



Budget Overview

Budget 2011 sets out the expenditure reductions and taxation changes for the next 12 months, in line with the Government's four year National Recovery Plan 2011-2014, and the programme of Financial Support, agreed with the EU/IMF. In total, an adjustment of €6b will be made, of which €2b is for current expenditure reductions, €1.9b capital expenditure, €1.4b in taxation increases and €700m in other savings, including disposal of state assets.

The main changes in Budget 2011 affecting farm business and farm families are set out below.

1. Agriculture Expenditure

1.1 Current expenditure

- *REPS/ AEOS* – the AEOS scheme will be re-opened to allow 10,000 farmers to join the scheme with the maximum payment of €5,000. The payment rates for REPS 4 are unchanged.
- *Disadvantaged Areas* – €220m has been allocated which will allow the payment rates to remain the same as 2010.
- *Suckler Cow Welfare Scheme* – €32m has been allocated for 2011 to ensure 2010 and 2011 payments under the scheme can be made (rather than a year in arrears as has been the practice to date).

1.2 Capital Expenditure

- *Forestry & Bioenergy* – funding of €119m, which will allow new planting of 7,000ha.
- *Farm Waste Management Scheme* – €100m of the final 20% tranche of delayed payments will be paid out to 14,500 farmers before the end of 2010. The outstanding €20m and interest will be paid out to 2,500 farmers in early 2011.
- *Targeted Agricultural Measures* – €19m to support productive investment on a number of schemes, which include a new dairy hygiene scheme, sheep fencing and handling schemes, and animal welfare grants for pig and poultry.

2. Agricultural Taxation

- *Stock Relief* – the existing general 25% stock relief and the special 100% rate for young trained farmers is being extended for a further two years.
- *Accelerated Capital Allowances for investment in pollution control* – this is being terminated (but was introduced as a temporary measure in the context of the N regulations). Normal capital allowances for investment have been retained.

3. Adjustments in other Sectors

3.1 Expenditure

- *Unemployment Benefit and Farm Assist* – reduced from €196/week to €188 (single) and from €326.10 to €310.80 (person with qualified adult)
- *Child Benefit* – cut of €10 / child / month for all children, except for €20 cut for third child.
- *Education* – a higher education student contribution of €2,000 to replace the existing €1,500 charge. The increased charge will apply to only one child per family.

3.2 Taxation

- *Income Tax* – the personal tax credit and PAYE tax credit (both €1,830 in 2010) are being reduced by 10% to €1,650.
- The standard rate bands are also being cut by 10%, e.g. for single people from €36,400 to €32,800, and for married one-income families from €45,400 to €41,800. No change to income tax rates.
- *Universal Social Charge* – this will replace the Health levy and Income levy, on a revenue-neutral basis. Capital allowances used in business will be exempt from the charge. The following rates and thresholds will apply:

Total income below €4,004:	0%
Income up to €10,036:	2%
Income between €10,037 and €16,016:	4%
Income over €16,016:	7%
- *PRSI* – for employees, the income ceiling on contributions of €75,036 is abolished.
- *PRSI* – for self-employed (already no ceiling) the rate is going from 3% to 4% (same rate as employees).
- *Pensions* – the earnings limit for tax relief on contributions is cut from €150,000 to €115,000.
- *Excise Duty* – increase of 2c/litre for diesel and 4c/litre for petrol.
- *DIRT* – Deposit Interest Retention Tax increased by 2%.
- *Capital Acquisitions Tax* – the current personal tax free thresholds are being reduced by 20%.
- *Stamp Duty on residential property*: rates are being cut to 1% for residential properties under €1m and 2% for higher value properties; however a number of existing exemptions and reliefs are to be abolished, including “site to child” relief.

4. Economic Outlook

- *Economic Growth (GDP)* is projected to grow by 1.7% in 2011, rising to 2.8% by 2014
- *Government Deficit* is projected to be -€15b, or 9.1% of GDP in 2011, reducing to -3% in 2014
- *Government Debt: GDP ratio* is projected to rise to 98.6% in 2011, and so exceed 100% in 2012.
- *Unemployment rate* is projected to be 13.2% in 2011, falling to 9.8% by 2014