OCTOBER 2013

BUDGET 2014

A FAIRER FUTURE **FOR IRELAND**

FIANNA FÁIL
THE REPUBLICAN PARTY

PRE-BUDGET PROPOSALS **2014**

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Proposals for Budget 2014

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Executive Summary

The principles underpinning our budget proposals are:

- ✓ **We are committed to reaching a deficit of 3% by 2015.**
- ✓ **An adjustment of €3.1bn in 2014 would risk further damage to the domestic economy. We propose an adjustment of €2.4bn to deliver a budget deficit no greater than 5.0% in 2014.**
- ✓ **The split of the adjustment for 2014 should be approximately 50 / 50 between new tax and expenditure measures.**
- ✓ **The burden of adjustment should be levied in a progressive manner, unlike the current government's two budgets to date.**
- ✓ **Taxation measures should focus on reforming credits and reliefs and widening the tax base in a manner that promotes the well-being of society.**
- ✓ **Domestic entrepreneurs should be incentivised with the same priority given to foreign direct investment.**
- ✓ **Education, Disability and Mental Health services should not be subject to any further cuts.**
- ✓ **Tackling mortgage arrears and the banks' inadequate response is central to improving the outlook for the economy.**
- ✓ **There is sufficient scope for savings in pay, non-pay and procurement areas in the public service as well as other savings to obviate the need for cuts to front line services or social protection payments.**
- ✓ **There should be no further cuts in the Exchequer Capital programme.**
- ✓ **Savings on expenditure should focus on accelerating current reform plans, driving efficiencies and eliminating wasteful and duplicate spending.**

Achoimre

Tá slí níos cothroime ag Fianna Fáil i dtreo an téarnaimh.

Siad seo a leanas na prionsabail atá mar bhonn ar ár moltaí:

- ✓ **Tá sé mar aidhm againn easnamh buiséid 3% a shroicheadh in 2015**
- ✓ **Ta baol ann go ndéanfadh ceartaithe €3.1billiun damáiste don gheilleagar baile. Táimid ag lorg ceartaithe €2.4billiun i dtreo go mbeadh easnamh buiséid 3% i 2015.**
- ✓ **Ba cheart go mbeadh roinnt 50/50 idir cháin agus caiteachas i 2014.**
- ✓ **Caithfear ualach na n-athruithe bheith forásach; bhí buiséid an rialtais neamh-fhorásach roimhe seo.**
- ✓ **Beidh an fócas cánach ar athchóiriú creidmheasanna agus faoiseamh ar mhaithe lenár sochaí.**
- ✓ **Fiontraithe baile a dhreasú sa tslí céanna le hinfheistíocht dhíreach eachtrach.**
- ✓ **Cosnóimid Oideachas, Seirbhísí Míchumais agus Meabhairshláinte ó chiorraithe.**
- ✓ **Tá fás geilleagrach ag brath ar fhadhb riaráistí morgáiste a réiteach agus freagra neamhleor na mbanc a fheabhsú.**
- ✓ **Ni gá le seirbhísí duine le duine a laghdú; in ionad sin, is féidir le coigilteas a aimsiú o phá, neamh-phá agus soláthar náisiúnta poiblí.**
- ✓ **Deireadh a chur le ciorraithe i gclár caipitiúil an rialtais.**
- ✓ **Maidir le coigilteas caiteachais, is féidir an bhéim a leagadh ar thapú athchóirithe, eafachtulacht costais agus deireadh a chur le cur amú airgid.**

Our key proposals are:

Pro Enterprise Policies

- It is our belief that a mandatory increase in self-employed PRSI would be disastrous at this time. We propose a voluntary scheme which would extend to the self-employed those benefits that are currently means tested.
- Entrepreneurs should be incentivised to set up new businesses by providing tapered relief from capital gains tax. A reduced rate of CGT of 15% should apply to entrepreneurs who subsequently sell their business.
- The JobAssist scheme announced in Budget 2013 has not produced sufficient results to date. Within the existing €1bn budget for job support we believe resources should be reallocated to support a progressive relief from Employer PRSI. This should be linked to growth in headcount.
- To assist in addressing the lack of credit which is hampering many businesses from expanding, we propose the introduction of tax relief for individuals making loan capital investments to SMEs.
- A state-backed enterprise / investment bank should be considered for the provision of capital to growing businesses. For example, this could be done by means of a new stand-alone bank or using the infrastructure that exists within Permanent TSB. Such a model is already well established in Canada, the US and Germany and is currently under development in the UK.
- An appeals mechanism based on economic circumstances is required to limit the burden of commercial rates.

Taxation

- We believe that high earners over €100,000 are in a position to pay a greater amount of income tax in the short term as part of the adjustment process. We propose to address the current anomaly that PAYE workers earning over €100,000 pay a lower level of Universal Social Charge. In addition we would withdraw tax credits from people earning over €150,000. This represents a better way to increase the income tax take than a permanent increase in marginal tax rates.
- We support moves to cap pension tax relief at a level which generates a retirement income of €60,000. Marginal rate relief for pension contributions should be maintained.
- The tax base should be widened with a new levy on high salt and sugar content foods. A levy should be placed on the super profits being earned by tobacco companies in Ireland.

- Reducing resources for enforcement activity by the Revenue has been completely counter-productive. Increased enforcement activity, including Revenue audits targeting high risk areas, will improve the tax take.

Stimulus Measures

- Many thousands of families who would like to move home are effectively prevented from doing so by negative equity. In addition, there are still tens of thousands of people previously employed in construction who are out of work. To tackle this we suggest that a tax credit of up to €2,500 be made available for approved home improvement works subject to engaging a registered, tax compliant contractor.

Expenditure

- There are still considerable inefficiencies in public spending as highlighted by the recent Comptroller and Auditor General Report. This cannot be tolerated and Departments must set much more ambitious targets for eliminating waste and driving savings by focusing on procurement, shared services, out-sourcing and administration.
- The Government has failed to manage the Exchequer Capital Budget in a manner that promotes the best interests of the economy. The process of spending the budget should be reviewed so that it is spent on time and in the most economically productive manner. The further cut of €100m to the capital budget signalled in the Stability Programme Update should not go ahead.
- We welcome the decision to invest the assets of the National Pension Reserve Fund in the Ireland Strategic Investment Fund. This process should be expedited with a clear timeline for investment outlined.
- Too much of the Capital and Procurement Budgets are spent outside the State. Within EU rules, we need to raise the current 90% level up to at least 95%. While still below the EU average, this would represent a boost to the domestic economy.
- The Social Protection budget provides vital support to the most vulnerable in society. A €440m cut to its funding is likely to result in severe hardship for many families and must be resisted.
- Now that the Haddington Road Agreement is in place the Government must ensure that the savings targeted are achieved in a manner that protects front line service delivery.

1 State of the economy

Ireland is on course to exit the EU / IMF Programme within a few weeks of Budget 2014. While targets for the public finances are likely to have been met, the conclusion of the programme provides a timely opportunity to assess the state of the country as we move into a new economic phase.

GDP in the second quarter of 2013 was down 1.2% on the same period in 2012. This is the fourth quarter in a row of a year on year decline in GDP. While we are officially out of recession, the government never accepted that we had slipped back into recession in the first place.

The domestic economy remains weak with domestic demand and investment at the lowest levels since the start of the recession. The government's budget day forecast of 1.5% GDP growth in 2013 will not be met. Indeed, the Government is now forecasting GDP growth of just 0.2% in 2013.

Government policies are directly contributing to the weak state of the economy. They have mismanaged the capital budget, hit consumers with regressive tax increases, taken much needed money from families through cuts in child benefit and failed to act decisively as more people fall into mortgage arrears.

This budget will be the eighth round of austerity measures since the first adjustments were made back in July 2008. Ireland remains in an excessive deficit procedure and we have signed up to getting our deficit to 3% deficit by 2015. There is no getting away from this reality and further cuts and tax increases are going to be necessary over the next two years.

However, the challenge in the budget process is to maintain the process of correcting the public finances but to do so in a way that enhances the prospects of economic growth and limits the damage to the social fabric of society.

A co-ordinated European response is required

In our pre-Budget commentary last year, we cited the need for a far more co-ordinated response at European level. This has not been forthcoming to date. EU governments have made a serious mistake in agreeing to cut the multi-annual budget for the period 2014-2020.

The EU is far behind the US in terms of recovering from the global financial crisis and Europe remains the biggest drag on the world economy. In 2012, the Eurozone economy contracted by 0.5% and this year it is forecast to decline by 0.7%. When compared to the expected growth of 1.9% in the United States, it is a shocking indictment of the collective failure of the European response.

There is undoubtedly scope for Germany, Finland, Austria and perhaps the Netherlands to ease up on their austerity programmes. Germany, which has achieved a balanced budget, could allow its budget deficit to temporarily rise while keeping its Debt / GDP ratio constant. This would allow it to increase government

spending and raise domestic living standards. All countries in the EU would feel the benefit. The Institute for the World Economy estimated in June 2013 that Germany has saved €80bn since the start of the financial crisis as a result of declining bond yields. In addition, Germany's export sector has benefited from a weak Euro. It is not unreasonable to ask that those countries which directly benefited from the sovereign debt crisis would spend some of the gains they have accumulated in a manner that would also benefit those countries most affected.

Reforms outstanding under the EU / IMF programme

The long term success of any IMF led programme typically depends not just on the tax and expenditure measures introduced but also on the economic reforms that run alongside it. A number of reforms promised under the EU / IMF programme have not been completed to date in particular in the area of the cost competitiveness in the medical and legal professions.

The banking sector remains bogged down in dealing with the legacy of bad lending in the last decade. Reforming the sector so that it is fit to meet the needs of personal and business customers is urgently needed.

Attacks on our corporation tax regime are a real threat to our economic future

Ireland's corporation tax policies are currently under siege. We need to send out a strong united message that Ireland values its ability to determine our own corporation tax policies and that our rules are in accordance with OECD guidelines on taxation. We need to be more proactive and make the case definitively for retaining autonomy to set our own corporation tax rate. This should be a diplomatic priority at the highest level of government.

In the face of a sustained international campaign to mis-represent our corporation tax rules, it is important that we re-emphasise the following points:

- The headline corporation tax rate is only one consideration in assessing a country's corporation tax regime.
- A one size fits all tax regime would not work for Europe.
- The international trend is to cut corporation tax not to increase it.
- Market access, skilled labour and a stable regulatory environment are cited by multinationals as key reasons for locating here in addition to our tax regime.

2 An easing of the adjustment is needed

With nine months exchequer returns in, Ireland will probably beat its EU/IMF target for the general government deficit in 2013

However, the real economy remains weak. The unresolved mortgage crisis and upcoming doubling of property tax bills are likely to continue to hold back consumer spending. It would appear that we can no longer look to exports to bolster the economy. Export growth for 2012 was a relatively weak 1.6%. Political uncertainty continues to cast a cloud over the wider European economy.

Retail sales fell back again in August after a recovery in July. If this continues, the tentative recovery in employment that we are seeing will be choked off.

The Department of Finance has downgraded growth forecasts for 2013 to just 0.2% and 2014 to1.8%.

The arguments put forward against a reduction in the adjustment point to the large debt overhang with Debt to GDP due to hit 123% by the end of this year. However in relation to the current stock of debt, we should remember that the NTMA holds over €25bn in cash and the net debt position is closer to 100%.

Future employment growth will be closely related to consumer confidence and spending. Consumer confidence can fade quickly and too harsh a budget could knock the economy seriously off track.

We propose to moderate the €3.1bn adjustment along the following lines:

Total Consolidation 2014	€bn
Expenditure	
Carry forward	0.10
Current	1.28
Capital	0.00
	1.38
New expenditure commitments	(0.1)
Net expenditure adjustment	1.28
Revenue	
Net New Measures	1.11
Carry Forward from 2012	0.08
Additional tax audits	0.10
Total revenue measures	1.29
Adjustment for partial year effect	(0.17)
Net revenue adjustment	1.12
Total adjustment	**2.40**

3 Encouraging domestic job creation

The core principles which underpin our proposals to create jobs are:

- Entrepreneurs should be incentivised with the same priority given to foreign direct investment.
- The government must avoid adding unnecessary costs to business particularly in labour intensive sectors.
- Our competitive advantages in the agri-food sector should be fully exploited.
- Targeted education and training solutions are required to support employment opportunities for people experiencing unemployment.
- The government's mismanagement of the capital budget must end.
- Ireland's position as a world centre for high-technology enterprise should be maintained by investing in training and research.
- There should be no change to our corporation tax regime.

Government claims on job creation are misleading

The OECD report published in September should serve as a wake-up call to the government in its complacency over the jobs crisis and in particular youth unemployment.

In recent weeks, Ministers have taken to repeatedly congratulating themselves on the rise in employment reported by the Quarterly National Household Survey claiming that the economy added 30,000 jobs in the past year. However, 12,000 of the reported increase in the numbers at work are actually part-time jobs and there are 149,000 people working part-time who would like to work more hours but cannot get them.

Supporting Enterprise

According to the Enterprise Ireland annual report, the number of early stage entrepreneurs as a proportion of their total agency client base has fallen from an average 8.1% over the 2003-2008 period to 6.1% in 2012. Ireland now ranks 18th out of 34 OECD countries in terms of entrepreneurship.

Current government policies overwhelmingly discriminate against self-employed, domestic entrepreneurs and small business owners. Instead policies favour the development of large multi-national enterprises.

We propose a number of measures to specifically help domestic businesses:

- Tapered capital gains tax relief for entrepreneurs: This would involve a lower rate of 15% capital gains tax applying for people who establish and subsequently sell their own business.

- The JobAssist scheme announced in Budget 2013 has not produced sufficient results to date. Within the existing €1bn budget for job support we believe resources should be reallocated to support a progressive relief from Employer PRSI. This should be linked to growth in headcount.
- SME businesses are currently carrying significant cash flow risk associated with VAT on bad or doubtful debts. Similar legislation to that in the UK should be implemented to effectively put a backstop in place, so that six months after the payment fell due the defaulter would lose their deduction entitlement and must reverse any deduction taken, and the debt is deemed bad. This would allow the supplier reverse the VAT paid to Exchequer.
- We commit to examining how to close the tax disparity between low income self-employed and PAYE. As publicpolicy.ie have pointed out, a low self-employed person can pay up to six times more income tax than a PAYE worker with the same income.
- Enhance the Employment and Investment Scheme (EIS) to make it more attractive. Allowing full tax relief when the investment is made in a start-up company would facilitate raising capital for SMEs.
- Investigate the potential for providing access to vacant or underutilised public property for entrepreneurs or business start-ups to use as incubation centres.
- Additional incentives to encourage energy efficiency.
- Impose rigorous efficiency targets on the ESB, Bord Gáis and Eirgrid.
- A National Energy Efficiency Action Plan should be undertaken to achieve a national energy saving of 20% by 2020 including measures to assist SMEs to lower electricity costs.

Wrong time for a mandatory increase in Self Employed PRSI

The Mangan report, submitted to Minister for Social Protection Joan Burton in August, called for an increase in the PRSI rate paid by the self-employed from 4 per cent to 5.5 per cent. It would appear that the government are giving this serious consideration. For most businesses, cash flow is extremely difficult at the moment and many are simply hanging on in the hope of an upturn. The self-employed do not have the resources to pay a mandatory 37.5% increase in their PRSI charge and we reject the idea of a mandatory increase in PRSI at this time.

Voluntary PRSI Scheme for Self Employed

The self-employed currently pay Class S PRSI at a rate of 4%. This entitles them to a significantly reduced range of benefits when compared to PAYE workers. To be eligible for Jobseekers Assistance, a self-employed person must undergo a means test. This can be time consuming with waiting periods of up to eight months. Inaccurate media reports have led some people to believe that they are entitled to

nothing because they have no automatic entitlement to Jobseekers Benefit. This has caused unnecessary confusion among the self-employed.

In the past decade, self-employed people have made a considerable contribution to the country and the economy. The importance of providing support for people who are unemployed or unable to find work by virtue of unemployment, illness etc. cannot be overstated.

Extending social welfare protection to self-employed people achieves a measure of social justice. In addition it reduces the risk for those entrepreneurs who wish to start up their own businesses by providing a safety net. This makes perfect sense at a strategic level as well. We are committed to building an indigenous sector based on small and medium-sized enterprises. However, we must put in place structural reforms to do so. Providing social welfare support for self-employed people should be a part of this process.

To facilitate this we propose to allow the self-employed to opt into Class A. In addition to their existing Class S contribution, the voluntary PRSI payment the self-employed person will make will depend on the level of income they earn.

The same terms and conditions would then apply for the unemployed self-employed as they do for the unemployed employee. For example, the level of average weekly earnings would impact on the level of rate of Jobseekers Benefit; to receive Jobseekers Benefit for a year would require the payment of at least 260 contributions.

Credit Availability for Business

Businesses up and down the country are finding it more and more difficult to access loans or proper credit facilities to enable them to protect existing jobs and create new ones. The absence of credit is costing jobs and closing businesses.

The recent report of the Credit Review Office (CRO) indicates that “bankable propositions” are still being turned down for loans.

We believe that the remit of the CRO should be extended to all relevant financial institutions here not just AIB and Bank of Ireland.

We also propose introducing tax relief for individuals making loan capital investments to SMEs.

A state-backed enterprise / investment bank should be considered for the provision of capital to growing businesses. Such a model is already well established in Canada, the US and Germany and is currently under development in the UK.

Tackling Youth Unemployment

The unemployment crisis has hit young people hardest. With over 1 in 4 young people unemployed, the sheer scale of the problem is being masked by the numbers of people emigrating and the significant numbers of young people entering or staying in education.

Our young people want to work and all they want is to be given the chance.

In May 2012, we launched a comprehensive document to tackle youth unemployment. The measures we propose are:

- Immediately cut courses in education and training that are no longer relevant to labour market needs and transfer those resources into areas of need.
- Reform our education, welfare and employments services and introduce education and training vouchers on a pilot basis, similar to the UK model.
- Extend the scope of apprenticeships to a much wider range of occupations.
- Require all young people who are not in education, employment or training 6 months after qualifying for jobseekers allowance to engage in a strengthened CE (or equivalent) scheme as opposed to cutting their benefits further.
- Up-skill 100,000 job seekers with ICT skills over the next four years.
- Establish a programme providing 1,000 internships in the Irish Financial Services Centre.

Science, Technology and Research

Research and Development is central to a modern successful economy.

We have an excellent base from which to make further progress. Two thirds of Ireland's R&D is in the private sector, creating new product and service innovations that will drive exports, growth, and jobs. Productive, high calibre research, undertaken by highly skilled research teams working closely with industry partners must continue to be a priority.

In addition, we propose:

- Currently the R&D credit is a function of increases in expenditure using 2003 as the base year of comparison. The incremental approach needs to be reviewed in light of the pressure on company budgets. In order to encourage investment in the sector, all R&D expenditure should for a two year period be eligible for a tax credit, subject to EU competition approval.
- In order to encourage the widest possible uptake of the R&D tax credit, Revenue and Enterprise Ireland should actively target the Irish SME sector with user friendly information guides on how the relief works.

The Agri-Food Sector

The agri-food sector is a great success story for the Irish economy. The combination of thriving family farms and world leading food production companies has the potential to be a key element in economic recovery.

The government needs to fully implement the key recommendations of Food Harvest 2020 for the future development of the agri-food, fisheries and forestry sector. This has the potential to create at least 4,000 jobs.

The abolition of milk quotas in 2015 is an opportunity to greatly expand the output from this sector. Currently farmers can claim a capital allowance on the construction of farm buildings and certain other works. The cost is written off over 7 years. Reducing this to 3 years to take advantage of the current opportunity will potentially yield economic returns into the future.

In relation to farm incomes, Ireland is facing a €36 million cut in the Single Farm Payments in 2014 following the conclusion of EU budget negotiations. A further €54m in spending cuts will be implemented by the Department of Agriculture in 2014. This combined cut of €90m will threaten the viability of many family farms.

The Minister should consider a number of additional measures to support employment in the sector:

- The introduction of a new Suckler Cow Welfare Scheme covering all suckler cow farmers and not a confined scheme as indicated by the Minister which has very little finance and is targeted only at elite farmers.
- A roll over of the REPS scheme for one more year, in view of the fact that the new CAP arrangements will not come into place until 2015, although the budget cuts on the Single Payment will be in place in 2013.
- Immediately allow the 3,000 participants who applied for the AEOS Scheme in 2013 into the AEOS Scheme for 2014.

The above measures should be funded through an extra €15m allocation, internal savings in administration in the Department and its agencies and through rebates from the EU.

4 Learning from mistakes of last two budgets

During the last general election, Labour ran a campaign called 'Every Little Hurts' in which they warned what Fine Gael had in store for people.

They listed six Fine Gael cuts and charges, including a cut to child benefit, which a vote for Labour would stop. Five of those measures are in place while the sixth charge, a water tax, is on its way. In essence, Labour broke their pre election promise and it has been the most vulnerable who have borne the brunt of the last two budgets.

The Government has broken its promise not to raise income tax

The government has failed to maintain its promise not to increase taxes on income following the abolition of the PRSI allowance in Budget 2013. The scrapping of the €127 PRSI allowance for those earning over €352 a week cost each taxpayer €264 a year in their take home pay.

Those who earn €25,000 saw their PRSI increase by a massive 36% while workers who are on €175,000 paid just 3.9% more.

Women and families have been particularly hard hit by Labour / FG

The slashing of child benefit, taxing of maternity benefit, failure to progress child care provision and cutbacks to the vital Back to School Allowance have been felt most of all by women and families.

- Child Benefit which is a vital source of income for mothers has been cut by €10 in 2013 following cuts in previous budgets.
- The Back to School Allowance was slashed by €50.
- Announcements on childcare have fallen desperately short of the Scandinavian child care model promised by Minister Burton.
- The Minister for Education is overseeing a €250 increase in the student contribution fee in 2013 and a further €500 to come.

The ESRI have confirmed the regressive nature of the last two budgets. It is imperative that the adjustment in Budget 2014 is levied in a fair and equitable manner.

Local property tax

There is no doubt that the Local Property Tax has had a severe impact on many already struggling households. Fianna Fáil opposed the tax at the time of its introduction on the basis that it was the wrong tax at the wrong time. It takes no account of ability to pay and the circumstances people may find themselves in, including mortgage arrears, negative equity or other financial distress.

We believe the necessary adjustment can be made for 2014 without the Local Property Tax and we propose that it should not be levied in the coming year.

We would restore the Non Principal Private Residence Charge for 2014 at an average rate of €350.

High income earners

Labour's claim that the budget "includes over €500 million worth of wealth taxes and a threshold of decency beyond which we would not go at any price" has been shown to be manifestly false.

For Budget 2014, we propose two taxation measures which will impact on high earners. Currently PAYE workers earning over €100,000 pay a rate of Universal Social Charge (7%) which is lower than that paid by the self-employed (10%). Many Labour TDs campaigned for this to be addressed before the last budget but were met with a counter proposal from Fine Gael to reduce core welfare payments by 3%. The current 10% rate of USC applied to self-employed earnings is due to expire at the end of 2014. For the next year we propose that PAYE income earners over €100,000 would also pay USC at the rate of 10% on the portion of their income above €100,000.

The second measure we propose to raise income tax from high earners is to withdraw tax credits from both PAYE and self-employed earning over €150,000. We feel this is more economically efficient than an increase in the marginal tax rate.

Tax relief for pension contributions

An optimal pension policy should allow individuals to spread the income they earn (and the tax paid) over their entire lifetime rather than just their working life.

A number of measures have been implemented in recent years to limit the accumulation of excessive pension pots. In this budget, we propose to limit cap tax relief at a level which generates a retirement income at a maximum of €60,000 per annum. Marginal rate relief for pension contributions should be maintained.

We believe that this strikes a balance between the need to encourage employees to make provision for their future income needs without unduly depriving the State of income tax revenue at the current time.

"Lid Levy" on alcohol sales

Ireland is currently seeing an increase in alcohol consumption within the home. One of the reasons often cited for this trend is the significant price differentiation of alcohol products between on-trade and off-trade establishments. Not only has this discrepancy affected social behaviour by discouraging people from consuming at public houses, but it has also been cited as a contributing factor to the rise in binge drinking and underage drinking.

There is an opportunity to establish a greater degree of fairness within the alcohol sales market and to raise revenue for the State by introducing a levy directed towards off-trade establishments. This would also be beneficial to society as a whole since the regulation of alcohol taxes is one of the most common ways to

combat alcohol related problems, especially within European societies. The cost to the health care system of alcohol related illnesses is approximately €1.2bn out of a total estimated cost to society of €3.7bn.

We propose that a "lid levy" of 15% be applied on alcohol sales. This would affect sales in the off trade and would raise a minimum of €180m in a full year based on gross alcohol sales in Ireland of €6.35bn, (60% by volume are sold off licensed premises, 20% by value.)

Concern has been expressed that this proposal would be contrary to EU Directive 92/93. Legal advice we have received indicates that it is permissible to pursue the levy option under EU law and we urge the government to do so without delay for both health and budgetary reasons. Should for any reason this option not be available we believe examination should be given to introducing a minimum alcohol price. Quite simply the price of alcohol is too cheap in the off trade and the cost to society too severe not to take action in this area.

We also believe that the licensing system in the off trade needs to be restructured to take account of the volume of sales / square footage of the retailer. It is illogical that a large multiple is currently paying the same (€500) for a beer license as a small independent retailer.

Tax on high salt and sugar content products

61% of Irish adults are overweight or obese and 20% of children likewise. Considerable evidence exists that the consumption of high sugar content drinks and sweets / cakes contribute to obesity which in turn raises the risk of heart disease, diabetes and other ailments. A 'junk food' tax could take the form of an excise duty surcharge on certain food products as categorised by the National Food Safety Authority based on levels of salt, sugar and added sugars.

According to a 2012 study from Marie Murray and Micheál Collins of the Nevin Economic Research Institute, a separate tax for sugar and salt taxing could generate €95m and €13m respectively. For individual consumers it would mean 3 cent on a chocolate bar and 5 cent on a two-litre bottle of cola.

Capital Gains Tax

Low rates of capital gains tax may be desirable in encouraging entrepreneurship. However, to the extent to which income can be converted to capital gains, there is a potential significant loss of revenue to the State from a variation between capital gains tax and income tax rates. We propose an increase in the capital gains tax rate to 35% which will yield €31m.

Taxing the tobacco industry

Research from the Irish Heart Foundation and Irish Cancer Society has shown that in the decade to 2010, the tobacco sector's revenue from a pack of cigarettes has increased from €1 to €1.84. Essentially the industry has used the opportunity afforded by increases in tax on tobacco to increase their own profits.

The evidence is that tobacco companies earn annual profits of €107m in Ireland. We would place a levy of 20% on these profits and increase the price of a packet of 20 cigarettes by €1.

In addition, more effective targeting of cigarette smuggling and additional spending on prevention measures is required and endorse the concept of a smoke free Ireland by 2020.

Revenue tax audits

Data submitted by Revenue shows that the number of tax audits carried out has fallen from 13,400 in 2009 to approximately 9,100 in 2012. The yield from tax audits declined by €200m. During this time the number of audit case workers has fallen by 143.

Last year Revenue estimated that:

- Redeploying 30 staff would collect €225m of debt.
- Increasing audit resources by 125 staff could yield an additional €100m per annum.
- Recruiting 40 ICT specialists to replace external resources would save €4m per annum.

We believe the necessary additional resources must be made available urgently. At a conservative estimate, this should yield an additional €100m in 2014.

Betting Duty

It is inexplicable that the government have not extended betting duty to online bets. We would do this immediately and increase the rate to 2% to raise €67m.

5 Tackling mortgage arrears, helping families in negative equity

Sustained economic recovery requires action on mortgage arrears

The most recent mortgage arrears statistics are a shocking indictment of the strategy adopted by the government to deal with the crisis. Each of the last four quarters has seen the level of 90 day residential arrears increase by 0.4%.

We have now passed the point at which many commentators predicted the rate would peak with no sign that the situation will improve in the short term. 7.4% of residential borrowers are in arrears over 360 days and 3.7% are in arrears over 720 days. This is both a social and economic crisis.

Fianna Fáil believes that keeping people in their family home makes for good social policy, and also makes sound financial sense. A sustained economic recovery will not take hold until the mortgage arrears crisis is tackled head on.

The government's Mortgage Arrears Resolution Targets Programme has actually made the situation worse. The banks' response has been to step up legal proceedings with over 13,000 threats of repossession issued since the targets were set.

To definitively solve this crisis, the power of the banks has to be diluted either by means of an independent mortgage resolution office or by legislation mandating what offer the banks must make in certain circumstances. Economic recovery and the well-being of society necessitates a far more radical approach than we have seen to date.

The Mortgage Resolution Bill which we have put forward seeks to improve the Personal Insolvency Act in that it removes the power of veto which the government built in to the legislation.

The Mortgage Resolution Order process we envisage would ensure that all distressed mortgage holders are dealt with in a consistent manner by an independent office. An order would be binding and give the borrower the certainty and space required to work through their financial difficulties so that they can retain their family home.

Help for families who need to move home

There is another group of people in addition to those who have actually fallen behind in their mortgage payments who require help. These are people who are quietly struggling to just about keep their head above water as they try to manage a mountain of household bills. It is often couples with young children who face the toughest challenges. Negative equity, childcare costs and back to school expenses are a constant source of worry for thousands of families.

While many investors bought apartments as speculative investments, the vast majority of housing transactions in the period 2002 to 2008 were to people who were purchasing a home to live in based on what they reasonably felt they could afford at the time. Many would have expected that after a period of 5-7 years they would have sold and moved on to a new home.

Since then a combination of falling incomes, rising personal taxes and changed family circumstances mean that tens of thousands of people are living in homes that no longer meet their needs. Two people who bought apartments on their own may have since got married and started a family. Neither apartment may be suitable to their situation now. Similarly someone who lost their job in Dublin may want to move to Galway to take up a new opportunity. In a normal housing market, they would be able to sell their current home and look to buy somewhere new.

In the absence of being able to sell, many families are choosing to rent their home and in turn rent a new property for themselves. Anyone that takes this course of action faces a mind boggling array of charges including income tax, universal social charge, non-principal private residence tax, fees to the Private Residential Tenancies Board and from this year PRSI on rental income.

To make matters worse they face losing their mortgage interest relief and their tracker rate, if they are lucky enough to have one. Quite simply, at a time when families need help, the actions of the State and the banks are combining to do the exact opposite. In practice, thousands of reluctant landlords have to subsidise the mortgage on their previous home and are not advising the bank that it is no longer their principal private residence. Others are making the unwise choice of not declaring their rental income to Revenue and storing up huge problems for themselves for the future.

Few in this scenario envisaged that they would become landlords and have to deal with all the challenges that brings. Their main concern is earning enough to look after their family. A family with a €300,000 mortgage on an apartment might be able to get €1,000 a month in rent. However, over the course of a year they would face a tax bill of €1,800 despite having to fund a mortgage that is under water. As a society it is very much in our interest to look at solutions that will prevent an entire generation being condemned to live in unsuitable accommodation, yet the system is currently stacked against such people.

We propose a simple change to the income tax code which would allow people who bought their house between 2000 and 2009, who have now moved out and are themselves renting another house, to offset this payment against the rental income for a period of 3 years. In practical terms this would substantially reduce or eliminate the tax bill on their rental income. This would only be available in respect of a property that was someone's principal private residence. It would not be a subsidy to investors. We estimate the cost of this to be €20m in the first year.

In addition the State should negotiate with banks to allow people to keep their tracker mortgages if they move house.

6 Getting value from the Capital Budget

As this stage the capital budget has been cut too deeply and many vital projects have been shelved. The Infrastructure and Capital Investment Framework (2012-2016) envisages a 60% reduction in Exchequer capital investment in 2014 from its peak in 2008, with the allocation in 2014 of €3.25 billion representing less than 2% of GDP.

In 2012 the government underspent the capital budget by €145m. Department of Finance and NAMA projections are that €1bn of capital spend equates to 10,000-17,500 new jobs in the economy. Under spending by €145m means a loss of 1,500-2,000 new jobs.

Rather than front loading spending last year the government delayed considerable amounts of spending until the very end of the year as it used the capital budget to make up for overruns in current expenditure.

The position is even worse this year. Not alone is the government cutting €500m in 2013 from the allocation for Exchequer Capital spending it is not even spending the money that has been allocated.

According to the September Exchequer returns, the government underspent the capital allocation for the first nine months of the year by a massive €305m (17%). This means much needed investment in not taking place. The government are using the capital budget as a tool to balance the books rather than seeing as an integral part of delivering economic recovery.

Need for increased capital investment

In its 2013 Stability Programme Update, the government offered a pessimistic assessment of its own job creation plans.

“There is also some upside potential stemming from the measures introduced as part of the recent Action Plan for Jobs 2013 and the Pathways to Work initiatives, which may have an impact on employment levels over the short- and medium-term.”

So despite all the fanfare and giving itself a “A” grade for job creation, its own report to the EU cannot be any more definitive that its plans offer “some upside” and “may have an impact”.

The government also recognised that the economy is starved of investment both public and private: “On the domestic front, economy-wide investment – currently at around 10 per cent of GDP – remains very low both in historical and cross-country terms. A return to more normal levels of investment could add considerably to baseline GDP projections, once business confidence and credit conditions are supportive.”

Capital spending announcements

The government have engaged in grandiose announcements including the promise of a €2.25bn stimulus last year. Our Public Expenditure and Reform spokesperson

Sean Fleming has repeatedly questioned the Minister in the Dáil as to the delivery of jobs under this plan. However it is now clear that the stimulus plan has had very little impact to date. It could be up to two years before there is even a modest impact as a result of the proposals.

In June 2013, the government said it is going to spend €150m on new schools, local roads and the upgrade of council houses this summer. When account is taken of the €500m cut there is still a net reduction of €350m for 2013.

The money announced is only a tiny fraction of what is needed, no progress will be made on a range of vital schemes:

- DART Underground
- Dublin Eastern Bypass
- Leinster Outer Orbital
- M20 Cork to Limerick
- N2/A5 Dublin to Derry HQDC/Motorway
- M4 Mullingar to Longford
- Atlantic Corridor
- Electrification of Rail Network

Strategic Investment Fund

Two years ago we suggested leveraging private pensions and the National Pension Reserve Fund as a means of supporting infrastructure investment.

The government is now belatedly coming round to this idea. However, given their failure to deliver on existing promises there must be considerable doubt over whether forthcoming announcements will actually produce any tangible benefit.

In September 2011, the government announced the establishment of a Strategic Investment Fund. The legislation necessary to facilitate this investment should be expedited to allow investment in much needed projects to take place.

In addition, private pension funds should also be incentivised to invest in the fund.

7 9% VAT rate

The government announced a jobs initiative in May 2011. The original intention of the plan was that it would be cost neutral with the pension levy funding various measures including a reduction in the air travel tax, the 9% VAT rate in the food and tourism sectors and some capital spending.

The industry contends that approximately 15,000 jobs have been created in the restaurant and tourism sectors since the VAT reduction in July 2011 and that an additional 5,000 jobs will be created in next 12 months if 9% VAT remains in effect.

The restaurant sector employs 64,000 people (1 in 4 tourism jobs) and contributes a total of €2 billion to the Irish economy each year. It is important that it is supported.

The Department of Finance estimates that the cost of the 9% VAT rate is €350m a year but this does not take into account the income tax, USC and PRSI paid by these employees and the saving in social protection payments. A recent report from Deloitte/Fáilte Ireland and a separate submission report from the Irish Tourist Industry Confederation found the net cost was actually €90m.

Following the introduction of the pension levy,the government did not proceed with the reduction in the air travel tax blaming the airlines for not putting on more flights. This means that a considerable amount of the revenue raised has not been spent.

In fact, the levy itself has brought in more than was originally expected. When it was introduced the annual revenue was expected to be €470m. In 2012 it exceeded this amount when €483m was raised and rising market values pushed revenue in 2013 up to €512m.

In response to a recent parliamentary question, the numbers provided by the Minister for Finance indicated that €340m of the proceeds of the levy were not spent on jobs. Department officials are acknowledging that somewhere between €200m and €240m of the pension levy proceeds have not been spent on jobs. This is simply not good enough. We believe that it is imperative that all revenues raised from the pension levy are fully spent on job creation measures. On the basis of the measures that were not proceeded with and the additional revenue which the levy has raised this year we believe there are adequate resources for the Minister for Finance to be in a position to retain the 9% VAT rate.

8 Reducing Expenditure, Protecting Services

Haddington Road agreement

Now that the Haddington Road agreement is in place the government must ensure that the projected savings are achieved and in a manner that ensures that front-line services are protected and the public is not made to suffer reduced or impaired services.

Key areas to watch will include hospital waiting lists, processing time for medical cards, special needs facilities in schools and the manner in which social welfare applications and appeals are dealt with.

We will hold the government to account in these areas to ensure that not alone is the €350m savings target achieved but it is done so in a fair and equitable manner.

Non Pay / Professional Fees / Shared Service savings

We believe that more should be done to expedite and maximise the savings that can be achieved from non-pay areas. In particular, professional fees should be examined to ensure the State is getting value for money. Where possible all professional services should be subject to a competitive tendering process and subject to regular scrutiny to ensure value for money is achieved.

Procurement savings

The National Procurement Office has highlighted the potential for €500m in savings in procurement. At least one third of that should be targeted in 2014 (€165m).

In addition to reducing the overall bill we should look to ensure that subject to EU rules as much of the State's procurement and capital budget is won by domestic tenderers. Ireland remains well below the EU average in this regard. If we were to attain the EU average, it would represent a significant stimulus to the domestic economy.

Interest Bill on National Debt

According to the Stability Programme Update the interest bill on the national debt is expected to be €8.4bn in 2014. The average interest rate on the State's debt is projected at 4.1%.

According to information supplied by the Department of Finance the NTMA currently had cash on hand of c€26bn as at 30 June 2013. According to the Minister for Finance the funds are "held in the Exchequer account at the Central Bank where they earn the Euro Overnight Index Average as set by the European Banking Federation on a daily basis." This is currently 0.08%.

There is a significant cost of carry associated with retaining such a large cash balance. In addition, it makes our debt / GDP (which is reported in gross terms) appear worse than the underlying position.

Bond yields for Irish government debt have come down significantly. 5 year bond yields are at 2.7%, while 10 year yields are at 3.7%. In the past the NTMA were extremely successful in exploiting opportunities such as this to bring down the annual interest bill. We believe it should be possible to reduce the overall bill by approximately 2% (€150m) through buybacks of State debt and a more judicious use of the existing cash buffer. This estimate does not include the savings in the interest bill that would arise from a reduction in the bank debt.

Social Protection control measures

The existence of fraud within the social protection system diverts resources from those in most need of assistance while undermining public confidence in the system as a whole. Fraud should not be tolerated at any level and the government must prioritise efforts to reduce and where possible eliminate illegal claims.

Technological advances and more detailed case examination can assist significantly in detecting and eliminating fraudulent claims. Attention should also be given to more clearly communicating to claimants their rights and responsibilities and the consequences of fraudulent activity.

Recent figures suggest that while the Department of Social Protection set a target for €710m in control savings for 2013, just €412m in savings have been achieved up to the end of August. There is scope for additional savings of €50m a year.

Labour Force activation measures

Labour Force activation measures have improved but can still be enhanced considerably.

As the OECD report rightly points out we risk a lost generation of young people unless we tackle the problem of youth unemployment head on. A situation where 30% of young people are outside of education or paid employment simply cannot be allowed to continue.

The OECD recommends that the government "prioritise the engagement with long-term jobseekers and increase the number of caseworkers supporting them, through internal redeployment".

There are numerous recommendations in this report that were also made in the last OECD report in relation to better targeting of support for enterprise, the design of education courses and reforms to make the economy work more efficiently. In many cases, progress has been scant or non-existent. While the unemployment rate has come down slightly, most of this can be attributed to emigration and increased part time work. We are not going to make a serious dent in the 414,300 unemployment total until we take on board difficult decisions that the OECD is talking about

Private sector recruitment firms should be used to assist in finding employment opportunities for long term unemployment claimants. The incentive structure should be designed such that payment to the agency is made following a successful six month placement.

To further improve the flexibility of the social protection system, claimants should be allowed to freeze their payments for a set period of time to allow them to take up short term employment opportunities. It should be possible for individuals to view their full social protection record online as they can currently do with tax credits and Revenue correspondence.

We also suggest an increase of up to 10,000 in the number of places across local employment schemes, including the Tús scheme. This can cover a wide range of ventures including community centres, rural recreation, child care, community enterprise, city, town and village maintenance and renewal.

We believe a combined saving of €150m can be achieved from control and activation measures.

Health

The state drugs bill continues to be a source of considerable concern. 16 per cent of Ireland's health budget is used to purchase drugs, whereas in the UK, the figure is 9 per cent. Earlier this year Prof Michael Barry the Head of the HSE's national drug purchasing programme accepted it is difficult to defend the prices that Ireland is paying for generic drugs, compared to the UK. At the time media reports had suggested that the HSE can pay up to 24 times more for generic drugs than the UK NHS.

The HSE has estimated that the average payment to pharmacists in 2012 was €762 per person who availed of drugs. The C&AG noted that the bulk of the cost reductions in 2012 related to reductions in the numbers employed rather than savings on the drugs budget. Savings in 2012 due to planned drug pricing changes were projected to be €124 million. Ultimately, savings achieved in 2012 were estimated at just under €15 million. The Health (Pricing and Supply of Medical Goods) legislation should make provide a framework for finally achieving the long overdue savings in the HSE drug bill. Should these savings not materialise we believe the National Procurement Office should be given the task of managing purchasing medicines on behalf of the HSE.

Over prescribing would appear to be a significant problem and the Department of Health need to engage with general practitioners to make savings in this area. Almost a quarter of doctors prescribed more for their patients in the first four months of 2012 as compared to 2011.

A report from Audit Scotland highlighted an 11% cut in real terms spending on drugs arising from GPs receiving more support and guidance on their prescribing, but concluded that despite this there is still money to save.

There is also scope to improve revenue from designated private beds in public hospitals by improving efficiency of use and reduce costs associated with employing agency staff.

Rationalisation of State Boards and Agencies

Fine Gael's "Reinventing government" promised the abolition of over 145 state bodies and companies including the dismantling of the HSE and FAS. The Public Service Reform Plan published in 2011 aimed to secure €20 million in service efficiencies from the rationalisation of state agencies.

Saving are derived from a reduction in the number of public servants working in the State Bodies as well as well as merging financial systems, office accommodation etc. into more coherent structures.

The process needs to be urgently re-invigorated with a target of an additional €10m in savings in 2014.

State Claims Agency

The State Claims Agency has responsibility for management of personal injury and property damage claims against the State. The total paid out in respect of all claims in 2012 amounted to €100 million.

At the end of 2012, the State Claims Agency reported that the estimated potential liability in respect of all active claims was €1.13 billion. €970 million of this is in respect of clinical personal injury claims while around €160 million related to other forms of claims.

Currently, if someone receives an award following a medical negligence claim the payment is made in the form of a once off lump sum. At the time of the award, a decision must be made based on assumptions which include life expectancy of the plaintiff, costs of future medical care, risk of further deterioration and the rate of return from investing the lump sum.

The Working Group on Medical Negligence and Periodic Costs concluded that system should be replaced with one of periodic payments.

In August 2012, the State Claims Agency announced a new procurement structure requiring barristers to engage in a competitive tendering process under which their fees were capped at up to 25% below prior levels. This has resulted in some savings but more can be done.

This combined with a reduction in legal fees has the potential to provide the State with a minimum cash flow saving of €10m in 2014.

Savings on State Energy Bill

A report in August 2013 indicated that the State's energy bill is upwards of €500m. Despite the launch of a National Energy Efficiency Action plan last November no obligation on schools to save energy have been imposed. A requirement on 4,000 schools to target 10% in energy costs would save €7 million a year. Across the public sector a minimum additional €15m can be saved from capital investment such as roof and wall insulation, new windows, new boilers and switching to renewable energy sources.

TV licence fee collection

The current level of compliance with the TV licence is approximately 84%. This means that around 272,000 households are evading the charge resulting in a loss to the State of €25m. Considerably greater effort is required to increase collection rate with a target of €15m in additional revenue in 2014.

Land remediation costs

Remediation of 34 land fill sites has so far cost the State over €119m. Substantial further costs are expected to be incurred in respect of sites at Haulbowline and Kerdiffstown. This represents a massive cost burden to Local Authorities who have not done enough to date to recoup the cost outlay. At least €10m should be recovered in 2014. A fine should be imposed on local authorities who fail to achieve this.

Financing of PPP projects

At the end of 2012 there was €4.15bn in Public Private Partnership projects (PPP) outstanding. Commitments under PPPs give rise to financing obligations usually extending over 25 to 3 years. The current average interest rate on PPP projects is c5%. As with the National Debt it should be possible to achieve savings in the management of interest costs associated with PPP projects of a minimum of €10m.

Management of Fixed Charge Notice Scheme

While two–thirds of fixed charge notices for motoring offences are paid on time. In nearly 20% of cases the individual is able to avoid penalties or a court appearance. Not alone does this undermine confidence in the penalty points system it also represents a significant loss of revenue to the State. As noted by the Comptroller and Auditor General, Gardai must "urgently" address problems to "ensure fairness and continued public confidence" in the system. This should raise an additional €5m in 2014.

9 Ensuring Fairness in Public Expenditure

Our core spending principle is that Education, Disability and Mental Health services should not be subject to any further cuts. In addition, we propose the following:

Family Income Supplement *€10m*

In order to qualify, a person has to work at least 38 hours per fortnight. A situation can arise where a person working 38 hours a fortnight would be entitled to a significant payment, while a person with a smaller income working 37-and-a-half hours a fortnight would get nothing. If the Department of Social Welfare were allowed to exercise discretion in cases like this, the State could be a substantial beneficiary. We propose an additional allocation of €10m to the Department of Social Protection to cover this in 2014.

Jobseekers Allowance 3 day rule *€10m*

At present there is a rule that anybody who works more than three days per week is not entitled to Jobseekers Allowance payment regardless of how little they earn.

A person, for example, working 15 hours over three days might receive a fairly significant Jobseekers' payment whereas another person working 15 hours over five days, and earning the same amount or even less, would receive no social welfare payment. In most cases the latter would have no financial incentive to go out to work – in fact, in many cases he / she would lose out financially by doing so.

The restriction on not being allowed work more than 3 days should be scrapped. This would be a clear recognition of the reality of the modern labour market. It would incentivise many people to go to work, and reduce the state social welfare bill.

One Parent Family payment *€5m*

At present, lone parents are entitled to work and stay in receipt of the full One-Parent Family Payment if their income does not exceed €130 per week. Any income above that is deducted from their allowance. This was done in order to encourage them to avail of work that might be available. The vast majority of single parents who do work do so on a part-time basis.

However, the government is proposing to drastically reduce the amount they can earn while retaining their full payment. For many of them this means that it will not be worth their while financially to continue working.

If a lone parent who is working part-time and earning more than €130 per week (as most are), gives up work and goes back full-time on social welfare then the State will finish up paying out more and the individual will be financially worse off. It is a classic lose-lose situation.

Restore guidance counsellors from September *€10.4m*

In 2012 Minister Quinn removed the ex-quota allocation for guidance provision. We said at the time that this would lead to the dismantling of the entire service. It has

become clear that schools are struggling to maintain a counselling service, are offering an emergency service only and are unable to cope with mental health problems. We would like to see a gradual reinstatement of guidance provision. The full year cost of re-instatement would be €32m. We propose that half of the number of posts lost would be restored from September 2014.

Special needs education *€23.5m*

The government must commit to prioritising funding for special education. This should include protecting resource teaching hours and the number of Special Needs Assistants in our schools. We also believe additional resource teaching hours should be made available for children with Down Syndrome and that it should be listed as a low incidence disorder.

Reversing cuts to staffing levels in rural schools *€10m*

The local national school is at the heart of many rural communities across Ireland. Even more so than a post office or a sports club, it is where parents, children and families meet 5 days a week during the school year. It is invaluable in terms of building a sense of community. We oppose plans to introduce phased staffing cuts in small schools with fewer than five teachers will result in many communities losing their local schools. The full year cost €15m, we propose an allocation of €10m.

Discretionary Medical Cards *€10m*

The number of people entitled to such a discretionary medical card has fallen from 80,000 to 56,000, a reduction of 24,000. It appears there has been a particular focus on achieving savings in this area with people suffering from a serious illness who would have been entitled to discretionary medical cards in the past no longer qualifying. To allow for an initial increase of 10,000 in the number of qualifying medical cards in this category, an extra €21m should be allocated based on the Comptroller and Auditor General's average cost of €1,020.

Suckler Cow Welfare Scheme *€15m*

Fianna Fáil launched the Suckler Cow Welfare scheme in 2008 with payments to 50,000 farmers for 750,000 animals. Welfare and weaning practices improved significantly as a result of the scheme with enhanced performance and quality and a major reduction in disease problems and treatments. The scheme was abolished by the government in the 2013 budget. We are committed to its restoration from July 2014. The cost of this will be €15m in 2014 with a full year cost of €30m.

Alzheimer Care Strategy *€5m*

Fianna Fáil believe that support services particularly in the community need to be developed and enhanced for people who have been diagnosed with dementia. This would include respite care .There should also be investment in programmes to make people more aware of the condition so that there can be early diagnosis and intervention.

10 Providing Flexible Pension Options

Last year the government introduced a measure that for a three year period only, employees who had made additional voluntary contributions (AVCs) to their pensions have one-off access to take back up to 30% of these contributions. Drawdowns are subject to marginal-rate income tax.

Only €10m in tax revenue had been generated from the measure by the end of June 2013 indicating a low level of take up. This is not surprising given the way in which the scheme is designed.

Employer paid contributions, regular employee contributions, self-employed personal pensions and normal Personal Retirement Savings Account (PRSA) contributions are excluded, as are AVCs which are being made for the purposes of purchasing notional added years. Accessing the facility currently makes sense only in limited circumstances such as where someone's income has dropped very substantially or where the individual may otherwise exceed their Personal or Standard Fund Threshold.

Restricting access to AVCs discriminates against the self-employed and other business owners who may have very good reason to want to access money tied up in their pension, especially with credit as tight as it currently is.

At present in Ireland, there is an estimated €80bn invested in Irish pension funds. The majority of assets are managed on behalf of Defined Benefit Schemes (approximately €50bn) with the remaining €30bn managed on behalf of Defined Contribution schemes (including additional voluntary contributions). Most Defined Benefit schemes are now closed with members being transferred to Defined Contribution schemes.

For 2014 we propose an amendment that would widen the current range of pension assets that could be accessed before retirement to include those in Defined Contribution schemes (including Personal Retirement Savings Accounts) subject to certain qualifying conditions:

- Redundancy
- First Time buyer home purchase
- Critical illness
- Dealing with debt problems

In recognition of the difficulties faced by many individuals we propose that people availing of the early draw down option should pay a rate of tax 10% below their marginal rate for the first €20,000 and the marginal rate on any additional amount. We estimate this can yield €75m in 2014.

Appendix One: Summary of adjustment

Revenue	€ million
Carry forward from 2013 (PQ 41340/13)	83
Revenue from increased tax enforcement activity	100
New tax measures (as per Appendix two)	1,362
Increased dividends from commercial semi-states	20
Adjust opening position (Local Property Tax €250m, NPPR definition €20m)	-270
	1,295
Adjustment for partial year impact of new measures in 2014	-175
Net revenue adjustments	1,120

Expenditure	€ million
Carry forward from 2013 (PQ 39178/13)	100
Proposed expenditure savings	1,280
Additional expenditure measures	-100
Net expenditure adjustments	1,280
2014 Adjustment	**€ million**
Revenue and Expenditure	2,400

Non-recurring items	€ million
Sale of National Lottery licence	200
Special dividend from ESB (sale of overseas power plants)	200
Total non-recurring items	400

Appendix Two: Taxation measures

Taxation measures	€ million	PQ reference
Cap tax relief for pension schemes which deliver pension income of more than €60,000 per annum	250	40656/13
Increase USC by 3% for PAYE workers over €100,000	71	36637/13
Abolish personal and employee tax credits for employees over €150,000	165	41360/13
15% lid levy on alcohol sales	180	Note 1
Introduce a tax on high sugar content foods	95	Note 2
Introduce a tax on high salt content foods	13	Note 2
20% levy on profits of tobacco companies	21	Note 3
Increase excise duty on packet of 20 cigarettes by €1	149	41342/13
Increase excise duty on a bottle of wine by €0.50 per bottle	27	41343/13
Raise standard DIRT tax from 33% to 35%	35	36643/13
Raise capital gains tax from 33% to 35%	31	36644/13
Raise capital acquisitions tax from 33% to 35%	18	36645/13
Extend betting duty to online and raise rate to 2%	67	41373/13
Abolish building heritage relief	4	36634/13
Yield from improved early access to certain pension benefits	75	Page 30
Standard rate the tax relief for expenses allowable to employees under Schedule E	23	41644/13
Increase from 5% to 10% the USC surcharge on income covered by property related reliefs	7	41341/13
Non Principal Private Residence Charge: €350	131	36642/13
	1,362	

Note 1: Estimate based on 20% of alcohol sales by volume are in off premises. Total alcohol sales in Ireland 2012: €6.35bn.

http://www.cso.ie/en/media/csoie/releasespublications/documents/economy/2012/nie_2012.pdf

Note 2:
http://www.tcd.ie/Economics/msceps/courses/understanding%20markets/15%20DEW%20Fat%20Tax%20Paper%20Murray%20and%20Collins%20Oct%202012.pdf

Note 3:

http://www.cancer.ie/sites/default/files/content-attachments/irish_cancer_society_and_irish_heart_foundation_tobacco_pre-budget_2014.pdf

Appendix Three: Expenditure savings

Expenditure measures	€ million	Page reference
Haddington Road savings	350	Page 23
Non Pay / professional fess / shared services savings	80	Page 23
Procurement savings	165	Page 23
Saving on National Debt interest bill	150	Page 23
Social Protection control measures	50	Page 24
Labour Force activation measures	150	Page 24
Savings on HSE purchase of branded drugs	150	Page 24
Reduce inappropriate prescribing	20	Page 25
Generic Drug substitution	50	Page 25
Reduced use of agency staff in Department of Health	15	Page 25
Improve the efficiency of designated private beds in public hospitals	25	Page 25
Rationalisation of State agencies and boards	10	Page 26
State Claims Agency – fees and lump sum payments	10	Page 26
Savings on State Energy Bill	15	Page 26
TV licence collection	15	Page 27
Land remediation costs	10	Page 27
PPP refinancing	10	Page 27
Improved management of fixed charge notice system	5	Page 27
	1,280	