

FINANCIAL STATEMENT
OF THE
MINISTER FOR FINANCE
MR. MICHAEL NOONAN, T.D.

6 DECEMBER 2011

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Introduction

A Cheann Comhairle,

On this day 90 years ago, on the 6th of December 1921, the Treaty was signed. The Treaty restored Ireland's sovereignty which for so long had been lost. In the last days of the Treaty negotiations, the British conceded fiscal autonomy to Ireland. This, as Dick Mulcahy said "Gave Ireland back her purse".

I am afraid the Fianna Fáil/Green Government gave the purse away again this time last year as fiscal autonomy was conceded to the IMF and the European authorities. After a decade of disastrous decisions the building bubble burst and a Government which was riven with dissension could no longer find anyone to lend money to it, so they were forced to turn to the IMF and the European authorities to provide funding.

The people of Ireland have paid a very high price for this mismanagement of the economy. Personal wealth has been destroyed, thousands of people are sinking into poverty, emigration has returned and unemployment is far too high.

The task of this Government is to regain control over Ireland's fiscal and economic policies, to grow the economy again and to get people back to work.

Those that have lost their jobs and young people who cannot get jobs have suffered most. The primary purpose of this Budget is to support the creation of jobs in the short term, the medium term and the long term.

On the 25th of February 2011, the Irish people spoke and delivered a resounding mandate to Fine Gael and Labour. The mandate is to set the economy back on the road to recovery and to get people back to work. The new Government has made a strong start. We have restored political stability and have successfully renegotiated many of the conditions in the EU/IMF Programme. We have restored Ireland's reputation abroad, a reputation which was so severely damaged by the last Government. We have restored Ireland's international credibility and all serious international commentators now believe that Ireland's longer term position is sustainable and that with prudent management over the next four years we will get over our difficulties.

As a small country with an open economy, the crisis in the eurozone has a profound effect on our economic prospects. We are committed to playing a full part in resolving this crisis, so that the benefit of the common currency will continue for Ireland.

In spite of uncertainty, a gradual recovery has begun to take hold. Next year, the Department of Finance is forecasting an increase of 1.3 per cent in the volume of GDP with around a 2½ per cent increase in nominal GDP, which is the primary driver for

revenue growth. All forecasters agree that growth will be significantly stronger in 2013 and subsequent years. This growth is driven by the exporting sector, both international and indigenous.

Promoting International Trade

Much of Ireland's growth at present can be attributed to the attractiveness of Ireland for inward investment. The Corporate Tax Rate of 12.5 per cent and our place in Europe are central to this. We made a commitment in the Programme for Government to maintain the 12.5 per cent rate and we will do so. The Government have successfully protected this rate even under international pressure and given our fiscal state.

The Government successfully negotiated a reduction of €10 billion in the interest rate margin that was far bigger than originally offered and made no concession on the Corporate Tax Rate.

Today, I want to say to our friends in the multinational sector who continue to invest so strongly in Ireland and Europe, there will be no change in Ireland's 12.5 per cent Corporate Tax Rate. We promised this in the Programme for Government and we will fulfil this commitment.

While the package of attractions for inward investment has been very successful, I believe with some adjustments more jobs can be created.

As part of that strategy, I will introduce a "*Special Assignee Relief Programme*". This will allow multinational and indigenous companies to attract key people to Ireland so as to create more jobs and to facilitate the development and expansion of businesses in Ireland.

After consultation with the Tánaiste, Eamon Gilmore T.D., I am also introducing a Foreign Earnings Deduction to further support our export drive by aiding companies seeking to expand into emerging markets. This targeted deduction will apply where an individual spends 60 days a year developing markets for Ireland in Brazil, Russia, India, China and South Africa – the so called BRICS countries. I will be giving details of these and additional measures in the Finance Bill.

The International Financial Services industry in Ireland has been one of the great export success stories of the last 20 years. The sector employs more than 30,000 people and contributes over €1 billion in tax to the Exchequer. However, financial services are highly mobile and we must compete within a global market to ensure that the sector in Ireland continues to grow. Our commitment to the sector has been reaffirmed in the 5-year strategy for the industry which was launched by the Taoiseach, Enda Kenny T.D., in July this year. I intend to introduce a package of measures in the Finance Bill to support the continued success of the international funds industry, the corporate treasury sector, the international insurance industry and the aircraft leasing industry.

Indigenous Industry

Export growth from the multinational sector is not sufficient to drive the full economic recovery we are seeking. The domestic sector will be the real engine for job creation across the country. Already, indigenous companies in certain sectors are expanding and growing their operations. This Government will support and enhance their efforts through targeted measures for the SME sector.

In addition to the Loan Guarantee Fund and Micro Finance Fund announced by the Minister for Jobs, Enterprise and Innovation, Richard Bruton T.D., I am announcing that:

- The first €100,000 of R&D expenditure of all companies will be allowed on a volume basis for the purpose of the R&D Tax Credit;
- The outsourcing arrangements for R&D purposes will be improved in a targeted manner to allow the greater of the existing percentage arrangement or €100,000;
- Companies will have the option to use some portion of the R&D credit to reward key employees who have been involved in the development of R&D;
- The corporate tax exemption for new start up companies is being extended for the next three years and will be available for companies that commence trading in 2012, 2013 and 2014; and
- As already announced, smaller companies will also be able to avail of the planned foreign earnings deduction where they plan to expand their export markets into the BRICS countries.

I believe that these targeted measures will provide a stimulus for SMEs as they seek to develop, grow and expand their markets. Deputies will also be aware that the Employment and Investment Incentive is in operation since 25 November last. This incentive assists in raising risk capital for firms operating in more sectors of the economy than was previously allowed under the Business Expansion Scheme. Other job creation measures will also be examined with a view to their inclusion in the Finance Bill.

Agri-Food Industry

Active, energetic and profitable farming is fundamental to the agri-food sector. Irish food is now a world brand leader and when milk quotas end in 2015 and as food prices are maintained or increased, we want Irish farmers to produce more to supply the emerging markets, where there is significant and growing demand for Irish food.

The food industry must be supported by efficient and progressive primary producers. I wish to encourage the transfer of farms to the next generation of farmers. Many young people from farming families were attracted off the land by the rewards of the building industry but they are now returning to the family farm. The agricultural colleges are full and many young men and women now see their future in farming.

Later in my speech I will be announcing significant reductions in the rate of Stamp Duty on the transfer of commercial property. The new rate will also apply to farmland and the present relief for transfers to close relatives will continue to apply.

I am also modifying retirement relief from Capital Gains Tax so that it better incentivises the timely transfers of farms and businesses before the current owners reach the age of 66. The approach is in keeping with the policy of my colleague the Minister for Agriculture, Food and the Marine, Simon Coveney T.D., of encouraging timely transfer of farm assets and improving the age profile of farming. Full details of these measures will be in the Finance Bill.

There is a growing acceptance that greater use of the farm partnership model can not only help to increase scale, but can also help to develop the sector's skill set through attracting more new entrants to the sector. To encourage farm partnership formation, I am introducing an enhanced 50 per cent stock relief for all registered farm partnerships and a 100 per cent stock relief for certain young trained farmers forming such partnerships. Subject to clearance with the European Commission under State Aid rules, these reliefs will be made available until December 2015.

Tourism

The creation of a second reduced rate of VAT of 9 per cent and halving the rate of employers' PRSI on jobs with earnings up to €356 per week in the *Jobs Initiative* has boosted tourism and stimulated employment. The 9 per cent rate of VAT will also apply to open farms which otherwise would be subject to the standard rate as a result of a European decision.

It is interesting to note, that the latest live register figures show that 125,000 people left the Live Register to take up employment this year up to the end of October. This shows the difficulty with attempting to assign the creation of new jobs to specific initiatives. However, the tourism and hospitality industry believe that the Jobs Initiative has been very effective in generating additional business.

The Government was disappointed earlier this year when Aer Lingus and Ryanair were unwilling to provide additional flights to Ireland in exchange for the abolition of the Air Travel Tax. This offer is still on the table and while the Government appreciates the contribution to the Irish economy being made by the main carriers, we want them to bring additional tourists into the country.

At the Global Irish Forum held in Dublin Castle earlier this year, it was announced that 2013 would be the 'year of the gathering' – a year long programme of festivals, events and other gatherings designed to encourage the global Irish to visit Ireland in 2013 and to increase tourist numbers by 325,000. A special allocation will be made in the Revised Estimates Volume early in the New Year and it will be launched on St Patrick's Day.

All the measures I am announcing for the different sectors of the economy have one objective: to stimulate additional economic growth and to create additional jobs. As well

as introducing policies to assist growth, we must also address the constraints on growth. The situation in the property sector at present represents a significant drag on growth across the country.

Restoring property transactions to more normal levels

When the development and construction bubble burst, the consequences were dire. A sector which amounted to around 20 per cent of GDP has been reduced this year to around 5 per cent. A massive hole was made in the Government finances through the loss of Stamp Duty, VAT, Income Tax, PRSI and Capital Gains. Even worse, the previous Government neglected the imploding construction sector, which has lost one hundred and sixty four thousand jobs since the first half of 2007. We cannot restore all of these jobs but we can create the right conditions for construction employment to return to normal sustainable levels.

The absence of activity in the property market and the decline in house values are also having a negative effect on the domestic economy. When the value of family homes is going down, even those with good incomes and without debt, tend to save rather than spend or invest, and consumer sentiment, albeit improving of late, will be affected by this.

All successful economies have a strong construction and development sector and a sustainable property sector. The Government has already announced a multi-annual Capital Budget of €17 billion and I am now announcing the following measures to restore some confidence and to renew activity in the construction, development and property sectors.

The Stamp Duty rate for commercial property transfers will be reduced from the current top rate of 6 per cent to a flat rate of 2 per cent on all amounts from midnight tonight in respect of all non-residential property, including farmland as well as commercial and industrial buildings. Bringing down the cost of acquiring commercial property will have a positive effect on the property sector and indirectly on jobs in construction and related activities. The current stamp duty arrangements for residential property will continue to apply with 1 per cent on transactions up to and including €1 million and 2 per cent thereafter.

I am also introducing a Capital Gains Tax incentive for property purchased between midnight tonight and the end of 2013. If a property is bought during this period and held for at least seven years, the gain attributable to that seven year holding period will be relieved from Capital Gains Tax.

NAMA Rent Reviews

I am fully aware of the difficulties that upward only rent reviews are causing for some businesses. Indeed, despite exhaustive work over the past few months by my colleague the Minister for Justice, Equality and Defence, Alan Shatter T.D., including the preparation of draft legislation, it has not proved possible to develop a targeted scheme to

tackle this issue that would not be vulnerable to legal challenge or require compensation to be paid to landlords.

This is a matter of particular interest to NAMA who have to deal with the problems caused by upward only rent reviews which apply to NAMA properties. NAMA advise me that it has a policy guidance for dealing with tenants' difficulties arising from upward only rent reviews which they have agreed to publish today. The NAMA policy guidance provides an opportunity for NAMA to approve rent reductions where it can be shown that rents are in excess of the current market levels and viability is threatened. The policy also provides for the appointment of an independent valuation of market rent where necessary. NAMA have also advised me that where a tenant is not getting satisfaction in negotiations with his NAMA landlord he can contact NAMA directly and they assure us that any queries will be dealt with speedily by them. I welcome NAMA's realistic approach to this difficult issue.

Mortgage Interest Relief

The Government is committed to helping address the particular problems faced by those that bought homes at the height of the property boom between 2004 and 2008. Therefore, I am going to fulfil the commitment in the Programme for Government to increase the rate of mortgage interest relief to 30 per cent for first time buyers who took out their first mortgage in that period.

I am also confirming the decision made by my predecessor that mortgage interest relief will no longer be available to house purchasers who purchase after the end of 2012 and will be fully abolished from 2018.

For those who wish to buy a home in 2012, I am providing today that:

- First time buyers will get mortgage interest relief at a rate of 25 per cent rather than the 15 per cent proposed by the previous Government; and
- Non-first time buyers will benefit from relief at 15 per cent instead of the reduced rate of 10 per cent proposed by the last Government.

Mortgage Arrears

Turning to those in mortgage difficulty, the Government is acutely aware of the increasing financial stress that some households are facing arising from difficulty in meeting their mortgage commitments. It was for this reason that the Government took the significant decision to establish a Group to consider further necessary actions and to report within a very short time frame. The Government is now progressing with the implementation of the Group's recommendations as well as assessing other approaches as suggested by Deputies, Senators and by interest groups who made submissions. I expect to make a formal announcement on the next steps shortly.

Legacy Property Tax Reliefs

As part of this Government's determination to develop a fairer tax code, legacy property reliefs must be reduced. My Department has undertaken an Economic Impact

Assessment of the measures proposed by the previous Government. It is quite clear that these proposals were unworkable and would have done significant and lasting damage to an already distressed property market, creating real difficulties for many ordinary people. This report is being finalised and will be published with the Finance Bill.

The report also highlights the vulnerability of small investors to insolvency if they lose these reliefs; a finding backed up by recent research from the Central Bank that shows high levels of negative equity and arrears in the buy-to-let mortgage sector. Therefore, I have decided not to proceed with the proposals put forward by the previous Government in last year's Budget.

The report concludes that reliefs to small scale investors should not be restricted but that there is scope for larger investors to contribute more. The Government also believes that large scale investors in property that attracts tax reliefs can and should make more of a contribution.

Therefore, in the interests of fairness, a property relief surcharge of 5 per cent will be imposed on investors with an annual gross income over €100,000. This will apply on the amount of income sheltered by property reliefs in a given year.

Reliefs in Section 23 type investments will not be terminated or otherwise restricted for investors with an annual gross income under €100,000 as these are at the greatest risk of insolvency.

Investors in Accelerated Capital Allowance schemes will no longer be able to use any capital allowance beyond the tax life of the particular scheme where that tax life ends after 1 January 2015. Where the tax life of a scheme has ended before 1 January 2015, no carry forward of allowances into 2015 will be allowed. The delayed implementation of this measure gives individuals time to adjust. Full details will be in the Finance Bill.

Role of NAMA

As NAMA has completed its loan acquisition phase and is now concentrating fully on the active management of the assets under its care, the NAMA Board, with my agreement, asked Michael Geoghegan, a former CEO of HSBC, to review NAMA and report his findings to me. His report was generally positive but arising from it, I am establishing an Advisory Group to advise me on NAMA's strategy and its capacity to deliver on that strategy through property disposal and the ongoing management of assets.

In making appointments to the NAMA board, the Advisory Group will help me identify candidates with entrepreneurial and property skills. Recommendations will also be provided by the Group on strategies for NAMA to attract international capital to Ireland and to provide advice in respect of lessons to be learned from asset management agencies in other countries. I will be issuing a Direction Order to NAMA under Section 14 of the National Asset Management Agency Act 2009 setting out the work of the Advisory Group and requiring NAMA to facilitate its operation.

Banking Sector

A strong and vibrant banking sector is vital to our recovery and to any growing economy. Credit is the lifeblood of the economy and without adequate credit availability, businesses will find it difficult to maintain the jobs they have, let alone grow and create new jobs. Also, without sufficient credit, it will not be possible for the property market to stabilise.

Since taking office, the Government has completed a large scale restructuring of the sector, in which the two largest institutions will function as universal pillar banks. The more problematic institutions have been ring-fenced into a single entity.

These restructured banks must now serve the different sectors of the economy. We have set the two pillar banks ambitious SME lending targets of €3 billion each this year, €3.5 billion each next year and €4 billion each in 2013. By making this credit available, we are supporting increased activity in a key sector for job creation. The banks must also make mortgage credit available to allow people to avail of the mortgage interest relief incentives as announced.

Public Finances

The *Medium-Term Fiscal Statement* set out the Government's policies on budgetary reform and the path to sustainable public finances, both of which are essential for the creation of jobs. In light of the revenue and expenditure figures for November and the other information that has come to hand, my Department now estimates the General Government Deficit for this year will be 10.1 per cent of GDP. This is less than the 10.6 per cent required by the EU/IMF Programme.

The General Government Deficit target for 2012 is 8.6 per cent of GDP. No matter what happens in the wider eurozone, Ireland needs to restore sustainability to its public finances. If the eurozone crisis recedes, we are amongst the best placed to grow quickly, as evidenced by the EU Commission's growth forecasts. If the eurozone crisis persists, it is equally important for the State to reduce our dependence on borrowing.

To continue to improve the sustainability of the public finances, we need €3.8 billion of additional fiscal consolidation in 2012. The Minister for Public Expenditure and Reform, Brendan Howlin T.D., set out the €750 million capital expenditure consolidation on the 10th of November last and yesterday set out how the €1.45 billion current expenditure consolidation will be implemented. With regard to the €1.6 billion revenue consolidation required in 2012, the full year effect of measures already introduced is €600 million and this means that I am announcing additional new tax measures today worth €1 billion approximately.

Taxation

The Programme for Government states that there will be no increase in income tax. This is the key issue for this Budget. I want to make clear that there will be no increase in

income taxes in this Budget – no increases in rates, no narrowing of bands and no reductions in personal tax credits. Wages and salaries in January will be no less than wages and salaries in December, so people will continue to have discretion on how they spend their income.

The Government has very carefully considered the options open to us. There are five main sources of taxes - Corporation Tax, Income Tax, VAT, Excise and Capital Taxes. Everybody knows that under the EU/IMF Programme, expenditure has to decrease and taxes have to increase. Direct taxes such as income tax and PRSI have a bigger impact on jobs than indirect taxes have. If you tax something you usually get less of it and income tax and PRSI are taxes on jobs. Indirect taxes have a lower impact on economic growth and on jobs.

That is why the bulk of the adjustment being made in this Budget will be through increases in VAT and in capital taxes. The Opposition have already criticised this approach but they should make clear in their replies to the Budget what their alternatives are. Are they suggesting that income tax should be increased or that we should waver on our commitment that the 12.5 per cent Corporate Tax Rate is sacrosanct? If they are, we fundamentally disagree with them.

The majority of revenue adjustments to date have been achieved through increases in direct taxation. The marginal rate of taxation on income is now 52 per cent for PAYE workers and 55 per cent for the self-employed. The OECD have concluded that Ireland has the most progressive tax system of the EU members of its organization and Revenue records show that the top 5 per cent of income earners pay 44 per cent of income tax. When the marginal rates of tax are very high jobs are lost. Indirect taxes have a less adverse impact on employment. That is why in this Budget, indirect taxes rather than taxes on income are being increased. That does not mean that the wealthy should not carry the principal burden of tax. The minimum effective tax restriction on high earners is designed to ensure this by imposing a minimum effective income tax rate of 30 per cent for those subject to the full restriction, in addition to 4 per cent in PRSI and up to 10 per cent in the USC.

This is a major and entirely justifiable change from the situation that prevailed a short number of years ago where a small number of these people paid no income tax. Reports from the Revenue Commissioners indicate that the restriction is working. I will keep this restriction under review and may return to the topic in Budget 2013 depending on the conclusions of a forthcoming Revenue report.

Universal Social Charge

In another fairness measure, we have reviewed the impact of the Universal Social Charge and I am pleased to announce that today I am proposing changes to the USC that will help the low paid, part-time and seasonal workers in labour intensive areas like the hospitality sector and in farming. From 1 January 2012, the exemption level will be raised from €4,004 to €10,036.

This will mean that taxpayers will be able to earn up to that level without incurring the USC. This measure benefits nearly 330,000 people and will assist people to move into the labour market.

The Revenue Commissioners will collect the USC on a cumulative basis next year, thereby reducing the risks of the over or underpayment of the USC, and this will offset the costs of the very positive change made for the lower paid.

VAT

The previous Government agreed with the IMF and the European authorities to increase VAT by 2 per cent: 1 per cent in 2013 and 1 per cent in 2014. We are bringing these increases forward to 2012. During the lifetime of this Government, we will not increase the standard rate of VAT beyond the 23 per cent being announced today. This fulfills a further commitment in the Programme for Government.

Other European countries have tended to place the burden of fiscal correction on indirect taxes rather than income tax. At this point 20 out of the 27 EU Member States have increased VAT in the last four years and further increases are being considered by several Member States.

It should be borne in mind that most food, children clothes, oral medicines and other goods and services will remain at the zero VAT rate. The 9 per cent rate introduced in the *Jobs Initiative* for certain services and the 13.5 per cent rate that applies to home heating oil, residential housing, general repairs and maintenance will remain the same.

For the majority of the past twenty years, the VAT differential between the Republic and Northern Ireland has been 3½ per cent and it was as high as 6½ per cent as recently as 2009. After the increase I am announcing today, the differential will be 3 per cent. I do not expect an increase in cross border shopping as a result of the VAT increase.

Some opponents of the VAT change claim that the increase will cost households €500 per annum on average. I am informed that their calculation is incorrect as they did not take into account that businesses contribute significantly to the estimated yield.

Ensuring a fair distribution of the tax burden

The Programme for Government is committed to ensuring that people with wealth pay their fair share. I am introducing a number of measures today that meet that objective. I am:

- Increasing the current rate of Capital Acquisitions Tax from 25 per cent to 30 per cent after today;
- Increasing Capital Gains Tax from 25 per cent to 30 per cent after today;
- Reducing the Group A tax-free threshold for Capital Acquisitions Tax from €332,084 to €250,000;
- Increasing DIRT from 27 per cent to 30 per cent;

- Broadening the base for PRSI through removal of the remaining 50 per cent employer PRSI relief on employee pensions;
- Further broadening of the base for PRSI to cover rental, investment and other forms of income from 2013;
- Increasing the rate of notional distribution on the highest value Approved Retirement Funds or (ARFs) and similar products to 6 per cent;
- Increasing the rate of tax on the transfer of an ARF on death to a child over 21 from 20 per cent to 30 per cent;
- Abolishing the “citizenship” condition for payment of the Domicile Levy so as to ensure that “tax exiles” cannot avoid it by renouncing their citizenship; and
- I intend to keep the contentious issue of the tax treatment of tax exiles under constant review.

As a consequence of the measures above, the rate of tax applying to capital, interest and earnings, through the high earners’ restriction, are all aligned at 30 per cent.

Carbon Tax

I propose to increase the Carbon Tax on fossil fuels introduced in Budget 2010 from the equivalent of €15 per tonne to €20 per tonne. The increase will be applied to petrol and auto-diesel from midnight tonight. However, in view of the impact this increase will have on home heating costs over the winter months, the increase on other fuels will not take effect until May 2012. This increase is half of that proposed in the previous Government’s Four Year Plan for Budget 2012.

I am not going to apply the Carbon Tax to solid fuels, so there will be no increases for peat or coal.

Consistent with our promise in the Programme for Government I am allowing farmers a double income tax deduction for increased costs arising from the change in carbon tax. Farmers will also be significant beneficiaries of the reduction in the USC that I am making today.

A measure that will benefit businesses is a reduction in the VAT rate on district heating from 21 per cent to 13.5 per cent. This will bring district heating into line with the majority of heating supplies. I am also amending the VAT refund order for farm construction to provide that farmers may claim a refund on wind turbines purchased from the 1st of January 2012.

Pensions

Due to the changes in pension tax relief adopted in last year’s Budget and Finance Act 2011 and the pension fund levy required to fund the *Jobs Initiative*, the pensions sector is making a sizeable contribution of about €750 million in 2012.

Although the EU/IMF Programme commits us to move to standard rate relief on pension contributions, I do not propose to do this or make changes to the existing marginal rate relief at this time.

However, the incentive regime for supplementary pension provision will have to be reformed to make the system sustainable and more equitable over the long term. My Department and the Revenue Commissioners will work with the various stakeholders in the next year to develop workable solutions.

This will include consultation on whether and to what degree Pension Funds might invest more in Ireland, rather than abroad.

Household Charge and Motor Tax

The Household Charge of €100 per dwelling has already been announced by the Minister for Environment, Community and Local Government, Phil Hogan T.D. To protect vulnerable groups in society, it is proposed to provide a waiver for those on mortgage interest supplement and for those residing in certain categories of unfinished housing estates and provision will also be made to allow payment of the charge in instalments.

There have been significant reductions in revenues from VRT and Motor Tax as a result of, among other things, the consumer movement towards buying cleaner and cheaper cars. I am initiating a consultation process with the motor industry and other interested parties to commence in early 2012 to review options for the improvement in VRT and Motor Tax revenues in future years. However, in the meantime, Minister Hogan will make provision for an increase in Motor Tax effective from the 1st of January 2012. This will generate additional income of some €47 million in 2012 to be used for Exchequer deficit reduction purposes.

Export Refund Scheme

I propose to have my Department engage in a consultation process with the motor industry with a view to putting in place an export refund scheme which would allow for a refund of VRT contained in a vehicle on the permanent export of the vehicle to another Member State. This would restore a balance to the sector in the context of the number of imported cars. This would also be beneficial to the Exchequer and the environment through the displacement of used cars with new or less polluting cars.

Absenteeism

Absenteeism is a problem in both the public and private sectors in Ireland. There is one provision in the tax code which may incentivise workers to absent themselves from work; where the employer makes up the balance of their pay, they may have more take home pay than if they were at work. Therefore, I am removing the existing tax exemption for the first 36 days of Illness Benefit and Occupational Injury Benefit so that this incentive to absenteeism is removed.

The Minister for Social Protection, Joan Burton T.D., will in 2012 bring forward proposals to deal with absenteeism in both the public and private sectors. She will engage in discussions with all interested parties and invite submissions from the public with a view to bringing forward a range of proposals.

Excise Duty

Excise Duty on a packet of 20 cigarettes is being increased by 25 cents from midnight tonight. This increase will be applied to other tobacco products on a pro-rata basis at the same time.

The VAT increase will apply to alcohol but I am not increasing excise on alcohol. There has been much discussion on the issue of low cost alcohol products being sold in off licences and particularly in supermarkets. I am aware of the social and health consequences of the availability of very cheap alcohol leading to the abuse of alcohol, particularly by young people. The Minister of State at the Department of Health, Roisin Shorthall T.D., has developed a paper on the causes and consequences of alcohol abuse and in 2012 she will legislate to deal with the issues identified, including the low cost of alcohol sold in off-licenses and supermarkets.

I will be introducing legislation to facilitate the extension of betting duty to remote betting and the introduction of betting intermediaries duty to cover betting exchanges.

Conclusion

The core mission of this Government is to get Ireland working again. It is the unifying goal of the new Fine Gael-Labour coalition Government. Last year, I said that the then Government had learned nothing and forgotten nothing. Twice in a generation, reckless spending on the back of irresponsible politics has landed our country in a fiscal crisis.

I have experienced many economic downturns, since I was first elected. In previous recessions the policy position was to get the country back to where it was before the recession began. There is no point following that approach now. If we go back to where we were before it all began we are back in the bubble economy when Ministers held a naïve belief that all of us could become wealthy by selling property to each other and in their hubris, the captains and kings of the development industry advised citizens of other countries on the easy way to get rich.

If we need a role model it should be the economy of the mid to late nineties where over 600,000 jobs were created and growth was based on competitiveness, high educational standards, a credit flow from the banks to enterprise and hard work.

This Government will not repeat the mistakes of the past. We are changing how politics works to make it more transparent, more accountable and designed to secure the best outcome for the Irish people.

We are implementing our Programme for Government commitment to improve the terms of the EU/IMF Programme. This is a work in progress but our results to date include:

- A reduction in the penal interest rate margin on the bailout package worth €10 billion;
- The creation of jobs through the introduction of the *Jobs Initiative*;

- A refocus on fairness through the restoration of the cut in the National Minimum Wage; and
- An additional year to bring the deficit below 3 per cent of GDP.

This Budget changes the economic strategy of the previous Government to put a much greater focus on growth and employment. It balances the need to restore confidence in Ireland's fiscal position with the key objective of supporting economic growth that delivers jobs.

In conclusion, I would like to associate myself with the comments made by my colleague Minister Brendan Howlin yesterday in relation to the late Brian Lenihan. Brian Lenihan had, as Minister for Finance, a most difficult task which he fulfilled with great courage and dignity.

I commend this Budget to the House.