



Rialtas na hÉireann
Government of Ireland

The Budget in Brief

A Citizen's Guide to
Budget 2021

Prepared by Department of Public Expenditure and Reform and
Department of Finance
www.gov.ie

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Welcome to The Budget in Brief

This guide provides a high-level overview of Budget 2021.

Each year, important decisions are made about how public money will be spent and the level of taxation needed to fund this.

This guide aims to explain how money will be raised and spent in 2021. It has an easy-to-use format so that it can be used by a wide cross-section of society. This will enable citizens to take part in informed debate about the choices made by Government. If you would like to know more about Budget 2021, the websites www.gov.ie/budget and www.budget.gov.ie have more in -depth material available to download.

Budget 2021





What is the Budget?

Each October, the Minister for Finance and the Minister for Public Expenditure & Reform announce the Government's spending, tax and borrowing plans for the following year.

This is called the budget.

The budget covers all of Government spending and revenues. It includes all Government Departments, Agencies and Non-Commercial State Bodies as well as the Local Government sector.

The Budget Process

In April the **Stability Programme Update** is submitted to the European Commission. This outlines the economic background to the budget and sets out the Government's economic strategy over the next five years.

In June the **National Economic Dialogue** is held. It is attended by Ministers, Members of the Oireachtas, business and employee representatives, social and voluntary groups, environmental groups, and other representative bodies. The Dialogue allows for the sharing of views about the competing economic and social priorities facing Government.

In June the **Summer Economic Statement** is published. It provides an updated assessment of the how the economy and the public finances are doing and sets out the Government's strategy for the Budget. It allows for an open discussion about options and priorities in advance of the October budget.

In July the **Mid-Year Expenditure Report** reviews the Government's expenditure position to end-June across all spending areas. It sets out the up to date pre-Budget position.



The impact of the pandemic has meant that this year's budget process was different. The Pre-Budget Expenditure Update 2020 replaced the Mid-Year Economic Report and the Summer Economic Statement and it was not possible to hold the National Economic Dialogue.

The weekend before the Budget the **White Paper on Receipts & Expenditure** is published by the Department of Finance. It sets out projected national revenues and spending for the current year, and also for the next year (2021). It sets out the opening position for the Budget, and figures are calculated on a pre-Budget basis (i.e. based on the current Budget, and not the Budget to be announced the following week).

The **Social Welfare and Pensions Bill** provides for changes in the social welfare code announced in the Budget and is usually enacted soon after Budget Day. The **Finance Bill**, which puts the tax measures announced in the Budget into law, must be enacted within four months of the passing of the Budget Day Financial Resolutions.

On **Budget Day** in early October the Minister for Finance and the Minister for Public Expenditure and Reform present the Budget Statement to Dáil Éireann. This speech sets out the changes Government proposes to make to taxes and spending in the following year. These proposals are debated. Any changes that are proposed to have immediate effect are voted on by Dáil Éireann as Financial Resolutions.

In December the Department of Public Expenditure and Reform publishes the **Revised Estimates Volume**. This book provides full details about spending in each Government Department and agencies as well as performance information.

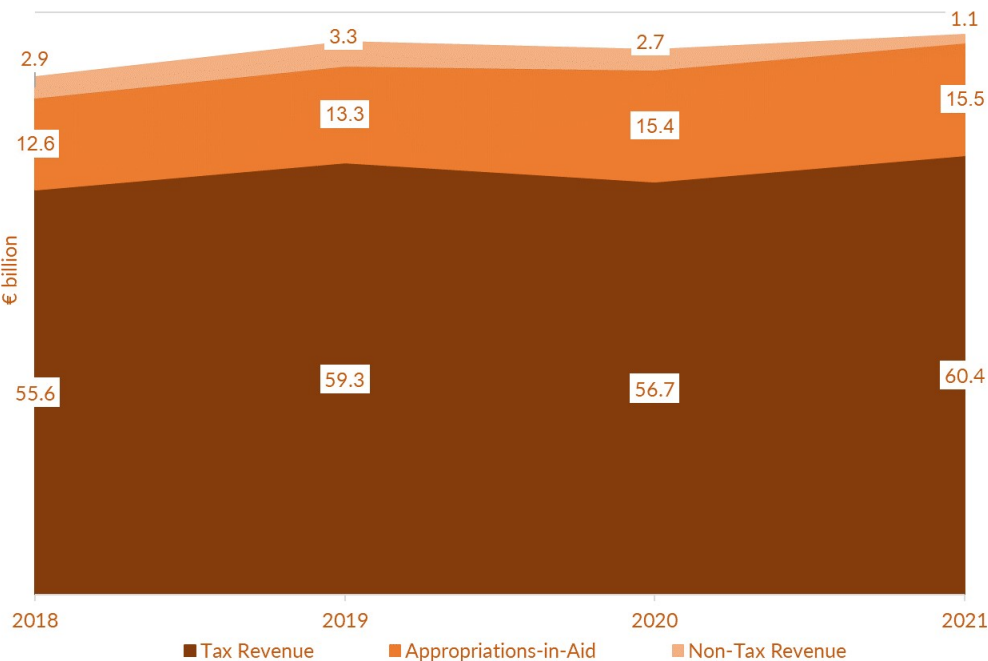
Where does the money come from?

All tax payments and other revenues received by the State are paid into a central fund, called “the Exchequer”. Government expenditure is funded from the Exchequer.

Government receives money from a number of sources:

- Tax revenue is paid by citizens and businesses.
- Non-Tax revenue comes from a number of sources including income from the Central Bank of Ireland, dividends from shares owned by Government and the National Lottery.
- Some money is generated by Government Departments and bodies for their own use. This is called “Appropriations-in-Aid”.

This chart shows the amount of revenue expected to be raised in 2021 through tax revenue, non-tax revenue and appropriations-in-aid. The total revenue is **€76.9 billion**.



How is the money spent?

Money raised by the Government is spent on delivering public goods and services.

It can be divided into current and capital expenditure.

Current expenditure covers day-to-day spending by Government Departments, Agencies and Non- Non-Commercial State Bodies and includes the wages and pensions of public servants .

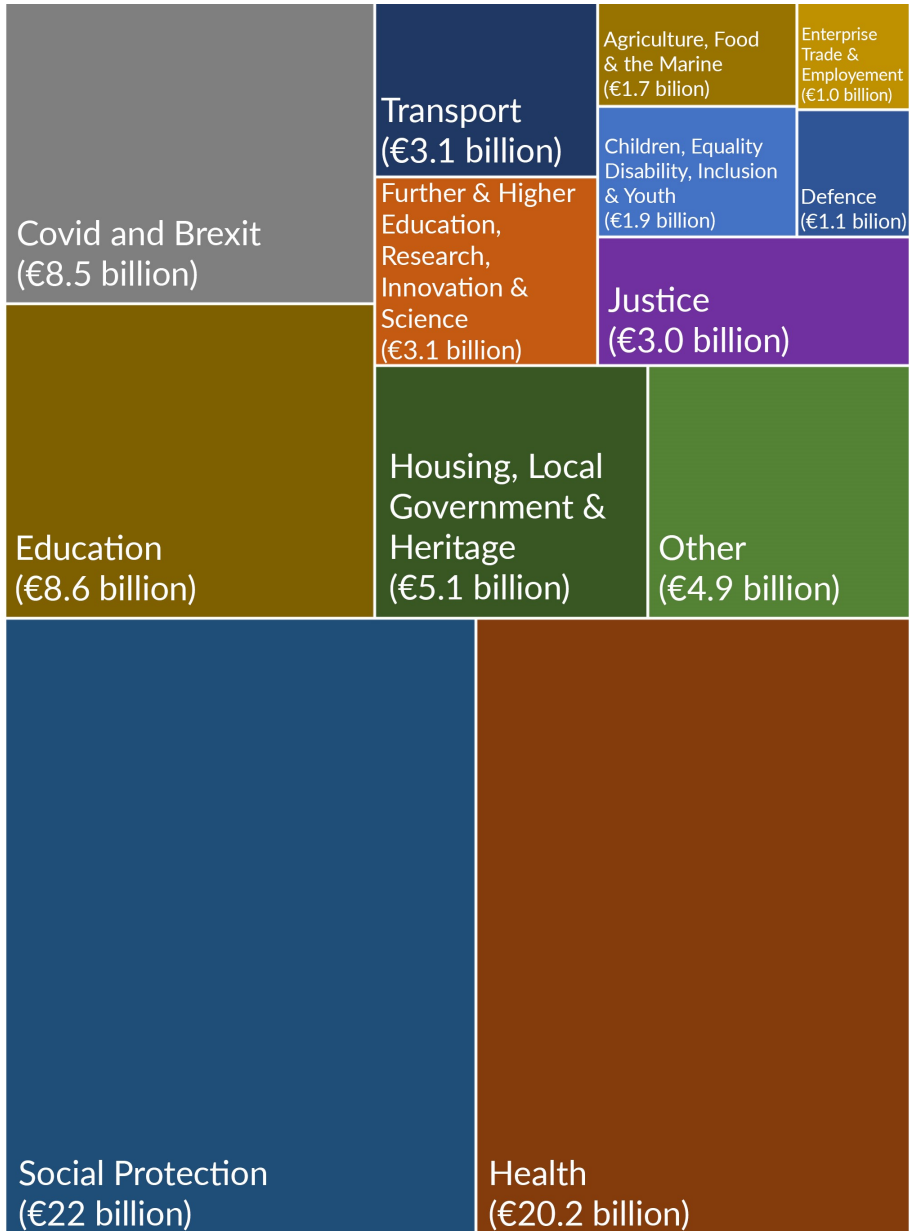
Capital expenditure includes spending on long-term physical assets (such as roads, bridges, hospital buildings and schools) and on non-physical assets (such as computer software).

The expenditure that is approved by the Dáil during the budget process is called “Voted Expenditure”.

In 2021, Voted Expenditure will amount to **€84.4 billion**. Of this €74.3 billion will be used to provide key public services and €10.1 billion will be used to invest in projects that will provide a longer term benefit to society.

The Government is also putting in place a Recovery Fund of **€3.4 billion**. This fund will be used to support our economy deal with the challenges of Covid-19 and Brexit.

This figure illustrates how Voted Expenditure will be distributed across different policy areas in 2021.



Note: "Other" includes Environment, Climate & Communications(€0.8 billion), Tourism, Culture, Arts, Gaeltacht, Sport & Media (€0.9 billion), Rural & Community Development (€0.3 billion), Taoiseach (€0.2 billion), Finance (€0.5 billion), Public Expenditure & Reform (€1.4 billion) and Foreign Affairs (€0.8 billion).

Non-Voted expenditure is not subject to annual Dáil approval but is allowed for under existing laws. It includes spending such as interest on the National Debt and Ireland's contribution to the EU Budget. It also includes costs such as the Houses of the Oireachtas and the salaries of judges. Non-Voted expenditure will amount to €9.2 billion in 2021.



Living with COVID-19

Covid-19 has had an enormous impact on communities, businesses, families and individuals in Ireland.

Covid-19 remains a major challenge for us all.

Covid-19's impact on the Irish Economy

Our efforts to suppress the transmission of the virus have led to lower levels of economic activity.

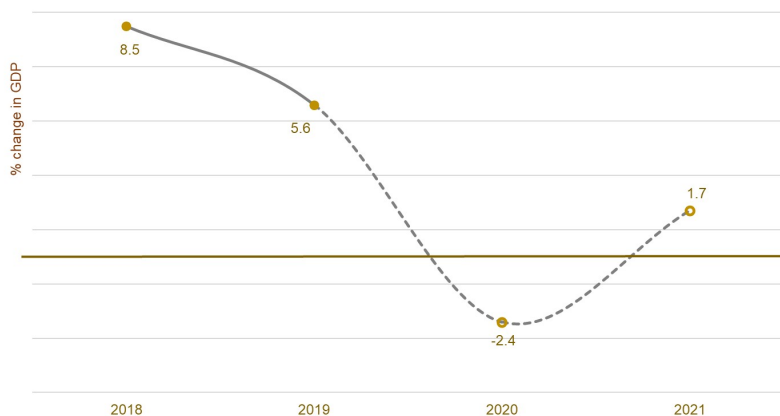
While large parts of the economy have been able to reopen safely, uncertainty about the future remains.

Gross Domestic Product

Real GDP is an inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year.

This year, the pandemic has had a negative impact on the economy. It has contributed to the economy shrinking by **2.4%**.

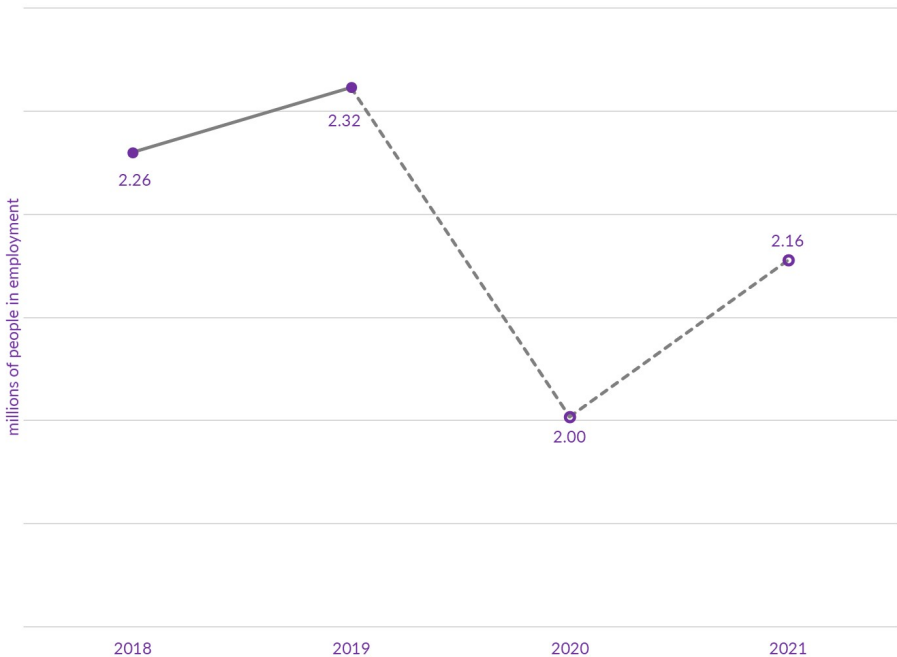
Next year, it is projected that the economy will grow by **1.7%**.



Labour Market

The pandemic has had a strong negative impact on the number of people in employment.

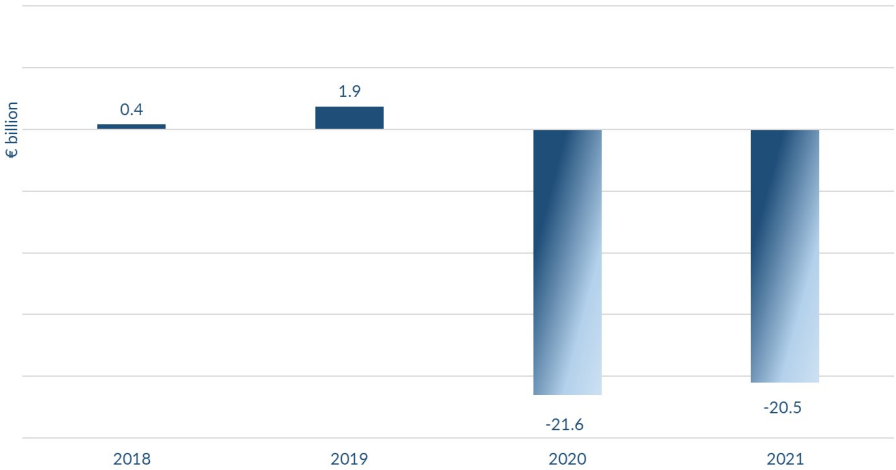
Employment is expected to recover over the next year. It is projected that **2.16 million** people will be in employment in 2021.



Deficit

The money that the State spends on providing goods and public services must be balanced with revenue or income received by the State. If the State spends more money than it collects this is a budget deficit.

The impact of the pandemic on what the State spends, and the money it collects. This year it is projected that there will be a general government deficit of €21.6 billion and a deficit of €20.5 billion in 2021.



Debt

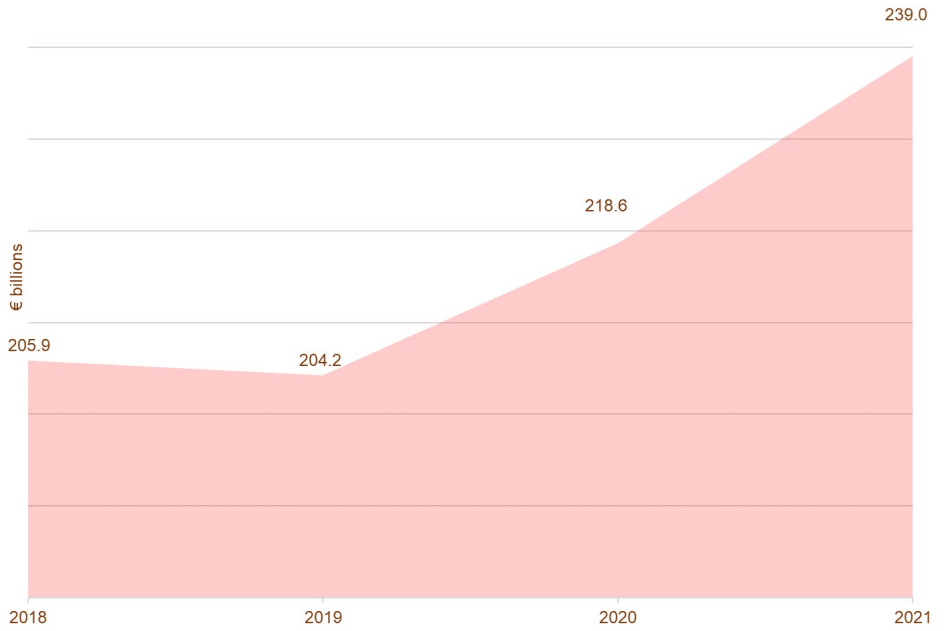
To cover a budget deficit, the State must borrow money.

When expenditure is greater than revenue, the Government must borrow. It does this mainly by issuing bonds.

When the State borrows money, it must be paid back with interest. This means that less money is available for public services.

It is a priority of Government to reduce public debt.

The stock of debt is expected to be €239 billion by end-2021.



Responding to the challenge of COVID-19

Budget 2021 is providing €8.5 billion to support our people, our families, our communities and our businesses deal with the challenge of Covid-19. This includes a Contingency Reserve of €2.1 billion which will be available if required to ensure the delivery of public services and necessary income supports.

Health

It is crucial that our health service continues to support both those who are ill and those who provide medical care.



€1.9 billion has been provided to address the challenge of Covid-19 in the health sector to ensure the supply of PPE, provide capacity for 100,000 tests per week and continue all necessary Covid-19 Action Plan measures.

Jobs

It is important to try and protect the jobs of people who were not able to go to work because of the efforts to suppress the transmission of the virus.



There is an additional €3.2 billion to provide for the Pandemic Unemployment Payment, Employment Wage Subsidy Scheme and support people upskill and re-enter the workforce.

Business

During these challenging times, it is important to support those businesses that are in a position to operate safely and to ensure that other business will be ready to open their doors when they can do so safely.



Department of Business, Enterprise & Innovation will spend an additional €100 million including Enterprise Ireland supports helping Irish businesses who have suffered the impacts of Covid-19, IDA Ireland funding research and development in Covid-related products like medicines and medical equipment and Local Enterprise Offices delivering supports to local businesses throughout the country.



The Government is supporting business through the Strategic Banking Corporation Ireland's Covid-19 Credit Guarantee Scheme and the Ireland Strategic Investment Fund's Pandemic Stabilisation and Recovery Fund.

The Government will continue to support business through a temporary reduction of VAT for Tourism and Hospitality items from 13.5% to 9% and an expansion of warehousing of tax liabilities

Education



Budget 2021 provides for an additional €232 million to meet the costs of ensuring that our students continue to be educated in a safe environment and to keep our schools operating safely, including PPE and school transport provide additional training

Transport



An allocation for 2021 of €395 million will support the delivery of public transport services while operating at restricted capacity as required under public health guidelines.

EU Response



The European Union has put in place an unprecedented set of measures to support the efforts of its Member States to respond to Covid-19, including public health measures and economic responses, notably the €750 billion Next Generation EU recovery plan.

Preparing for Brexit

The United Kingdom left the European Union on 1 February 2020.

The Withdrawal Agreement provided for a transition period. This transition period gives time for governments, businesses and citizens to prepare for the changes that will arise on 1 January 2021.

From the start of 2021, the UK will be outside the EU's Single Market and Customs Union, and will no longer be bound by EU law.

While the EU and the UK are currently negotiating a future partnership, progress has been limited.

The timing of Budget 2021 means that it has been prepared on the assumption that the outcome of this negotiation will be a “hard” Brexit. This would mean that from 1 January 2021 the EU and UK would trade on World Trade Organisation terms.

A hard Brexit is expected to have a significant negative impact on Ireland's economy and public finances.

The Government is continuing to prepare for the challenges of Brexit making sure that:

- Businesses and enterprises can manage the challenges of Brexit, and will focus on engaging with more with global markets;
- The agri-food sector can adapt to Brexit challenges, and can thrive in the long-term; and
- Irish interests are supported at home and abroad in the context of Brexit.

Over **€700m** has been provided, since the Brexit Referendum, for Getting Ireland Brexit Ready.

This money has been used for a broad range of activities to address the far reaching potential impacts of Brexit. For example, the Government has:

- Heavily invested in Dublin Port, Rosslare EuroPort and Dublin Airport, so that the physical infrastructure can accommodate the checks on goods going in and out of the country;
- Provided funding for around 1,000 staff to undertake food, goods, veterinary and other necessary checks;
- Provided a number of “no-regret measures”- which are measures that regardless of the outcome of the negotiations are useful to businesses- such as supporting diversification, innovation and competitiveness;
- Focussed on making business conditions favourable, through schemes which make businesses able to borrow and invest more easily; and has,
- Supported the agriculture sector which is particularly challenged by Brexit.

Around **€340 million** will be provided in Budget 2021.

This money will be used to continue the work underway at Dublin Port, Rosslare EuroPort and Dublin Airport. Funding is provided for around another 500 staff this year to undertake the necessary controls and checks, so that the total number of staff supporting and undertaking the checks is around 1,500.

As the transition period is ending, the Government is moving from preparing for Brexit, to enacting the measures necessary to limit the negative impacts of Brexit. As a result, Budget 2021 builds on existing supports, by providing substantial additional funding to support the sectors most exposed to Brexit. Funding is provided to:

- Bord Bia, which is responsible for supporting the Irish agri-food sector, and developing export markets;
- The Local Enterprise Offices, which are the first-stop shop for small and micro-sized businesses across the country, many of whom are very challenged by Brexit;

- Enterprise Ireland and the IDA to support their promotion of Ireland abroad, so that Irish businesses can compete on a global stage, and so that Ireland attracts foreign direct investment;
- A number of regulatory agencies, who will face increasing demands on the services they provide because of Brexit; and to,
- Expand Ireland's diplomatic presence to ensure our interests are reflected in any future negotiations.

Notably, this money will be provided in addition to the €3.4 billion Recovery Fund, which will address the dual challenges of Brexit and Covid-19, as these impacts unfold.

Carbon Tax

There will be a €7.50 increase on the current rate of Carbon Tax applied per tonne of carbon dioxide emission. This will bring the rate from €26 per tonne to €33.50.

The increase will be applied to petrol and auto diesel from midnight on budget night (i.e., from 14th October) and all other fuels on 1st May 2021.

	Typical Fuel Bundle	Estimated Average Retail Price	Add €7.50 to Carbon Tax	Full Pass Through Retail Price
Petrol	60 litre fill	€75.18	€1.30	€76.48
Diesel	60 litre fill	€69.24	€1.51	€70.75
Kerosene (home heat)	900 litre fill	€446.40	€19.51	€465.91
Peat	12.5kg bale	€4.66	€0.20	€4.86
Coal	40kg bag	€19.92	€0.90	€18.82
Natural Gas	11,000 kWh	€836.00	€16.98	€852.98

Notes

- Carbon tax impacts are inclusive of VAT. VAT is applied at the standard rate on auto fuels while Vat of 13.5% is applied on home heat fuels. A temporary reduction in the standard rate from 23% to 21% applies until 28 February 2021. The table above is on the basis of VAT at 23%.
- Source of average retail price of petrol, diesel and kerosene is the European Commission Weekly Oil Bulletin, 14th September 2020.

- Source of average retail price of coal and natural gas is SEAI Consumer Comparison, 1 September 2020.
- Source of average retail price of peat is SEAI Domestic Fuel Comparison 1 July 2020 and 1 May 2020 Carbon Tax VAT inclusive increase of 16 cents.
- Natural gas usage of 11,000 Kwh corresponds to the annual average household usage, using data from the Energy Regulator.

It is estimated that increases to the Carbon Tax will raise €238 million in 2021.

This money will be ring fenced to protect those most exposed to higher fuel and energy costs, to support a just transition for displaced workers and to invest in new climate action. This means that the money is guaranteed to be spent only on schemes working towards climate action.

The money available under the Carbon Tax Investment Programme will be used to fund:

- €100 million investment in Residential & Community Energy Efficiency to provide free energy efficiency upgrades to households in, or at risk of, energy poverty as well as support homeowners who want to upgrade the energy efficiency of their home to a high (B2) level.
- €48 million for Targeted Social Protection Interventions to protect the vulnerable in society. This will leave a majority of households better off than they were before the increase in the tax.
- €20 million for Pilot Environmental Programmes in Agriculture to support farmers in lowering their carbon footprint, improving biodiversity and protecting air and water quality.
- €70 million for the continuation of ten Carbon Tax Investment Programmes ranging from increases to the fuel allowance and energy efficiency schemes targeted at energy poverty, to the creation of a Just Transition Fund and increases in the allocations to greenways and urban cycling programmes.

Budget 2021– Key Measures



Recovery Fund

The Government is putting in place a Recovery Fund of €3.4 billion that will help business and workers respond to the challenges of Covid-19 and Brexit. This money will be allocated to specific revenue or expenditure measures on the basis of what would be most effective at that time

An additional **€500m** package of stimulus and support measures in 2020, including waiving of commercial rates for the remainder of the year, additional investment in education and heritage, and supports for voluntary bodies and hospices



5 million
additional homecare
hours



An additional 1,146
Acute beds



An increase in ICU
beds from **255**
pre-Covid to **321** by
end 2021



Implement the
Sláintecare Public
Only Contract



€100 million
in new measures for
disability, including
resumption of day
services



€38 million
in new measures for mental
health to implement our national
mental health strategy with
€25 million for Healthy Ireland
and the National Drugs Strategy



An additional
15,000 HAP
tenancies and a
further **800** RAS
tenancies



12,750
additional build,
acquisition and
leased units to social
housing stock



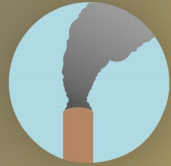
Maintain State
Pension at **66** years



Extension of Parent's
Benefit by **3 weeks**



€3.50
increase in the rate
of the Fuel Allowance



€150
increase in the
Carer's Support
Grant



€5
increase in the
Living Alone
Allowance



Improvements in
income supports for
low-income families
with children



Increase the Working
Family Payment
thresholds for
families with up to 3
children by **€10**



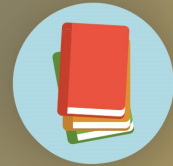
Remove the **€425**
earnings threshold
on One-Parent
Family Payment



An extra **268**
teachers to meet
demographic
pressures



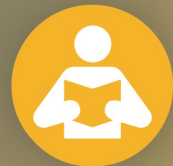
An additional **307**
posts at primary level
to reduce staffing
schedule to **25:1**



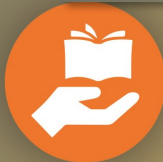
An additional **145** Special
Education Teachers and
258 additional special
class and special school
teachers



An additional **990**
Special Needs
Assistants



An additional **80**
occupational, speech and
behavioural therapists and
30 NEP's to support the
phased roll-out of the
School Inclusion Model



Support about **145** school building projects under the Large Scale and additional Accommodation Scheme



An additional **2,000** Skills to Compete places for those who have lost jobs as a result of COVID-19



1,600 Skills to Advance places for upskilling and reskilling in vulnerable sectors, a further **5,000** upskilling opportunities through Skillnet Ireland



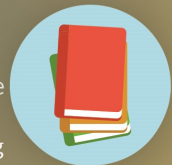
1,500 places on new and existing retrofitting courses



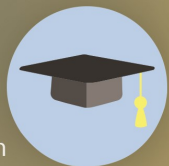
Supports to incentivise employers to take on about **4,000** new apprentices and ensure **2,000** apprentices impacted by COVID-19 complete their programme



An additional **5,000** places in further and higher education to accommodate demographic and exceptional demand arising from the calculated grade model



An additional **€20 million** to ensure those students impacted by COVID-19 have access to the necessary supports through SUSI



An increase of **€1,500** in the SUSI fee grant for postgraduate study and adjustment to the income eligibility threshold



An additional **200** places in the 1916 Bursary Fund



Introduction of a temporary support scheme for businesses which have either been prohibited from operating or are trading at significantly reduced levels as a result of restrictions imposed in response to COVID-19



Recruit up to **620** trainee Gardaí



Extension of Help to Buy
additional measures to
end 2021.
(€30,000, 10% of the purchase price
for a new home)



50c
increase on a packet
of 20 cigarettes



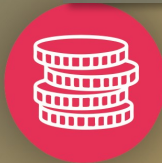
A new rates table to
be introduced for
VRT



A new motor tax
rates table to be
introduced



Earned Income
Credit to increase
from **€1,500** to
€1,650



Dependent Relative
Credit to increase
from **€70** to **€275**



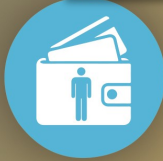
USC

An increase of **€203** to **€20,484** band ceiling to **€20,687**. This will ensure that a full-time adult worker who benefits from the increase in the hourly minimum wage rate from **€10.10** to **€10.20** will remain outside the top rates of USC



USC

Reduced rate of USC for medical card holders is being extended for a further year



Employer's PRSI

Weekly income threshold for higher rate of employer PRSI to increase from **€394** to **€398**



Two year extension of Knowledge Development Box to end December 2022

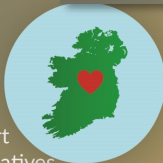


Extension by one year of Film Tax Credit Regional Uplift Scheme to end 2021



€50 million

Shared Ireland Fund to foster new investment and development opportunities on a North/South basis and support delivery of key cross border initiatives



Where can I find out more?

Budget website

This guide provides an overview of the spending and taxation decisions that have been made in the budget. If you would like to read some more detailed information and analysis, or even read the Ministers Budget day speech to the Dáil, visit <http://gov.ie/budget> to find out more. For previous years visit <http://budget.gov.ie>



Where Your Money Goes

The 'Where Your Money Goes' website is an easy-to-use tool for examining government expenditure. The data is presented in a variety of interactive charts.

Visit www.wheremyourmoneygoes.gov.ie and check it out.



Spending Review

Through the Spending Review process expenditure is reviewed to ensure that taxpayers' money is spent in the most effective and efficient way. This also contributes to the information that is available to Government to support budgetary decisions. Last week, 8 Spending Review papers were published and a further 16 will be published in the next few days.

To read any spending review paper, visit <https://www.gov.ie/en/collection/daf0c-spending-review-papers-2020/>



Equality Budgeting

Equality Budgeting is about utilising the State's resources to tackle inequality in all its various guises. The introduction of Equality Budgeting is bringing greater awareness to the impacts of budgetary decisions and greater transparency to the areas which need attention.

To learn more about this initiative visit www.gov.ie/en/policy-information/aec432-equality-budgeting





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