

## A Fairer Way to Fix the Economy and the Public Finances

## 2010 F/Y Effect

### Total Impact of Measures on Deficit

**4,048**      **4,362**

### Taxation (Net)

**389**      **389**

#### A Bigger Tax Contribution from the Better Off

**593**      **593**

Reduce threshold for application of minimum 20% effective tax rate to €250k (with marginal relief from €125k)

9      9

New residency rules (as per Commission on Taxation's "Economic Test")

20      20

Cutting pensions tax relief for top earners (cut annual earnings cap to €120k; cut standard fund threshold for pensions from €5.

50      50

Abolition of €75k ceiling on employees' PRSI

120      120

Abolition of employers' PRSI relief on employee pension contributions

185      185

Application of 4% health levy to rental and dividend income

89      89

Curtailement of "tax expenditures" availed of by the better off (see list below)

120      120

#### Supporting Exports, Innovation, Tourism, Trade and Employer

**-1,314**      **-1,314**

Targeted cuts in Employers' PRSI (2% off 10.75% rate up to €40k; 4.25% off 8.5% rate)

-887      -887

Allow R&D offset against employers' PRSI

0      0

Abolition of €10/€2 travel taxes as part of new deal with airlines on routes / passenger numbers

-125      -125

Reverse VAT increase (cut to 21%)

-127      -127

Temporary "stimulus" from cut in 13.5% VAT rate (on labour-intensive services) to 10% until end of 2010

-175      -175

#### Relief for Home-Owners in Mortgage Distress and Negative Equity

**-17**      **-17**

Increase maximum mortgage interest relief rates (from 20%-25% at present) for FTB mortgages taken out in 2004-08

-110      -110

Savings from abolition of mortgage interest relief for new entrants

20      20

Savings from abolition of income tax relief for rent paid

48      48

Savings from abolition of income tax relief for service charges

21      21

Savings from abolition of income tax relief from the "rent-a-room" scheme

4      4

#### Putting a Fair Price on Dirty Fuels to Support Domestic Renewable Energy Sources and Job

**600**      **600**

Carbon tax (2-year exemption for farm diesel and solid fuels for home heating) €20 per tonne)

400      400

Windfall tax on power generators €20 per tonne)

200      200

#### Other Tax Broadening Measures

**527**      **527**

Curtailement of other income tax expenditures (see list below)

27      27

Better enforcement measures (new port scanners to combat cigarette smuggling)

100      100

Abolition of employee weekly PRSI allowance

350      350

Extension of health levy (2%) to incomes over €13k

50      50

### Spending Savings

**3,659**      **3,973**

#### A Fair Way to Cut Public Sector Payroll and Pension Costs

**1,200**      **1,200**

Graduated reductions in core earnings above €30,000

567      567

New €60,000 public sector pension cap (for new retirees)

8      8

Deferral of annual salary increments

250      250

Local payroll savings (2% in 2010 out of overtime, sick leave, flexitime etc.)

375      375

#### Public Service Re-Configuration, Headcount Reductions and Service Cutbacks (incl. McCarthy)

**1,572**      **1,961**

Programme cutbacks / reductions in grants to outside bodies

199      199

Back office efficiency improvements / staff reductions (75% of savings in year one; 100% thereafter)	446	594
Cutting quangos (50% of savings in year one; 100% thereafter)	88	175
Shared services / outsourcing (50% of savings in year one; 100% thereafter)	24	48
Cutting back the big bureaucracies (CIE, FAS, HSE) (75% of savings in year one; 100% thereafter)	386	514
Third party procurement savings, including stepping up cut in payments to professionals from 8% to 12%	431	431

<b>Using Scarce Resources to Target the Most Needy and to Subsidise Work and Trainin</b>	<b>695</b>	<b>927</b>
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€50 Cut Job-Seekers' Payments to Under 25s Who Refuse Offers of Training or Employment After 6 Months	10	10
3% Cut to Adult Working Age Payments (excluding carers, disabled and the blind)	247	247
Removal of 30,800 people from Live Register through additional youth training / job-share schemes (50% in year one)	183	365
Cut Rent Supplement and accelerate transfer to Rental Accommodation Scheme (RAS)	50	100
New anti-fraud campaign	160	160
Savings on Treatment Benefit	45	45

<b>New Opportunities for Youth Employment, Training and Job-Sharing to Keep Under 25s Off the l</b>	<b>-308</b>	<b>-615</b>
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National Graduate Internship Programme (10,000 private sector, 3,000 public sector places) (50% in year one)	-80	-159
"Second Chance" Education Opportunities (10,000 places targeted at under 25s without qualifications) (50% in year one)	-77	-153
5,000 Additional Community Employment Places (50% in year one)	-39	-78
Protecting 10,000 Vulnerable Jobs through subsidised "Workshare" (50% in year one)	-110	-220
Apprenticeship Guarantee for 700 Craft Apprentices (50% in year one)	-3	-5

<b>A Smarter Infrastructure Programme</b>	<b>500</b>	<b>500</b>
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Savings from lower construction prices / better contracting for existing NDP (reinvested back into NewERA, but this does not	750	750
One-off Sustainable Economy Stimulus Fund	-250	-250

**Notes:**

<b>Tax Expenditures for Better Off</b>	<b>120</b>	<b>120</b>
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Tax exemption for patent royalties and focus resources on R&D tax credit	84	84
Approved share-option schemes	3	3
Reformed artist's exemption	33	33
<b>Other Tax Expenditures</b>	<b>27</b>	<b>27</b>
Capital allowances for childcare facilities	6	6
Exemption of employer-provided childcare from BIK charge	6	6
Income tax relief for trade union subscriptions	19	19
Systematic short-time relief	2	2

Contributions to Deficit Reduction		
Tax Broadening (net of stimulus)	389	
Social Welfare Savings (net of new work and training places)	387	
Savings in Capital Spending	500	
Public Sector Pay Savings	1,200	
Public Sector Reconfiguration (incl. 10,000 headcount reductions)	1,572	