Supplement scheme where a recipient engages in part-time employment, effective from January 2006.

Back to Work Allowance scheme improvements, designed to facilitate earlier access for those on the Live Register, will be introduced from March 2006.

The assessment of Benefit and Privilege for Unemployment Assistance for persons aged 25 will be abolished from February 2006.

New PRSI contribution conditions for the Treatment Benefit scheme will be introduced from May 2006 in order to enhance entitlement for those engaged in atypical work patterns.

**These measures will cost €22.48million in 2006 and €27.49 million in a full year.**

### **Improved Services and Communications**

Additional funding will be provided for Comhairle for the further development of a personal advocacy service for persons with disabilities.

The Family Support Agency will be provided with additional funding to support work in areas such as marriage and family counselling and an expansion of the Family and Resource Centre programme.

There will also be additional funding for the Money Advice and Budgeting Service (MABS), the Combat Poverty Agency and the National Pensions Awareness campaign. Funding is also being provided for a communications initiative aimed at improving the take-up of entitlements.

**These measures will cost €7.62 million in 2006 and in a full year.**

## **HEALTH & CHILDREN**

### **Care of Older Persons**

Initiatives designed to enhance services for older persons in need of care are being introduced. These will include the provision of home care packages, an expanded home help service, the development of the nursing home subvention scheme and improvements to palliative care services as well as in relation to day/respite care.

**These measures will cost an estimated €110 million in 2006 and €150 million in a full year.**

### **Health Allowances**

Increases in health allowances, in line with those for social welfare recipients, are being implemented from January 2006.

**This will cost €6.4 million in 2006 and in a full year, of which €1.4 million was provided in the 2006 Estimates for Public Services.**

## **EDUCATION & SCIENCE**

### **Multi-annual Investment Programme for Third Level**

A multi-annual investment programme for the Third Level sector is being provided, with funding of €1.2 billion being allocated for this purpose over the 5 year period 2006-2010, as follows:

- €300 million for a new Strategic Innovation Fund;
- €630 million for Exchequer capital investment; and
- €270 million for PPP projects.

### **Education Allowances**

Increases in allowances for certain education schemes, in line with those for social welfare recipients, are being implemented from January 2006.

**This will cost €5.2 million in 2006 and in a full year, of which €1.1 million was provided in the 2006 Estimates for Public Services.**

## **ENTERPRISE, TRADE & EMPLOYMENT**

### **FAS Allowances**

Increases in FAS allowances, in line with those for social welfare recipients, are being implemented from January 2006.

**This will cost €37.3 million in 2006 and in a full year, of which €8.2 million was provided in the 2006 Estimates for Public Services.**

## **COMMUNITY, RURAL & GAELTACHT AFFAIRS**

### **Rural Social Scheme**

Increases in the Rural Social Scheme allowances, in line with those for social welfare recipients, are being implemented from January 2006.

**This will cost €5.0 million in 2006 and in a full year.**

## **FINANCE**

### **Increase in allocation for Payments to the Promoters of certain Charitable Lotteries**

The Minister has decided to increase the annual allocation for Payments to the Promoters of certain Charitable Lotteries by €1m in 2006. This will bring the 2006 allocation to €8.618m. The purpose of these payments is to provide assistance for private charitable lotteries whose income has been affected by the operation of the National Lottery. The Scheme has been in operation since 1997.

**The cost of this measure will be €1m in 2006.**

### SECTION III

#### NATIONAL CHILDCARE STRATEGY, 2006-2010 EXPENDITURE MEASURES

A five-year strategy is being introduced to increase substantially the supply of childcare places and to assist parents with the costs of childcare. This strategy will cover both current and capital spending, costing a cumulative €2.65 billion over the five years 2006-2010. Funding for the National Childcare Strategy will be allocated in the Revised Estimates Volume. In that context, the Government will be introducing new administrative arrangements to streamline the functions relating to childcare.

The following table summarises the additional expenditure arising from the new initiatives or improvements to existing schemes. A more detailed description of each measure follows the summary table.

**Summary Table**  
**Additional Expenditure (€m)**

<u>Measure</u>	<u>Ongoing Increase over 2005 Base</u>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Increase in duration of paid maternity leave	35	78	85	85	85
Introduction of an Early Childcare Supplement	265	353	353	353	353
Increase in funding for Childcare Training	2	2	3	3	4
National Childcare Investment Programme					
<i>Current</i>	2	3	67	70	75
<i>Capital</i>	10	20	102	110	116
<i>Total</i>	12	23	169	180	191
Total Current	304	436	508	511	517
Total Capital	10	20	102	110	116

***Note: In addition to the expenditure measures outlined above, a Childminding Relief is also being introduced through the tax system at a cost of €3 million in 2006 and €4 million in a full year. Details of this measure are set out at Section I under Taxation Measures.***

## **MATERNITY LEAVE**

There will be an increase of 4 weeks in the duration of paid maternity leave plus an increase of 4 weeks in the duration of unpaid maternity leave, both with effect from 1 March 2006.

**This will cost €35 million in 2006 (of which €27 million will be met from the Social Insurance Fund) and €42.5 million in a full year (€32 million from the Social Insurance Fund).**

A further 4 week extension to both paid and unpaid maternity leave will come into effect in March 2007 bringing the total duration of paid maternity leave to 26 weeks and the total duration of unpaid leave to 16 weeks from that point.

**Taken together, the full year cost of the 2006 and 2007 extensions will be €85 million in a full year, €64 million of which will be met from the Social Insurance Fund.**

## **EARLY CHILDCARE SUPPLEMENT**

A new Early Childcare Supplement worth €1,000 per annum is being introduced for all children less than six years of age (i.e. ceases on their sixth birthday), effective from April 2006. This will take the form of a direct, non-taxable payment of €250 to be paid every quarter in respect of each eligible child. The first payment, covering the second quarter of 2006, will be made in mid-2006.

**This scheme will cost €265 million in 2006 and €353 million in a full year.**

## **CHILDCARE TRAINING**

There will be an increase in funding for childcare training services to train more than 17,000 qualified childcare workers over the 5 years to 2010.

**An additional €2 million is being provided in 2006 for this measure. This will rise incrementally to a full-year cost of €4 million by 2010.**

## **NATIONAL CHILDCARE INVESTMENT PROGRAMME**

A new multi-annual Investment Programme is being introduced with the aim of funding 50,000 additional childcare places by 2010. This will be over and above the 41,000 places provided under the existing Equal Opportunities Childcare Programme or EOCP (26,000 places already created since the start of the EOCP plus some 15,000 places which are due to come on-stream before it ends in 2007). The new National Childcare Investment Programme will have:

- a capital funding stream with grant aid available to both private and community providers for the building or expansion of childcare facilities; and
- a current funding stream to assist with the staffing and other operating costs in those community facilities that cannot meet the costs from fee income alone and to underpin further development of the role of City and County Childcare Committees.

**The new National Childcare Investment Programme will cost a cumulative €574 million in current and capital investment from 2006 to 2010. This is additional to the €215 million already allocated to 2006 and 2007 under the final two years of the existing Equal Opportunities Childcare Programme.**

## SECTION IV

### MULTI-ANNUAL CAPITAL ENVELOPES 2006 – 2010

The Multi-Annual Capital Envelopes were introduced in Budget 2004 to improve the management of capital programmes.

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. Before the introduction of the capital envelope unspent Exchequer capital had to be surrendered to the Exchequer at the end of the year and were therefore lost to the programmes concerned.

The capital carryover of Exchequer capital from 2005 into 2006 is €346 million. This is additional to the envelope provision for 2006. Including the capital carryover €7.1 billion Exchequer capital will be available for investment in 2006.

The envelope in this Budget covers the period 2006 – 2010. The 2006 – 2010 envelope allocates the unallocated reserve for 2006 included in the 2005 – 2009 Capital Envelope and rolls out the envelope to include capital provision for 2010 to reflect Government investment priorities for the 5 years ahead.

The Table at [Annex D] summarises by Ministerial Group the allocations under the capital envelope for the period 2006 – 2010. Public investment will be maintained at around 5% of GNP or higher over the period. Total capital investment in the envelope will amount to €43.5 billion. The funding breakdown in the Table is:

	<u>€bn</u>
<b>Exchequer</b>	<b>37.55</b>
<b>PPPs</b>	<b>4.58</b>
<b>Unallocated reserve of which:</b>	
<b>Exchequer</b>	<b>0.44</b>
<b>PPP's</b>	<b><u>0.93</u></b>
	<b>43.50</b>

Additional targets have been set outside of the envelopes of €2 billion over the period for public private partnerships funded by user charges.

The 2006-2010 Envelope provides in full for investment under the Transport Investment Framework (*Transport 21*). The total investment for *Transport 21* is €13.933 billion from 2006 to 2010. Also included is €357 million in respect of the capital element of the National Childcare Strategy.



