

# BUDGET 2012

## Return to Economic Growth in 2011

Economy forecast to grow by 1% in 2011, first increase since 2007.

Exports grew by 5.5% in annual terms in first half of 2011.

General Government Deficit of 10.1% of GDP projected for 2011 is well within our programme commitments and a significant improvement on the 2010 underlying deficit of 11.5%.

## Budget 2012 – Key Figures

Real GDP increase of 1.3% projected for 2012.

General Government deficit target of 8.6% of GDP in 2012 will be met in line with our commitments. This is an essential step towards regaining economic stability, ensuring the sustainability of the public finances and providing the platform to deliver sustainable growth and jobs.

€3.8bn in adjustments introduced in Budget 2012.

€2.2bn expenditure consolidation of which €1.45bn from current and €0.75bn from capital expenditure.

€1.6bn revenue consolidation of which around €1bn new tax measures.

Budget 2012 is not just about cuts and increased taxation. The creation of sustainable growth, jobs and protecting the vulnerable is at the heart of Budget 2012.

## Giving Confidence & Certainty

12.5% Corporation Tax rate unchanged.

Income Tax rates, bands and credits remain unchanged.

Budget 2012 builds upon the Jobs Initiative and 9% reduced VAT rate for tourism sector remains unchanged.

No Change to core social welfare rates, state pension rates, and basic rate of child benefit has been maintained in 2012.

Exempt low-paid, part-time and seasonal workers with an annual income of less than €10,036 from the Universal Social Charge (increased from €4,004)

## Supporting Growth & Jobs

Credit for Small & Medium Enterprises, including setting of ambitious lending targets to SME's for Pillar Banks.

Range of high-yielding sector specific measures to support multinational and indigenous companies.

€7 billion five year Capital investment programme.

€14 million investment in 2012 reflects the Government's on-going strong commitment to supporting the enterprise and Research & Development agendas.

Labour Market Activation Fund to deliver 6,500 places for long-term unemployed.

The IDA and Enterprise Ireland budgets continue to be prioritised to enable the job-creation agencies deliver on job and new investment targets.

## Sector-specific measures

Special Assignee Relief Programme to attract people with key skills to Ireland and Foreign Earning Deduction to support efforts by multinational and indigenous firms to expand into BRICS countries.

Support Small & Medium Enterprise to grow and create jobs by ensuring access to adequate, targeted R&D Tax credit regime and extension of 3 year corporation tax relief for start – up companies.

Revival of Property, Construction and Development sector through reduction in stamp duty rate for commercial property from 6% to 2% and the introduction of a Capital Gains Tax incentive.

Enhanced Stock relief and retirement relief to enable the Agriculture sector to continue to grow and expand on a global scale into the future.

## Reforming Our Public Services

Public Service Numbers will fall by 6,000 in 2012 to 294,000 and there will be pay savings of €400m.

A reduction of 37,500 or 12% of staff over 2008 levels by 2015.

The overall cost of paying public servants will have fallen by €3.5 billion, or 20% over the 7 year period from 2008 to 2015.

## **Priorities**

80% of current expenditure is on social protection, health and education. It is not possible to reduce spending without affecting these areas.

We have been able, through re-prioritising our resources, to introduce new structural spending initiatives, such as:

- the provision of €35m for the development of community mental health teams and services as outlined in “A Vision for Change” and €15m to fund access to primary care without fees to claimants of free drugs under the Long Term Illness Scheme
- €10m for a new Microfinance Fund as well as a Temporary Partial Credit Guarantee Scheme to aid SMEs
- €20m for a new Labour Market Activation Fund, specifically targeted at the long-term unemployed, to deliver upward of 6,500 new places next year.

## **Mortgage Supports**

Help Mortgage Holders who took out their first mortgage at peak property prices by increasing Mortgage Interest Relief to 30% for those who purchased their home between 2004 and 2008.

Incentivise first time buyers to purchase their first home in 2012 by extending 25% Mortgage Interest Relief to first-time buyers for a final 12 months up until end 2012.

Ensure banks make mortgage credit available to allow people to avail of the mortgage interest relief.

## **Taxation**

Driving principle of tax changes is the development of a system that is fair, progressive, supports the economy and job creation and rewards work.

The revenue raising measures focus on Capital and Indirect Taxes, therefore limiting negative impact on economic growth and jobs.

Standard Rate of VAT increased by two percentage points to 23%.

€100 household charge introduced to fund vital local services.

Carbon Tax increased from €15 to €20 per tonne effective from midnight Budget night on petrol and Diesel and from 1 May 2012 on other fossil fuels excluding solid fuels. This change equates to 1½c increase in cost of a litre of petrol & diesel.

Excise on cigarettes up by 25 cents.

Motor Tax rates increased.

## **Fairer tax system: Increase Taxes on Wealth**

Increase Capital Acquisition Tax, Capital Gains Tax and D.I.R.T. to 30%.

Property Relief Surcharge of 5% to apply to large investors.

Broadening of PRSI to previously exempted income.