Government Income and Expenditure – 3.4

National Budget

- The Minister for Finance prepares the **National Budget**
- Held in **October**
- Sets out the government’s **plan for income and expenditure** for the following year
- **Fiscal Policy**
  - Any action taken by the government which influences the timing, size and structure of government revenue & expenditure. The Irish government still maintain control of this policy.

National Budget

- List of Government Departments and their roles available here

- Where does your money go?
  - Find out here how the government spends its money

National Budget

- Current Expenditure
  - Day-to-day expenditure for running the country
    - Examples
      - Wages for public servants (teachers, nurses, gardai, civil servants)
      - Social Welfare payments (job seekers benefit, child benefit, old age pension)
      - Running costs of government departments (phone, stationery, heating, lighting)
      - Interest on borrowings (paying interest on the national debt). We call this **debt servicing**

National Budget

- Current Income
  - Day-to-day income to cover current expenditure
    - Income tax (PAYE, Universal Social Charge)
    - VAT (currently 23%)
    - Customs Duties (Tax on imports from outside the EU. Encourage people to buy Irish produced goods)
    - Excise Duties (Tax on **CERTAIN** goods to discourage consumption. e.g. Alcohol, cigarettes, petrol)
    - Corporation Tax (Tax on business profits. Currently 12.5%)
    - DIRT (Tax on interest earned on savings 33%)

National Budget

- Capital Expenditure
  - Once-off long-term expenditure
    - Building roads, hospitals, schools
    - Buying new DART carriages, luas trams
- Capital Income
  - Once off income for the government
    - Sale of state companies (sale of Aer Lingus in 2006)
      - We call this **<u>privatisation</u>**
    - Grants from the EU

National Budget

- **Privatisation:** Sale of a state owned company to private buyers/investors
  - Generates capital income for the government
  - Company may not provide unprofitable but socially desirable services after privatisation
  - Legal and professional fees in the sale are expensive
  - May make employees redundant or cut employees pay
  - The new private company may raise prices
  - The government could lose out on the profits

National Budget

- A Surplus Budget is where income will be greater than expenditure
- A Deficit Budget is where expenditure will be greater than income
  - Borrowing may be necessary if the government plans to run a deficit budget
  - This will increase National Debt and the cost of debt servicing
- A Balanced Budget is where income will equal expenditure