



Budget 2012:

***Presentation to
IPA Seminar***

Derek Moran, Tax Policy Unit, Department of Finance

9th December, 2011

www.taxpolicy.gov.ie

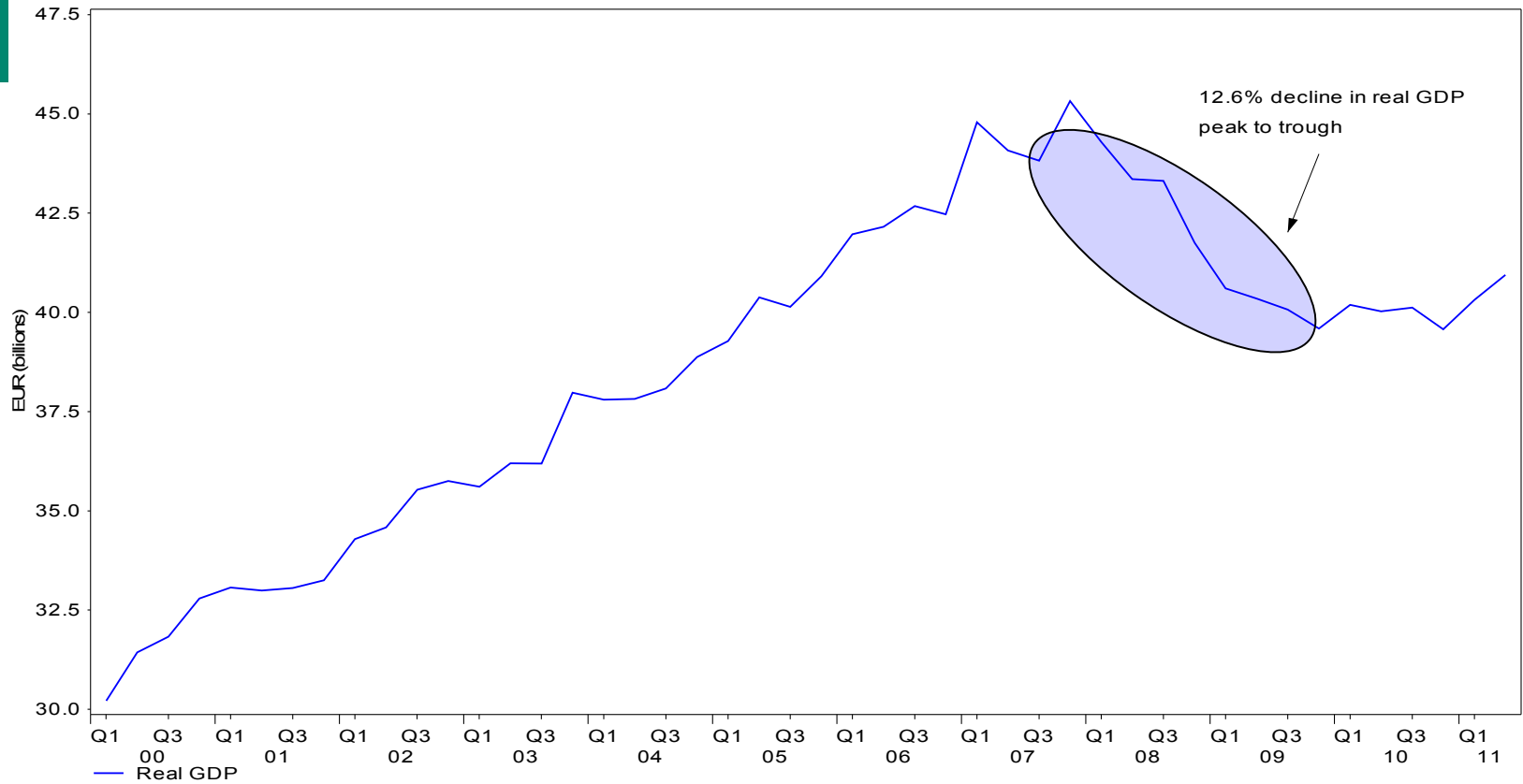


Overview

- Fiscal Adjustment - a multi-annual perspective
- Cumulative impact of policy adjustments
- Future tax policy orientation?
- Some Observations



Economic downturn...

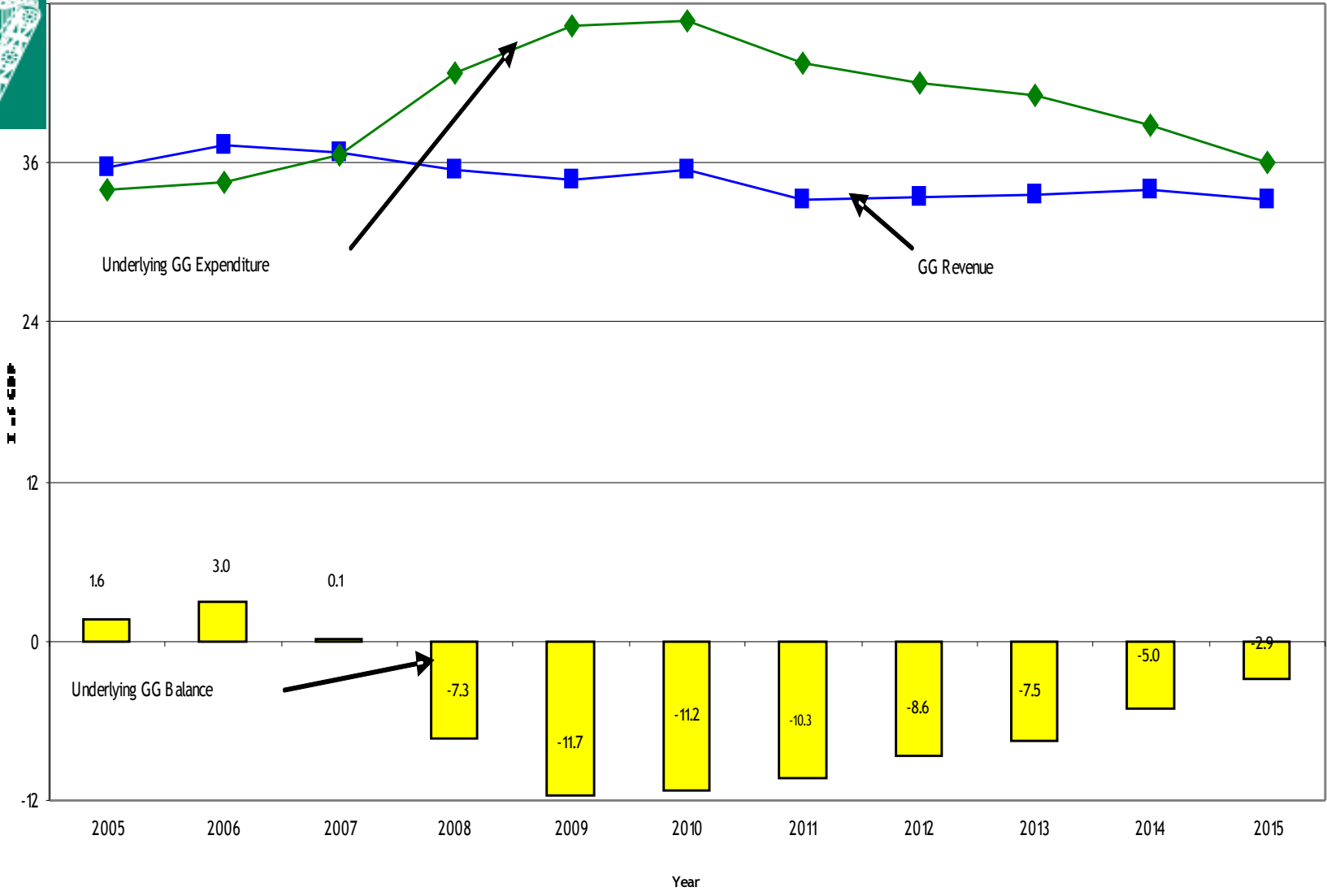


with correction in domestic construction sector;

GDP declines - contracted by 3% in 2008, 7% in 2009 and 0.4% in 2010;

line of 12.6%.

Fiscal Consequences.....



Budgetary Consolidation



Adjustment package	<u>Main</u> consolidation form	Estimated Saving €bn	Estimated Saving % GDP
1. July 2008	expenditure	1.0	0.6
2. October 2008 (2009 Budget)	revenue	2.0	1.2
3. February 2009	expenditure	2.1	1.3
4. April (supplementary Budget)	revenue	3.6	2.2
	expenditure	1.8	1.1
5. December 2009 (2010 Budget)	expenditure	4.3	2.7
6. December 2010 (2011 Budget)	revenue & other	2.1	1.3
	expenditure	3.9	2.5

billion over six policy announcements between July 2008 and end-2010;
presents approximately 13% of GDP;

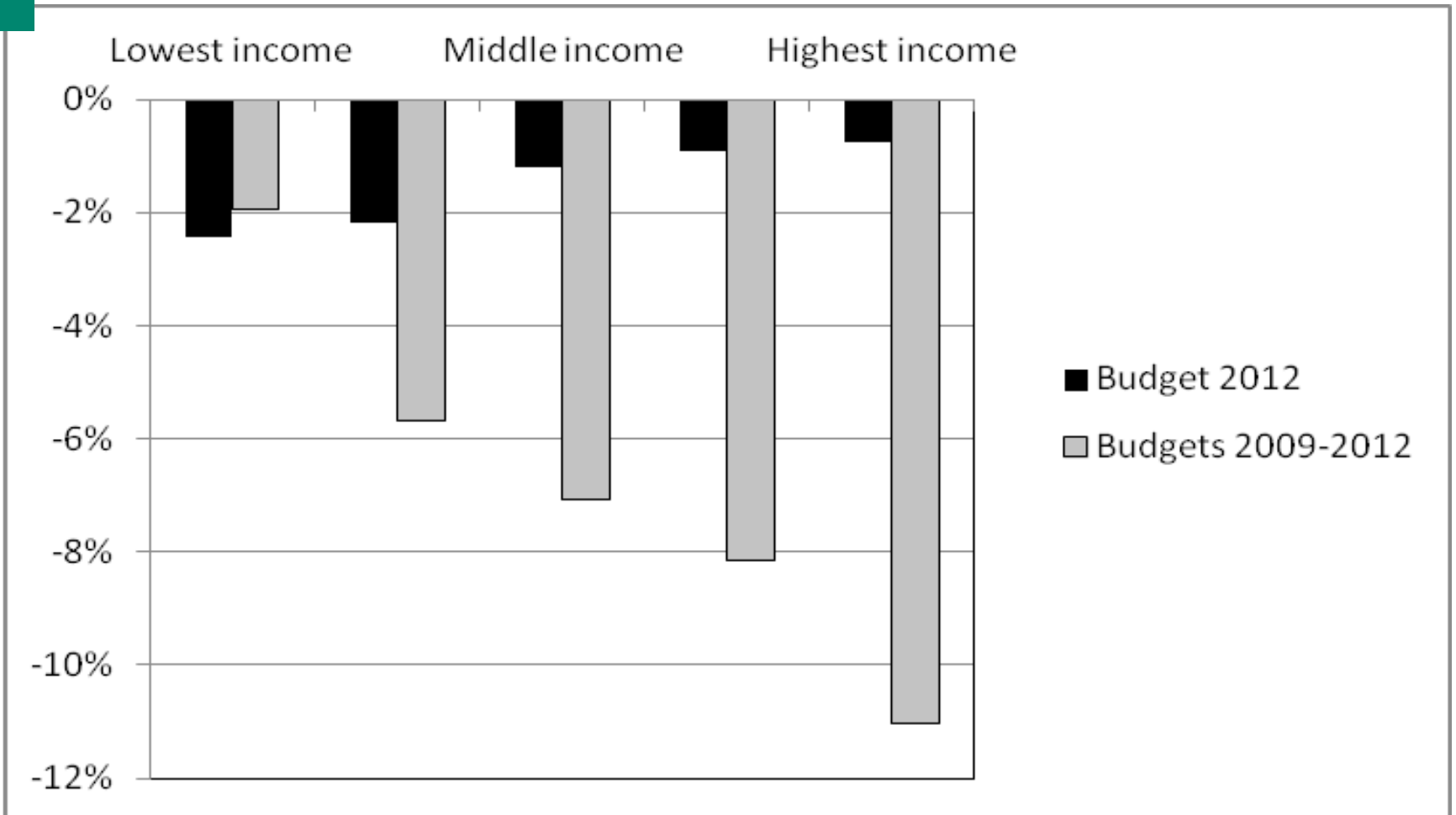
Budgetary Consolidation 2012-2015



Adjustment package	<u>Main</u> consolidation form	Estimated Saving €bn	Estimated Saving % GDP
2012	expenditure	2.2	1.4
	revenue	1.6	1.0
2013	expenditure	2.25	1.4
	revenue	1.2	0.8
2014	expenditure	2.0	1.2
	revenue	1.1	0.6
2015	expenditure	1.3	0.7
	revenue	0.7	0.4



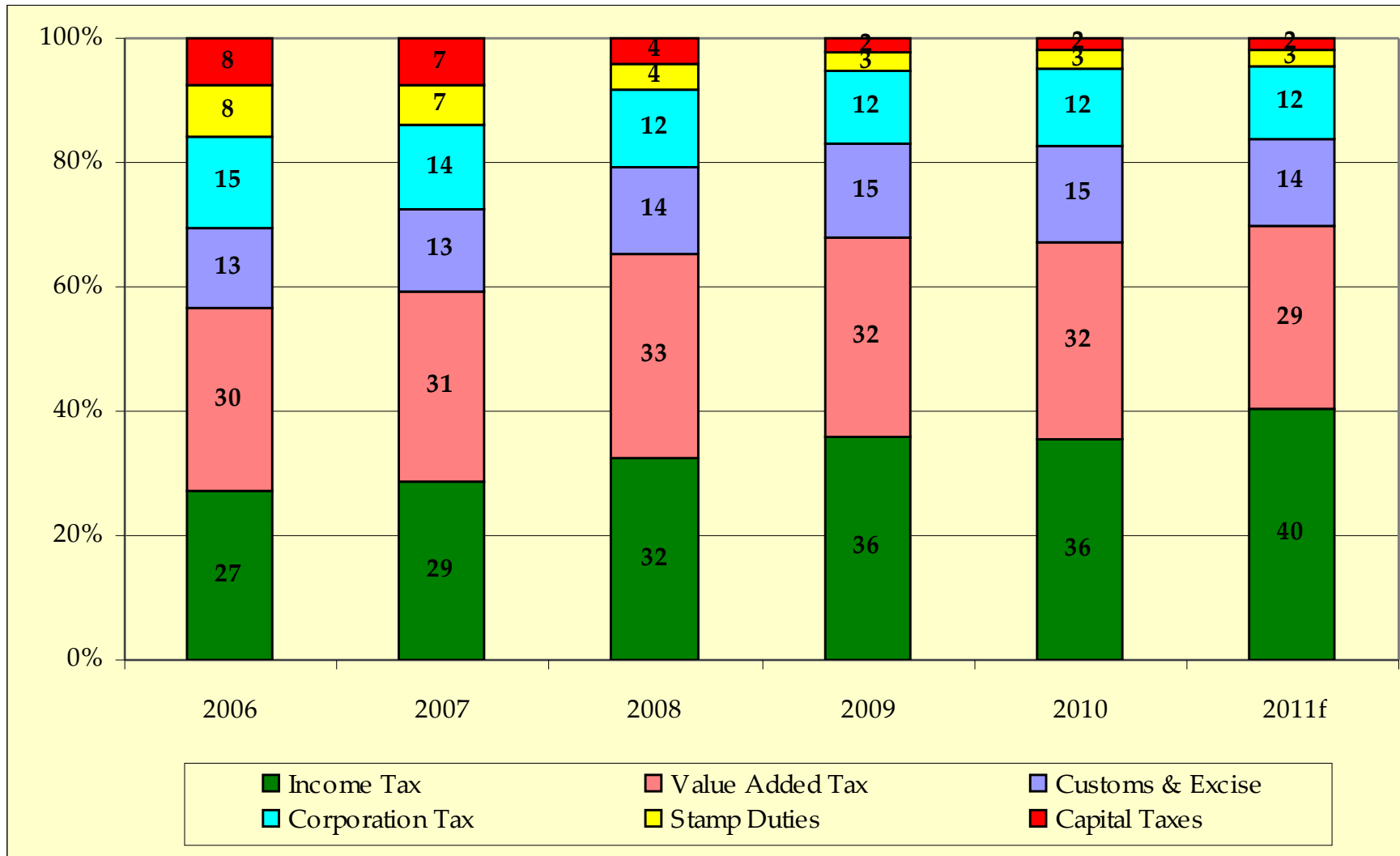
Impact on Incomes



Source: ESRI

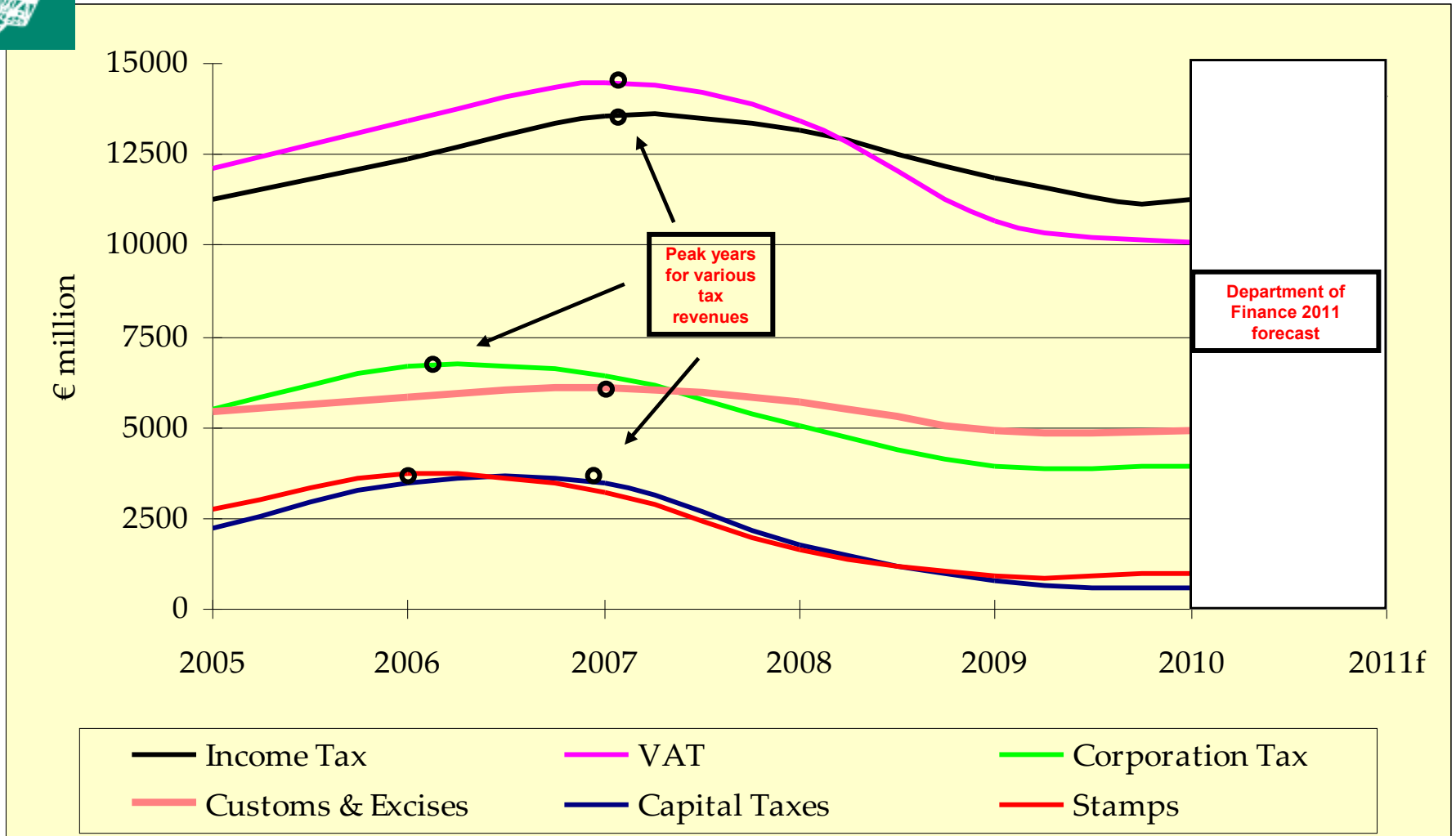


Impact on composition of Tax Receipts





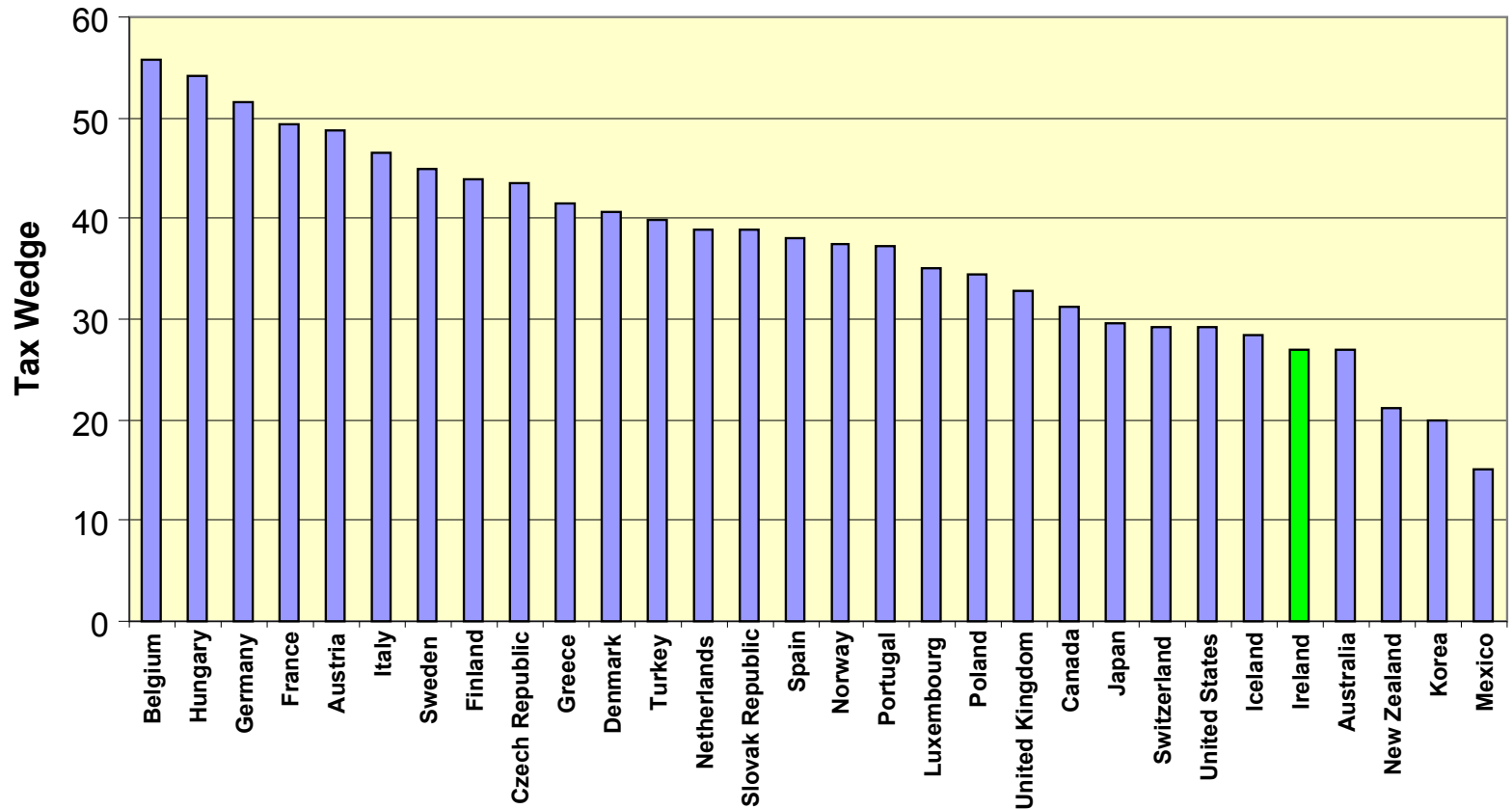
Impact on Exchequer Tax Receipts from Peak



Impact on OECD Tax Wedge 2008

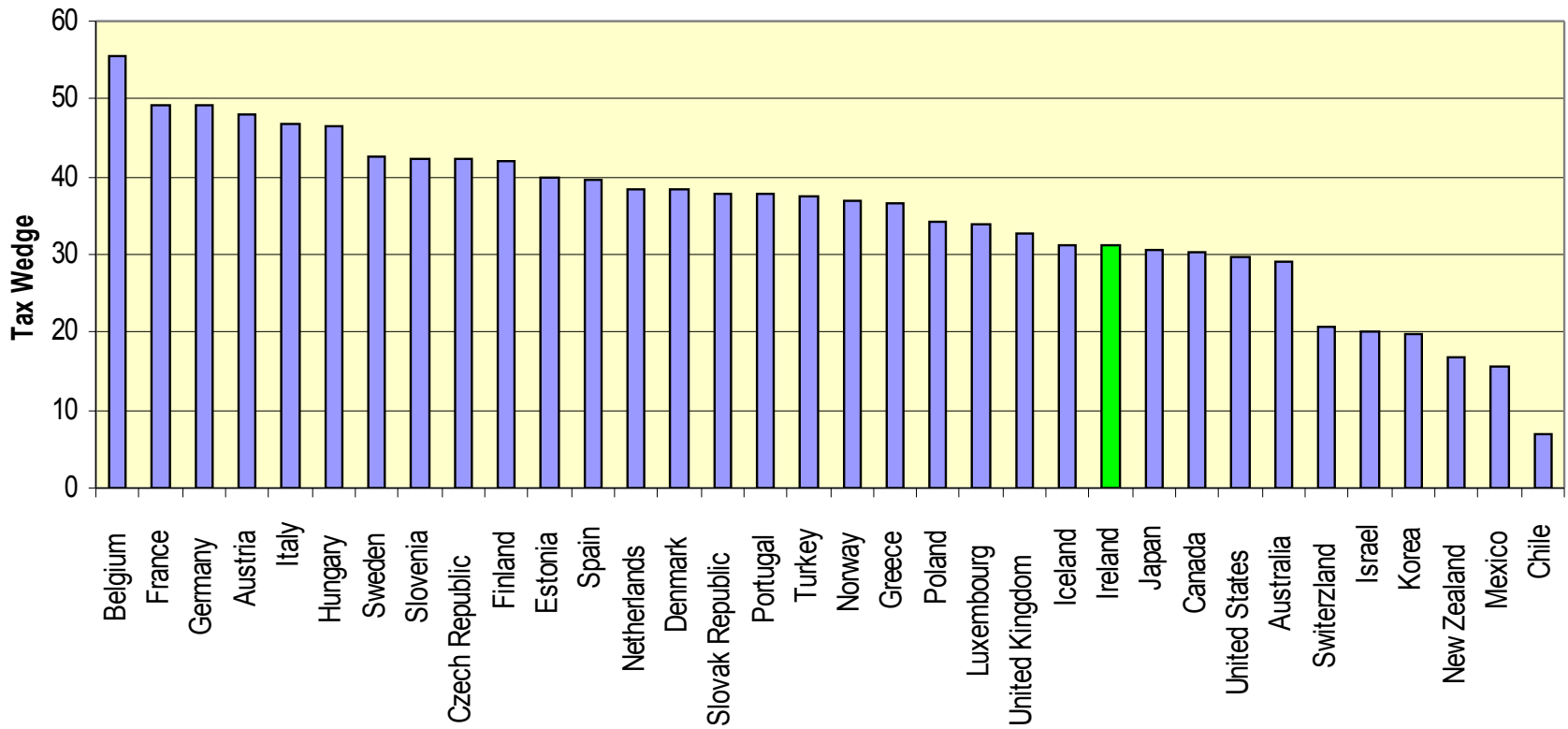


Tax Wedge OECD Members 2008 Single Individual on AIW



Impact on OECD Tax Wedge 2011

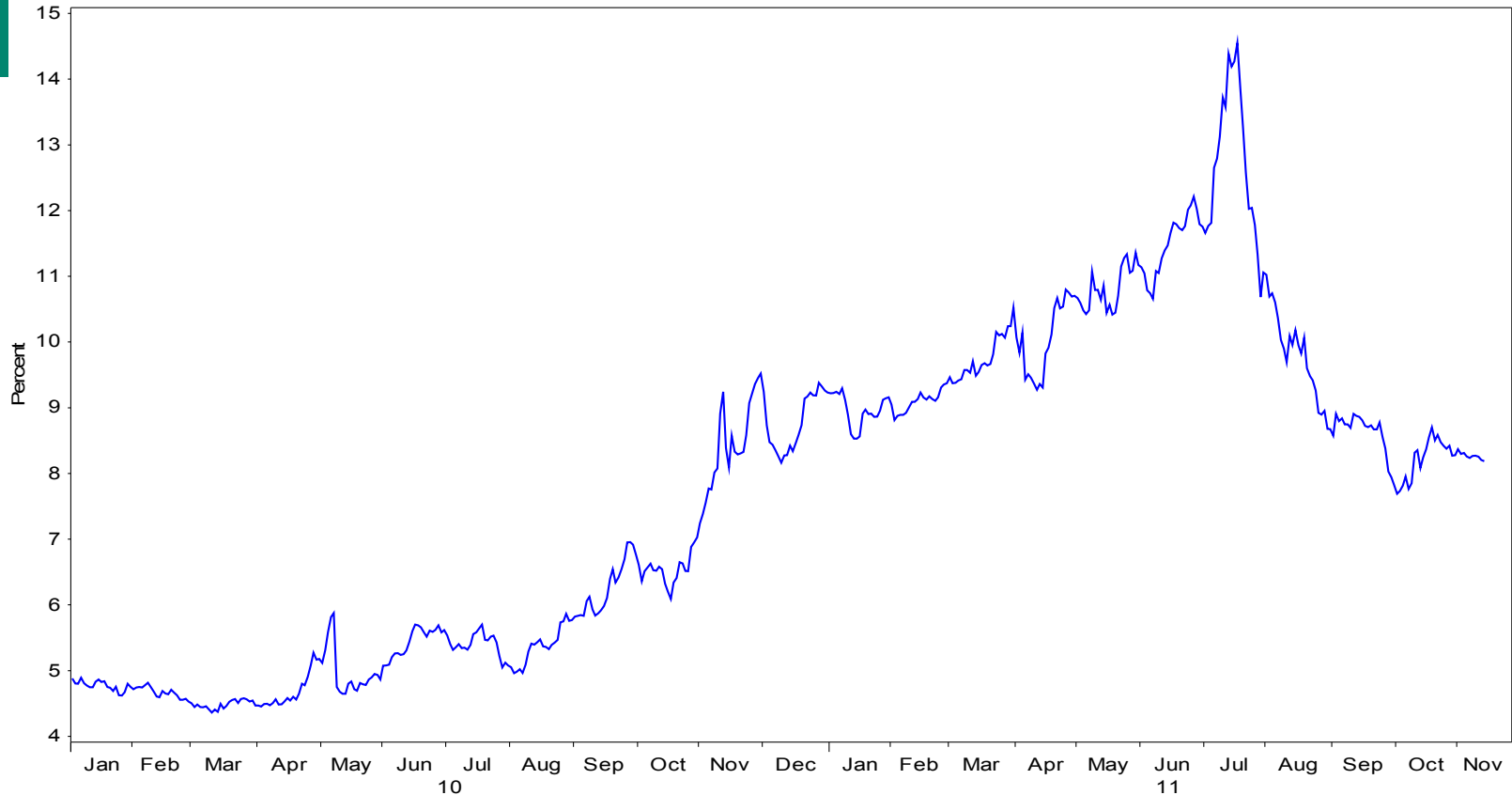
Tax Wedge OECD Members 2011 Single Individual on AIW





Impact on markets (response to improving conditions)

Ireland 10 Year Bond Yield



et, reduction of EFSF/EFSM/IMF interest rates, progress on fiscal deficit,

yields have fallen by more than 6 per cent from July peak.



Revenue Adjustments

2009 – 2011

- *Adjustment led by income tax*
- *MTR increase from c. 43% to 52%*
- *OECD – Ireland the most progressive income tax system among EU members*

2012

- *Shift in emphasis to indirect tax*
- *VAT, Carbon, Household Charge etc.*

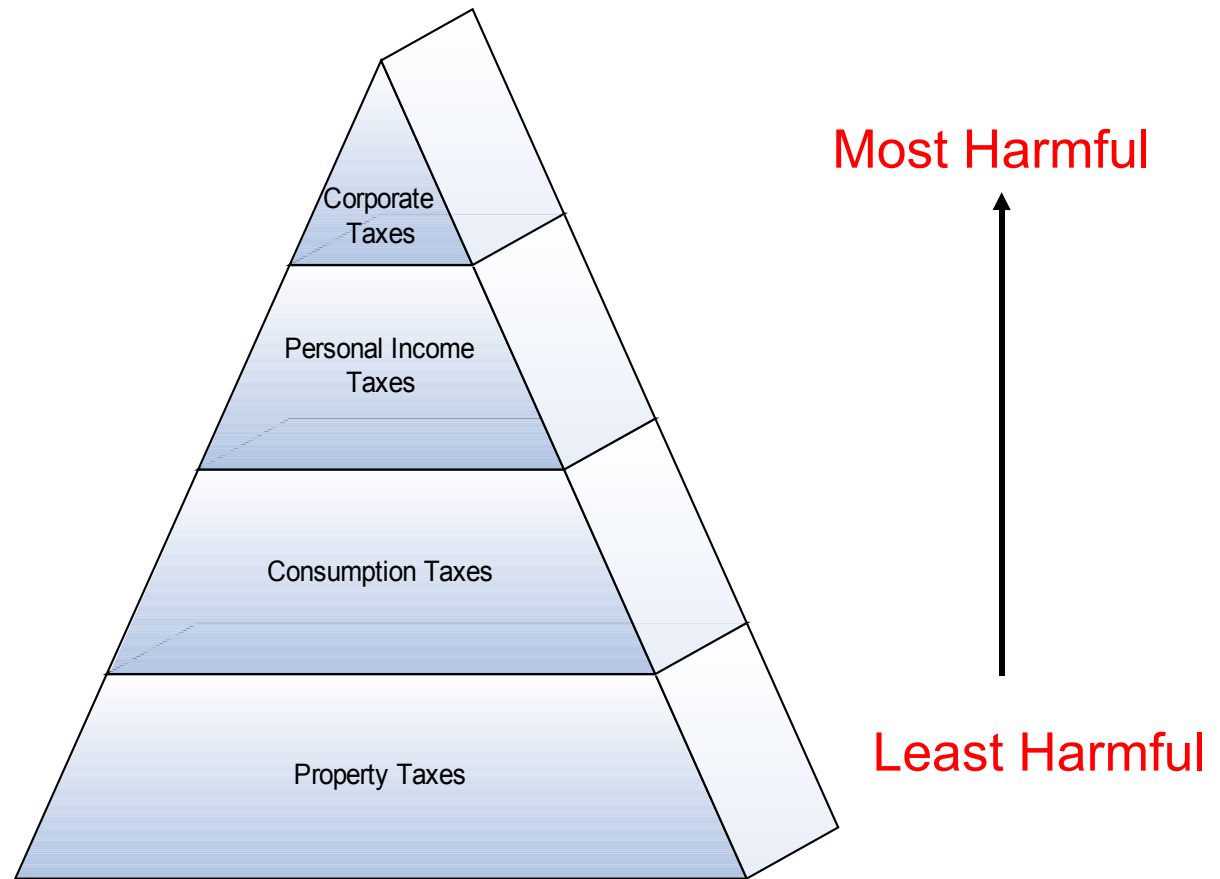


.....and pre-Budget Submissions

	Pre Budget Submissions
Budget 2008	289
Budget 2009	313
Supplementary Budget 2009	327
Budget 2010	809
Budget 2011	1064
Budget 2012	700



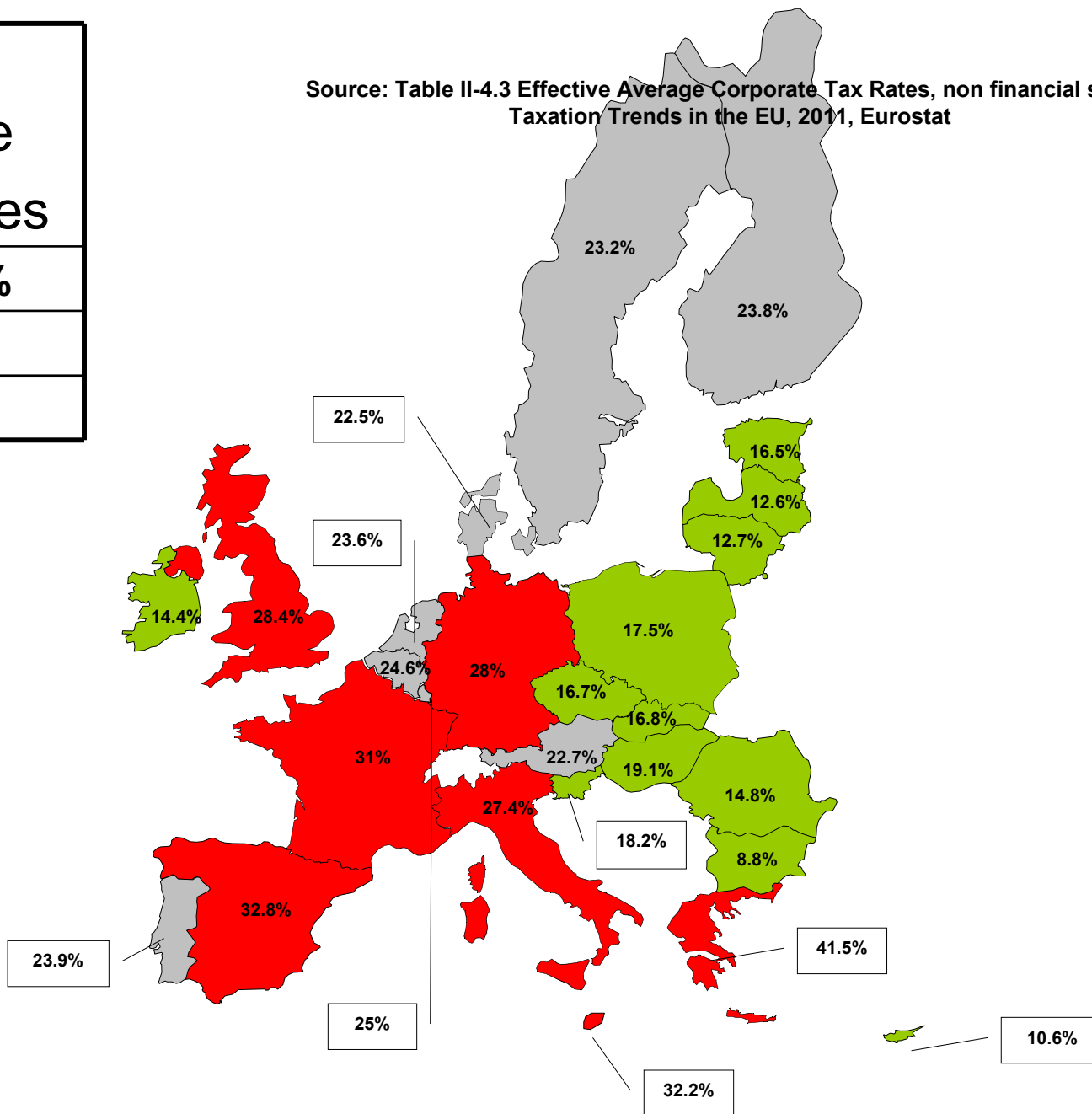
Future tax changes - Guiding Principle (?) OECD “Hierarchy” of Taxes



2010: Effective CIT Rates

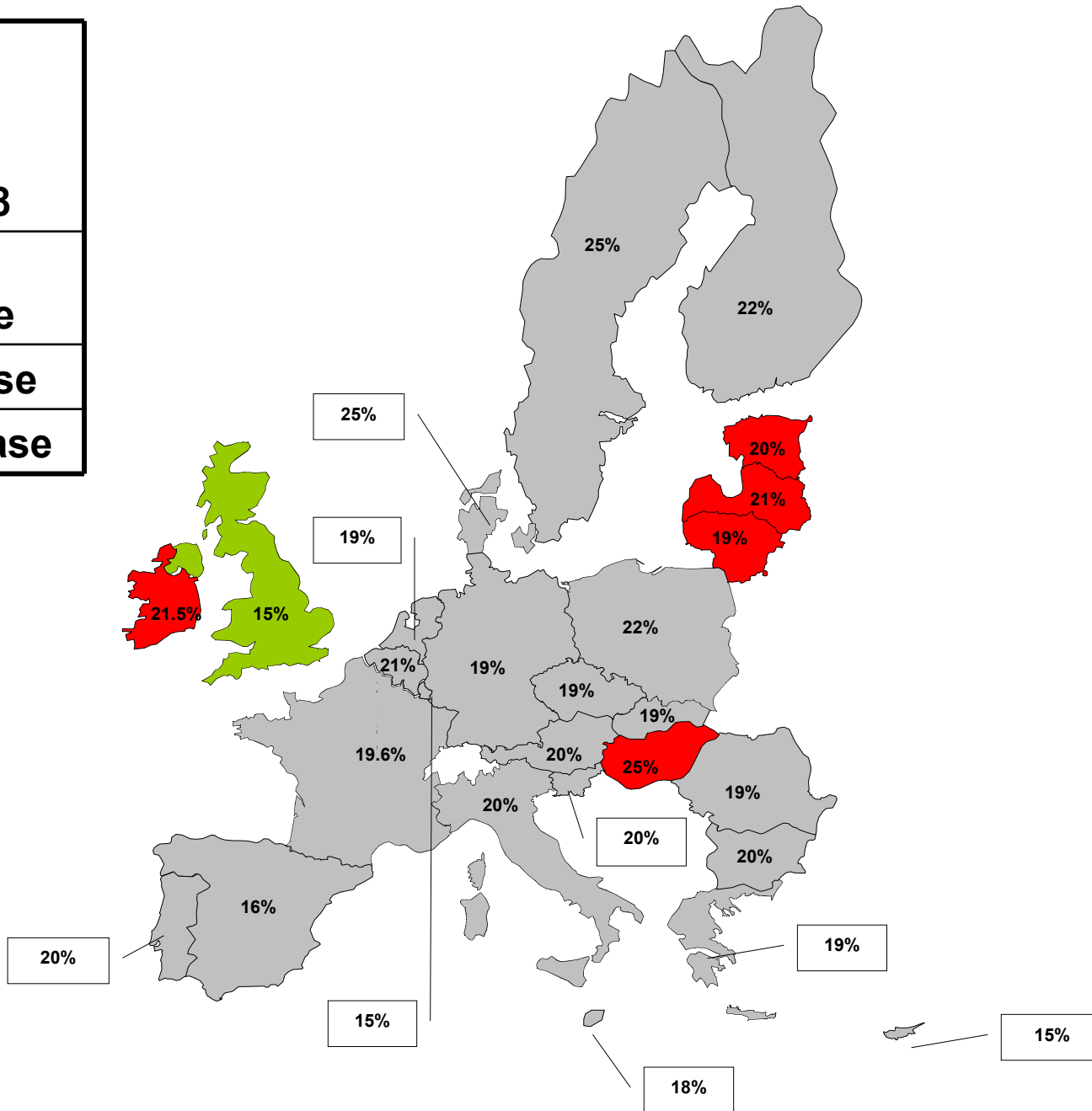
	20-25%
	>25%
	<20%

Source: Table II-4.3 Effective Average Corporate Tax Rates, non financial sector
Taxation Trends in the EU, 2011, Eurostat



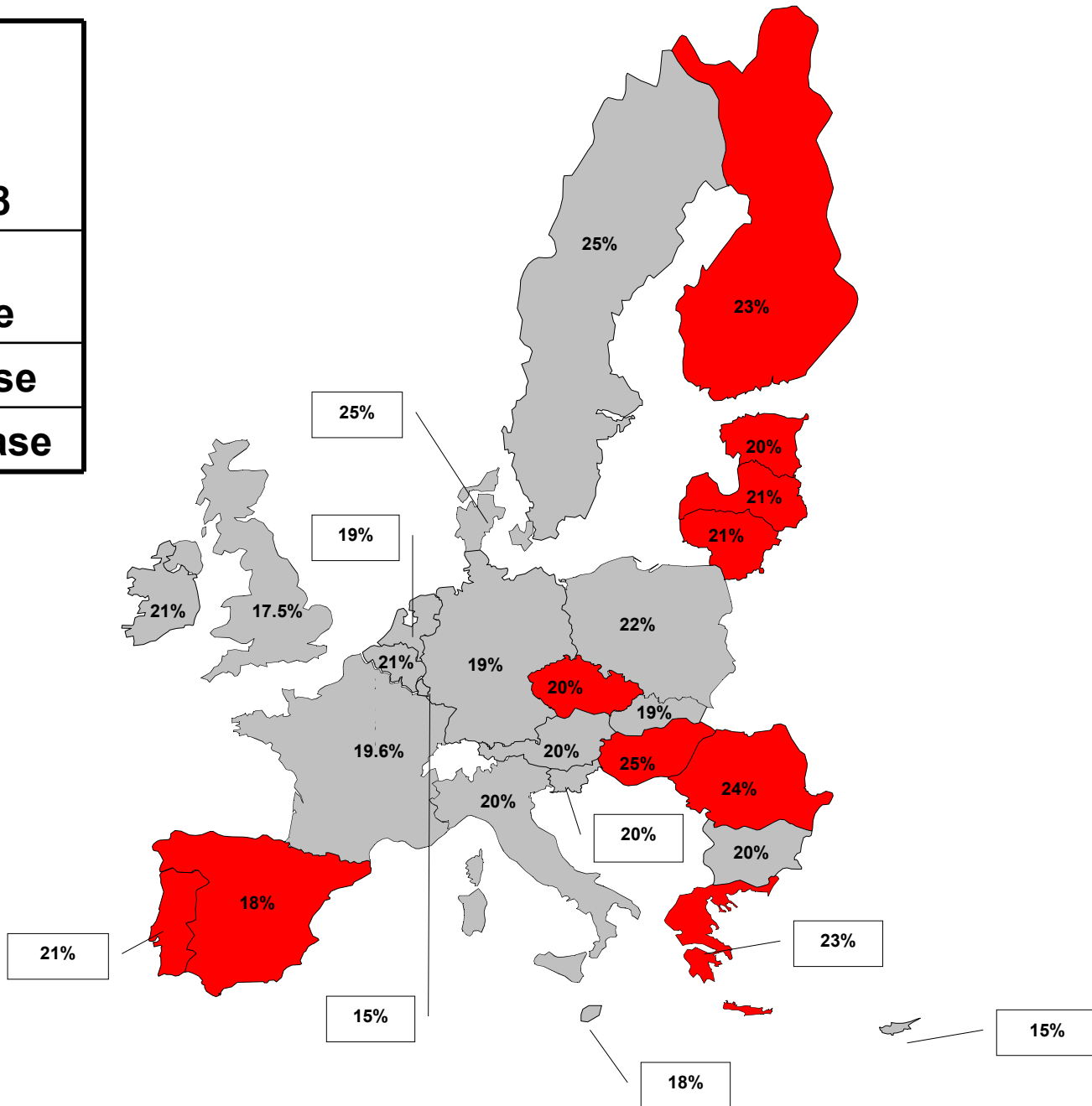
**2009:
Change in
VAT rate
since 2008**

	No change
	Increase
	Decrease



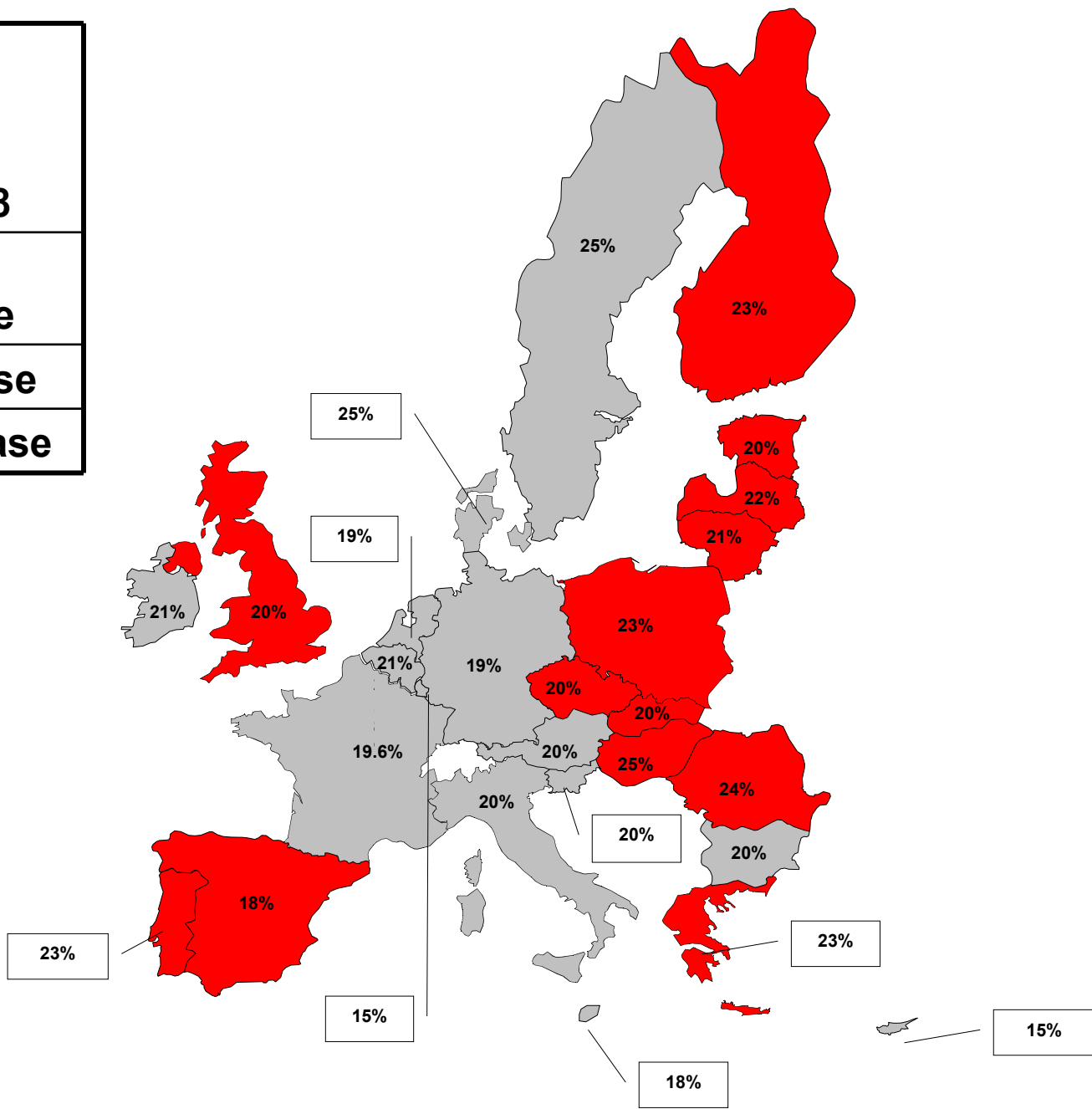
**2010:
Change in
VAT rate
since 2008**

	No change
	Increase
	Decrease



2011: Change in VAT rate since 2008

	No change
	Increase
	Decrease





Some Observations

- **Ireland is recovering from a very deep downturn:**
 - Growth is returning, albeit export led at this stage.
 - Relatively strong growth is expected over the medium-term.
 - The economy's underlying strengths remain in tact.
- **There has been a significant policy response:**
 - On track to correct the excessive deficit by 2015.
 - Large improvement in competitiveness.
 - Jobs initiative will assist in employment creation.
- **EU/IMF Programme is on track:**
 - First four quarterly reviews completed.
 - Policy implementation strong.
- **No complacency over challenges ahead.**