IRELAND'S DRAFT BUDGETARY PLAN FOR 2017

OCTOBER 2016

An Roinn Airgeadais
Department of Finance

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Introduction

Regulation (EU) 473/2013 of the European Parliament and of the Council (part of the so-called 'two-pack') introduces a common budgetary timeline for euro area Member States. Specifically, Draft Budgetary Plans for the forthcoming year must be submitted to the European Commission and to the *Eurogroup* between the 1st and the 15th October each year.

The document herein is being submitted to the European Commission and *Eurogroup* in accordance with the Regulation.

This Draft Budgetary Plan has also been laid before the Houses of the Oireachtas. It is consistent with the 2017 Budget presented to Dáil Éireann on 11th October 2016.

The format and content of the document are in line with the requirements of the 2 Pack Code of Conduct, which, *inter alia,* requires macroeconomic and budgetary forecasts for the current and forthcoming years (in this case 2016 and 2017). Pre-Budget macroeconomic forecasts for this year and next, were endorsed by the Irish Fiscal Advisory Council (IFAC), as required under article 4(4) of the Regulation.

The analysis and forecasts contained in this document are based on data to early October. All data presented herein are on an ESA 2010 statistical basis.

Summary

The Irish economy continues to perform well and short-term prospects, while subject to considerable uncertainty, remain reasonably good. GDP is projected to increase by 3.5 per cent next year, following growth of 4.2 per cent this year[1]. As indicators of well-being both GDP and GNP suffer from considerable shortcomings in an Irish context, as highlighted from last year's exceptional figures. Nevertheless, other indicators – such as employment growth, trends in consumer spending and tax revenue developments – all point to an economy that continues to perform solidly.

The ongoing recovery continues to yield dividends in the labour market where the unemployment rate has fallen below 8 per cent (having peaked at 15 per cent in 2012). In common with other advanced economies, inflationary pressures remain subdued.

Determined policy implementation has helped move the public finances into a much healthier position. A headline general government deficit of 0.9 per cent of GDP is expected this year, with a further narrowing of the deficit to 0.4 per cent of GDP next year. An improvement of 0.8 per cent of GDP in the structural deficit is envisaged for 2017, consistent with the requirements of the preventive arm of the Stability and Growth Pact. The debt-to-GDP ratio continues to decline, and is projected to be 74 per cent by end-2017.

[1] The macroeconomic forecasts contained in this document were produced by the Department of Finance and subsequently endorsed by the Irish Fiscal Advisory Council on 6th October 2016.

Section 1
Economic Developments and Outlook

Macroeconomic Outturn 2016

GDP is forecast to increase by 4.2 per cent this year, with a positive contribution from domestic demand partly offset by a negative contribution from net trade.

On the domestic front, consumer spending is now playing a more prominent role in the recovery. Supported by increases in disposable income, gains in purchasing power associated with the decline in oil prices, and reasonably solid consumer confidence, personal consumer expenditure is projected to rise by 3.3 per cent this year.

Investment spending in Ireland is extremely volatile due to, *inter alia,* the inclusion of the aircraft of leasing operators and intangible assets in the Irish capital stock.[2] Investment activity is set to record double-digit growth again this year, with a growth rate of 15.8 per cent projected. Investment in intangibles will be the main driver once again but, encouragingly, building and construction investment is also making a strong contribution to growth.

Externally, growth has been relatively modest in many of our key export markets while the euro-sterling bilateral exchange rate – of crucial importance to large parts of the SME sector – has appreciated significantly over the course of this year. Nevertheless, merchandise trade has increased significantly in year-to-date. However, once account is taken of production (and subsequent exports) that takes place under contract from Irish-based entities by third parties in other jurisdictions (i.e. so-called contract manufacturing), the export figures are less flattering, rising at an annual rate of under 4 per cent in the first half of the year. Imports, on the other hand, have risen at a faster pace, although part of this reflects the purchasing from abroad of intellectual property (classified as investment).

Macroeconomic Projections 2017

The international economic situation remains fragile, with international organisations such as the IMF and OECD revising downwards their short-term global growth forecasts. Slowing global trade, caused in part by the rebalancing of the economy in China, alongside slowing productivity growth and weak wage growth are constraining GDP growth in most advanced economies where Ireland conducts most of its trade.

A major source of uncertainty – especially from an Irish perspective – relates to the trajectory for the UK economy; while high-frequency data relating to the UK economy have been relatively solid since the result of the referendum, it is likely that the impact will materialise with a lag.

Against this background, exports are projected to increase by 4.5 per cent next year. This is based on the assumption that exports arising from contract manufacturing-type activity no longer weigh on overall exports (as appears to be the case this year).

[2] Arising out of changes implemented over 2014 and 2015 as part of the implementation of European System of Accounts 2010 and other statistical regulations.

A further expansion of consumer spending is assumed. Labour income – by far the largest component of aggregate household income – is forecast to increase once again, supported by employment gains and increases in both the number of hours worked and hourly pay. A decline in the household savings rate is also assumed to support consumer spending growth next year.

Underlying investment spending – defined here as building and construction plus non-aircraft machinery and equipment investment – is expected to drive activity next year as firms increase their productive capacity to meet the anticipated demand. Having said that, it is possible that some planned investment spending may be postponed given the uncertainty created by the Brexit vote in the UK. On this basis, investment is projected to grow by 6 per cent next year.

Imports of goods and services are expected to grow by 5.1 per cent next year, in line with the projection for final demand.

Taking all of these factors into account, GDP growth of 3.5 per cent is expected for next year, with GNP projected to increase by 3.3 per cent.

The labour market continues to benefit from the ongoing recovery. The level of employment rose above the 2 million mark in the second quarter of this year, with job gains being broadly-based. Employment growth of 2.6 per cent (52,000 jobs) is projected for this year, with the unemployment rate set to average 8.3 per cent. For next year, employment gains of 2.1 per cent (43,000 jobs) are anticipated, with the unemployment rate set to average 7.7 per cent.

In terms of price developments, some of the factors that have been holding back inflation are expected to subside; however, in common with elsewhere, inflation is projected to remain modest in the short term. Core HICP inflation is projected to average 1.2 per cent next year.

Table 1: External assumptions

% change (unless stated)	**2015**	**2016**	**2017**
External GDP growth			
United States	2.6	1.6	2.2
Euro area	2.0	1.7	1.5
United Kingdom	2.2	1.8	1.1
Technical assumptions			
Euro-sterling exchange rate (€1=)	0.73	0.81	0.85
Euro-dollar exchange rate (€1=)	1.11	1.12	1.12
Brent crude (dollars per barrel)	54	44	51

Sources IMF, World Economic Outlook, October 2016. Note 1: Oil (spot) prices as of September 2016. Oil (future) prices until December 2017. Note 2: Exchange rate outturns as of mid-September 2016, and unchanged thereafter (while this is a standard technical assumption, it is acknowledged that the euro-sterling bilateral rate has appreciated further in the period since then).

Table 2 (a): Macroeconomic prospects

% change (unless stated)	2015	2016	2017
Real GDP	26.3	4.2	3.5
Nominal GDP	32.4	2.8	4.5
Real GNP	18.7	7.5	3.3
Components of GDP			
Personal consumption	4.5	3.3	2.9
Govt. consumption	1.1	5.9	2.4
Investment	32.7	15.8	6.0
Stock changes (% of GDP)	0.5	0.6	0.6
Exports	34.4	3.6	4.5
Imports	21.7	5.9	5.1
Contributions to real GDP growth (pp)			
Domestic demand	8.9	5.1	2.8
Net exports	18.3	-1.0	0.7
Stock changes	-0.8	0.1	0.0
Statistical discrepancy	-0.1	0.0	0.0

Source: 2015 - CSO; 2016 to 2017 - Department of Finance. Rounding can affect totals.

Table 2 (b): Price developments

% change	2015	2016	2017
GDP deflator	4.9	-1.3	1.0
Personal consumption deflator	0.7	1.1	2.0
Harmonised index of consumer prices (HICP)	0.0	-0.1	1.3
Core HICP inflation	1.2	0.7	1.2
Export price deflator (goods and services)	7.4	-2.4	0.5
Import price deflator (goods and services)	4.7	-1.1	1.1
Terms of trade (good and services)	2.5	-1.3	-0.6

Source: 2015 - Eurostat for Core HICP and CSO otherwise. 2016 to 2017 - Department of Finance. Rounding can affect totals.

Table 2 (c): Labour market developments

% change	**2015**	**2016**	**2017**
Employment	2.6	2.6	2.1
Unemployment rate	9.5	8.3	7.7
Labour productivity	23.1	1.6	1.4
Compensation of employees*	5.7	5.7	4.9
Compensation per employee*	2.8	2.9	2.7

**Non-agricultural sector.*

Source: 2015 - CSO; 2016 to 2017 - Department of Finance.

Table 2(d): Sectoral balances

% GDP	**2015**	**2016**	**2017**
Net lending vis-à-vis the rest of the world	10.2	9.4	8.2
of which:			
-Balance on goods and services	31.7	27.9	27.0
-Balance of primary incomes and transfers	-21.5	-18.6	-18.8
-Capital account	0.0	0.0	0.0
Net lending by sector			
Net lending of the private sector	12.1	10.3	8.7
Net lending of general government	-1.9	-0.9	-0.4
Statistical discrepancy	-0.1	-0.1	-0.1

Source: 2015 CSO; 2016-2017 Department of Finance forecasts. Net lending to private sector residually determined as current account less general government balance. Statistical discrepancy refers to reconciliation between income and expenditure accounts of the NIE.

Section 2
Budgetary Developments and Outlook

Fiscal policy over recent years has been driven by the objective of correcting the excessive deficit. This was achieved in 2015, and has resulted in the formal abrogation of the Excessive Deficit Procedure this summer.

For this year, tax receipts are set to grow by over 5 per cent in year-on-year terms with growth broadly based across income, capital and consumption taxes.

The deficit is forecast to continue declining, with a general government deficit of 0.9 per cent of GDP expected for 2016 down from 1.9 per cent in 2015. Taking account of the budgetary measures, a deficit of 0.4 per cent of GDP is forecast for 2017, which compares to a deficit of 0.1 per cent on a no-policy change basis. General government revenue is expected to grow from €72,150 million to €75,320 million in 2017, while general government expenditure is forecast to increase from €74,550 million to €76,555 million.

Policy decisions in relation to necessary capital investment works mean that the end-year outlook for expenditure of Central Government is higher than originally expected.

Table 3(a): General government budgetary targets broken down by subsector

% of GDP	ESA Code	2015	2016	2017
General government	S.13	-1.9	-0.9	-0.4
p.m.: Underlying balance		-1.0	-0.9	-0.4
Central government	S.1311	-2.1	-0.9	-0.4
Local government	S.1313	0.3	0.0	0.0
Social security funds**	S.1314	M	M	M
Interest expenditure	D.41	2.6	2.4	2.2
Primary balance		0.7	1.4	1.8
One-off and other temporary measures		-0.5	0.0	0.0
Real GDP growth		26.3	4.2	3.5
Potential GDP growth*		24.6	4.0	4.2
Output gap (% of potential GDP)*		1.6	1.8	1.1
Cyclical budgetary component (% of potential GDP)*		0.8	1.0	0.6
Cyclically-adjusted balance*		-2.7	-1.9	-1.0
Cyclically-adjusted primary balance*	TR	-0.1	0.5	1.2
Structural balance*		-2.2	-1.9	-1.1

Source: 2015 CSO; 2016-2017 Department of Finance forecasts.
*Note: * Based on output gap modelled to 2018 assuming use of 2018 budgetary package as set out in Budget 2017.*
**M = not applicable

With regard to gross general government debt, the debt to GDP ratio peaked in 2012 and 2013 at almost 120 per cent. While the significant decline in the debt ratio in 2015 is primarily due to the large revision to 2015 GDP in the July 2016 National Accounts, the downward trajectory is forecast to continue over the forecast horizon, with a debt to GDP ratio of 74.3 per cent projected for 2017.

Reflecting the volatility of Irish GDP and need to build up additional fiscal shock absorption capacity, the Government announced in the Budget a new debt-to-GDP target of 45 per cent by the mid-point of the next decade.

Net public indebtedness – which takes account of accumulated cash and other assets – is much lower than the gross figure at 67 per cent of GDP at end 2015.

Table 3(b): General government debt developments

% of GDP	**2015**	**2016**	**2017**
Gross debt	78.6	76.0	74.3
Change in gross debt	-28.9	-2.6	-1.7
Contributions to change in gross debt ratio			
Primary balance	0.7	1.4	1.8
Interest expenditure	-2.6	-2.4	-2.2
Stock-flow adjustment	-2.7	-1.4	1.2
Composition of stock-flow adjustment			
- Change in cash	-0.5	-1.2	0.8
- Differences between cash and accruals [b]	0.2	0.5	0.3
- Net accumulation of financial assets [c]	-1.6	-1.0	-0.4
of which:			
- Privatisation proceeds*	M	M	M
- Valuation effects and other* [d]	M	M	M
Implicit Interest rate on debt	3.3	3.1	3.0
Other relevant variables			
Liquid financial assets	-12.1	-31.7	20.7
Net financial debt	70.4	69.4	67.3

Source: Department of Finance

Notes:

(a) As defined in Regulation (EC) No 479/2009.

(b) The differences concerning interest expenditure, other expenditure and revenue could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.

(c) Liquid assets (currency), government securities, assets on third countries, government controlled enterprises and the difference between quoted and non-quoted assets could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.

(d) Changes due to exchange rate movements, and operation in secondary market could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.

(e) Proxied by interest expenditure divided by the debt level of the previous year.

(f) Liquid assets are here defined as AF.1, AF.2, AF.3 (consolidated for general government, i.e. netting out financial positions between government entities), A.F511, AF.52 (only if quoted in stock exchange).

*M = not applicable

Table 3(c): Contingent liabilities

% of GDP	2014	2015
Public guarantees	13.2	4.9
of which linked to the financial sector		
Eligible Liabilities Guarantee	5.3	1.3
National Asset Management Agency	7.0	3.2
other	0.8	0.5

Source: Department of Finance

Table 4: Expenditure and revenue projections on a no-policy change basis

% of GDP	ESA Code	2016	2017
Total revenue at unchanged policies	TR	27.4	27.4
of which:			
Taxes on production and imports	D.2	8.9	9.0
Current taxes on income, wealth, etc	D.5	11.1	11.1
Capital taxes	D.91	0.2	0.1
Social contributions	D.61	4.5	4.5
Property income	D.4	0.7	0.7
Other		1.9	2.0
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		25.0	24.9
Total expenditure at unchanged policies	TE[3]	28.3	27.5
of which:			
Compensation of employees	D.1	7.5	7.4
Intermediate consumption	P.2	3.8	3.4
Social payments	D.62 D.632	10.7	10.4
Interest expenditure	D.41	2.4	2.2
Subsidies	D.3	0.6	0.6
Gross fixed capital formation	P.51g	1.7	1.8
Capital transfers	D.9	0.5	0.5
Other		1.1	1.1

Source: Department of Finance forecasts from the White Paper on Estimates of Receipts & Expenditure for the year ending 31 December 2017.

Table 5(a): Expenditure and revenue targets, broken down by main components

% of GDP	**ESA Code**	**2016**	**2017**
Total revenue target	TR	27.4	27.4
of which:			
Taxes on production and imports	D.2	8.9	9.0
Current taxes on income, wealth, etc.	D.5	11.1	11.1
Capital taxes	D.91	0.2	0.1
Social contributions	D.61	4.5	4.5
Property income	D.4	0.7	0.7
Other		1.9	2.0
p.m.: Tax burden		25.0	24.9
(D.2+D.5+D.61+D.91-D.995)			
Total expenditure target	TE[3]	28.3	27.8
of which:			
Compensation of employees	D.1	7.5	7.5
Intermediate consumption	P.2	3.8	3.5
Social payments	D.62, D.632	10.7	10.5
of which: unemployment benefits			
Interest expenditure	D.41	2.4	2.2
Subsidies	D.3	0.6	0.6
Gross fixed capital formation	P.51g	1.7	1.8
Capital transfers	D.9	0.5	0.5
Other		1.1	1.2

Source: Department of Finance forecasts

Table 5(b): Amounts to be excluded from the expenditure benchmark

	2015	**2015**	**2016**	**2017**
	€bn	*% of GDP*		
Expenditure on EU programmes fully matched by EU funds revenue	378.0	0.1	0.2	0.2
Cyclical unemployment benefit expenditure*	-289.5	-0.1	-0.1	-0.1
Effect of discretionary revenue measures**	-894.6	-0.3	-0.3	0.0
Revenue increases mandated by law***	M	M	M	M

*The cyclical component of unemployment benefit expenditure is derived by applying a projected cost per person employed to an estimate of the unemployment gap (i.e. difference between the actual and structural unemployment rates. The latter is the estimated NAWRU consistent with the harmonised EU methodology.

**This captures the multi-annual impact of all discretionary revenue measures enacted in all budget announcements to date (not just those in excess of 0.05% GDP)

*** M = not applicable

Table 5(c) Discretionary measures taken by General Government*

Measures	Detailed description	Target ESA Code	Accounting principle	Adoption Status	Budgetary Impact (% GDP) 2016	2017	2018***
Revenue Measures							
Carryforward from Budget 2016 and previous years	Income Tax, Stamp duties, CT, VAT and CAT	D.51, D.21 D.91	Cash	Implemented		-0.04%	0.0%
USC measures	a number of changes to the Universal Social Charge system*	D.51	Cash	Legislation pending		-0.12%	-0.02%
Other Income Tax changes	Such as the Earned Income and home carers tax credits etc.*	D51,	Cash	Legislation pending		-0.04%	-0.02%
Capital Taxes	A number of changes to the CGT and CAT regimes.*	D.51 and D.91	Cash	Legislation pending		-0.01%	-0.00%
Excise Duties	Primarily in relation to the excise duty on tobacco products.*	D.21	Cash	Legislation pending	0.00%	0.02%	0.00%
Other Discretionary measures*	1) Compliance measures*.	D.51	Cash	Legislation pending	0.0%	+0.03%	-0.01%
	2) Section 110 and Funds Changes*	D.51	Cash	Legislation pending		0.02%	-0.01%
	Non-Indexation of tax system	D.51	Cash	Implemented		0.14%	0.02%
Expenditure^							
Total Measures **						**-0.01%**	**-0.03%**

* See appendix 1 -summary of tax measures

** The discrepancy in the reconciliation between the no-policy change scenario, the impact of discretionary measures and the final budget tables can be explained by second round eff ects arising from the introduction of the budgetary package. This is not included in the table above.

*** 2018 only reflects the impact of any carry forward from measures introduced in previous years or announced in Budget 2017.

^A wide range of discretionary expenditure measures have been taken to enable expenditure remain within the Government Expenditure Ceiling. Details for 2017 are contained in the 2017 Expenditure Report
http://budget.gov.ie/Budgets/2017/2017.aspx

Section 3
Comparison with April 2016 Stability Programme

Table 6a and 6b below compares the projection for the general government balance and general government debt in the Draft Budgetary Plan with that at the time of the April 2016 Update of Ireland's Stability Programme.

The fiscal performance and outlook under these key metrics is better than envisaged when the Stability Programme was submitted to the European Commission in April.

Table 6a: General Government Deficit divergence from the April Stability Programme

% GDP	**2015**	**2016**	**2017**
GGB – April Stability Programme	-2.3	-1.1	-0.4
GGB – Draft Budgetary Plan	-1.9	-0.9	-0.4
Difference (pp)	0.4	0.2	0.0

Table 6b: General Government Debt Divergence from the April Stability Programme

% GDP	**2015**	**2016**	**2017**
GGD – April Stability Programme	93.8	88.2	85.5
GGD – Draft Budgetary Plan	78.6	76.0	74.3
Difference (pp)	-15.2	-12.2	-11.2

Section 4
Distributional impact of the main budgetary measures

Article 6(3) of Regulation 473/2013 requires Member States, where possible, to provide information (either qualitative or quantitative) on the distributional effects of budgetary measures. Material on the Effect of Budget 2017 Measures on Different Categories of income earners is presented in the Budget and some of it is reflected in this section.

The full document is available at:

http://www.budget.gov.ie/Budgets/2017/Documents/Taxation%20Annexes%20to%20the%20Summary%20of%20Budget%202017%20Measures.pdf

The Departments of Finance, Public Expenditure and Reform and Social Protection conduct distributional assessments of proposed tax and welfare measures in line with the Government's commitment to undertake a Social Impact Assessment (SIA) of the Budget. An extensive volume of distributional analysis of various tax and social welfare options has been carried out by the three Departments in the lead-up to the Budget. These analyses are in addition to the comprehensive social impact assessment document that the Department of Social Protection publishes in the months following the Budget.

Distributional analysis of Budget 2017 measures on a variety of household family types across a range of income levels.

The table below shows the impact on net income of changes in Income Tax and Universal Social Charge for various categories of income earners. The calculations are based on specimen incomes with the basic tax credits including the home carer tax credit, where relevant. The examples do not take account of additional tax reliefs such as Mortgage Interest Relief. The examples do not take into account gross wage increases arising from the increase to the Minimum Wage announced in Budget 2017. Variations can arise due to rounding.

	Single person, no children, private sector employee taxed under PAYE Full rate PRSI contributor	Married couple, one income, no children, private sector employee taxed under PAYE Full rate PRSI contributor	Married couple, one income, two children, private sector employee taxed under PAYE Full rate PRSI contributor	Single person, no children, taxed under Schedule D	Married couple, one income, no children, taxed under Schedule D	Married couple, one income, two children, taxed under Schedule D
Gross Income	Change as % of Net Income					
€	%	%	%	%	%	%
12,000	0.0%	0.0%	0.0%	1.8%	0.0%	0.0%
14,000	0.5%	0.5%	0.5%	3.7%	0.5%	0.5%
18,000	0.5%	0.5%	0.5%	3.1%	0.5%	0.5%
20,000	0.6%	0.5%	0.5%	3.0%	1.4%	0.5%
25,000	0.6%	0.5%	0.5%	2.6%	2.4%	1.2%
30,000	0.6%	0.6%	0.7%	2.3%	2.1%	2.4%
35,000	0.6%	0.6%	0.9%	2.1%	2.0%	2.2%
45,000	0.7%	0.6%	0.9%	1.9%	1.8%	2.0%
55,000	0.7%	0.7%	0.9%	1.8%	1.7%	1.9%
70,000	0.8%	0.7%	0.9%	1.7%	1.6%	1.7%
100,000	0.6%	0.6%	0.7%	1.3%	1.2%	1.3%
150,000	0.4%	0.4%	0.5%	0.9%	0.9%	1.0%
175,000	0.4%	0.4%	0.4%	0.8%	0.8%	0.9%

Section 5
European Union's Strategy for growth and jobs

The European Council adopted the following Country Specific Recommendations (CSRs) for Ireland in May this year. These may be found at:

http://ec.europa.eu/europe2020/pdf/csr2016/csr2016_ireland_en.pdf

Table 7(a) summarises measures taken to address the CSRs.

Europe 2020 was adopted by the European Council in June 2010 and, in a nutshell, is the growth strategy for the Union over the period to the end of this decade. The strategy is aimed at promoting smart, sustainable and inclusive growth in the EU. Five headline targets for 2020 have been set at the level of the EU as a whole, covering employment, research and development, climate change, education and poverty. All EU Member states have committed to achieving Europe 2020 targets and have translated them into national targets.

Table 7(b) shows the Irish national targets and the most important policy measures that are being taken in order to achieve the targets set within the framework of the European Union's Strategy for Growth and Jobs.

Table 7(a): CSR Recommendations

Country Specific Recommendation	Progress to Date
CSR 1.	
- Following the correction of the excessive deficit, achieve an annual fiscal adjustment of 0,6 % of GDP towards the medium-term budgetary objective in 2016 and in 2017. Use windfall gains from strong economic and financial conditions, as well as from asset sales, to accelerate debt reduction.	Adjustment in 2016 headline deficit by 1.0pp, followed by further 0.5pp in 2017. Targeting a structural effort of 0.8pp in 2017, with achievement of MTO expected in 2018. Given the instability of output gap estimates for Ireland caused by significant revisions to national accounts, both pillars need to be considered when reviewing compliance towards MTO. The Expenditure Benchmark is met over 2016 and 2017, net of the higher EU budget contribution in 2017 which is driven by statistical revisions to Ireland's growth outturn for 2015. The redemption of €1.6 billion (0.6% of GDP) in contingent convertible capital notes by AIB bank reduces both the deficit and debt in 2016. Future one-off receipts of this nature will be used to further accelerate debt reduction.
- Reduce vulnerability to economic fluctuations and shocks, inter alia, by broadening the tax base.	The Minister announced in his Budget speech that he would introduce a tax on sugar sweetened drinks with effect from April 2018, in line with a similar proposal in the UK. A public consultation process was announced whereby interested stakeholders are invited to make submissions to the Department before 3 January 2017. In addition, establishing the Local Property Tax (LPT) in 2013 addressed three long-standing and important challenges in Irish public policy – the broadening of the tax base to include residential properties; the provision of a stable funding base for local government and the strengthening of democracy at a local level. The LPT applies to all owners of residential property with a limited number of exemptions. Limiting the exemptions available allows the rate to be kept to a minimum for those liable persons who do not qualify for an exemption.

Country Specific Recommendation	Progress to Date
- Enhance the quality of expenditure, particularly by increasing cost effectiveness of healthcare and by prioritising government capital expenditure in R & D and in public infrastructure, in particular transport, water services and housing.	- The Capital Plan published in 2015 set out an Exchequer capital expenditure programme of €27 billion over the period 2016-2021. In the Summer Economic Statement 2016, the Government committed to increasing the Exchequer capital funding for the Plan by €5.14 billion over the period 2017-2021. This additional funding will be allocated to priority areas such as housing, transport, broadband, health, education and flood defences, with the final allocations to be informed by the outcome of the mid-term review of the Plan, which is being brought forward to early 2017. However, in view of the clear and urgent need for additional investment in housing, the Government has already agreed that €2.2 billion of the additional capital should be allocated to support the Government's initiatives aimed at tackling the housing crisis, in support of the Action Plan published by the Minister for Housing - "Rebuilding Ireland – an Action Plan for Housing and Homelessness".
CSR 2.	
- Expand and accelerate the implementation of activation policies to increase the work intensity of households and address the poverty risk of children.	- The Pathways to Work Strategy 2016-2020 will frame the priorities for activation and employment policy for the next four years. In particular the Strategy will focus on increased engagement with and training of the long-term unemployed. The JobPath initiative, targeted at long-term unemployed, is now fully rolled out and referrals to this scheme are expected to exceed targets by the end of the year. The target for end 2016 was originally 60k and by end-August over 55k had been referred to the scheme. The issue of child poverty is addressed in *Better Outcomes, Brighter Futures: the National Policy Framework for Children and Young People (2014-2020),* which commits to raising 70,000 children out of poverty, a reduction of at least two thirds on the 2011 level. To support the achievement of this commitment, the Department of Social Protection, working with the Departments of Education and Skills, Health, and Children and Youth Affairs have been meeting with members of community and voluntary sector from the Advisory Council for *Better Outcomes, Brighter Futures* to develop an action plan on child poverty. This action plan is informed by the European Commission's Recommendation on *Investing in children: Breaking the cycle of disadvantage.* It covers a number of

Country Specific Recommendation	Progress to Date
	areas such as the role of transfers in alleviating poverty, and focuses on service provision across government, including childcare, health, education and prevention and early intervention. It is intended that the action plan will be finalised by end 2017.
- Pursue measures to incentivise employment by tapering the withdrawal of benefits and supplementary payments.	- The reforms to the One-Parent Family Payment (OFP) were completed in 2015, which has seen the age of the youngest child for receipt of the payment gradually reduce to 7 years of age. Prior to the reforms the OFP scheme was payable until the youngest child was 18, or 22 if in full-time education, with limited engagement from the State. In Budget 2017, the income disregards for lone parents in receipt of either the OFP or Jobseeker's Transition payment will rise by €20, from €90 to €110 per week from January 2017. This means that lone parents can from January 2017 earn up to €110 per week without it impacting on their weekly social welfare payment. This will further incentivise lone parents to take employment or to increase their earnings from employment. The Back to Work Family Dividend (BTWFD) scheme, introduced in 2015, provides financial support to jobseeker and one parent family recipients with children, who end their claim and take-up employment, self-employment or increase their hours of employment. It allows them to retain the child proportion (€29.80 per child per week) of their social welfare payment in full for their first in employment and this is tapered by 50% in their second year in employment. The Dividend provides an additional financial incentive over and above the existing in-work supports for individuals (through the Family Income Supplement) who transition from welfare into employment. As of September 2016 there are 12,150 individuals in receipt of the Dividend. The reforms aim to provide lone parents with enhanced access to the State's range of education, training, and employment support services with a view to facilitating their progression into sustainable employment and financial independence.
- Improve the provision of quality, affordable full-time childcare.	- Budget 2017 provides for an additional investment of €121.5m in childcare (an increase of 35% on 2016). Provisions include the development of a new Single Affordable Childcare Scheme that will replace existing childcare subsidisation

Country Specific Recommendation	Progress to Date
	schemes (excluding the free pre-school programme) with a single, streamlined scheme from September 2017. The new scheme will make childcare more affordable, and will provide both universal and targeted subsidies for parents towards their childcare costs. Parents will qualify for a targeted subsidy based on their net income. Subsidies will be available for children aged from 6 months up to 15 years and will meet families' full-time childcare needs, including outside of school hours and during school holiday time. Budget 2017 also includes increased provision for the Free Pre School programme (ECCE), for further roll out of the Access and Inclusion Model (AIM) within the ECCE programme, and further measures to address quality.
CSR 3.	
- Finalise durable restructuring solutions to lower non-performing loans, to ensure debt sustainability of households and to encourage lenders to reduce the debt of excessively leveraged yet viable businesses.	- The number of PDH mortgage accounts in arrears fell for the past 12 quarters. At end-June 2016 over 120,600 PDH accounts were classified as restructured, of which 88 per cent were deemed to be meeting the terms of their current arrangement. The Mortgage Arrears Resolution Service has been launched to streamline access by borrowers to State-funded agencies for assistance in addressing their mortgage arrears. Central Bank SME debt data shows that debt levels of Irish businesses are declining steadily. Total loans by resident credit institutions to Irish resident SMEs (excluding Financial Intermediation and property related sectors) has reduced from €33.9bn (Mar 2010) to €17.7bn (June 2016).
- Accelerate the phasing-in of a fully operational central credit registry covering all categories of lenders and debtors.	- Statutory regulations setting out further details of the Central Credit Register have recently been signed into law. The Register will come into operation on the 30th June 2017. Consumers will be able to access the Register after 31st December 2017. Non-consumers will be able to access the Register after 01st October 2018. The Register will: 1. Provide borrowers with an individual report detailing their credit agreements;

Country Specific Recommendation	Progress to Date
	2. Provide lenders with comprehensive information to support credit assessments; 3. Provide the Central Bank with better insights into financial markets and support functions of the Central Bank such as prudential supervision and statistics. Once the Register becomes operational it will be mandatory for lenders to: 1. Submit information on credit agreements and payment histories to the Register; and 2. Check credit information on the Register when considering credit applications for €2,000 or more.

TARGET 1: EMPLOYMENT Headline Target: 69 - 71 % of the population aged 20-64 to be employed	
Labour Market Activation	
Increased engagement with, and training of, the long-term unemployed as part of the labour market activation reforms included in the Pathways to Work Strategy	The Labour Market Education and Training Fund – Momentum programme provides places for long term unemployed individuals to participate on education and training programmes in specific sectors where employment opportunities exist. The Momentum programmes total target participation was 6,134 places of which 1,908 were filled under the Youth Guarantee (under 25s).
Implementation of Pathways to Work Strategy 2016-2020	The Pathways to Work strategy provides jobs to those on the Live Register, and now reflects a shift in focus from 'activation in a time of recession' to 'activation in a time of recovery and growth.' Key priorities include activating the long term unemployed, and also those not classified as unemployed jobseekers but who have the potential and desire to play a more active role in the workforce.
Expand and accelerate the implementation of activation policies to increase the work intensity of households and address the poverty risk of children: Implementation of Pathways to Work Strategy 2016-2020	The Pathways to Work Strategy 2016-2020 will frame the priorities for activation and employment policy for the next four years. In particular the Strategy will focus on increased engagement with and training of the long-term unemployed.
Total of 6,000 places on JobsPlus scheme	JobsPlus incentivises employers to employ the long-term unemployed.
Pursue measures to incentivise employment by tapering the withdrawal of benefits and supplementary payments: Total of 60,000+ LTU referrals to Jobpath over 2016	JobPath initiative, targeted at long-term unemployed, is now fully rolled out and referrals to this scheme are expected to exceed targets by the end of the year. The target for end 2016 was originally 60k and by end-August over 55k had been referred to the scheme.
Total of 33,000 places on Community Employment, TÚS, JobBridge and the Local Government Social Employment Scheme	The Community Employment, TÚS, JobBridge and the Local Government Social Employment Schemes provide work placement for Jobseekers. In 2016, there will be 17,500 starters, of which 16,000 will be LTU starters.

Further Education and Training	
On-going implementation and development of the Further Education and Training Strategy 2014-2019	The Further Education and Training (FET) Strategy 2014-2019 sets out a roadmap for the sector to respond to the needs and opportunities for the short, medium and longer term and contains five key strategic goals: Skills for the Economy - The aim is that FET will address current and future needs of learners, jobseekers, employers and employees and will contribute to national economic development. Active Inclusion – The aim is that FET provision will support the active inclusion of people of all abilities in society with special reference to literacy and numeracy. Quality Provision – The aim is that FET will provide high quality education and training programmes and will meet appropriate national and international quality standards. Integrated Planning and Funding – The aim is that FET provision will be planned and funded on the basis of objective analysis of needs and evidence of social and economic impact. Standing of FET – The aim is to ensure a valued learning path leading to agreed employment, career development, personal and social options. Implementation of the Strategy is taking place under the management and monitoring of a detailed implementation plan. Significant progress has been made to date with the delivery of a framework for the improved planning and funding of further education and training, including the development and refinement of the annual service planning model, progress on the development of the Programme Leaner Support System (PLSS), the ongoing evaluation of the PLC programme along with plans for further FET programme evaluations, and the provision of readily accessible labour market and skills data to ETBs.
2015 FET Services Plan	The 2016 Further Education and Training Service Plan, published by SOLAS in May 2016, sets a target for the provision of FET programmes to 339,283 beneficiaries.
Provision of FET to skill, re-skill or upskill unemployed persons that will equip them to participate in the labour market.	The Further Education and Training (FET) sector has undergone major structural and policy changes over the last number of years, with the purpose of ensuring that we have a FET sector that is flexible and responsive to the needs of learners and industry alike. The FET Strategy 2014-2019, underpinning reform of the sector, contains over 50 individual actions that are tracked through a detailed implementation plan around five key goals, and includes the action to support active inclusion for all. Under the strategy, a new planning and funding model has been established, so that provision is planned on a strategic basis to meet the needs of learners and employers in each ETB region and is published in the annual FET Services Plan. Intreo offices provide an important input into the annual service planning process and specific revised protocols are being put in place between ETBs and INTREO offices to foster closer collaboration and engagement and to support better client matching to education and training provision.

New Apprenticeship Programme	The Apprenticeship Council is working closely with the proposers of these new apprenticeships with a view to developing them into sustainable apprenticeships that can be delivered on a nation wide basis. These proposals will see an expansion of the existing range of programmes offered under the apprenticeship system and are part of the ongoing work to ensure that the system remains responsive to economic and employment needs. The new programmes are focused on a wide range of skills and sectors, including Manufacturing and Engineering, Tourism and Sport, Financial Services, Information Technology, Transport Distribution and Logistics, and Business Administration and Management. The first of these new apprenticeships was launched in September 2016 which will see up to 70 people enrolling on the Insurance Practitioner Apprenticeship. A number of other proposals are also at an advanced development stage and may be in a position to move to enrolment in 2017.
Skillnets	Skillnets funds and facilitates training through over 60 networks of private sector companies under the Training Networks Programme (TNP), in a range of sectors and regions across the country. The networks identify their own common training needs typically on a regional or sectoral basis. In 2016, Skillnets will provide training and related services to 42,000 individuals, of which 8,000 are unemployed or work in a part time capacity.
Skills to Work Campaign	The Skills to Work campaign represents a coordinated approach to presenting information on a single platform, to employers and jobseekers alike, on the range of education and training initiatives that are available for them to participate in. It includes information on Momentum, Springboard, JobPlus, JobBridge and Skillnets.
Pathways to Work	Under the Pathways to Work 2016-2020, DES will work closely with DSP to plan education and training provision to achieve the best possible outcomes for unemployed people. As the unemployment position continues to improve there will be a need to closely monitor the level of provision going forward.
Regional Skills Fora	To help foster stronger links between employers and the education and training sector, the Department has established a network of 9 Regional Skills Fora along with 9 Managers. The Regional Skills Fora have developed work plans and will submit progress reports to the Department on a quarterly basis.
	A Regional Skills Website (www.regionalskills.ie) was launched in May 2016 as a communication tool for employers and education and training providers. By using the data from the SOLAS Skills and Labour Market Research Unit, the website provides access to a detailed profile for each of the 9 regions drawn from all relevant skills research and datasets to provide the basis for informed dialogue on skills needs.

National Skills Strategy	Ireland's National Skills Strategy 2025 was published in January 2016. The new strategy will set out the framework for the period to 2025 on how Ireland can continue to develop relevant skills and ensure that the supply of skills is activated and effectively used.
Higher Education – Springboard	Under Springboard+ 2016, 180 courses have been approved for funding providing for over 5,800 places with a total contract value of over €28 million. Courses will be delivered in public and private institutions across the country, during the 2016/2017 academic year, in areas such as ICT, manufacturing which includes the biopharma sector, construction, entrepreneurship, cross-enterprise skills, the hospitality sector and international financial services.
	Under the Springboard initiative, which was designed to help reskill people who lost their jobs as a result of the recession, over 33,000 places have been funded to end June 2016, support by a €113 million investment from the Exchequer.
	The programme has been continually evaluated since it began in 2011 and the most recent trend analysis shows that:
	A survey of all graduates 2011-2015 indicates that, within two years of completing a Springboard course, 60% of respondents are employed or self-employed, with progress to employment steadily increasing over time. New data from the Department of Social Protection indicates that 80% of those who have participated on a Springboard+ course since 2011 are no longer on the Live Register.
	In just 3-6 months after graduation an average of 75% of ICT conversion graduates are in employment.
	96% of respondents' jobs are in Ireland and 49% ar located outside Dublin. The quality of employment is also improving, with 57% in managerial or professional roles.

TARGET 2: Research and Development (R&D) Headline Target: Approximately 2% of GDP (2.5 % of GNP) to be invested in R&D	
Strategy	Innovation 2020, a new national Strategy for Science, Technology and Innovation was published on 8th December 2015.
Science Foundation Ireland	Science Foundation Ireland is maintaining supports to 12 research centres and to a cohort of 4,040 people who are involved in SFI supported projects. Furthermoer SFI awards directly supported 1,220 industry collaborations.
Increase in investment	Ireland has increased its investment in R&D over the past decade while also introducing a range of measures to improve commercialisation of research and build strong linkages between the higher education sector and enterprise. Ireland has committed to an investment intensity rate of 2.5% GNP as part of Europe 2020. Initiatives to reach this target are identified in Innovation 2020
	GERD (Gross Expenditure on R&D) increased from €1,637 million in 2003 to an estimated €3,100 million in 2014 (+52%). Within this, HERD (Higher Education R&D) increased from €378 million in 2002 to an estimated €709 million in 2015 (+53%) although there has been a contraction from a peak of €750 million in 2008.
Research Intensity	Ireland's research intensity rate for 2015 is an estimated 1.6% of GNP. (1.74% in 2014)
R&D Supports	Enterprise Ireland and IDA Ireland will invest in a range of R&D supports to companies, including Innovation Vouchers, Technology Centres, and the Scaling up of the Health Innovation Hub.
	The Knowledge Development Box has been in operation since 1 January 2016. This will give support to all Irish companies that carry out substantive innovative activities. Legislation is being prepared by the Department of Jobs, Enterprise and Innovation to provide an additional benefit, within the parameters of the OECD "modified nexus", for small companies who wish to avail of the KDB.

TARGET 3: Climate Change and Energy	
3(a) Greenhouse Gas (GHG) Emissions **Headline Target: 20% reduction in Carbon Emissions relative to 2005**	
Implementation of National Communication Plan	Continued implementation of the policies and measures published in Ireland's Sixth National Communication to the United Nations Framework on Climate Change
Continued development of the National Mitigation P	According to the latest national greenhouse gas projections, published in March 2016 by the Environmental Protection Agency, Ireland's non-ETS emissions in 2020 could be in the range of 6-11% below 2005 levels. This poses a challenge for Ireland in terms of meeting the 2020 obligations, particularly given that Ireland has a uniquely challenging Non-ETS emissions profile dominated by agriculture & transport. The extent of this challenge is well understood by Government, and in this context a National Mitigation Plan (NMP) is being developed (as provided for under Section 4 of the Climate Action & Low Carbon Development Act 2015). The primary objective of the NMP will be to track implementation of measures already underway and identify additional measures within the longer term to reduce greenhouse gas emissions to progress the overall national low carbon transition agenda to 2050. A draft NMP is expected to be available for public consultation before the end of 2016.
3(b) Renewable Energy **Headline Target: 16 % of total energy consumption from renewable sources**	
	Ireland is committed to meeting 16% of total energy consumption from renewable sources (40% of electricity demand, 12% of heat and 10% of transport). Provisional figures for 2015 indicate that 9.1% of Ireland's energy came from renewable sources (electricity 25.3%, heat 6.8% and transport 5.7%).
	Achieving the level of renewable energy in heat and transport remains challenging particularly given Ireland's settlement patterns (with Eurostat showing Ireland as having the highest share of the population living in predominantly rural regions). The deployment of sustainable biofuels will be the main mechanism to help achieve the transport target. A Draft Bioenergy Plan, published in 2014, identified key policy actions for the use of bio-energy resources which should assist Ireland in closing the gap to target on renewable heat. It is currently envisaged that the Plan will be finalised in late 2016. In addition, two support schemes are being developed - a Renewable Electricity Support Scheme and a Renewable Heat Incentive Scheme. Subject to Government and State Aid approval, it is expected that both schemes will be in place in 2017.
3(c) Energy Efficiency **Headline Target: to move towards 20% increase in Energy Efficiency**	
National Energy Efficiency Action Plan	The third National Energy Efficiency Action Plan (NEEAP) remains the blueprint for detailing the range of actions that are in progress or will be taken to enable Ireland to meet its commitment to a 20% reduction in primary energy relative to 2005. Based on latest available data and estimates Ireland achieved 17,300 GWh of energy saving at end-2015, which represents 54% of the national target. As noted in the last update, there are significant challenges in driving efficiency action in both the commercial and domestic sectors. Recent projections indicate that despite good progress to date a behaviour-as-usual approach will result in a shortfall to the target. An upscaling of effort will be needed. An intensification of measures as well as new measures are being considered and will be brought forward in the context of the next NEEAP. In recognising the on-going challenge facing Ireland in meeting its 2020 targets, additional budgetary resources have been provided in Budget 2017 for the Department of Communications, Climate Action and Environment's Energy Budget - up 27% to €114m.
Energy Efficiency Fund	The objectives of the Fund are to address barriers to increased activity in this sector, namely introdution of specialist sectoral expertise in structuring finance for energy efficiency projects and provision of funding in a timely manner of appropriate term.
National Energy Services Framework	Progressive elimination of barriers to energy efficiency pursuant to the National Energy Efficiency Action Plan outlined above.

TARGET 4: Education	
4(a) Early Leaving from Education and Training **Headline Target: Reduce percentage of 18-24 year olds with secondary education and not in further education to 8%**	
Progress towards target	The EU2020 headline target for this category is **10%**. The national target set by Ireland is **8%.** The EU average is currently **12%.**
	Ireland's current share of early school leavers (i.e. 18-24 year olds with at most lower secondary education and not in further education and training) fell from **10.8% in 2011 to 9.7% in 2012, to 8.4% in 2013 and to 6.9% in 2014 and 2015,** which exceeds Ireland's adopted target of 8%
	A number of measures have been put in place to support achievement of the target.
Implementation of DEIS Programme	**Delivering Equality of Opportunity in Schools (DEIS)** introduced in 2006 is the main policy initiative to address educational disadvantage, including early school leaving. DEIS targets those schools serving the most disadvantaged communities in the country – with 825 participating schools in 2016/17. DEIS provides access to a range of additional supports for participating primary and second-level schools including:
	· Reduced pupil teacher ratio in primary schools in urban areas with most disadvantage
	· Access to the Department of Social Protection's School Meals Programmes
	· Access to literacy/ numeracy supports and measures at primary level
	· Access to TUSLA Home School Community Liaison services and School Completion Programme
	· Access to the Junior Certificate School Programme and the Leaving Certificate Applied Programme
	· Access to a range of professional development services
	Research undertaken to date provides clear evidence that the DEIS programme is having a positive effect on tackling educational disadvantage
Review of DEIS programme currently underway	The ***Consolidated Report on the Learning from the Evaluation of DEIS*** commissioned in 2014 by the Minister for Education and Skills was published in April 2015. The Report draws together the learning from the ongoing evaluation of the DEIS programme. A Review of the DEIS programme is currently underway. The Minister has announced that a new Action Plan for Educational Inclusion will be published before the end of 2016.
Role of Tusla	Key statutory functions in relation to school attendance, participation and retention under the Education (Welfare) Act 2000 are undertaken by **TUSLA** on behalf of the Minister for Children and Youth Affairs. Tusla Educational Welfare Services are currently developing and implementing structures that will lead to a more integrated educational welfare service provision within the Tusla service structure. This will lead to a more streamlined service structure with enhanced clarity about roles and how the service strands work seamlessly together. Tusla has just appointed a new director of educational welfare services and he is currently building the management capacity of the EWS team to drive the more integrated approach which will enable Tusla in conjunction with our partners to build further gains from participation in education. Significant gains have been made in addressing non-school attendance and nationally attendance and school completion rates are consistently improving however there are still a cohort of young people who are not reaching their potential in the mainstream education system and the role of Tusla EWS services is to identify these students early and intervene appropriately at school, family and community levels.

4(b) Tertiary Education Headline Target: At least 60% of 30-34–year-olds should complete third level education	
Continued investment in Third-Level Education to meet increased student numbers	Ireland is aiming to have 60% of the 30-34 year old population with a tertiary level qualification by 2020. The latest Eurostat data shows that Ireland's current tertiary attainment rate for 30-34 year olds was 52.3% in 2015, which is a slight increase on the 52.2% rate recorded in 2014. Ireland previously had the highest rate for this indicator of all EU28 countries however, we now rank 3rd in the EU28 as we have now been overtaken by both Lithuania and Cyprus. However, we are still significantly ahead of the EU28 average which rests at 38.7% in 2015.
	This strong performance is confirmed in the recent OECD publication Education at a Glance which was published on 15 September 2016 and which placed Ireland 6th in the OECD in terms of its Tertiary Attainment Rate amongst 25-34 year olds.
Development of a new National Access Plan for High	The new National Access Plan was published in December 2015. The Plan contains targets to increase participation in higher education by target groups. There are more than 30 actions contained in the Plan that are intended to achieve the overall vision of ensuring that the higher education sector reflects the diversity of Irish society. A Steering Group, chaired by the Department of Education and Skills, is monitoring implementation of the Plan. Two Working Groups have also been established to focus on priority areas of the Plan: (i) increasing access by students from target groups to initial teacher education, and (ii) non-completion in higher education. Progress is also being made in a number of other key actions in the Plan, including the publication of a review of the Student Assistance Fund, and the commencement of a review of the Fund for Students with Disabilities.

TARGET 5: Reduction of Population at Risk of Poverty Headline Target: To reduce the number experiencing consistent poverty to 4% by 2016 (interim target) and to 2% or less by 2020, from the 2010 baseline rate of 6.3%.	
Pension	Budget 2017 provides for a Pension Increase of €5 per week from March 2017
Housing Assistance Payment (HAP)	By end 2016 the Housing Assistance Payment (HAP) scheme will have been rolled out 28 of the 31 local authority areas. Given the current rate of HAP take up and the application of conservative growth projections it is expected that 12,000 additional HAP households will have been supported by the scheme in 2016. Additional funding has been allocated in Budget 2017 and the target number of new households supported by HAP in 2017 is 15,000.
Community Childcare Subvention Scheme	Budget 2017 saw the announcement of a new Single Affordable Childcare Scheme that will extend subsidies for childcare to all children under the age of three, and will reform and expanded targeted subsidies for low income families of children up to the age of 15. In 2017, the expected number of children benefiting from the new scheme is estimated at 79,000. An estimated 54,000 children from low income backgrounds will benefit from targeted subsidies, including 31,500 children who already receive support under the current targeted schemes and 22,500 new beneficiaries. The number of children benefiting is expected to rise further in 2018 as demand for the new scheme increases, to 64,000 targeted beneficiaries.

Annex

Table A: **Methodological aspects**

Estimation Technique	Step of the Budgetary Process	Relevant features of the model	Assumptions
Demand side forecasting	In advance of endorsed and final budgetary forecasts	Iterative-analytic approach: several partial models based on various national account outputs	Technical assumptions on trading partner growth, exchange rates and commodity prices are assumed
Supply side forecasting	In advance of endorsed and final budgetary forecasts	Potential GDP is modelled as per the harmonised methodology endorsed by the EPC and with changes to reflect revisions to Ireland's national accounts in 2015	Supply side variables modelled endogenously to 2021 with exception of NAWRU to 2017 in line with Commission approach with mechanical extension thereafter. Working age population projections assume CSO rate of change to 2015, DoF forecasts to 2017 and EPC-endorsed extension approach thereafter
Tax forecast	In advance of final budgetary forecasts	Iterative-analytic approach: partial models based on relationship of tax trends to macro variables	The short-term impact of the impact of tax policy changes is included

Taxation Measures for Introduction in 2017

Additional details on the measures below may be found in the Summary of Budgetary Measures in the 2017 Budget Book. The forthcoming Finance Bill will include legislative provision where necessary.

Measure	Yield/Cost 2017	Yield/Cost Full Year
USC	-€335m	-€390m
Income Tax		
Home Carer Tax Credit	-€7m	-€8m
Earned Income Credit	-€33m	-€58m
Interest Relief – Rented Residential Property	-€8m	-€70m
Excise Duties		
Tobacco Products Tax	€65m	€65m
Extension of qualifying limit for excise duty relief for microbreweries	-	-
Vehicle Registration Tax (VRT)	-	-
Carbon Tax	-€1m	-€2m
Other Income Tax		
Help to Buy	-€50m	-€40m
Rent a Room	-€1m	-€1m
Living City Initiative	-€1m	-€3m
Home Renovation Incentive #		
HRI extension	-	-€38m
*Foreign Earnings Deduction **	-	-€3m
*Special Assignee Relief Programme **	-	-€8m

Start Your Own Business Relief	-€4m	-€10m
Fishing sector tax credit	-€4m	-€6m
Decommissioning of Fishing Vessels	-€2m	-€2m
Capital Gains Tax		
Revised CGT entrepreneur relief: Reduced CGT	-€13m	-€14m
CGT Relief for Raised Bogs	-€2m	-
Capital Acquisitions Tax		
Changes to tax-free thresholds	-€22m	-€25m
Agri Measures^		
Increase in the Farmer's Flat-Rate Addition from 5.2% to 5.4%	-€9m	-€11m
Accelerated Capital Allowances for energy efficient equipment	-€3m	-€3m
Income Averaging Step Out	-	-
Farm Restructuring Relief	-€1m	-€1m
DIRT		
Reduced rate of Deposit Interest Retention Tax (DIRT):	-€9m	-€36m

Measures/Decommissioning of Fishing Vessels/Fishers Tax Credit, €15m already provided in the tax base

Compliance Measures		
Section 110 and Funds Changes	€50m	€35m
Tackling offshore tax evasion	€30m	-
Increase resource to confront non-compliance	€50m	€50m

* No impact on Fiscal Space

Full Year Cost not realised until 2019