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DÍOSPÓIREACHTAÍ PARLAIMINTE

PARLIAMENTARY DEBATES

DÁIL ÉIREANN

TUAIRISC OIFIGIÚIL—*Neamhcheartaithe*

(OFFICIAL REPORT—*Unrevised*)

DÁIL ÉIREANN

Dé Máirt, 15 Deireadh Fómhair 2013

Tuesday, 15 October 2013

Chuaigh an Ceann Comhairle i gceannas ar 2 p.m.

Paidir.
Prayer.

Financial Resolutions 2014

Budget Statement 2014

Minister for Finance (Deputy Michael Noonan): The story of insolvent Ireland is familiar to all our people and the sacrifices people have made in recent years are well known. Reckless policies were pursued by the Fianna Fáil-led Government. This continued until Ireland was no longer able to borrow on the international markets and the Government had to turn to the lenders of last resort. The help from the IMF and the European authorities came at a high price. Hundreds of onerous conditions were attached to the loans; Ireland lost its sovereignty and the troika came to Ireland. The Fianna Fáil-led Government collapsed in a shambles and a Fine Gael-Labour Party Government took office, with a mandate to sort out the disaster, stabilise the economy, get people back to work and restore the sovereignty of this republic.

The new Government immediately set about this task and renegotiated the bailout programme. Among the more notable achievements were the extension of the maturities and the reduction in interest rates on the European loans, the promissory note changes, the liquidation of Anglo Irish Bank, the restoration of the minimum wage and an agreement that half of the proceeds from the sale of State assets would be used for capital investment. The Government has reduced the deficit and controlled the national debt. We have reduced interest rates to levels below those that pertained during the so-called boom, the economy is in its third successive year of growth and 3,000 net new jobs are being created each month.

The purpose of this budget is to continue the progress we have made, reinforce policies that grow the economy, establish the conditions which will create jobs and prepare for exiting the bailout programme. To this end the Government has designed this budget. We will bring in a deficit of 4.8% in 2014 and a small primary surplus, demonstrating that our national debt which has been rising for so many years is under control. We will achieve these targets by an adjustment of €3.1 billion, €2.5 billion of which will consist of expenditure cuts and tax increases.

As W. B. Yeats said at Easter 1916, “too long a sacrifice can make a stone of the heart”. I know there is a view that the consolidation should go further, but people have already made many sacrifices.

One of the primary tasks of this budget is to lay down the conditions for a successful exit from the bailout programme at the end of the year or, to put it another way, to fund ourselves fully through the international markets in a sustainable way at competitive interest rates. We are well on course to do this and as the economy continues to grow and jobs continue to be created, we have a fair wind at our backs to achieve our objectives and restore our sovereignty.

Focus on Employment

While the Government was in the past two and a half years focused on implementing and ultimately exiting the EU-IMF programme, we have also been following another parallel programme. This parallel programme took the economy sector by sector and the Government built on the strong sectors of the economy and repaired those sectors which were damaged. The objective of this parallel programme is to support businesses to create jobs and get people off the live register and back to work.

For example, in the tourism sector I reduced VAT to 9% from 13.5% within the first 100 days of this Government, an initiative that boosted the tourist industry. I introduced a number of measures to support farmers and help those farmers who were preparing for the ending of milk quotas in 2015. Last year I introduced a ten point tax plan to support the SME sector. I introduced over 20 measures in Finance Act 2012 to support the financial services sector, while a range of initiatives were introduced in the past two years to support the recovery in the property and housing market. I have also introduced measures to enhance the attractiveness of Ireland as a destination for foreign direct investment and we have continually defended our 12.5% corporate tax rate.

While many of these initiatives on their own may be small, taken together they have played a significant part in the recovery and in the jobs market. In this budget I will follow the same approach. Creating jobs is the primary objective and today I am introducing 25 pro-business and pro-jobs measures. The total cost of the tax elements is in excess of €500 million in a full year. This very significant investment is designed to help businesses in key sectors achieve their full potential growth and create jobs.

Pro-Jobs Tax Measures

This Government continues to focus its policies on creating and maintaining jobs in all sectors of the economy. I will now set out the tax measures that will support job creation and then the Minister for Public Expenditure and Reform, Deputy Howlin, will set out the public expenditure measures that will support job creation.

Tourism

In recognition of the importance of the tourism sector to the overall economy and as a major source of jobs, I reduced VAT in this sector to 9% in the jobs initiative of May 2012. As I outlined earlier, this initiative has proved to be a major success, helping to create more than 15,000 new jobs as well as protecting existing jobs. As Deputies will be aware, the rate of VAT for the tourism and hospitality sector and the other sectors to which it applies is due to revert to 15.5% at the end of this year. However, it is important that we reinforce success when possible, so I have decided to continue the 9% rate of VAT for these vital sectors.

Deputies: Hear, hear.

Deputy Michael Noonan: This will support the increased number of jobs already in place and accelerate the creation of new jobs. To further support the tourism sector, I have also decided to reduce the air travel tax to zero with effect from 1 April 2014.

Deputies: Hear, hear.

Deputy Michael Noonan: I expect the airlines to utilise this initiative to develop new routes and build traffic volumes, thereby helping tourism, and I have reason to believe they will do so.

Agrifood and Fisheries

The agrifood and fisheries sector is Ireland's largest indigenous industry, employing 150,000 people, producing an annual output of €24 billion and exporting €9 billion worth of goods to more than 160 countries. It is entirely appropriate that the sector has been the recipient of significant tax relief and incentives over the years, but these have grown over time and there is now a significant information gap about their cost and effectiveness. Therefore, I am announcing, in conjunction with my colleague, the Minister for Agriculture, Food and the Marine, that an independent cost-benefit analysis will be undertaken in this area.

Deputy Finian McGrath: Watch that one.

Deputy Noel Grealish: Votes.

Deputy Michael Noonan: The objective of the review is to identify what works and what does not, and to redirect the existing level of tax expenditure towards achieving maximum benefit in this sector of the economy.

Deputies: Hear, hear.

Deputy Michael Noonan: This review follows recent reviews of property, film and research and development tax expenditures. Any recommendations will be considered in the context of budget 2015.

I also wish to announce that the farmers' flat rate addition will be increased to 5% from 4.8% with effect from 1 January 2014. This scheme compensates farmers for VAT incurred on their farming inputs. In addition, I am extending capital gains tax retirement relief to disposals of long-term leased farmland in certain circumstances. The purpose of the change I am introducing in this area is to encourage older farmers to lease out their farmland on long-term leases to younger farmers, in circumstances where the older farmers have no children who are willing to take up farming. The eligibility for young trained farmer's relief is also being extended by the addition of three more qualifying courses to the list of relevant qualifications required for the 100% rate of stock relief and for stamp duty relief on the purchase of agricultural properties, which I will maintain.

Property and Construction Sector

In my previous budgets, I have included important measures that have begun to return the construction sector to growth. I introduced these, as I have continually stated, with the objective of helping the construction and development sector return to sustainable levels in line with most economies. No sector has been hit harder since 2008 and a return to a normalised construction and development sector is needed to provide jobs for the thousands of unemployed construction workers. Furthermore, in light of the increases in property prices due to the supply limitations in some areas, it is important that we increase the supply of suitable residential housing stock to prevent the emergence of a new property bubble. This includes the building of new homes and the renovation of existing housing stock in Dublin and our main urban centres.

Home Renovation Incentive (HRI)

I am introducing a home renovation tax incentive scheme. The home renovation incentive will provide an income tax credit for homeowners who carry out renovation and improvement works on their principal private residences in 2014 and 2015. The incentive is payable over the two years following the year in which the work is carried out. The credit will be calculated at a rate of 13.5% on all qualifying expenditure over €5,000 and up to €30,000. Qualifying works include extensions and renovations to the home, window-fitting, plumbing, tiling and plastering. This incentive will support fully tax compliant builders and move activity out of the shadow economy into the legitimate economy as all expenditure and relief claims will have to be registered electronically with the Revenue Commissioners.

Living City Initiative

Last year I announced the Living City initiative for Limerick and Waterford. Following further consideration, including a cost-benefit analysis that I am publishing today, I have decided to extend the initiative to Cork, Galway, Kilkenny and Dublin and broaden the eligibility criteria to include all buildings built prior to 1915. The initiative should assist the regeneration of retail and commercial districts and encourage families to live in the historic buildings in city centres. It will be commenced after EU state aid approval is secured.

Capital Gains Tax Relief

In budget 2012 I announced an incentive that exempted commercial property purchased by the end of 2013 from capital gains tax if held for at least seven years. I am extending the purchase period to the end of 2014.

Real Estate Investment Trusts

Following the successful launch of the real estate investment trusts, REITs, in Ireland, as provided for in the Finance Act 2013, I have agreed with my Cabinet colleague, the Minister for Justice and Equality, Deputy Alan Shatter, to propose the addition of REIT investments to the five investment options already in place under the immigrant investor programme launched last year by the Department of Justice and Equality. This would be subject to conditions placed on the minimum level of investment and withdrawal of funds to ensure alignment with the overall purpose of the programme.

NAMA Investment

NAMA is delivering and committed to delivering additional significant investment in the economy right now. It expects to have approved €2 billion in funding for Irish projects between 2011 and 2015. This level of investment could be increased depending on the pace of economic recovery. The investment will include the construction of 4,500 new houses and apartments in Dublin, in addition to much needed office accommodation in the city centre and investment in commercially viable retail projects.

NAMA is also willing to make €2 billion in vendor capital available to purchasers of commercial properties in Ireland. It has already lent €375 million of this across six major transactions.

Foreign Direct Investment

Ireland's corporate tax strategy has three key elements: rate, reputation and regime. The tax rate is settled policy. We are 100% committed to the 12.5% corporation tax rate. This will not change, but, increasingly, tax reputation is also a key factor in winning mobile foreign direct investment. In the past 12 months the international rules for taxing multinational companies have been a focus for much debate across the globe. Global challenges require global action. This is now happening through the OECD base erosion and profit shifting project, in which Ireland is playing an active part.

Let me be crystal clear. Ireland wants to be part of the solution to this global tax challenge, not part of the problem. That is why today I am publishing a new international tax strategy statement which sets out Ireland's objectives and commitments in relation to these issues. I will also be bringing forward a change in the Finance Bill to ensure Irish registered companies cannot be "stateless" in terms of their place of tax residency. Countries are increasingly competing more and more aggressively for mobile foreign direct investment. I want Ireland to play fair - as we always have done - and I want it to play to win. That is why I will continue to examine ways in which we can ensure our corporate tax regime remains competitive.

Entrepreneurship, Innovation and Investment

All economic sectors have a vital role to play in our economic recovery. However, to create additional jobs, we need to support the creation of new businesses which are very effective job generators. At present in Ireland the aspiration to set up a new business is lower than the EU and OECD averages. Too many people in Ireland see themselves as employees for life. We must encourage people to start their own businesses. To do this we need three things: entrepreneurship, innovation and investment. Today I am announcing a series of measures under the "Build Your Business" initiative which focus on these factors.

To promote entrepreneurship, from next year, I am giving a capital gains tax relief to entrepreneurs who reinvest the proceeds from the disposal of assets, on which CGT has previously been paid, into a new investment in productive trading activities. The relief will be a tax credit equal to the lower of the CGT paid on the previous asset disposal or 50% of the CGT due on any gain from the future disposal of the new investment. EU state-aid approval is required for this measure.

To encourage innovation, I am implementing the key recommendations of a review of the research and development tax credit that I am publishing today. These improvements relate to the outsourcing of research and development, qualifying expenditure relating to the base year and the key employee provision.

I am introducing a new start your own business scheme to assist individuals who have been unemployed for at least 15 months to start their own unincorporated businesses by giving them a two year exemption from income tax. This scheme, in combination with the home renovation initiative, will assist construction workers to return to work.

To stimulate investment, inspire entrepreneurship and support and protect jobs, I am removing the employment and investment incentive from the high earners restriction for a period of three years. This will encourage investors to invest up to the annual limit of €150,000 under the scheme. Additional equity will enable SMEs to expand and enhance the credibility of their credit applications. Furthermore, I propose to exempt share transfers on the Enterprise Securities Market of the Irish Stock Exchange from the 1% stamp duty that would otherwise apply.

I am bringing forward the start date of the new film relief scheme to 2015 from 2016 and extending it to include non-EU talent to help attract additional major film productions to these shores. These productions are job rich and can often give a knock-on boost to the tourism sector. This extension will be subject to EU state-aid approval and it will be coupled with the introduction of a withholding tax.

Building on a measure in last year's ten point plan to help SMEs, I am increasing the cash receipts basis threshold for VAT from €1.25 million to €2 million with effect from 1 May 2014. This overall increase in the threshold of €1 million since 2012 will assist cash-flow and reduce administration in a larger number of SMEs.

Magdalen Laundries

The Government has decided to give effect to one of the main recommendations of Mr. Justice Quirke in his report on the individuals who worked in Magdalen laundries. To this effect, I am announcing that all lump sum payments to claimants will be tax exempt.

Shadow Economy

The shadow economy causes distortions in the real economy because it puts legitimate and compliant business at a competitive disadvantage. I am introducing seven measures designed to further support the Revenue Commissioners' work targeting VAT fraud, illegal tobacco selling, unlicensed trading in alcohol products and fuel laundering. I believe that compliant taxpayers should have an independent, fair and efficient appeals process open to them, and that is why I am announcing a reform of the Appeal Commissioners in 2014. Presentations and more detailed information on the measures I am announcing today are available on the budget website.

Banking and Credit

The banking sector has a very important role to play in supplying credit at competitive rates to support economic growth. As shareholders in the main banks, our objective is to manage them commercially to create and protect value for the taxpayer as the shareholder, but they must also supply the credit lines necessary to sustain and grow the economy. Credit unions also have a key role to play in providing access to credit and other important services in local communities throughout the country. The Government is a supporter of credit unions. We have provided significant funding and we will continue to work closely with the movement so that credit unions can continue to play a full part in Ireland's recovery.

We must continue to ensure that businesses, particularly SMEs, have access to credit from a diverse range of sources. Sources of alternative funding continue to rise. These include the National Pensions Reserve Fund, the European Investment Bank and private providers such as Silicon Valley Bank. At European level we are leading the debate on non-bank funding models for business as we promote the jobs and growth agenda both at home and abroad. Given the importance of the export sector to sustainable economic growth and employment, we are discussing with the European Investment Bank the feasibility of an EIB-supported trade finance initiative that would proactively support Irish exporters in growing their businesses abroad.

The Credit Review Office fulfils an important role in assisting borrowers who have been refused credit by the banks. I am announcing an increase in the limit for loan applications that can be appealed to the Credit Review Office from €500,000 to €3 million to facilitate requests from a broader range of SMEs. The level of awareness of the full suite of developmental business supports remains low among SMEs and entrepreneurs. In order to address this, a comprehensive communications strategy will be rolled out in the coming months. To improve the framework of credit supports available to SMEs, I am also announcing a subsidised financial training programme for small businesses consisting of two days dedicated offsite training, together with expert mentoring support. This programme will be carried out in conjunction with the Skillnets management works programme and is designed to improve the financial capability of SMEs.

The banking sector also has a key role to play in supporting customers who are in mortgage arrears. We have put in place a comprehensive suite of measures to help mortgage holders; the personal insolvency regime has been overhauled and the insolvency service is now up and running. The banks have been set targets by the Central Bank. Within the next 12 months I expect the vast majority of customers currently in arrears will have been offered and accepted a sustainable solution. Homeowners in mortgage arrears must be given the opportunity to address their problems, move on with their lives and fully re-engage with the real economy. This is important not just for the homeowners but for the entire economy.

Public Finances and Economic Forecasts

I will deal now in more detail with the financial targets I referred to earlier in my statement. The forecast deficit for 2013 is 7.3%; for 2014, it is 4.8% and for 2015, it is 2.9%. We have beaten our deficit target during each year of our programme and a deficit of 4.8% will beat the target again next year. I am pleased to announce that this is the first budget speech since 2007 that is taking place against the background of an increase in employment. Data for the second quarter of the year suggest employment grew by 1.8% over the year, a rise of 34,000 jobs, with full-time employment up, as well as part-time employment. Employment is now expected to grow by about 1.5% this year and next year. My Department is forecasting GDP growth of 0.2% this year, strengthening to 2% next year. The forecast for next year is better than the 1.8% growth forecast endorsed by the Irish Fiscal Advisory Council because it takes account of the budgetary measures that the Minister for Public Expenditure and Reform, Deputy Brendan Howlin, and I are announcing today.

Total Voted and non-Voted expenditure will be €64.9 billion in 2014. Voted expenditure, with expenditure funded by the social insurance fund and the national training fund, defined in the Ministers and Secretaries (Amendment) Act 2013 as the Government expenditure ceiling, will be €52.9 billion in 2014. The Government has decided that the Government expenditure ceilings for 2015 and 2016 will be €51.5 billion and €51.9 billion, respectively.

The Minister for Public Expenditure and Reform, Deputy Brendan Howlin, will provide information on expenditure in his statement immediately after mine. Full details on expenditure in 2014 will be set out in the expenditure report he is publishing today.

Ireland's debt is forecast to peak at 124% of GDP at the end of the year. This debt ratio is very high and reducing it must be a key priority. The first step is to reduce the amount being borrowed and, ultimately, to cease borrowing, particularly for day-to-day spending. The effectiveness of the steps we have taken since entering office, including in this budget, is visible from the small primary surplus forecast for next year; in other words, excluding the interest burden, we are paying our own way again.

I stress that one reason for the current high debt ratio is the policy decision to ensure the State is well funded as we leave the EU-IMF programme. We have built up a large stockpile of cash to ensure the State has sufficient funding at the end of the year to meet its financial commitments into early 2015. In the coming years, the NTMA will manage down the level of the State's cash reserves to significantly lower, but still prudent, levels. All-in-all, the debt ratio will move onto a downward path from next year onwards – to 120% at the end of 2014, 118.4% at the end of 2015 and 114.6% at the end of 2016. This downward momentum will further enhance market confidence in Ireland.

Tax Measures

The deficit target and the initiatives to support jobs that I have announced must be paid for. In total, some €1.2 billion of additional revenue is required in 2014. Measures introduced or announced in budget 2013 have resulted in an estimated carry-over of €500 million and I am announcing close to €700 million of new measures today. Equity and transparency were taken into account in devising these measures, the full details of which will be contained in the finance Bill to be published shortly.

Income Tax

In the last budget, I abolished top-slicing relief on all *ex gratia* lump-sum payments made in respect of retirements or terminations of employment, where they were €200,000 or over. Given that it operates to provide additional relief to those who may be in receipt of very significant *ex gratia* lump-sum payments, I have decided to go further this year and abolish this relief entirely.

In relation to medical insurance relief, I have decided to cap the amount of premium on which tax relief will be available to €1,000 per adult and €500 per child. This will restrict the exposure of the Exchequer on premiums paid for gold-plated medical insurance policies, while not affecting the majority of individuals who avail of more standard levels of medical cover, for example, a family of two adults and four children will still receive tax relief on premiums of up to €4,000 per annum. Only the portion of any premium that exceeds the new thresholds will not qualify for tax relief.

There is no specific tax credit for children in the Irish tax code; rather credits are applicable in respect of children in different circumstances. There is, however, a one-parent tax credit which may be drawn in full by both parents. From next year, I am replacing the one-parent family tax credit with a new single person child carer tax credit of equal value. This new tax credit will be available only to the principal carer of the child. This is in line with the payment mechanism for child benefit. This policy change was recommended by the Commission on Taxation in 2009.

Partnerships

For reasons of equity, I have decided to abolish the tax relief that was available for acquiring an interest in a partnership.

Tobacco Products Tax

Turning to excise, with effect from midnight tonight, excise duty on a packet of 20 cigarettes is being increased by 10 cent with a *pro-rata* increase on the other tobacco products.

Alcohol Products Tax

Also, with effect from midnight tonight, excise duty on a pint of beer or cider, and a standard measure of spirits, is being increased by 10 cent, and the duty on a 75 cl bottle of wine is being increased by 50 cent. I understand that this increase will impact on vintners but it must be considered in the context of the retention of the 9% VAT rate on food and hospitality services, which are an ever-increasing proportion of vintners' revenue.

Tax on Savings

With effect from 2014, I am introducing a new higher single unified rate of 41% for DIRT and the exit tax that applies to life assurance policies and investment funds. The previous differential rates based on payment frequency will no longer apply. This measure will incentivise investment and spending in the economy, which is vital for the creation of jobs.

Levy on Domestic Banks

The Government has decided that the banking sector should make an annual contribution of €150 million to the Exchequer for the period from 2014 to 2016. We will introduce the levy on the same basis as the one that yielded over €100 million each year from 2003 to 2005. The contribution from each institution will be broadly based on the amount of tax paid on deposit interest in 2011 and reflects the significant role played by the banking sector in the crisis.

3 o'clock

Similar levies are in place in other EU member states including France, the Netherlands and the United Kingdom, and full details about the measure will be set out in the Finance Bill. In addition, and to level the tax position of all banks, I am removing the restriction on the use of deferred tax assets for NAMA losses.

Pensions

In line with the commitment I made in budget 2013 to restrict the subsidisation by taxpayers of pensions that deliver incomes of up to €60,000 per annum, I am reducing the standard fund threshold from €2.3 million to €2 million from 1 January 2014. I am also changing the current single valuation factor of 20 used to value defined benefit pension entitlements to a range of higher factors that vary with the age at which the pension is drawn down. This will improve the equity of the standard fund threshold regime as between defined benefit and defined contribution pension arrangements and between those who retire at an early age and those who retire at older ages. Further details of the changes to the standard fund threshold regime are included in Annex B to the summary of budget measures.

Pension Levy

I wish to confirm that contributions to pension schemes will continue to attract income tax relief at the marginal rate of tax. I wish to confirm that the 0.6% pension levy introduced to fund the jobs initiative in 2011 will be abolished from 31 December 2014. I will, however, introduce an additional levy on pension funds at 0.15%. I am doing this to continue to help fund the jobs initiative and to make provision for potential State liabilities which may emerge from pre-existing or future pension fund difficulties. The levy within the existing legal framework will apply to pension fund assets in 2014 and 2015.

High Earners Report

Today I am publishing the report of the Revenue Commissioners on their analysis of the high earner restriction in 2011, which covers the latest figures available and relates to measures to limit the use of certain tax reliefs and exemptions by high-income individuals. The yield is down when compared to the report for the tax year 2010 due to falls in the incomes of these individuals and the closure of tax reliefs such as the abolition of the patent and stallion fees exemptions and the capping of the artist exemption. This has resulted in many of these individuals' moving into the regular income tax system. The report shows that the effective tax rates for different categories of high earner are around 30% to 40%. This confirms that the restriction is working to improve the balance between promoting tax equity with regard to those on high incomes while maintaining the incentive effect of the various tax reliefs introduced to achieve a particular public good.

Apart from the measures that I have just announced, Deputies will be pleased to hear that there will be no increases in income tax or the universal social charge in 2014; there will be no increases in the 9%, 13.5% or 23% VAT rates in 2014; and there will be no increases in excise duty on petrol, diesel or home heating oil and gas.

EU-IMF Programme Exit Strategy

As I outlined earlier, one of the primary tasks of this budget is to secure Ireland's exit from the bailout programme, an ever-present element in our political and economic decision-making over the past three years. This budget will bring the deficit to 4.8% again, ahead of the required target. It will move us to a small primary surplus. This will give the financial markets the confidence to continue lending to us. This is essential for a State to be able to provide the vital public services demanded by its population. The reality, with which this country is now all too familiar, is that if a State cannot borrow funds at sustainable rates then it cannot provide a definitive level of public services.

Ireland will be the first euro-area country to exit an EU-IMF programme of this type. Countries that have exited IMF programmes have had follow-up programmes or backstop arrangements to ensure a return to the markets at very little risk. Ireland is fortunate in that the NTMA has almost €25 billion in cash balances; in effect, we have a credible backstop already in place. When the budget is concluded I plan to have consultations on our exit strategy with the IMF, the European Commission and the European Central Bank. Having heard their views, I will advise the Government on the appropriate course of action.

Conclusion

By the time the majority of the measures I have announced today become law on 1 January next, I am confident that Ireland will have left the EU-IMF programme.

We will have closed this chapter of Ireland's history that began for most of us with the Governor of the Central Bank announcing to the Irish public that the country would be forced to turn to the lenders of last resort. There will be no promissory notes, there will be no Anglo Irish

Bank and there will be no bank guarantee. We will have exited the programme and Ireland will have been handed back her purse.

We will still have difficult choices to make and further actions will be required to meet our targets in the years ahead. The recovery is well under way but there are still risks. However, there are also many opportunities that must be embraced. This budget has been carefully calibrated to support the growth in jobs that we have seen in the past 18 months and to keep Ireland on the path to sustainable public finances and economic growth. We are well along the recovery path and it is time now, as a nation, to begin to look forward to the future. I commend this budget to the House.

Deputies: Hear, hear.

An Ceann Comhairle: I call the Minister-----

Deputy Willie O'Dea: Now for the bad news.

Deputy Billy Kelleher: Now for the broken promises.

Deputy Tom Hayes: How did you pick him out?

An Ceann Comhairle: Do not be getting excited.

Deputy Niall Collins: Hold on to the seatbelts.

An Ceann Comhairle: I call the Minister for Public Expenditure and Reform, Deputy Brendan Howlin, to make his statement, without interruption.

Minister for Public Expenditure and Reform (Deputy Brendan Howlin): This budget and Estimates process sets out to deliver on this Government's promise to the Irish people at the last general election to fulfil our commitments under the troika programme foisted on the Irish people by the previous Government and to restore Ireland's economic sovereignty. In pursuit of this goal, the two Government parties agreed a strategy for this budget and the Estimates. It involves reducing the tax and spending consolidation from the published €3.1 billion to €2.5 billion, targeting a general government deficit of 4.8% for 2014 and in the process, achieving a primary balance. This strategy seeks to reassure international investors that we are committed to reducing our deficit to below 3% of GDP by 2015 as we work to exit the troika programme. It seeks to put us on a path to long-term debt sustainability and ease the burden on future generations. It seeks to encourage growth in the domestic economy by targeting a consolidation no greater than is necessary to achieve our fiscal goals and by investing for future economic growth. Equally importantly, it seeks to minimise the impact of austerity on the Irish people.

Economic Policy

This is the last of our budgets under the fiscal constraints of the troika programme. We have made good on our commitments to the international community that has supported us in recent years, and we do not underestimate this effort; it is a testament to the courage and fortitude of the Irish people. "No austerity" is the catch-cry of those that have argued that there were alternative strategies available to this Government. Nobody is ideologically committed to austerity but austerity is what is left after Fianna Fáil in government drove the economy into the ground and led us beholden, like the famine victims of old, to seek relief outside this country.

Deputies: Hear, hear.

Deputy Willie O'Dea: Get off the stage.

Deputy Brendan Howlin: Some have argued that rather than seeking consolidation of our position with international support, we should have harnessed whatever remained of our resources and, with a final throw of a dice, spent it all in an effort to reinflate our economy, regardless of the international economic environment. We tried that before, in 1977, and it led to more than a decade of hardship. As I have stated consistently, Government policy is not focused solely on getting the deficit down, important as that is. We have supported enterprise and job creation through direct investment and structural reforms, measures that are now demonstrably beginning to bear fruit. We have also sought and secured better terms from our international borrowers. Our task now, as the Minister, Deputy Noonan, stated, is to plan for the future. We must ensure that the sacrifices of the past few years have not been made in vain and that we use the progress made as a platform for future sustainable growth and development.

Expenditure Consolidation

The expenditure measures I am announcing for 2014 amount to €1.6 billion from an overall consolidation package of some €2.5 billion. We have gone a long way in meeting our fiscal targets. At the end of 2010 the deficit was more than 30%, a truly staggering sum. Our target deficit for 2014 is 4.8%. Since we took office in 2011, this Government has managed to reduce spending in a balanced, strategic and responsible way.

Deputy Billy Kelleher: That is not what the Deputy and his party said before the election.

Deputy Brendan Howlin: This is in stark contrast to the previous Government, which oversaw a litany of disastrous decisions that failed-----

Deputies: Hear, hear.

Deputy Billy Kelleher: You said we did not spend enough.

Deputy Brendan Howlin: -----the Irish people.

Real Consolidation

The progress we have made in bringing stability to the economy and meeting our fiscal targets must be viewed in the context of the increased demands on public services. Not only have we reduced spending in absolute terms, we are delivering more services with that reduced money. We have a growing population, which increased by almost 350,000 between 2006 and the last census in 2011. The numbers in receipt of the jobseeker's payment have increased by almost 200,000, or 130%, between 2008 and 2012. Numbers in education have increased by 78,000, or 8%, from 961,000 in 2008 to 1,039,000 last year.

Deputy Mattie McGrath: In spite of SUSI.

Deputy Brendan Howlin: Medical card holders have increased by 540,000, or over 40%, an increase between 2008 and 2012 from 1.35 million to the highest level of medical card ownership in our history, currently at 1.89 million. The number of people of pensionable age has increased by 65,500, or 13.5%, since 2008.

Budget Reform

There are few areas where reform has been more manifest than it has been in the actual budgetary process. We have moved, in line with the new European arrangements, to an October budget, which should ensure we can achieve one key goal of the Oireachtas committee system: the examination of public spending before the money is actually spent. This should bring about a qualitative difference to our debates about spending over the next few years.

Our first task upon taking office as a new Government was to undertake a comprehensive review of expenditure. This was not a once-off effort. The review of what we do, how we do it and whether we are using the resources of the people appropriately and achieving the policy goals we have set has become the new normal. To this end, a further comprehensive review of expenditure and a review of the capital investment framework will commence in the coming months.

Public Service Reform

I would like to acknowledge the contribution public servants in this State have made to our recovery.

Deputies: Hear, hear.

Deputy Brendan Howlin: Over the course of the past five years, the public service has reduced in size by almost 10%. The cost of the pay bill has fallen even further, by some 17%, and the Haddington Road agreement which I reached with the public service unions earlier this year will permit that cost to fall still further. These savings need to be protected and sustained, which means we must continue to demand further efficiency across all areas of the public service. In addition, we must ensure that public service managers across every sector make full use of the extra 15 million hours achieved and the hard won workplace flexibilities agreed in Haddington Road. However, as we reform and improve, there are immediate pressures that need to be addressed. In recent times I have come to the view that there are some areas of the public service where we simply need to provide more staff after five years of downsizing. For that reason, the target for public service numbers next year has been adjusted to allow some additional scope for extra staff in classrooms, hospital wards and front-line policing.

These important additional resources are a reform dividend, only made possible because of the savings being delivered across the system as a whole. That can be done. There can be a fresh intake of people, while at the same time we intend to reduce the pay bill next year by €500 million. I intend to publish a revised public service reform plan by year end, building on what we have achieved and setting out a new ambitious programme of reform. That plan will focus on innovation in terms of service delivery and an increased focus on outcomes. As one example, today the Government is announcing a pilot phase for a new model of financing social interventions called social impact investment. It uses private capital to provide better outcomes for citizens.

To determine the potential for social impact investing in Ireland, the pilot phase is seeking private sector investment partners to provide long-term, stable homes for homeless families in the Dublin region. The project will provide families and children, in particular, with better lives through increased levels of school participation; reduced levels of anti-social behaviour; and reduced levels of adult homelessness. This measure is radical, reforming and demonstrates my commitment to explore any model of intervention that can better use resources to protect the most vulnerable in society.

Investing in Jobs

The Minister for Finance has set out a series of measures to promote employment. That is a priority of my Department and every Department. Our current five year capital framework sets out a €17.1 billion investment programme between now and 2017 to maintain and improve the country's infrastructure. In recognition of the importance of stimulating economic activity, we have sought to augment that programme when possible, consistent with our troika commitments.

In July last year I announced a €2.25 billion infrastructure stimulus package. These projects are progressing as planned. Five of the nine PPP projects have already issued to market and the flagship Grangegorman DIT project, valued at over €200 million-----

Deputy Finian McGrath: How many times has the Minister announced it?

Deputy Brendan Howlin: -----is due to issue by the end of this month. A total of 13,000 direct and many more indirect jobs are expected to be created by this programme. Earlier this year I announced €150 million of direct Exchequer capital and a further €250 million of PPPs. The extra Exchequer money is being invested in 28 badly needed school projects, maintaining the local road network and a local authority housing insulation scheme. All 25,000 local authority houses that are not insulated will be insulated under this programme. We are now including social procurement contract clauses in schools capital works for the first time ensuring a proportion of the workforce is drawn from the long-term unemployed.

Investment in our recovery is, of course, not confined to central government. Commercial semi-State investment in the next three years is set to reach €5 billion. Through NAMA, as the Minister for Finance has mentioned, we will invest a further €2 billion in Irish commercial property in the next two years. We are transforming the National Pensions Reserve Fund into the Ireland Strategic Investment Fund to invest on a commercial basis in projects in Ireland rather than in projects across the globe, projects in Ireland that support economic activity and employment here. The value of the NPRF discretionary portfolio at the end of June 2013 was €6.4 billion.

Members will be aware that the Government recently successfully concluded the award of the national lottery licence for a figure in excess of €400 million. I have already pledged to this House that €200 million of this dividend will be and is ring-fenced to ensure the construction of the national children's hospital, under the direction of my colleague the Minister for Health. I am pleased to be able to announce that the further €200 million in capital spending arising from the balance of lottery licence proceeds will be used to support local economic activity and job creation. These projects will, of course, be subject to public spending codes. The €200 million is to be invested from the lottery licence in 2014 and will help to fund:

- road maintenance and repair works;

- a new round of sports capital grants;

- the building of a new national indoor training arena at the National Sports Campus;

- the better energy programme;

- housing adaptation grants for older people and people with a disability;

- the national city of culture initiative;

- the development of a large-scale, multi-functional events centre in Cork;

- the Wild Atlantic Way driving route tourism project along the west coast; and

- a number of 1916 commemorative projects.

The funding allocations for these and other projects will be included in the Revised Estimates volumes for 2014, which will be published before the end of the year. I will refer to further allocations from this programme later in my speech.

Arising from our State asset sales programme, now well advanced, and the classification of the State's investment in Irish Water, I hope to be in a position to announce a further programme of capital investment next year.

Healing the Scars

The last six years have left both emotional and physical scars on this country. Nowhere is this problem more acute than in the area of housing.

We have allocated €10 million to resolve the problems at Priory Hall, a particular blot on the national psyche and an example of all that was wrong under the last Government. In addition, €10 million will be provided for an unfinished housing estate resolution initiative. Details of the scheme will be announced by my colleague, the Minister responsible for housing, later today.

I am allocating €30 million of the lottery licence proceeds to recommence, for the first time in many years, the State's housing building programme. This will facilitate up to 500 additional housing units between a small number of new builds and the restoration of previously uninhabitable units to the housing stock. I regard these two measures as extremely important and I hope to return to further enhancing those measures as resources allow.

Job Creation and Activation

As I stated earlier, job creation continues to be the top priority for this Government. While the numbers in employment have risen by 33,800 this year and the unemployment rate is down from 15.1% in 2012 to 13.3% in September, we all recognise the seriousness of the challenge that remains. We will continue to invest in the people who, through no fault of their own, find themselves out of work.

Pathways to Work 2 sets out our strategy for tackling unemployment and, in particular, long-term unemployment. The total 2014 allocation for activation places in education and training and work experience is €1.6 billion. This will provide nearly 300,000 places in work, education and training programmes across the Departments of Social Protection and Education and Skills, an increase of 18,000, or 7%, since 2012. Importantly, of these places, 94,000 will be reserved for the long-term unemployed, an increase of 78% on the 2012 provision. I am providing an additional €9 million in capital expenditure to complete the roll-out of the one-stop-shop Intreo offices to provide better services for the unemployed seeking work.

I am allocating a further €14 million to a youth guarantee fund, which will support additional activation places for people under 25. It is in this context that we are extending the €100 reduced rate of jobseeker's allowance and supplementary welfare allowance to existing recipients who reach 22 and for new entrants aged up to 24 on or after 1 January next.

Deputy Joe Higgins: Shame. Shame.

(Interruptions).

Deputy Brendan Howlin: The reduced rate of €144 will apply to those reaching 25 from January 2014.

(Interruptions).

An Ceann Comhairle: Please, Deputies.

Deputy Seamus Healy: These are unemployed people.

Deputy Brendan Howlin: It should be noted that the rate for those availing of the back to education scheme is €160 per week. It is in education and training that our young people should be.

Deputy Billy Kelleher: There are no training courses for them.

(Interruptions).

Deputy Brendan Howlin: We will also continue our support for employers across all sectors in creating and sustaining jobs. Our enterprise policies are continuing to secure new investments, employment and export growth. Taking account of requirements in these sectors, I am allocating total capital expenditure of just under €450 million for the Department of Jobs, Enterprise and Innovation to drive the jobs and enterprise agenda.

Current Expenditure

I am proposing to allocate €49.6 billion to voted current expenditure in 2014.

Health

The demands of a growing and aging population pose a particular challenge for funding the provision of health services and health reform. I am allocating almost €13.3 billion for the Department of Health in 2014. This includes an additional €187 million against profile to fund reforms and to help ease some service pressures. In line with the programme for Government, I am allocating €37 million to fund the roll-out of free GP care for children aged five and under.

Deputy Mattie McGrath: While taking the medical card from their parents.

Deputy Timmy Dooley: The Minister for Social Protection is taking €30 million from maternity benefit.

Deputy Brendan Howlin: This is a first step in our programme to provide free GP care for all.

Deputy Mattie McGrath: It is a scam.

Deputy Brendan Howlin: I am also allocating €20 million for the development of community mental health services as envisaged under A Vision for Change. I have agreed to a much reduced headcount savings target of 1,000 to protect front line health services. While health is a key priority for Government, the fact is that it accounts for 27% of public expenditure and, therefore, cannot be immune from making a contribution to our recovery efforts. In order to fund its contribution to our fiscal targets, we have to strike a balance between funding services through significant savings on pay, savings on drugs and measures relating to eligibility for medical cards and increased charges.

New savings measures will include €50 million on drugs from generic substitution and reference pricing, €113 million from a review of all medical cards to remove ineligible and redundant cards ---

Deputy Billy Kelleher: The Minister denied that last week.

(Interruptions).

Deputy Timmy Dooley: The Taoiseach said there was no change in policy.

Deputy Brendan Howlin: Some €25 million will be saved by a lowering of the income thresholds for the over 70s medical cards to €900 per week for a couple and €500 for a single person and €30 million for private bed charges in public hospitals. Further details of the Health Estimates will be announced by my colleague, the Minister for Health, later today.

Social Protection

I am pleased to announce that the burden of the adjustment on social protection expenditure will be reduced by €150 million in 2014 to €290 million. This is the third year in succession that this Government has delivered a lower consolidation than that set out by its predecessor and reaffirms our commitment to both health and social protection. Department of Social Protection expenditure remains the largest single area of public spending, accounting for almost 40% of gross current expenditure. This area of expenditure cannot be excluded from savings. The household benefits package remains a significant area of spending, accounting for over €280 million this year. In order to reduce costs, we have decided to discontinue the remaining telephone allowance for all recipients from 1 January-----

Deputies: That is a disgrace.

Deputy Timmy Dooley: They will not be able to ring the Minister's office with the phones taken off them.

Deputy Brendan Howlin: -----a measure that will save €44 million.

Deputies: Shame. Shame.

Deputy Brendan Howlin: We will standardise the rate of maternity benefit at €230 per week for new claimants from January. This will save €30 million in 2014.

(Interruptions).

An Ceann Comhairle: Will Members please allow the Minister to present his Estimates without interruption?

Deputy Brendan Howlin: The number of waiting days for entitlement to illness benefit is being increased from three days to six days. This will save €22 million.

Deputy Willie O'Dea: That is a cut.

Deputy Brendan Howlin: However, I am pleased that, again, I can confirm there will be no reduction in the basic social welfare rates for people of working age or for pensioners.

Deputies: Again?

(Interruptions).

Deputies: Hear, hear.

Deputy Timmy Dooley: Is the Minister seriously claiming that a reduction of €290 million is not a cut?

Deputy Brendan Howlin: I am pleased to confirm that child benefit rates are being maintained at €130 per month.

Deputies: Hear, hear.

Deputy Timmy Dooley: Yet the Minister has taken away paternity benefit.

Deputy Finian McGrath: What about the respite care grant?

Deputy Brendan Howlin: And finally, there will be no reduction in the rate or the duration of the weekly fuel allowance.

Further details of the social welfare package are set out in the expenditure report and will be outlined in full by my colleague, the Minister for Social Protection, later.

Education

As I have already outlined, education has been a considerable beneficiary of our capital investment programme since we took office. We are building more schools to meet the needs of our growing school-age population. I am allocating just over €8.7 billion to the education sector. As a result, I am pleased to be able to report that we are not increasing either primary or post-primary class sizes.

Deputies: Hear, hear.

Deputy Brendan Howlin: I am also making provision for the recruitment of more than 1,250 new classroom and resource teachers for the school system next year.

Deputies: Hear, hear.

Deputy Brendan Howlin: A further €5 million will be allocated to extend the reach of the books-to-rent programme in primary schools.

Justice

We will be providing additional funding to the Department of Justice and Equality to increase staff for the Garda vetting service. Also in the justice sector, it is expected that the new court of appeal and the legal services regulatory authority will be established next year.

As previously announced, we will begin a new Garda recruitment programme next year, alongside the independent review of the force agreed under the Haddington Road agreement.

Summary

Making my Estimates speech last year, I said I was confident that, as a people, we would come through this mess - a mess that was created by those opposite, who now jeer, that was endured by the people of Ireland and that endangered the very viability of our State.

Deputy Mattie McGrath: The Government demanded more.

Deputy Brendan Howlin: Today, I am more than confident; I am certain. Yes, there will be difficult days ahead. Yes, there are still difficult decisions to be made, but we are now picking up speed and our goal is in sight.

I commend these Estimates to the House.

Deputies: Hear, hear.

Deputy Billy Kelleher: When will the Government announce the cuts in detail?

An Ceann Comhairle: Will Members leaving the Chamber do so quietly to show some respect to the Opposition spokespersons?

The statements of the main finance and public expenditure and reform spokespersons for Fianna Fáil, Sinn Féin and the Technical Group, who shall be called upon in that order, shall not exceed an aggregate of 60 minutes in each case.

Deputy Michael McGrath: With the agreement of the House, I will share 30 minutes of my time with Deputy Sean Fleming.

As we all know, the last five years have been incredibly difficult for the majority of people in this country, to varying degrees. People's incomes have come under sustained attack, their living standards have worsened and their future plans have had to be changed. Above all else, people look to the Government to give them hope that there are better days ahead. Including today's Budget Statement, a staggering total adjustment of more than €30 billion has been introduced in the public finances since 2008. We all hope the country is on the cusp of recovery, but it is too early to draw definitive conclusions. All of us involved in politics, particularly those in government, have a responsibility to ensure the sacrifices made by the people are worthwhile and that Ireland is put firmly on the road to sustainable recovery. It means staying focused on the task ahead. Fianna Fáil believes a budget adjustment of a similar order to that proposed by the Government is required. We accept that there is no easy way to put through tax increases and spending cuts in the order of €2.5 billion. However the litmus test of the budget is not the response of the Opposition but whether the people outside the House, those most affected by its measures, believe it to be fair. I am not naive enough to think one can achieve consensus on what constitutes fairness, but our definition is whether the burden of the adjustment has been spread in line with people's ability to carry it. By any reasonable analysis, this is the Government's third successive budget that places a disproportionate share of the burden on those least able to carry it.

Deputy Derek Nolan: Fianna Fáil wanted more cuts.

Deputy Michael McGrath: It over-promises and under-delivers. When one strips away all of the PR we have seen in recent days, this budget targets the elderly, medical card holders and young mothers. It abandons people who are struggling to keep their homes and, yet again, incredibly, the Government has gone out of its way to insulate the better-off from the worst effects of it.

The way pensioners have been targeted in this budget is disgraceful. They are our parents, grandparents, people who have lived through far greater hardships than any of us can appreciate. Not only will many of them lose their medical cards, they will have higher prescription charges and lose their telephone allowances and bereavement grants, while DIRT is going up. Even the dead are not safe from the Government. As if it is not enough to take property tax from the estates of the deceased, the Government is removing the modest grant their loved ones receive to give them the dignity of a decent burial.

Deputy Robert Dowds: The Deputy has some neck.

Deputy Michael McGrath: In a famous quip a few years ago the Minister for Finance, Deputy Michael Noonan, asked the then Minister for Finance, the late Brian Lenihan, what he had against the third child. What does the Minister have against young mothers? Only three months ago he introduced tax at the marginal rate on maternity benefit, taking up to €108 a week out of their pockets. Today the Government is taking another €32 a week out of those same women's pockets. That is a cut of €140 a week from the pockets of women who have just given birth to babies. From where is this coming? What is the logic? I cannot understand it. The strategy behind the budget seems to be to divide and conquer, isolate the weaker sections of society and those on the margins and to do so in a way that maximises political advantage for Fine Gael and the Labour Party.

In recent days we were bombarded with spin from the Government parties that the coping classes, those who pay for everything, as they put it, would be given a break in this budget.

Deputy Michael Noonan: They are.

Deputy Michael McGrath: Unfortunately, when the reality sinks in, many people will be left bitterly disappointed when it becomes clear what this budget means for them and their families.

Deputy Michael McNamara: The Deputy's political party.

Deputy Michael McGrath: The tone of self-congratulation coming from Government Buildings will ring hollow tonight when people realise its full extent. In many ways Opposition spokespersons are responding to a budget we have not yet seen. We have the Government's speeches and the booklets that have been distributed, but shortly individual Ministers will attend press conferences in their offices to explain what the budget means for their Departments.

Deputy Ruairí Quinn: The story will get even better.

Deputy Michael McGrath: Only then will we find out the full extent of the cuts and increases buried in the detail of the budget. That detail is often carefully drip-fed in the hope it will hardly be noticed. A full assessment of the budget can be made only when we have all of the facts at hand. My colleague, Deputy Sean Fleming, will highlight some of the cuts the Ministers have not mentioned in their statements but which will become very clear on an analysis of the booklets. Often, in the hours and days immediately after a budget an issue takes on a life of its own when its full magnitude is realised. In this budget, that issue could well be removing the telephone allowance, not just from pensioners but from carers, blind people and people on disability allowance. Most people do not go to bed worrying about the general Government deficit, the debt-to-GDP ratio or the yield on Government bonds, though all of those metrics are important.

Deputy Tom Hayes: They did a few years ago.

Deputy Michael McGrath: They worry about ordinary things. They worry about putting food on the table, paying their mortgages and paying their electricity bills, and at this time of year they begin to worry about providing for Christmas. If they are lucky enough to have a job they worry about holding onto it, and if they have not got a job they worry about finding one. It is only when people see things getting a little easier that they will accept that the economy is recovering in a way that is meaningful and holds relevance for them.

Halfway through its term in government, this is a good time for the Government to take stock of the economy, of where it said the economy would be at this time and of where we actually are today. I believe the fairest and most important measures of economic performance are growth, jobs and the public finances. On growth, the economy has not performed anywhere near the level the Minister and his colleagues predicted it would when they first came to office approximately two and a half years ago. Back then, the Minister said the economy would grow by 5.5% from the beginning of 2012 to the end of the current year.

Deputy Finian McGrath: He said it would rocket.

Deputy Michael McGrath: He now estimates that over that period it will have grown - if we are lucky - by 0.4%. That is a prediction of 5.5% versus a reality of 0.4% growth in the economy. We have had little or no growth over the past two years and the forecast for next year has now been downgraded for the third time since the Minister came to office. The predicted growth rates of 2% and 3% are always for next year or the year after, but they never seem to arrive. The economy today is approximately €5 billion smaller than the Minister said it would be at this time when he came to office.

It goes without saying that the weak external environment has been a drag on our exports. That fact, alongside a struggling domestic economy, has resulted in an overall economy that remains fragile and largely flat. Where the Government has scored best is on the public finances. On coming to office, the Minister predicted that the deficit at the end of this year would be 7.2%, and it is now going to come in at approximately 7.3%, which is welcome. Fianna Fáil welcomes the fact that the reduction on the deficit remains on target. I am sure both Ministers will acknowledge that the progress in the public finances is not limited to their tenure in the Departments but is also due to the work of the Minister's predecessor in the latter years of the previous Government.

Our deficit, while still high, is continuing to come down. The achievement of a deficit below 5% in the current year is an important step towards achieving the milestone of a deficit of less than 3% by the end of next year. However, there has been a marked difference in how the Government has gone about bringing about that adjustment. The measures it has taken to date have unquestionably been regressive. They have targeted those on low and middle incomes in particular, and these people have borne the brunt of the budgets, while the wealthiest in the country have been asked to contribute precious little.

There has undoubtedly been an improvement in the jobs market in recent months, and that is welcome. As far as I am concerned, every new job, whether a part-time or a full-time job, is good news. However, we all accept that the level of unemployment in this country remains a national crisis and the scale of the task ahead is immense. Let us look at the facts. The official measure of unemployment is the CSO quarterly household survey. According to its latest figures, the number of people officially unemployed has fallen since March 2011 by less than 7,000, from more than 307,000 to more than 300,000. Over the same period, the number of people in employment has increased by 12,700, and the total now stands at 1.866 million. It is true that the more recent data are more encouraging and, hopefully, a real dent can be put on unemployment numbers in the year ahead.

However, this is all a far cry from the promise of 100,000 net new jobs we heard from the Government on coming into office. Job creation in the private sector has played a role in the reduction in the number on the live register, but so too has forced emigration. In the last two years for which we have full data, 2011 and 2012, almost 170,000 people emigrated. Of those, almost 90,000 were Irish nationals. No town or village in the country has been left unaffected by the scourge of emigration. The harsh reality is that the Government is actively encouraging people to emigrate. I have a letter here that was sent by the Department of Social Protection to somebody on the live register who was formerly employed in construction. The letter tells him about a job vacancy in his area, not in Cork, Limerick or Dublin, but in Canada. This is a letter from the Government - from the Department of Social Protection - to an individual who is looking for a job in this country.

Deputy Alan Shatter: That is the consequence of the Fianna Fáil Government.

An Ceann Comhairle: Please refrain from interrupting.

Deputy Michael McGrath: The letter goes on to give a detailed description of what the job in Canada would involve and states that if the person is interested, he should send his CV to an e-mail address within the Department of Social Protection.

Deputy Robert Dowds: Fianna Fáil overheated the construction sector.

Deputy Micheál Martin: This is hurting.

An Ceann Comhairle: Deputies should restrain themselves. We want to hear what the Deputy has to say, and others will have their say afterwards. I ask all sides to stay quiet.

Deputy Alan Shatter: The Deputy should be too embarrassed to reply.

An Ceann Comhairle: Did the Minister not hear me? What I said applies to Ministers as well as to backbenchers.

Deputy Michael McGrath: Just like the Tesco ad, the truth hurts here. So anxious was the Government to assist that person in applying for the job in Canada that it provided information on the CV format Canadian employers like to see. This is the truth - a letter from the Irish Government. The person was informed on the back of the letter of a whole range of vacancies in Canada which could be applied for - vacancies in cabinet making, carpentry, fence building, glazing, finishing carpentry and so forth. God knows how many people have received this letter from the Department of Social Protection, but when we combine it with the Minister's decision today to cut the jobseeker's allowance rate for young people, what message does this send out to the young people of Ireland? It gives them the message that they are not wanted here, there is no future in this country for them and they are better off going abroad to Canada. That is the message people will hear from the budget today and it is the message in the letter they are getting from the Department of Social Protection.

While multinationals remain a critical part of our economy, Fianna Fáil believes that not enough attention has been paid to the indigenous economy, particularly small and medium-sized enterprises. The Minister has announced a number of measures in his package today which, to be frank, are underwhelming. To use the Minister's terminology, there are "a few bits and bobs". That is about it; there is nothing of any great significance. I sincerely hope these measures are more successful than the measures he introduced last year. The take-up of the microfinance loan scheme has been minimal and the scheme is already under review. The temporary partial loan guarantee scheme has had an exceptionally low take-up and is being re-examined because of its limited application. The Minister is giving a two-year tax holiday for unemployed people who start up a new business and is providing for a whopping €1 million as a cost, because he knows well that the last thing unemployed people starting a new business are worried about is their taxation bill and profits for the first two years. This is the kind of window dressing we get from the Government when it comes to job creation.

The lack of credit is hampering many businesses and we would like to see far more innovative measures to address this, such as tax relief for individuals and making loan capital investment to SMEs. We would like to see a special low capital gains tax rate for new entrepreneurs starting up businesses, not the type of cumbersome roll-over relief on capital gains tax he has announced today. We believe that a State-backed enterprise or investment bank should be considered for the provision of capital to growing businesses. This could be done by means of a stand-alone bank or by using the infrastructure that exists within Permanent TSB. Such a model is already well established in Canada, the US, Germany and is currently under development in the United Kingdom.

In many respects, the main issues that affect small and medium-sized businesses in Ireland did not even warrant a mention in the budget. We know electricity and gas prices are going up for businesses and we know they are crippled by the burden of local authority rates. We know revaluations going on throughout the country are causing havoc for SMEs, leading in many cases to dramatic increases in the rates burden they face. We know the collapse in property values has contaminated many good trading businesses and there is a need for a new approach in this area. The banks need to be required to restructure SME debt to ensure viable businesses can continue to grow and expand. Today the Minister announced illness benefit will not be paid for the first six days a person is out sick. I presume where an employer has a sick pay policy he or she will have to pick up the tab for the extra three days.

Deputy Mattie McGrath: Another cheap shot.

Deputy Michael McGrath: With regard to the VAT scheme the announcement of an increase in the threshold for cash receipts to €2 million is significant and it is to be welcomed.

The Minister announced a number of measures with regard to construction. The message I want to convey today is the main issue to address in construction and property, if one wants to get the sector moving again, is the lack of credit and the fact many young people who have been saving and want to buy a house for the first time simply cannot get a mortgage from the banks. The priority must be to fix the banks to get a normal level of credit flowing in the economy again to give these people an opportunity to buy a property for the first time. There may well be areas, particularly in Dublin, where there is a shortage of certain types of property but the main issue which needs to be addressed in the short term is the lack of credit.

The Minister announced a certain change to corporation tax today. He should be under no illusions; Ireland's corporation tax policies are under siege. We need to send out a strong united message from the House that Ireland values its ability to determine its own corporation tax policies and that our rules are transparent and in line with OECD guidelines. We need to be far more proactive in making the case definitively for retaining autonomy and setting our own corporation tax rate. This needs to be a priority for the Government at the highest level. None of us should be complacent about the mutterings we hear from Germany about the ongoing coalition government negotiations there, whereby Ireland's corporation tax regime has found its way onto the agenda. Let us not be complacent about this. It poses a real and substantial risk to this country and needs to be addressed.

Last month the European Commission sought information from Ireland, as we know, on how certain multinationals are treated from a corporation tax point of view. We need to insist this preliminary investigation which has been launched is dealt with as quickly as possible, because for as long as it remains open-ended it is a cloud hanging over our inward investment offering and needs to be addressed. The reality is Ireland is at war to defend our corporation tax rate and system. What we have heard from the Government until now is there will be no unilateral change and we will move along with other countries to implement the OECD initiative on base erosion and profit shifting, BEPS, and any changes would be part of a co-ordinated initiative. What the Minister has announced today is a departure from this. It might be regarded as a minor change, and certainly the notion of a "double Irish" has given us a bad reputation in recent times as hardly a week goes by without a significant international newspaper or media outlet covering the issue, but we need to examine it in great detail. There has been a departure from the stated policy until now that we will move in line with other countries.

Deputy Michael Noonan: Will Deputy McGrath support it?

Deputy Michael McGrath: Let us see the detail. I will not play politics with corporation tax.

Deputy Arthur Spring: What has Deputy McGrath been doing for the past half an hour?

Deputy Niall Collins: The Government is heavy on detail today.

Deputy Billy Kelleher: There is no detail so far.

Deputy Arthur Spring: Open the book.

Deputy Michael McGrath: The Minister stated it would be in the finance Bill so let us see what is in it.

Tonight between 400,000 and 500,000 people will sleep in family homes where the mortgage is in some level of arrears. Alongside unemployment it is the single greatest economic and social challenge we face in the State. They received a cursory mention in the Minister's speech. The issue was glanced over, and it was clearly a box-ticking exercise for whoever wrote the speech that a mention was given to mortgage arrears. However there was nothing new in it. The Government's response to the crisis so far has been to give the banks more power, to allow them repossess homes more easily and quickly, and to dilute key protections borrowers have had.

Deputy Arthur Spring: A total of €9.4 billion.

Deputy Mattie McGrath: The eviction Bill.

Deputy Michael McGrath: Today 143,000 family home mortgages are in arrears and there is no easy solution to the problem. No one suggests the banks can throw away the capital the taxpayers have given them and they must be prudent. One thing is certain; the problem will not be solved if banks are allowed to continue to run the show. Last March the Central Bank issued targets for the banks to offer sustainable solutions to those in arrears. The Government warmly welcomed the new targets programme but it has since been shown conclusively the banks have effectively made a mockery of the process, relying on threatening legal letters to reach their targets. The Minister stated he does not regard a threatening legal letter to be a sustainable solution. Let us back up these words with actions. We await confirmation from the Central Bank as to whether this is acceptable.

In the majority of cases presented to the Joint Oireachtas Committee on Finance, Public Expenditure and Reform the bank's solution was to tell the borrower it wanted the home back and the person either had to sell it or give the bank the keys, or the bank would go to court to repossess it. This was the message from the banks in the majority of cases. In many cases these threats were made to people before any other forbearance measure was even tried. The message from the Government has been that repossession is the last resort, but the reality in very many cases about which I personally know - and I am sure every Deputy also knows of cases - is that such a letter was the first action the banks took in respect of people in mortgage arrears. It is simply not good enough. The banks in this country owe their very existence to our citizens and the least they can afford to do is show some compassion and civic-mindedness in dealing with mortgage arrears. We need more proper long-term sustainable solutions and not mere sticking plasters in the short term. We need more permanent interest rate reductions, sustainable split mortgages and debt for equity arrangements. We all know it makes far more sense economically and socially to keep people in the family home where it is at all possible.

The establishment of the new insolvency service was a welcome initiative, but there is growing evidence already that thousands of the most distressed borrowers in the country who most need access to the service are being locked out because they have no ability at all to repay any of their debts within the insolvency guidelines. In many cases they simply cannot afford the fees being charged upfront by the personal insolvency practitioners. The Government's singular response to the mortgage arrears crisis was to abolish mortgage interest supplement for new entrants. This is the one payment people rely on to make interest payments on mortgages, to try to keep the wolf from the door and prevent banks from coming at them.

Deputy Mattie McGrath: Shame.

Deputy Michael McGrath: This is a shameful decision. If the Minister announced it was to be replaced with a radical new innovative policy to support those in mortgage arrears of course we would examine it and its merits.

Deputy Mattie McGrath: The Government is in bed with the banks.

Deputy Michael McGrath: The one safety net people had, the one direct cash support from the Government to those in mortgage distress, has been pulled from under them. I cannot understand the logic behind it. It will only make the situation worse.

The Minister announced a new levy in respect of banks operating in Ireland. It is fair to say nobody will chain themselves to the gates outside Kildare Street tonight to protest against the introduction of a bank levy.

Deputy Brendan Howlin: I would not rule out Deputy Richard Boyd Barrett.

Deputy Tom Hayes: Or Deputy Mattie McGrath.

Deputy Michael McGrath: Deputy Richard Boyd Barrett can speak for himself.

Who will end up paying this levy? Will the banks simply be allowed pass it on to customers by way of increased fees, charges or higher variable interest rates? We know we do not have a properly functioning banking system and we must ask whether this measure will help. At a time when we are trying to attract more competition in the banking sector in Ireland I must ask whether the introduction of this levy will make it less likely we will be able to attract competition into the banking sector here.

The Minister is removing the restriction on the use of deferred tax assets for NAMA. This is a big win for the banks and I would like to see much more detail on it. If the banks return to profitability, which I hope they do, what will this mean in terms of taxation they will not have to pay? We need more information on this because it would seem there is a far bigger win for the banks by way of tax they will not have to pay from the levy announced today.

While people are coming to terms today with budget 2014 the truth is last year's budget has not finished with them yet. Next year hard-pressed home owners will be faced with a double local property tax charge. From the Minister's point of view I am sure he views the local property tax as a major success, bringing in €50 million more than expected and with Revenue achieving a very high compliance rate. The full year's charge being levied on 21 March next year will really hurt people and could have significant implications for the domestic economy. I remain of the view the tax is unfair in that it does not take into account ability to pay in any meaningful way and it is being levied even on those who cannot afford to make their mortgage repayments.

The Minister announced a significant change on pension tax relief. I wish to ask on a point of equity whether it applies to the highest echelons of the public service. For example, will the pension tax relief of a person continuing to pay into a pension which will yield in excess of €60,000 also be curtailed? I take it, from the Minister's response, that it will be.

4 o'clock

The Minister has announced that the lower rate of VAT will be retained in the tourism and hospitality sector. That decision will be warmly welcomed by a sector that has undoubtedly benefited from the announcement. However, I have to raise the issue of the pension levy. The Minister has announced that the levy is to end, but the booklet states it is to increase. In 2014 it appears it will go from 0.6% to 0.75% and then down again to 0.15% in the following year.

Deputy Mattie McGrath: Check the small print.

Deputy Michael McGrath: It is one or the other. The Minister cannot have it both ways. The truth is that he has played a three-card trick. Since he announced the pension levy back in

2011, he reiterated time and again - he did so again in last year's Budget Statement - reassuring all those affected by it, that it was to end in 2014. He has now broken his word. As he knows, the levy has very significant consequences for those with pension savings. We know the scale of the crisis in defined benefit schemes, in particular, including a deficit of €1.5 billion alone in the ESB. As the Minister is not abolishing the levy, let us not play with words. He is increasing it in 2014 and reducing it in 2015. Will that be the end of it? I said in 2011 that I just did not believe the levy was to end in 2014. I believe people will treat with some cynicism the trick the Minister has played with the levy. Until we shone a light on this issue, the proceeds from the levy were being diverted into the general Government coffers and not used for the jobs initiative; therefore, I am glad the Minister has made further announcements on the initiative.

Will the Minister clarify whether there is PRSI of 4% on top of the higher DIRT rate? He seems to be indicating that there is not; therefore, the figure of 41% is inclusive of PRSI.

In regard to excise duties, again, the Minister has left the off-trade untouched and is targeting the on-trade with the increase in excise duties. He knows what our view is on this issue. We believe the problem in regard to alcohol sales is, frankly, encountered in the large multiples, where alcohol is sold exceptionally cheaply. There is a need to reduce the enormous discrepancy between the on-trade and the off-trade, but the Minister has made no moves whatsoever on that front.

The Minister is abolishing the air travel tax from April next year in an effort to boost tourism. However, as evidence of the lack of cohesion, he is decreasing the budget for tourism programmes by €13 million. He is giving with one hand and taking away with the other.

It is welcome that Ireland is on course to exit the bailout programme in two months time. We do not regard the putting in place of a precautionary line of credit as being in any way a second bailout. We encourage the Minister to take all necessary prudent steps to ensure Ireland can exit the bailout programme in a sustainable way. However, in many ways, the enemy of the Government from that point onwards will be complacency because fundamental reforms in the sheltered professions, the banking system and in terms of labour activation remain to be put through. A lot of work has to be done on that issue.

We supported the liquidation of the IBRC in good faith and I do not regret that decision. However, I am not happy with a number of issues that have emerged since. I am not happy that credit unions lost some €14 million because of the way they were treated, that the employees were shafted from the point of view of redundancy or that mortgage customers of the former INBS now face the potential risk of losing the protections afforded to them under the code of conduct for mortgage arrears, depending on who goes ahead and buys the loan book.

The Minister needs to do a lot more work in respect of the ESM. Mr. Wolfgang Schäuble today said it was not probable that we would get a retroactive deal on bank debt recapitalisation; therefore, a huge body of work remains to be done in that regard. The Minister has indicated previously that he will set out a medium-term economic strategy. I want to know that we asking the big questions about whether our debt is sustainable, whether we have a proper funding model in place for third level education, pension provision, pension liabilities and universal health insurance and whether we have a vision for Ireland's role in the European Union.

Yet again in budget 2014 the Government has targeted some of the weakest in society. The basic level of comfort given to older citizens is being systematically unravelled. Those struggling to keep the family home have been given another kick. This is a Government that talks about fairness but does the opposite. It is a Government that has set records for broken promises. At a time when the people want to see it show compassion, exemplify the values of the country and show true leadership, they have been badly let down. This budget fails the basic test of fairness. Even within the accepted constraints, it could have done better. It is now over to the people to pass judgment on it.

Deputy Michael Healy-Rae: It is a pity they did not all get stuck in the lift.

Deputy Sean Fleming: In the days leading up to the budget we were told to expect a family-friendly budget, one that would help hard-pressed families. What we have got instead is a litany of cuts and tax increases which, taken with the last two budgets, show a Government which is both lacking in imagination and a basic commitment to fairness. The last two budgets hit those relying on public services hardest. It has been our view all along that the split of taxes and expenditure in this budget should be of the order of 50:50, but the Minister has chosen not to do this. Instead, he has chosen to let those who rely on State services and the Departments of Health, Social Protection and Education and Skills bear the brunt of the expenditure reductions and costs. It is what we call a regressive budget. Again today we see that the Government is allowing the burden of the adjustment fall disproportionately on those who can least afford it, but we do not yet know if we have the full story. As happened last year, I expect that tonight and tomorrow there will be a series of press releases from various Departments highlighting the specific measures and cuts that are not being highlighted this afternoon and that these will be even more painful than what we have heard in the last hour.

There is no doubt that there is one common thread in the budget. It hits the elderly generation extremely hard, with young out-of-work individuals also in the Minister's sights. The Government has in the past called for intergenerational solidarity, but what it has announced today will ensure that cannot happen. I point, in particular, to the issue of medical card eligibility. For the second year running, the Government has shamefully cut the eligibility criteria for elderly people. It is attacking our parents and grandparents - those over 70 years of age. We know from research carried out by the ESRI that medical cards are a progressive anti-poverty measure. They provide an essential safety net in terms of access to GP care, medicines and hospital treatment for low income families and older people who are more likely to have greater health care needs. Despite being a Government that talks about creating a universally accessible health care system, it is actually intent on undermining and eroding access to it, as evidenced by these cuts. There has been a reduction in the number of discretionary medical cards and a fall in the number of families with GP visit cards. We are seeing blatant health care rationing on economic grounds, while clinical and health needs are being ignored. The number of discretionary medical cards has been specifically targeted by the Government. The Minister said there was no policy change, but the practice being implemented on a daily basis by the HSE is somewhat different. People throughout the country have been receiving letters from it advising them of a review of their medical cards and many have had their cards withdrawn recently. This process will intensify as a result of the changes announced in this budget. Last year the Government reduced the medical card weekly income limits for those aged over 70 years by €100 for a single person and €200 for a couple. Today, it is reducing the limits by another €100 a week for a single person but by €300 for a couple. What does it have against elderly married people such that the cut is more than double for a couple in a house than for a single person? The Minister is now bringing down the figure to €900; it was €1,400 just two budgets ago. At least 35,000 elderly people will lose their medical cards because of that decision alone.

Deputy Micheál Martin: It is disgraceful.

Deputy Sean Fleming: Some 35,000 elderly people are watching today who will lose their medical cards as a result of this decision. In fact, it was based on the Minister making a reduction of €200, but the figure is probably higher at €300 per couple.

The medical card is highly valued by older people and those on low incomes. It provides reassurance and a right of access to health care at a time in their lives when they are more likely to have significant health care needs. Many of the services required by these elderly people are not easily accessed through private health care, yet the Minister has today cut the tax relief for private health care insurance for many of the elderly people who need good quality health care packages because they cannot rely on the health care system, especially now that he has reduced the availability of medical cards. Some elderly people will be hit through the income tax relief for private health insurance while others will be hit through the removal of medical cards. There is a good reason to provide older people with free health care services. As we know, their physical health deteriorates as they get older.

One by one, the commitments made in the programme for Government in this regard are being abandoned. Universal health insurance will never see the light of day and the promised White Paper is a figment of the Minister's imagination. We were told there would be funding to provide more residential places, more home care packages and the delivery of more home help and other professional community services. The opposite is the reality. The fair deal scheme has a waiting list of 1,500 and is on the brink of collapse.

Last week, the Dáil debated a Fianna Fáil Private Members' motion on discretionary medical cards. When this Government took office 80,000 people in Ireland had discretionary medical cards on medical grounds. The figure today is 53,000. Of course, the Minister will say there is no policy to reduce the number of discretionary medical cards, but the facts demonstrate otherwise. When one looks past the headline figure, the situation is even worse. We have heard of cases in which applications were not granted in the case of young children with multiple complex conditions and adults with severe illnesses such as cancer and motor neuron disease. Many of our incapacitated senior citizens are also being denied medical cards under the practice operated by the HSE. There is a clear intent to reduce the number of people who have medical cards, regardless of their health care needs. Today's budget changes are a further step in this process.

There is one positive development with medical cards. The extension of the free GP card to children under five years of age is welcome. Everybody will agree with that. However, that will do nothing for the many families with young children over five years of age who suffer from serious medical conditions and are currently denied medical cards. It is shameful that the expansion of the categories of patient covered by the medical card scheme comes at the cost of reduced cover for core low-income groups. People have been refused discretionary medical cards even though they have been diagnosed with debilitating clinical conditions. This is simply not fair. It is worth recalling that it was only in August of this year that the Minister of State at the Department of Health wrote to parents in Galway to say the Department was unable to state when children with intellectual disabilities who will leave school this year would be offered appropriate services due to the current funding situation. Parents were told that some places would be offered "which will not fully address individuals' requirements". The Government's original plan was to introduce so-called free services for long-term illness patients, but this proposal has floundered. The same might happen to the medical card scheme for children under five years of age.

The Minister is leaving. He probably has a media appointment. It is an example of the commitment of the Government to Dáil reform. After the vote on the Seanad last week the Government spoke about Dáil reform, but now, when most of the Opposition spokespersons have yet to speak on the budget, the Minister for Finance and the Minister for Public Expenditure and Reform have left the building.

Deputy Willie O'Dea: The media are more important.

Deputy Sean Fleming: They are more important than the national Parliament. That shows the commitment to political reform in this Chamber.

Last year the Minister said that his measures to reduce the cost of drugs and prescribed items would save €160 million in 2013 and €330 million in 2014 and subsequent years. We all know these figures were a figment of the Minister's imagination. It did not happen, and never will. The Department of Health has been promising for the last two years to make substantial savings in this area and it has clearly failed to achieve its targets. It recently emerged at the Committee of Public Accounts that the senior officials in the Department of Health and the HSE who are responsible for purchasing these drugs and prescribed items have never met the suppliers of these products. This is a shocking situation and it explains why they are not getting the best prices. I recently asked the chief executive of the IDA if he could help the Irish taxpayer to get a better price for products in respect of IDA client companies in Ireland. He refused point blank to do so. The IDA has refused to engage with the Department of Health and the HSE on the matter. This behaviour is unacceptable. All government employees must work together for the good of the Irish taxpayer. I believe the Department of Health and the HSE have failed and do not have the ability to achieve these savings. The task of procuring drugs and other prescribed items should be taken from them and handed to the National Procurement Service in the Department of Public Expenditure and Reform.

With regard to the health figures mentioned today, I wish to highlight some of the items in the booklet circulated by the Minister. We talk about medical cards but I will put on the record the cuts that are taking place. The Minister says he is reducing the income thresholds for the over-70s to €900 per week for a couple and €500 per week for a single person. That will save €25 million, according to the Minister's figures. The medical card probity examination will save €113 million. Effectively, everybody with a medical card had better be aware that, from tonight, the Minister intends to hunt them down and cancel as many of those cards as possible. The single biggest saving in the Department of Health is to cancel existing medical cards. The Minister has identified a saving of €113 million in respect of current medical cards by ensuring they are cancelled in 2014.

Deputy Micheál Martin: That is it. It can mean only one thing.

Deputy Sean Fleming: The Minister went on to mention another mean cut. We talk about getting people back to work, but the Minister said that when a person returns to work he or she will now only be given a GP card instead of retaining the full medical card. That will save the Department of Health and the HSE €11 million. Cutting medical cards for people who should be incentivised to go back to work is counterproductive and is a move in the opposite direction from what the Minister for Finance said about encouraging people back to work. People do not want to lose the value of a medical card, but the Minister is saying today that if they go back to work they will lose it. They will be given a GP card, but the Minister will not be long about taking that from them as well. It is counterproductive. All of the savings in the medical card budget in 2014 will amount to €149 million. People with medical cards had better be aware that this Government is after them.

There has been a 400% increase in prescription charges since this Government took office. The charge started at 50 cent per item and it will be €2.50 from the start of next year. That is a major and substantial increase. Of course, the Taoiseach promised in the election campaign in 2011 to abolish the prescription charge, but not only did it remain at 50 cent when he took office, it was increased to €1.50 last year and will be increased to €2.50 next year. Again, we know who will pay it. It will affect many people and will cost approximately €20 per week for people who rely on that scheme.

There is a figure of €666 million in savings to be achieved by the Department of Health as a result of the budget announced today. In last year's Budget Statement, the Minister said that a further €400 million in savings were to be carried forward by the Department of Health in 2014. When that is added to the €666 million announced today, the total cut in the HSE budget will be over €1 billion in the coming year. It is no wonder the Minister is attacking medical cards. The core budget in the Department of Health will not hold up. It is flawed and inaccurate. It will collapse and we will be back in the House discussing Supplementary Estimates over time.

I will now discuss the Department of Social Protection. The Labour Party leader, Deputy Gilmore, is present and I am sure he will have a particular interest in this area as the deputy leader of his party is the Minister in that Department. This time last year one of the Tánaiste's colleagues said in the Chamber that the one group of people in this country who have come through this crash and still have their incomes intact are pensioners. That does not hold water 12 months on. A raft of cuts and charges in the past two years commenced with the reduction from 32 to 26 weeks in the fuel allowance. The Government also increased tax on solid fuel and increased tax on savings through deposit interest retention tax, DIRT, which has been repeated today. People will be afraid to put money in the bank when the Government will take 41% of it in DIRT. People will keep money at home, which is not safe. The Government has slashed the home help hours for elderly people and the rising cost of medical insurance has increased due to Government policy. The Government has removed some of the tax relief on it today. I referred to the increase in prescription charges, which cost €20 a month to many people. The Government has changed the income threshold for medical cards for older people, cut the respite care grant in the past 12 months and elderly people must pay a full year's property tax in 2014.

The abolition of the telephone allowance is the third round of measures to hit the living standards of older people. The telephone allowance enables older people to keep in touch by phone with their family and neighbours without it being too expensive. It makes them feel safe and secure in their homes. It is a miserable cut on the older generation who already feel isolated. Has the Minister considered the case of a vulnerable elderly person living alone using a pendant around his or her neck as an alarm to alert a family member in an emergency? The pendent that we see used by our elderly relations is linked to the landline in the house. Cutting the payment for this vital support is an example of how the Government has descended. The Government is cutting the lifeline by which elderly people can contact family members in case of emergency by abolishing the allowance for the telephone.

Deputy Robert Troy: It is shameful.

Deputy Sean Fleming: I ask the Government to reverse this measure.

The Government is in the process of gutting the household benefits package and failing to recognise its social and economic value. Every pensioner over 70 years relies on the free telephone allowance, and the Government is hitting every person on the carer's allowance, everyone between 66 and 70 years in receipt of the State contributory or non-contributory pension and everyone in receipt of the widow's and widower's pension.

In addition to doing that to elderly people, the Government has singled out people with disabilities for this cut. The Government is also targeting people on disability allowance. Everyone in receipt of disability allowance will be affected by this €26 cut, since it was started last year. It amounts to €6 per week and the Government will say it does not hit the weekly rates but it hits the monthly allowance. It amounts to a €6 per week cut for people who relied on the telephone allowance a few short months ago. It will be abolished entirely.

Apart from the elderly, the Government is hitting everyone in receipt of disability allowance and every person on the invalidity pension, the blind pension and disablement benefit. Why is the Government attacking the old and the disabled? They are not the people who caused the problem. We can throw the blame around but I know it was not our parents, our grandparents or people on disability allowance, invalidity pension, the blind pension and the disablement payment who caused the problem They are not responsible for the cuts and they should not be asked to bear the brunt of them. The cumulative impact of these measures on recipients is to undermine their ability to live dignified, independent lives. It goes against every instinct of Irish people, who have always valued the principle of social solidarity and intergenerational support. These decisions are shameful and unfair.

Electricity prices increased by 20% since the Government came to power and gas prices have increased by more than 30%. Further increases will be directly felt by the 410,000 currently in receipt of the telephone allowance. This is hitting the same people. On the one hand, the Government praises the valuable work of carers but it is hitting everyone in receipt of the carers allowance through today's change. When the Minister for Social Protection is asked about it, she glibly says they can go to the community welfare officers. It is terrible to say that to elderly people. Vulnerable, elderly or sick people and those on disability do not have the wherewithal to fill out a form for the community welfare officer. It is a glib response from a Minister who is out of touch.

The cumulative impact of the cuts to the household benefits package represent an unprecedented attack on older people, carers and people with disabilities. Age Action Ireland correctly highlighted the hugely stressful psychological impact of the cuts and highlighted the widespread anxiety about further cuts and the uncertainty it causes for older people. It is important to note that many of those affected are included in the 35,000 or 40,000 people from whom the Government is taking the medical card if they are over 70 years. It is a double whammy.

My colleague, Deputy Michael McGrath, mentioned the abolition of the bereavement grant. There is no way to describe this other than to say it is simply lousy. This is a PRSI payment for which people paid and now the Government is asking hard pressed-families to go to the community welfare officer for an exceptional needs payment to cover the cost of burying a relative. It runs counter to every instinct and tradition in the Irish people. I cannot believe a Labour Minister would stoop so low. Some 20,000 families will lose the grant next year. I am shocked the Labour Party would do that.

Many cuts will be introduced by the Labour Party and by the Minister for Social Protection that are not included in today's announcement. Changes to one-parent family payments will be introduced from 1 January. For families with more than three children, there will be another cut to child benefit with the rate for the fourth and subsequent child reduced by €10. It will occur on 1 January even though it was not mentioned today. There is no mention of this in what the Minister called a family friendly budget.

Parents had been promised by Deputy Burton that changes to the one-parent family payment would occur only once a Scandinavian-type child care system was in place. The Minister for Children and Youth Affairs, Deputy Fitzgerald, scoffed and said recently that we did not need such a model but in the meantime the changes are going ahead. In a few weeks, the Government will make changes, on top of the changes announced last July, to the age of the youngest child at which the one-parent family payment ceases and the ability of lone parents to earn money in part-time work. The changes will save €112 million in a full year but will come at major cost to the families. Lone parents experience a rate of poverty twice that of the national average. They have been failed by a Minister who will introduce these cuts on 1 January.

At present, lone parents are entitled to work and stay in receipt of the full one-parent family payment if their income does not exceed €130 per week. It is to encourage persons in households with a greater incidence of poverty to go out to work. Income above that figure results in a deduction from the allowance. This was done to encourage them to work. Yet again, in 2014, the Government will drastically reduce the amount they can earn while retaining the lone parent payment. For many, this means it will not be worth their while to go out to work. It is a classic lose-lose for the recipient and the taxpayer.

The change to the mortgage interest supplement is one of the worst measures in the budget announcements. I am at a loss to understand the logic of deciding to effectively abolish mortgage interest supplement. More than 97,400 mortgages are in arrears for more than three months. Deputy Michael McGrath said tackling the mortgage crisis is central to the well-being of Ireland as a society and an economy. In the two and a half years since the Government came into office, the number in mortgage arrears has more than doubled. Against this background, I am deeply concerned by the decision to effectively end the mortgage interest supplement scheme. It is the only direct cash contribution by the Government to people in mortgage arrears. Can the Minister blame the banks if they send letters to people telling them to vacate their houses? The banks will say the Minister is abolishing the mortgage interest supplement. The Government is leading the attack, followed up by its friends in the banks, on people in mortgage arrears. The Government is saying to the banks that it will not give any more mortgage supplement and that the banks can do their business. I refer to a letter in my office from a lady who is in mortgage arrears with the State-owned Permanent TSB and the total amount of arrears is €106. She was not even a month in arrears. The Minister's bank, the State-owned bank, wrote to that lady telling her to dispose of the mortgaged property and get out of her house because she was €106 in arrears. How can one blame a bank for sending that letter when the Minister stands up here today stating the Government will not support that person either and will abolish the mortgage interest supplement? A few short years ago, when the Minister came to power, the cost of mortgage interest supplement was €60 million per annum. The Minister, Deputy Burton, has told me she dislikes it because she thinks it is money for the banks.

Deputy Niall Collins: She dislikes him too.

Deputy Sean Fleming: She dislikes the payment because she thinks it is money for the banks and as a result, those in mortgage arrears are the ones who will suffer. The Minister is cutting the allowance now. Some 19,000 mortgage holders were benefiting from the scheme when he came to office and by next year, he will have the scheme almost abolished.

As has been mentioned, the Minister is reducing jobseeker's allowance to €100 for new claimants up to the age of 25 while at the same time consistently failing to have proper activation measures in place to help them get back into full-time employment. This is a charter for the young people of Ireland to emigrate. My colleague demonstrated clearly the official policy of the Department in telling the unemployed to go work in Canada and elsewhere. This is the backup measure to such letters, when the Minister says to the young people the Government will cut their jobseeker's allowance if they stay here in Ireland.

The Minister is also cutting sick pay. This will be another burden on small businesses. This is another example of where the Minister, Deputy Noonan, states he wants to help business but, through the expenditure cuts, he is making it more difficult on small businesses by putting this cost on them. There are 200,000 small businesses in Ireland employing more than 655,000. These are a key sector of the economy. Many of these jobs are in the retail and hospitality, where employee costs account for over 60% of total costs. These small companies do not have the flexibility to move staff around if somebody goes out sick and it will be a barrier to future employment in those areas.

If one looks at the figures in the Department of Social Protection, as announced by the Minister in the booklet today, the attack on illness benefit, as I just mentioned, will result in a €22 million saving to the taxpayer but will be a cost to Irish business and employers, and that is a disincentive to employment. For the jobseeker's allowance change, by not giving this payment to young people the Minister, Deputy Burton, has factored in €32 million because she wants them to emigrate. The Minister is making a cut to maternity benefit to save €30 million. She is reducing the amount she will pay many women who are going on maternity leave, on top of taxing their maternity benefit from 1 July earlier this year. What has the Government against expectant mothers that it will tax and reduce their benefit? Shame on the Minister.

An Leas-Cheann Comhairle: Tá nóiméad amháin fágtha.

Deputy Sean Fleming: Finally, the household benefits package and the bereavement grant changes have been fundamental issues and the Minister has gone out of his way to attack the elderly.

I refer to two items. One relates to the overall Government waste. I would advise the Ministers to read the Comptroller and Auditor General's report. There is €300 million of waste in there. The Minister, Deputy Howlin, is refusing to deal with it. He has not even added it up. His Department has stated that it has not even checked the figures in the report. The Minister would be better eliminating that waste and inefficient use of Government resources rather than punishing the Departments of Health and Social Protection.

On how this budget will go down, I learned, when the Minister, Deputy Howlin, announced what the investments from the national lottery licence of 2014 will help fund, that this is the Government local elections slush fund. There is €200 million to buy the votes in the local elections. It is the Government's local elections slush fund. That was to be put into job creation but the Minister is using it to buy votes with such measures as road maintenance, sports capital grants, the indoor training arena, housing grants for the elderly, the city of culture initiative etc.

Deputy Robert Dowds: Such a suggestion from Fianna Fáil.

Deputy Sean Fleming: These are all worthwhile issues but the Minister is introducing them, from the proceeds of the sale of the national lottery which should have been ring-fenced and kept for the national children's hospital, as a slush fund to buy votes in the local elections in May 2014. I would ask the Minister to reconsider a number of those changes.

Deputy Robert Dowds: Deputy Sean Fleming could give us classes in how to buy votes.

Deputy Sean Fleming: I do not know what the Minister, Deputy Howlin, has against young people in asking them to emigrate. I do not know what he has against expectant mothers. Especially, I do not what he has against the elderly, where he is hitting their medical cards, hitting their free telephone allowance and hitting them everywhere it hurts. They will be afraid in their homes tonight. They will be losing their alarm that they need in case of an emergency to ring a family member and 35,000 of them will be losing their medical cards as a result of this budget.

An Leas-Cheann Comhairle: I call Deputy Pearse Doherty who, I understand, is sharing with Deputy McDonald.

Deputy Pearse Doherty: I will start by reading something:

> The Government has made ... major mistakes and it continues to make them today. ... The Government never learned that one cannot cut and tax one's way out of a recession. One can only grow out of recession. Consequently, its slash and burn policies were counter-productive ...

That statement is spot on and I could not have written it better myself. I have uttered words similar to those on many occasions, particularly during previous budget speeches. However, I did not write those words. The Minister for Finance wrote them, and he delivered them when he stood on this side of this House in response to Fianna Fáil's austerity budget in 2010.

The question we can legitimately ask ourselves today is: "What has happened since?" Have the corridors of power had such an effect on the Minister, Deputy Noonan, that he decided to implement, not one austerity budget but three, that he himself has said are counter-productive, because here he is again today - this time, in October, on the Minister's third budget announcement - peddling the same policies which he, the Government and his party have said were counterproductive. These policies were counterproductive.

Let us look at where they have got us. There are high levels of unemployment, high levels of emigration and high levels of poverty. This year we expect 0% growth in the domestic economy. Níl aon dabht gur gheall páirtithe an Rialtais cuid mhór - níl dabht ar bith i dtaobh sin - ach is beag atá á chur ar fáil acu.

The Government delivers its third austerity budget in a year that marks the centenary of the 1913 Lock-out, a time when great Irish men and Irish women stood up against greed, unfairness and the unending pursuit of profit on the back of the Irish workers.

Deputy Michael McCarthy: Sinn Féin supported the employers.

Deputy Pearse Doherty: One hundred years after the great event, the words of the poem that celebrated that should be engraved on the doors of the Minister for Finance:

What need you, being come to sense,

But fumble in a greasy till

And add the halfpence to the pence

And prayer to shivering prayer, until

You have dried the marrow from the bone;

The Government has dried the marrow from the bone of ordinary Irish working people the length and breadth of this State. Along with Fianna Fáil, it has inflicted on the Irish people six successive years of austerity and over €28 billion of taxes and cuts, and its members come in here today and tell the Irish people that that was not enough, that they want more. They tell ordinary families that they need to pay more taxes. The Government tells them that their public services have to be diminished a little more. The Government tells them that the safety nets that were there to protect them need to be stripped away, while it fumbles in its greasy till and protects the highest sections of society - the bankers, developers and - let us not forget - themselves. Ní thuigeann an Taoiseach agus an Tánaiste nach féidir a thuilleadh a fháisceadh as muintir na hÉireann.

One hundred years after the Lock-out, the Government has locked itself into a policy of austerity. The Irish people, locked outside the gates of Leinster House today, are protesting at this budget, but the Government will ignore them, just as it ignored them in successive years and just as it ignored the pleas from civic society that the policies of austerity were not working for them, their families or their communities. Like in 1913, this is a day when the Irish people deserve to see courage and leadership in challenging the economic woes inflicted on the State.

My party has categorically proven to the Government that it had a range of options when it came to formulating the budget.

Deputy Robert Dowds: Where would the money have come from?

Deputy Pearse Doherty: We submitted those options to the Government last week in our alternative budget proposals. They would have reduced the tax burden on ordinary families. They would have protected public services and would have invested in jobs in a real way, providing the type of jobs that we need to kick-start the economy and get it growing again.

Deputy Michael Ring: It did not add up.

Deputy Pearse Doherty: It was costed.

Deputy Damien English: It did not add up.

Deputy Pearse Doherty: It was costed. It was costed by the Department of Public Expenditure and Reform.

(Interruptions).

Deputy John Lyons: This the real Sinn Féin.

Deputy Damien English: A big black hole.

Deputy Pearse Doherty: The Labour Party does not want to hear the truth. Let it shout me down as much as it wants, but this budget was costed by the Department of Finance and the Department of Public Expenditure and Reform.

(Interruptions).

An Leas-Cheann Comhairle: May we have order, please?

Deputy Pearse Doherty: I am more aware than many of the problems facing the State. Tá an imirce, an dífhostaíocht agus an bhochtaineacht mar chuid de ghnáth shaol na ndaoine anois ar fud na tíre. Feicimse sin gach lá, i mo cheantar féin i dTír Chonaill agus san iarthar go háirithe. Is ó iarthar na hÉireann é an Taoiseach, ach níl dabht ar bith faoi ach nuair a amharcann muid ar na polasaithe atá á gcur i bhfeidhm aige, sa cháinfhaisnéis seo agus leis na polasaithe a chuir sé i bhfeidhm le dhá bhliain anuas, go dtugann sé cúl ar mhuintir an iarthair agus ar mhuintir Mhaigh Eo nuair a shuíonn sé isteach ina ghluaisteán agus nuair a thugann sé aghaidh ar Bhaile Átha Cliath. My party, Sinn Féin, does not shrink from meeting the economic problems the State faces, but we would face them with courage, leadership, honesty and, more importantly, solutions to provide for ordinary families and communities. What the Government has given the people today is another budget which is lacking in vision, fairness and fair solutions. For the third time it is a complete capitulation by the Labour Party, the members of which sold their principles for the price of power.

Deputy Robert Dowds: Rubbish.

Deputy Pearse Doherty: That is why they get excited when it is pointed out to them that today they are delivering more cuts in the Departments they said they would protect.

(Interruptions).

Deputy Pearse Doherty: The Minister is an expert at delivering these budget statements. As usual, he led off with all the guff about how great he was and he buried all the bad news. It is not possible to make an adjustment of €2.5 billion in the way the Government does without hitting people where it hurts. This budget was written by spin doctors and the devil is always in the detail. The Government has returned as usual to the same hard-pressed families and asked for more such as hikes in excise duties; cuts to maternity benefit - the second time mothers have been hit - cuts to illness benefits and a 7% cut in the drugs initiative. I congratulate the Tánaiste on that one. What is the Government's reason for the cut to the telephone allowance? They have cut the benefits for old-age pensioners hard and now taken the telephone allowance from them in order that they cannot telephone to complain about it.

Deputy John Lyons: Who wrote that one? Give them a P45.

An Leas-Cheann Comhairle: Silence, please.

Deputy Pearse Doherty: The gang that is heckling will know that many elderly people have been coming to our constituency offices during the years because of financial pressures. They have been looking to disconnect their telephones. However, they also know that they need a telephone to have a personal alarm monitor. The Government's cut today will put elderly people in jeopardy. Deputies opposite can heckle all they want, but that is the reality. The reason they have decided to target the elderly is beyond me.

Deputy Sandra McLellan: It is disgraceful.

Deputy Pearse Doherty: Let us look at the other cuts such as those to the rent supplement. Probably the most despicable of all is the cut to the bereavement grant, which is absolutely wrong. The Taoiseach should talk to any family dealing with a bereavement. The only support the State provides for eligible families to bury their loved ones, young or old, is the €850 bereavement grant, which is being taken away from them. It is wrong. The Taoiseach should not strip away this grant from families who need it at this time. The cost of burying a loved one is expensive-----

Deputy Emmet Stagg: That is not true.

The Taoiseach: A payment of €6,000 is made if there is a dependent child. There is also a pension payment for six weeks.

Deputy Pearse Doherty: -----yet the Taoiseach has decided to cut the bereavement grant of €850. This decision is wrong. The Taoiseach knows this, as does his backbenchers. Anyone who has faced a bereavement will know it is wrong.

Measures have been introduced in an attempt to soften the blow and I welcome them. Sinn Féin has called for some of them. However, the context in which they have been introduced is brutal. Sinn Féin also called for free GP care for the under-fives, but the Government has at the same time withdrawn medical cards from very vulnerable persons. It is pitting grandparent against grandchild in order to make pitiful savings, but people can see through this. It is not right that a medical card is taken from the grandparent to be given to the grandchild. Free GP care could have been provided for children aged five years and under while also protecting vulnerable elderly people.

While I welcome the introduction of the bank levy, I ask why it is restricted to a short period of time. This and the previous Government have pumped €65 billion into the banks, for which a short-term levy does not make up in any way.

I am glad that the Tánaiste is in the House because we have not heard a bloody single word about the game-changer, the seismic shift from the ESM, European Stability Mechanism. The only word we heard about it was from the German Chancellor, who told us it was not on. When will we get this money back? The Government has pumped €21 million into the banks and Fianna Fáil gave the remainder. The Government and the budget are silent on this question. The bitterness of what the Government is asking people to swallow today is made no sweeter by the handful of measures with which it hopes to distract the public.

Sinn Féin's alternative fair budget argued for a lower adjustment and I am glad the Government that has heeded that call. However, I am disappointed that it was done by sleight of hand.

Deputy Emmet Stagg: They are waiting for the Deputy to tell them.

Deputy Pearse Doherty: The budget has introduced an adjustment of €2.5 billion in taxes and savings, while at the same time using money from the State's cash reserves from the sale of the national lottery and other sources to bring the actual adjustment announced by the Minister to €3.1 billion. This is sleight of hand. The people are not naive when it comes to the games played by politicians. They can see when they are being sold a pup because the Labour Party needs a fig leaf to cover its blushes. Caithfidh muid ceist a chur: céard do a sheasann Páirtí an Lucht Oibre i 2013? Céard do a sheasann sé níos mó? The Labour Party should have argued for a lower adjustment but also a budget that would have given something back to ordinary families. That is what Sinn Féin proposed in its alternative fair budget. We set out a series of measures such as the abolition of the property tax. The Government wants to implement the property tax in full on 1.8 million households. We proposed abolition of the property tax and a rebate to taxpayers of approximately €278 per annum. Why not do as Sinn Féin proposed and take 296,000 of the lowest paid out of the universal social charge tax net?

Deputy Eamon Gilmore: We did that two years ago.

Deputy Pearse Doherty: It can be done and the Government could go further, but it has refused to do so.

Why not restore the respite care grant? I remind the Tánaiste that it was one of the nastiest, most vicious cuts implemented on the 82,000 carers of loved ones the length and breadth of the State. Why not restore the €325 grant and put it back into their pockets? Has the Tánaiste still not learned the lesson that the Government should not cut the grants to people caring for their loved ones at home?

The reduction of €5 million in the cost of the rental of school books is welcome, but it does not go far enough. We have argued that half of all core subject school books should be provided free of charge. The Government has failed to deliver on the commitment to roll out school meals in an additional 500 schools, for which Sinn Féin called.

The Government is silent on the fuel allowance which it was forced to extend last year as an emergency measure. Why not extend the season permanently? Too many citizens are living in fuel poverty.

Our alternative budget measures allowed for an adjustment of €2.5 billion, with 30 taxation and spending measures which have been costed by the Department of the Taoiseach, in order to eliminate waste in the public service, make it more efficient, reduce the higher salaries and the salaries of the Taoiseach and the Tánaiste and ask those who earn the most to pay their fair share in taxation in order to help the recovery of the economy.

Not only is the Government not prepared to give something back, but it has slashed another €1.6 billion from essential front-line services. Parents of sick children and children with special needs have described it as very stressful to have medical cards for their children taken away by the Government. The parents of these children should not be forced to become full-time lobbyists to get the attention of the Taoiseach. They should not have to spend precious time away from their children, attend protests or write letters to Departments. They should not have to provide a begging bowl to get what is theirs or what is required for their children by right. Where is the Government's threshold of decency?

I encountered a group of parents and children earlier this year and it is absolutely astonishing to imagine that until now, the Government has been implementing a policy of providing profoundly deaf little children with only one hearing implant. That is the equivalent of providing a short-sighted child with a pair of glasses with only one lens. We all know the provision of two ear implants is better for a child's development so why are they only being given one? To make matters worse, when an implant fails - as is frequently the case - these children are cast back into a world of silence once again.

I and many other Deputies have heard the heartbreaking stories from the parents of these children, who have had to witness their baby's distress, confusion and frustration when the child goes from hearing the world around them to hearing nothing. The parents have run a campaign over the past year for their children and all the nation's children. They are in the Gallery and they are the true heroes. They are the people who stand to fight this Government in order to get what their children should have by right.

This country's purse strings are not the Government's alone. The money by which it runs the State and with which it pays Ministers handsomely comes from taxpayers' pockets. It comes from the pockets of the parents in the Gallery. When the Government cuts or under-funds health services, it cuts or under-funds the services that taxpayers have paid for. If the Minister for Health cannot manage the health budget, he should be fired. If he has neither the guts nor the will to take on powerful lobby groups which are sucking money from health services instead of putting it into front-line services, he should be sacked.

Deputy Caoimhghín Ó Caoláin: Hear, hear.

Deputy Pearse Doherty: The Taoiseach promised on taking office that Ministers who do not perform will be moved out of the way, so he should do the right thing. Sinn Féin has a Private Members' time motion on bilateral cochlear implants and the Government should make an announcement on them, as it should have done today. It should give the gift of hearing to the 200 children as time is running out for them.

Deputy Sandra McLellan: Hear, hear.

Deputy Aengus Ó Snodaigh: Hear, hear.

Deputy Pearse Doherty: We have heard many figures and we must ensure that we do not forget some very important examples. There are 142,892 family homes in mortgage distress at the end of June this year, and that figure has doubled in the life of this Government, just as it doubled under the life of the previous Government. I am sure the Taoiseach cannot begin to imagine the worry and anxiety that people face when they cannot pay their mortgages. He cannot put himself in the shoes of a husband or wife sitting down and looking at their children, worrying about losing the roof over their heads. Unfortunately, there are tens of thousands of families in that position. It is not they do not want to pay their mortgages but that they do not have the means to do it. Fianna Fáil's housing policy saddled these families with unsustainable debt and Fine Gael and Labour have at every opportunity protected the banks, supporting them and enabling them to pursue these families for the debt. Where on the Taoiseach's list of priorities is the Irish family with an unsustainable debt burden?

This year the Government was forced to acknowledge the issue of mortgage distress because the bare facts, from the bank balance sheets, indicated there was a problem. What were the solutions? The Government removed the Dunne judgment, which was the only protection people had with regard to repossession of the family home. It gave the okay for banks to issue 15,000 letters threatening repossessions, which is unbelievable. The Government has allowed personal insolvency practitioners to cherry-pick the most lucrative cases, leaving the banks happy to always be in the knowledge they will have the final say, as the Government gave them a veto.

In our fair budget proposal we set out a plan for publicly funded insolvency practitioners, so at least every person in mortgage distress could be assured access to the service and have it free of charge. We have also produced legislation that should be adopted to strengthen the hands of families with distressed mortgages in dealing with the banks. There are countless solutions and we have debated the issue in this Dáil term on numerous occasions. The Government should start listening to the solutions and implementing them for the benefit of the 142,000 families currently in mortgage arrears.

Instead of listening and considering real solutions for those families, trying to tip the balance away from banks and in favour of Irish citizens, the Government has cut mortgage interest supplement, which is a payment to people with mortgages who have lost their jobs.

Deputy Gerald Nash: Blame the banks.

Deputy Pearse Doherty: It is unbelievable. It is not our fault that we are seeking logic where there is none in the Government's policies. It does not make sense. Níl dabht ar bith go gcodlóidh na hAirí go sámh anocht, cé nach mbeidh codladh ar bith ar aithreacha agus mháithreacha mar go mbeidh siad ag luí sa leaba agus imní orthu faoin mhéid atá rompu maidin amárach.

We must take our hats off to the Government because it has been consistent with the banks, and it is clearly on their side. Ministers indicated the recommendations of the Mercer report would be implemented and bankers' pay would be cut, yet top bankers were allowed to make savings by firing low-paid staff, closing branches and cutting customer care. At the same time, the likes of Richie Boucher, the head of Bank of Ireland, continued to pay himself in excess of €800,000. We can provide the facts and eliminate all the bull we have heard from Ministers in this Chamber over the last number of months. Not one of the 2,500 bankers earning above €100,000 in the banks bailed out by this State has taken a penny of a pay cut in base salary this year. Earlier this year the Government refused to use the State's shareholding in Bank of Ireland to force Richie Boucher to take a pay cut.

The Taoiseach should riddle me this. He has no problem standing here and telling the citizens who put him in office that the young unemployed must take a cut and tighten their belts, that elderly people must do with less or that those on disability pensions must have less. He has no problem telling children they must soak up the cuts being dished out. Yet he has a problem turning up to the Bank of Ireland annual general meeting and using the power vested in the Government as a shareholder to say to Mr. Boucher that his more than €800,000 in remuneration is not on, as this country is broke and we are making difficult choices.

The Government's priorities have been exposed. How do the Taoiseach and Tánaiste justify to themselves and the Irish people the fact that a 24-year-old, under the Government's policies, can live on €100 per week after today but Mr. Boucher can pay himself over €800,000?

The Taoiseach: The young person would get €160 on the back to education scheme.

Deputy Dessie Ellis: Write it down.

Deputy Pearse Doherty: I will give way to the Taoiseach if he is willing to justify that.

Deputy Michael McCarthy: The Deputy cannot make up the rules of the House as he goes along. There are Standing Orders.

Deputy Pearse Doherty: A Deputy can give way under the rules of the House.

An Leas-Cheann Comhairle: There should be order.

Deputy Aengus Ó Snodaigh: That is under Standing Orders.

Deputy Pearse Doherty: Is the Taoiseach is willing to justify the policies of this Fine Gael and Labour Party Government announced today? A 23-year-old unemployed person can live on €100,000-----

Deputy Aengus Ó Snodaigh: It is €100 per week.

Deputy Sean Fleming: It is €100.

Deputy Pearse Doherty: A hundred euro - yet the Government will sit idly by and not let out a peep at the annual general meeting about Mr. Boucher earning €800,000. I allow the Taoiseach time if he wants to justify that.

An Leas-Cheann Comhairle: There will be an opportunity for people to contribute later.

Deputy Pearse Doherty: The Irish people and their economy are feeling the effects of the Taoiseach's ambitionless policies. We have faced the reality this year, despite the predictions from a few years ago, that there has been zero growth in the economy. Nevertheless, the introduced budget has gone beyond the necessary targets set by the troika. The troika deficit target for this year was 5.1% of GDP but Fine Gael and the Labour Party have signed up to a plan which has the deficit at 4.8% of GDP. The Minister for Finance told us this equates to €480 million of austerity measures that are not required to meet the troika deficit. Why does the Government believe that putting the foot on the accelerator of austerity will do anything for growth? The Minister vehemently stated that we could not cut ourselves out of recession.

Our proposals demonstrate how a multi-billion euro stimulus package can create around 100,000 jobs. That is how to drive economic activity, but what we have is the Government's third budget that tells us yet again it will use the National Pensions Reserve Fund of €6.4 billion.

The Taoiseach: Seventeen billion euro.

Deputy Pearse Doherty: The Government should send postcards to Perth and Canberra in Australia, and to New York and London, because the young people of this State could not wait for it to get its act together. They have given up and left. It is time the Government got its act together. It announced that policy almost three years ago. When the Government came to power the unemployment rate was 13.5%, as per the live register. Now it is 13.3%. That is in addition to the 176,000 people who have emigrated on the Government's watch.

The Taoiseach: There is a black hole in the Sinn Féin budget.

Deputy Pearse Doherty: Now it is 13.3%.

Deputy Aengus Ó Snodaigh: Stop muttering over there.

Deputy Pearse Doherty: That is in addition to the 176,000 people who have emigrated on the Government's watch.

The Taoiseach: What about the pickaxe handles?

An Leas-Cheann Comhairle: Deputy Doherty has the floor. I ask for quiet on both sides.

Deputy Pearse Doherty: Some 176,000 people have emigrated on the Taoiseach's watch. Sixty percent of the unemployed are now categorised as long-term unemployed. The Minister for Jobs, Enterprise and Innovation is fond of saying that the Government does not create jobs. That is one thing we know for sure - it definitely does not. We are in a jobs crisis and the Government's official response has been to hold press conferences and issue glossy reports.

Today, the Government announced what it calls a €500 million stimulus. I welcome the extension of the 9% VAT rate, which we had called for. However, there is no sense in increasing the pensions levy to 0.75%, which will be done from 2014. I am also pleased to hear the announcement of several other measures, including an increase in the VAT accounting threshold, for which we had also called. However, an investment of €500 million is a drop in the ocean when we face a crisis of such magnitude in regard to jobs. Let us be honest. It comes on top of many undelivered commitments from the Taoiseach and his colleagues. They are serial announcers but they always choke on delivery.

The Taoiseach: We are halfway there.

Deputy Pearse Doherty: There are many other issues we can deal with at a later stage when the Finance Bill is introduced. Deputy Mary Lou McDonald will deal with some of these issues too.

Deputy Eamon Gilmore: What about the basic €1 billion that is missing from these sums?

(Interruptions).

An Leas-Cheann Comhairle: Deputy Doherty to conclude. He has the floor.

Deputy Pearse Doherty: The reality is that how the Government treats the deficit can either add to or fix the problem.

Deputy Eamon Gilmore: You cannot do it.

Deputy Pearse Doherty: There is scope for deficit reduction next year from fair measures. Sinn Féin has shown the Government how to do that, but this Government does not do fair. It is not in its dictionary nor in its vocabulary. The Tánaiste left that wee four-letter word outside the door when he entered Government Buildings.

Deputy Michael McCarthy: Where is the billion? That is all.

An Leas-Cheann Comhairle: Order, please.

The Taoiseach: Gerry does not know.

Deputy Pearse Doherty: In his speech on the first day he was elected, the Taoiseach delivered a powerful observation of where the State stood. He said our Republic had been betrayed, that people were afraid of losing their homes, and that parents were being rendered speechless at the sight of their children boarding planes to countries where our spring is their autumn and our today is their tomorrow.

The Taoiseach: There is the exit of the bailout. We have achieved economic independence.

Deputy Pearse Doherty: The Taoiseach's words were:

Employers are traumatised by laying off staff and shutting down businesses. Workers pray for invisibility as they queue for the dole. Families worry that the neighbours might see the Vincent de Paul calling to their door, dreading the postman dropping bills like stealth bombs into the hall.

The Taoiseach: Bombs.

Deputy Pearse Doherty: What has the Government done to make the situation better for the people the Taoiseach described?

(Interruptions).

Deputy Luke 'Ming' Flanagan: We cannot hear the debate up here.

Deputy Pearse Doherty: The answer is "Nothing," because he has intensified their pain, worry and anguish. Our Republic was betrayed. The Taoiseach has had three opportunities to fix it in three budgets. There is nothing in what he offers today, however, that will put the economy on the right track or offer people the solace they need.

Deputy Robert Dowds: What rubbish.

Deputy Pearse Doherty: The bills will still fall through the letter-boxes; the planes will still be full of our young people leaving; the dole queues will still snake around the corner of the block. People are still losing their homes, and the St. Vincent de Paul has never been busier. I say to the Minister, the Taoiseach and the Tánaiste that their Government's budget is as empty as were the words of the Taoiseach on the day of his election to office.

Deputy Eamon Gilmore: Sinn Féin still does not have one.

An Leas-Cheann Comhairle: I ask for order in the House. Every Deputy is entitled to be heard.

Deputy Aengus Ó Snodaigh: Every Deputy includes the Taoiseach.

An Leas-Cheann Comhairle: Everybody.

Deputy Mary Lou McDonald: Today, citizens throughout this State needed to hear a message of hope. The elderly, the unemployed, families in mortgage distress and households struggling to survive needed to see actions that would inspire confidence. The Taoiseach needed to take decisions that would give some relief to families and workers who have been battered by the austerity budgets during his time in government. Today, however, he has let the people down, as we witness again the actions of a Government that is arrogant, out of touch and utterly indifferent to the devastation a cocktail of cutbacks, unemployment and emigration has laid on our society.

The sight of the two Ministers with responsibility for finance taking to their feet with a message of hardship to deliver tough medicine to the citizens is now an annual Fine Gael and Labour Party event. The constant refrain of "fairness" serves only to underline just how unfair their Government is. It is nothing short of astonishing to hear this use and abuse of the vocabulary of fairness. Many terms could be used to describe this Government's policies over the past years; many words can describe the vicious austerity budgets, but fairness is not one of them. Tá méadú suntasach agus scanrúil tagtha ar líon na ndaoine a bhfuil ag streachailt lena gcuid morgáistí. Is iomaí clann atá fágtha gan phingin rua ag deireadh na míosa. Tá na daoine seo tuirseach agus tá siad ag fulaingt. Tá sos uathu. A fair budget would have given low- and middle-income households a break by putting money back in their pockets, but this Government's targeting of low- and middle-income families has been relentless. Its attack on the living standards and spending power of the average citizen has been ruthless. Its assault on basic social protections has been calculated and cruel. Notably, these sit side by side with an absolute determination to protect the wealthy, and wealth itself.

Having listened to the twin Ministers for hardship, Deputies Noonan and Howlin, I can only conclude that the Government is determined to leave struggling households in their despair and to force many thousands more of our young people onto the emigration path. Yet it seems to live in a world of make-believe, applauding its members for what it calls tough decisions as they congratulate one another on the bravery of their stance. For the sake of clarity, and for the record, the Government needs to know that families who cannot heat their homes, couples that cannot make their mortgage repayments and parents who Skype their children in Sydney and Boston will not be joining in this chorus of self-praise.

People across the State and those in enforced exile will now wonder whether recovery is actually possible on this Government's watch. It is now clear that it does not have a plan for economic growth, for employment or for debt relief. Clearly, it has no clue whatsoever about the provision of decent public services. What makes this all the worse is that today, in the Dáil, the question is whether the Government even cares. It is now almost three years in office - three long years during which people have not seen any real improvement in their living standards. People who are sick and have had their medical cards taken away, people with disabilities who have faced cut after cut, young jobless people and people at work - all of these see no prospect of improvement. The Government's legacy right now is one of hopelessness. The citizens of this State could not have been clearer in the mandate they afforded this Government in 2011. The Taoiseach and his colleagues knew what that mandate was. The people voted for change. What they have got is more of the same.

Today marks the point at which almost €30 billion has been bled from the economy. Economic growth stands at 0.2% for this year. That is the Minister's boast. Unemployment is at 13.3%, and of that figure the long-term unemployment rate is 60%. It hardly needs to be said to the Government that this is not a success story. Far from it, no matter what way one tries to spin it. To borrow a phrase from the Taoiseach, today's budget delivers another almighty wallop to the people.

The real tragedy and scandal is that it does not have to be this way. The Government has the option of giving real relief to struggling families. Sinn Féin set out the costed alternatives in our fair budget proposal. It included abolition of the tax on the family home, meaningful, substantial assistance with the cost of school books, help to heat the home and extension of school meals. We put all of those measures on the table and all of them were costed and deliverable.

Deputy Robert Dowds: There was a €1 million gap.

Deputy Mary Lou McDonald: Sinn Féin's budget 2014 proposals are truly fair because we sought to give low and middle-income families a break by putting money back into their pockets. The Government could have taken the almost 300,000 of the lowest paid workers out of the universal social charge net. It could have honourably reversed its cut to the respite grant and given carers a break. The Government could have called a halt to the constant ratcheting up of third level fees. All of those measures were possible but the Government set its face against them. One must ask why that is the case. Is it because all of the tea and sympathy rhetoric routinely spouted in the Dáil by Government Deputies is just bluff, or is it due to something else?

Deputy Robert Dowds: The Government is trying to sort out the country.

Deputy Mary Lou McDonald: Could it be that the Government holds the people in contempt?

The social welfare budget is to be cut by €290 million. The Minister for Social Protection, Deputy Joan Burton, and the great champions of working people in the Labour Party stand over that. It is abundantly clear that the Government has a hang-up and problem with young people. I am not sure what they have done. The cut of €44 per week to jobseeker's allowance for people under 25 years requires an explanation. No rationale was offered by the Minister in making the announcement. Does the Government believe those under 25 are a layabout generation? Has the Government noticed there are no jobs for them or is it simply giving them yet another reason to emigrate and become someone else's problem? Is that the analysis of the Government? When I heard the Minister announce the cut, although it had been flagged in the media, I found myself thinking, what next? I wonder what we can expect next year. Perhaps the Economic Management Council will offer to pack the suitcases of young people and book their flights. It might even give them a few bob for their taxi fare to the airport.

Deputy John Lyons: That is just ridiculous.

Deputy Richard Boyd Barrett: They could get cheaper flights with Ryanair.

An Leas-Cheann Comhairle: Order, please.

Deputy Mary Lou McDonald: People in that age group who have seen their friends forced to leave this country en masse because of the failures of the Government, Fianna Fáil and politics in this State will be thinking something along those lines. The Government will have to give an explanation to those people and to their families as to why it was deemed appropriate to target them in this way. I cannot think of a measure that could be seen as a greater incentive for young people to leave this country very quickly because the Government of recovery and democratic revolution that was all about change does not want them to remain in the State. That is how it looks to me and I suspect that is how it will look to them.

It is not just the cut to the jobseeker's allowance that sends this message to that generation of people. Graduates face indefinite periods of rolling unpaid internships. In fact, the Minister for Public Expenditure and Reform, Deputy Howlin, who is sadly not with us, recently admitted to taking on 35 such young people in his Department, yet not one of the interns was offered a full-time position, despite similar recruitment needs arising. Just recently, the same Minister, Deputy Howlin, has hired three additional researchers under the JobBridge scheme tasking them with the overhaul and simplification of the Statute Book. I give that specific example because it speaks volumes about how the Government views young people. The Government is disinterested, dismissive and it has no regard for these young people. The coded language of the Minister for Social Protection, Deputy Burton, when it comes to young people aged 25 and under who find themselves without work is reprehensible. The Government seems to blame them for its failures. The Government has failed to create the environment within which young people can flourish. It is that simple. It is the Government that failed to create the environment in which jobs can be created. That happened on its watch. The Government has cynically and deliberately created and sustained an environment for emigration.

It is not just the young who are in the Government's sights in the budget. Others have referred to the cutting of the telephone allowance, which will affect not just older citizens but carers and people with disabilities. I would love to have been a fly on the wall for that discussion. It would be really interesting to know what was said. It is unfortunate that Cabinet discussions and those of the Economic Management Council where the lads took the decision are not available. I would be truly fascinated to know how anybody in his or her right mind would have considered that a good idea - to leave people who are in a vulnerable, dependent position, potentially without access to a telephone. Does the Taoiseach believe that is a good idea? Does it strike him as clear thinking? Judging from the expression on his face, I suggest he thinks perhaps it was not.

The Taoiseach: Unlike previous Governments all of the decisions were recorded.

Deputy Mary Lou McDonald: Pardon?

The Taoiseach: All of the decisions will be available.

Deputy Aengus Ó Snodaigh: Go back to sleep, Taoiseach.

The Taoiseach: They are all written down unlike in the time of previous Governments.

An Leas-Cheann Comhairle: Please.

Deputy Aengus Ó Snodaigh: Oíche mhaith.

Deputy Mary Lou McDonald: The Government removed the telephone allowance from older people. That will cause them huge distress and grief.

The Taoiseach: Sinn Féin wants to pay for nothing.

Deputy Mary Lou McDonald: The Government also cut the bereavement grant. I could hear the sighs from Members when that was announced. I imagine the Taoiseach and the Tánaiste will be aware from their own constituencies that the cost of burials has loomed large for people for a very long time. It is very expensive to bury a loved one.

The Taoiseach: What is the average cost?

Deputy Aengus Ó Snodaigh: It is €6,000 to €7,000.

Deputy Mary Lou McDonald: The bereavement grant gave people some modest intervention and assistance towards the cost.

The Taoiseach: What is the average cost?

Deputy Barry Cowen: It depends on what part of the country about which one is talking.

An Leas-Cheann Comhairle: Please.

Deputy Mary Lou McDonald: The Government is so mean-spirited that it takes even that grant from people.

Deputy Barry Cowen: It depends on what part of the country about which one is talking.

An Leas-Cheann Comhairle: Deputy Mary Lou McDonald has the floor.

Deputy Mary Lou McDonald: The cost is higher in Dublin. It depends on the part of the country.

Deputy Caoimhghín Ó Caoláin: It depends on the part of the country in which one lives.

The Taoiseach: I know that, Caoimhghín. I am asking Deputy McDonald a question.

Deputy Gerry Adams: The Taoiseach is being disruptive and bad mannered.

Deputy Mary Lou McDonald: In the social welfare area, the Government has also made cuts to invalidity pensions.

An Leas-Cheann Comhairle: Please. There should be just one voice.

Deputy Mary Lou McDonald: I am sure the Taoiseach has read the budget book in the same way as I did.

The Taoiseach: For the information of Deputy McDonald, a funeral can cost €10,000 in Dublin.

Deputy Mary Lou McDonald: He is standing over the cuts.

The Taoiseach: The undertakers wrote to the Minister to ask that the grant be paid to them directly.

An Leas-Cheann Comhairle: Order, please.

Deputy Mary Lou McDonald: I am sure the Taoiseach realises that cuts to the invalidity pension for those under 65 and those over 65 with qualified adult dependants will range from between €3,500 and €5,500. That is a huge wallop for those families. There is a refrain in the cuts to maternity benefit rates. First, the Government taxed maternity benefit and then it cut it. It is clear the Government's commitment to children is wafer thin. However, this is not all the Government has done; it has also cut the adoptive benefit. One does not have to be a genius to figure out that these cuts will have a real impact on families and new parents, many of whom are struggling badly, as we have already heard. So much for the touchy-feely governmental approach to children and their parents.

The Government's attitude to people who find themselves reliant on a welfare payment stinks. If one imagines for a second that people are living it up on a payment of €188 per week, for example, one is mistaken. I challenge every Member, including the Minister for Finance, the Minister for Public Expenditure and Reform, the Taoiseach and the Tánaiste, to give it a try and see how they would get by on such a small amount. Perhaps what is needed is a little dose of reality, a little taste of what it means not only to count the euro but also the cent, day on day, week on week. Perhaps that would soften the Government's cough and perhaps its Economic Management Council would take a very different view on how the Government analyses these matters and the decisions it takes budget on budget.

Deputy Eamon Gilmore: I know all about it; I do not need a lecture on this. I know more about this than the Deputy cares to know.

Deputy Mary Lou McDonald: The budget envisages a cut of €666 million to the health budget. One should bear in mind that the expenditure of the Department of Health routinely runs over budget. The Minister for Health, Deputy Reilly, for all his bluster, presides over that reality. Budget 2013 contained €1.173 billion in full-year cuts. At the time in question, the Minister for Public Expenditure and Reform, Deputy Howlin, presented the blanket figure with scant detail as to where specifically the savings would be found. Today's announcement is similar.

The Government's decision to extend free GP care to children of five years and under is welcome, but it can only be taken in the context of the removal of medical cards from thousands of very sick people. The Government, including the Taoiseach, has tried to deny the fact, but it is a fact none the less that removing discretionary medical cards from cancer patients and children with complex medical needs is happening and is causing real hardship and distress. When the Minister for Health is challenged on this, he tells the cameras that these people have fallen through the cracks. I do not know who is he kidding. Katie Connolly from Cork is aged five and has fallen through the cracks, as the Minister would have it. She has Down's syndrome, asthma, a heart condition and juvenile arthritis, but she has been denied a medical card and a GP visit card. That is Katie's story. A response from the Government that she and her family have fallen through the cracks is simply not acceptable.

The decision to grant care to the under-fives must be considered in the context of the reality of a proposed €130 million cut affecting medical cards. The Government's documentation refers to "medical card probity", which is code for medical card cutbacks. Bizarrely, the Government has sought, over the past 48 hours or more, to court public popularity with a suggestion of granting medical cards to young children, while at the same time cooking the books and working up a strategy to introduce massive cutbacks in the general provision of medical cards. This is perverse.

Media reports - no doubt leaked by Government insiders - tell us the extension of GP care for the under-fives will be delivered in the new year, but we know from experience that there is no guarantee of this. The Minister for Health promised a GP card for all suffering with a long-term illness within his first year in government. Those with long-term illnesses, or real and complex medical needs, are still waiting for the promise to be kept. Katie and all the other Katies throughout the State need to be awarded their medical cards and to keep them. Nothing short of that will suffice.

Earlier, the Minister referred to mental health service provision and trumpeted the fact that €20 million is to be held for spending in that area. I am surprised that the Minister is not aware that the all-party mental health group sought a further €35 million in the budget. Very often, mental health services are referred to as the Cinderella of the health service. Let us say today, on budget day, that €20 million is not enough. In making the decision, the Ministers concerned knew full well, as they do now, that they were cutting the cloth too tight and that mental health services will remain under-resourced. We know this is happening at a time when the number of mental health problems, not least those causing deaths by suicide in this State, is reaching a chronic level.

The increase in the prescription charge to €2.50 per item, with a cap of €25, represents a very mean-spirited cut. It is all the more astonishing given that it is being introduced by people who fought tooth and nail against prescription charges in a previous incarnation. In the interest of joined-up thinking, did the Minister consider, when taking away the telephone allowance and making this decision on prescription charges, that it would prove to be a hit on the double for so many, including the elderly, carers and people with a disability? Did the Government join these dots or is it not the kind of thing it does? Perhaps it does not bother doing that sort of real, live thinking in the Economic Management Council.

The Government has failed to realise the huge savings possible through the use of generic drugs and by driving value-for-money deals with the large pharmaceutical companies. It is a real shame that more energy has not been dedicated to finding those real and substantial savings in the system. If it had done so more effectively, it could have kept its hands off people who rely on health and social supports.

The reference in today's budget to the front line was little more than the worst kind of gesture politics. We know the front line is under unbearable strain and that waiting lists for surgeries and procedures are growing. The HSE confirmed to me just this week that it cannot provide physiotherapy services to school-going children with disabilities. I refer to schoolchildren over five in the north-west Dublin region. The waiting list for children under five is over two years. Similarly, waiting lists for speech therapy for children are as long as two years. There is no joined-up focus among Departments. Today's three year old who needs speech therapy will become tomorrow's five year old in need of a special needs assistant because the necessary, and minor, intervention will not have been made earlier. It bears all the hallmarks of bad governance.

Third level students and their families have been hit again by today's announcement. To add to the insult of the SUSI debacle, there is the injury of hikes in registration fees. The Government's ongoing assault on third level students and their families has meant and will mean a real struggle for students to stay on and graduate from college. If we add to this the difficulties of people who have been denied access to further education because of under-funding of students returning to education and postgraduate students, we can correctly measure the Government's commitment to the knowledge economy and economic recovery. I also note the Government is to cut social welfare payments to people who take up FÁS courses and that will end the long-term unemployment bonus paid to FÁS, VTOS and YouthReach participants. That is hardly progressive and hardly the stuff of encouraging people into education or, dare I say it, into work.

Deputy Eamon Gilmore: Deputy McDonald should go back to whoever wrote her script because it is wrong.

Deputy Mary Lou McDonald: On the area of taxation, Fine Gael has, once again, had its way and the Labour Party has allowed the burden of this budget, €1.6 billion in cuts, to fall on those living on modest incomes. This Government refuses to consider an increase in income tax on individual incomes of more than €100,000. It will not entertain or hear tell of the idea of a wealth tax on assets in excess of €1 million.

Deputy Eamon Gilmore: Does that include pensions?

Deputy Mary Lou McDonald: In fact, the Government becomes aggressive and irrational when those ideas are even aired-----

Deputy Eamon Gilmore: Are pensions included in the Deputy's definition of assets?

Deputy Mary Lou McDonald: This Government will not ask those who have more to pay more in a time of crisis.

Deputy Eamon Gilmore: The Deputy does not even know if pensions are included. She does not know her own party policy.

Deputy Mary Lou McDonald: The contrast between the Government's sensitivity for those at the top is in stark contrast to its treatment of those in the lower income brackets. It persists with the farce of taxing the family home at a time when almost 200,000 families find themselves in mortgage distress. There was a time when Fianna Fáil was rounded on by Fine Gael and the Labour Party, when in opposition, for protecting golden circles. It is now very clear that Deputies Gilmore, Quinn and others are pursuing the same approach from the comfort of their ministerial offices.

Public and civil servants have had their dose of tough medicine over the last series of budgets and the Haddington Road agreement is just the latest instalment in cuts and increased working hours for those workers charged with delivering essential services. Doing more with less is how the Government spins it.

Deputy Ruairí Quinn: As everybody in the country has to do.

Deputy Mary Lou McDonald: It must be truly galling for public servants to see the outrageous pay and pensions still afforded to a tiny minority funded by the public purse. It must be infuriating for the average public sector worker to have his or her terms and conditions of employment lumped in with a discussion of payments to current and former Taoisigh, secretaries general and Government special advisers. Enda Kenny, Eamon Gilmore, Michael Noonan and Brendan Howlin, the band of boys dedicated to cutting all round them, are all overpaid. However, in their scramble to find savings, they seem to have overlooked this simple reality. I encourage them to look at the international comparisons and I assure them that when they do, they will not be able to justify the salaries they are receiving. Today's budget should have reflected that and cuts should have been made accordingly.

The so-called stimulus plan, the €500 million of pro-business measures announced today, is little short of laughable. The key ingredient for economic recovery is investment and we are all fully aware of that. On numerous occasions we in Sinn Féin have set out plans and funding streams for the necessary scale of investment needed to impact on jobs recovery but the Government has given us the deaf ear. It does not want to know. I believe the Government's single biggest failure - it has many - is the failure to invest at the required level for jobs. It is the single biggest failure. Half-baked schemes to massage the figures on the live register will not cut it. We need investment of scale. This Government has spent the past three years dithering and foostering about jobs and stimulus, talking a lot about it but failing abjectly to deliver any of it.

Deputy Ruairí Quinn: Is that why the numbers of unemployed have dropped?

Deputy Dessie Ellis: That is because of emigration.

Deputy Mary Lou McDonald: Maybe that is what explains the Government's anxiety to cut jobseeker's allowance for those under 25 years.

Deputy Eamon Gilmore: Does Deputy McDonald not accept that jobs have been created?

Deputy Mary Lou McDonald: The safety valve for the Tánaiste's political skin is to ensure that young and not-so-young people leave because his Government cannot provide the jobs and the opportunities for them here.

The Government is happy to leave the domestic economy crippled by a double whammy of cuts to the disposable income of those who spend most, namely low and middle-income workers. It does not have the ability to think strategically and to invest wisely. The Government had no problem pumping funds from the National Pension Reserve Fund to prop up the banks but it singularly failed to deploy this fund, of some €6.4 billion, to get people back to work. There have been announcements about this fund on three separate occasions but the Government still has not delivered. Government Deputies should not come back in here talking about it again until they are in position to deliver it. Investment of scale is required to deliver significant employment and opportunities for our people, in particular for our young people.

I was listening today to the Government's friend, the German Finance Minister, Mr. Wolfgang Schäuble, who has knocked on the head any notion the Government may have had about a retrospective recapitalisation of the banks. As my colleague Deputy Pearse Doherty asked earlier, what has happened to that so-called game changer? For all the talk about the new bank levy, progress and exiting the bailout, would it not be a real scandal and tragedy if the very people who are being cut, cut and cut again are left with the legacy of that €65 billion in bank debt? Would that not be a scandal? Mr. Schäuble had something interesting to say today. When asked why the banks would not be recapitalised, he said that "everything is fine" in Ireland. He said that on the airwaves - "everything is fine" in Ireland. I can only presume the Government has told Mr. Schäuble, and reassured him, that everything is just fine in Ireland. If only he knew the truth. If only the Government could speak the truth and act in the interests of the truth because everything is not fine. A total of €1.6 billion in cuts to the most vulnerable, the young and the elderly, is not fine. No matter what way the Government spins it or dresses it up, the people are alive to that reality.

Deputy Mick Wallace: I welcome the retention of the 9% VAT rate which makes a lot of sense.

Deputy Eamon Gilmore: How would Deputy Wallace pay for it?

Deputy Mick Wallace: I also welcome the new round of sports capital grants. The value of sport in our society is still very much underestimated. I hope that this time around the soccer clubs in Wexford are treated fairly. Last time round, the biggest sport in the county got only 5% of the money allocated because Deputy Howlin interfered and commandeered the bulk of the money for his own backyard.

It is good to see that the Government is starting to think about social housing but €30 million is a drop in the ocean.

Deputy Eamon Gilmore: It is a start.

Deputy Mick Wallace: It is a start. It will build approximately 180 houses. If I got the job, I could build them in about 18 months.

Deputy Kevin Humphreys: The Deputy would have to pay his taxes though.

Deputy Mick Wallace: The two-year exemption from income tax for new start-up businesses will not cost the Government any money. Clearly the Minister for Public Expenditure and Reform, Deputy Howlin, has never been engaged in trying to set up a business or he would know that.

Sadly, the general thrust of the budget is similar to its two predecessors. This Government has been in power for two and a half years and one would not need to be a rocket scientist to figure out that it has not worked in the best interests of the people at all times. In fact, it has created and promoted a programme of fiscal policies that is making our society more unequal, unjust and unsustainable.

Deputy Ruairí Quinn: Is that why we are in recovery?

Deputy Mick Wallace: The last budget led to an increase of 1.3% in taxes for a worker on an annual salary of €20,000, while a worker with a salary of €100,000 experienced a 0.2% increase in taxes. That means the impact on the person earning €20,000 was six times greater than on the person earning €100,000. What measures are being taken in this budget to counteract the situation where those who cannot afford to pay for the mistakes of bankers and governments are being forced to pay a higher proportion than those who can? Rising inequality, massive youth unemployment, rising levels of poverty and homelessness, diminishing quality and rising costs of public services, as well as increasing instances of social unrest, violence and crime can no longer be blamed on the after effects of the financial crisis. These are this Government's legacy. The Government, and its predecessor, has not seriously looked at alternatives but has pretended the troika forced its hand in increasing inequality and poverty in this country. One in ten children now lives in consistent poverty, one in ten people experiences food poverty while over 50,000 people were forced to leave Ireland in a year. We have astronomical school-class sizes and an understaffed health sector that puts lives at risk, including those of pregnant women. This is the work of the Government. The hand-wringing and talk of tough budgets is disingenuous. The Government has made a political choice in presenting this budget today, as it did with the past two budgets.

Worryingly, the so-called party of equality, the Labour Party, has overseen successive budgets that have been termed "regressive" by the ESRI and that have clearly disadvantaged certain social groups disproportionately. The Department of Social Protection's own analysis of budget 2013 showed that lone-parent households and households with children were hardest hit. Sadly, for the public not much has changed in budget 2014 with mothers penalised again with increases in maternity benefit tax and young people's welfare provision reduced.

Neither of these is a surprising move by this Government, given its track record to date. It, instead, chooses the unsustainable path, the socially divisive path, the regressive path, the path that has been tested again and again and found wanting. We have failed to learn from the lessons of some disastrous austerity measures of the past. Latin America and South-East Asia had the same type of austerity shoved down their necks by the International Monetary Fund in the 1980s and 1990s. It was only when they found the strength and courage to ignore them and take a different path that they managed to turn their economies around, not just for business but, more important, for their people.

These measures included regulation of fiscal and monetary policies, the introduction of new capital control mechanisms, increasing direct taxation revenues, applying well-directed, progressive fiscal and industrial policies, increased social spending, strengthening regional institutions by boosting their financial reserves, reinforcing public institutions, contributing directly to strengthening democracies and recovering key public roles. In some instances, they carried out programmes of debt cancellation. This Government is not seriously pursuing any of these measures. In fact, in some cases it is charging in precisely the opposite direction. Instead of looking at the situation from anything resembling a rational standpoint - that is taking for granted that it is rational to look after the interests of the people of our country irrespective of class – the Government seems to have no capacity to think seriously about the damage it is unleashing on the nation today and well into the future.

The programme for Government states “equality is at the heart of what it means to be a citizen in our democracy. This Government believes that everyone has the right to be free from discrimination and that we all benefit from living in a more equal society” yet the Government presides over a significant increase in inequality. According to a recent Oxfam report, inequality in Ireland is four times the OECD average. All but those at the top echelons of our society are feeling the debilitating effects of the current fiscal and social policies implemented by the Government. The Government not only does not give a damn about inequality but actively promotes it.

Is the Government aware just how its policies affect people? It is playing a dangerous game with the lives of others, the majority of whom it will never meet. It really does appear it does not stop to think about the people, their lives and their needs. In contrast, it has done very well in looking after the needs of the financial markets, the banks, the captains of industry, the protected professionals and global corporations. This budget will do nothing to provide jobs for our young people. The Government is making this country uninhabitable for our young people who continue to leave in their tens of thousands. For what? For the sake of people who do not need the Government’s help, many of whom do not even live here. The Government has declared economic war on its own people. It is successful in driving our young people out of the country. It is not a brain drain; it is an expulsion of our youngest and brightest.

Acting Chairman (Deputy Bernard J. Durkan): The Deputy must conclude as there are ten other speakers.

Deputy Mick Wallace: I am reminded of the Lou Reed song, “Statue of Bigotry”:

> Give me your hungry, your tired, your poor huddled masses
>
> And I’ll piss on ‘em and club them to death.

Welcome to today’s Ireland.

Deputy Clare Daly: When I hear Fianna Fáil berating the Minister for using the lotto funds as a slush fund for next year’s local elections, it is a real case of the pupil becoming the master. The Government has become more Fianna Fáil than Fianna Fáil itself. That contribution was a fitting conclusion to act one of the annual budget pantomime when we sit here through set-pieces with mock indignation, all the drama and the hype but knowing how it will end before it even starts. Unlike the real Grimm fairy tale where granny is found alive and well, this budget tale is far grimmer where the wolf just does not eat granny but granddad, new mothers and medical cardholders. It is grim for estranged parents trying to look after their children who will lose a one-parent family tax credit for non-principal parents and, particularly, for our young people who are unfortunate enough not to have a job.

This is the Government’s third budget. Many hoped it would have been third time lucky but it has not been for most ordinary people in this State. If one was wealthy this morning, one will be even wealthier going to bed tonight. The Government can dress it up all it likes claiming this is a battle to get our economy back on the road and we are all grappling with an economic crisis. That is not true. What has taken place here is a counterrevolution in which social policy has been stood on its head and the Government has embarked on the path of neoliberal capitalism by eroding public services while driving down wages and living conditions. No wonder the EU establishment is proud of the Government. While we would expect this of Fine Gael, we did not expect it from the Labour Party, in this the hundredth anniversary of the Lock-out.

It is insulting to hear the Government talk about tackling a dependency culture among the unemployed. What about the real dependency culture of the banks on the taxpayer? What about the dependency culture of the elite in this society who act as parasites on everyone else? Has the Government spoke about the dependency culture of the multinational corporations which use this State to bleed us dry by walking away without paying their fair share of tax? Instead, the Government chooses to scapegoat underprivileged young people. It talks about activation measures as if the responsibility for unemployment rests with the unemployed. That is an absolute joke. The Government claims it created 34,000 jobs last year and will do the same this year. It said nothing about the 33,000 people driven out of this State, however.

Deputy Ruairí Quinn: We reported the economy created the jobs, not the Government. Governments do not create jobs.

Deputy Clare Daly: The Minister is correct that this Government certainly does not create jobs but other Governments have. With 500,000 people unemployed and this Government's rate of job creation, we will be waiting 30 years for it to be tackled when many of us will be long dead. The Government is driving people into scam labour schemes to massage the figures. Its policies have failed and its solution is more of the same.

We had to listen to the miracle Minister, Houdini Howlin, tell us he is going to pull off the miracle of providing more teachers, nurses, doctors, midwives and gardaí. It is not as if we need more gardaí as there were 65 of them alone on Merrion Street today.

Deputy Ruairí Quinn: They are there because of what happened last year.

Deputy Clare Daly: At the same time, the Minister will be driving down the public service pay bill by €500 million. How is this genius going to accomplish this miracle? The only way is by a race to the bottom, slashing public sector wages - which the Budget Statement reveals - outsourcing decent jobs, yellow-packing and driving down wages in the private sector. What is the result? There will be less money in people's pockets and, accordingly, less money to be spent on services and so on.

The Government claims it will provide 30,000 social housing units. That is not a start. It is a fig leaf. It is bit like prescribing Panadol to somebody with two broken arms and legs who has also been shot in the head. The Panadol might relieve the headache for a minute but it will not solve the problem.

The problem is that the Government has taken billions of euro out of this economy, as had its predecessors. The Minister, Deputy Howlin, puts his chest out and talks about an education budget of €8.7 billion.

Deputy Ruairí Quinn: It is called regaining our economic sovereignty.

Deputy Clare Daly: He says nothing about the €8.5 billion that we will be paying on interest on the national debt. Who is paying for this? Our children.

While the Minister for Education and Skills makes the big claim he has not increased class sizes, he has created a hellhole for teachers and students. A teacher in my constituency wrote to me on how they coped pre-cuts because children and teachers had support systems to make it workable, even if it was not desirable. Now, she is concerned about the loss of learning, special needs, English as a second language and other supports, and how this will affect the cuts. It is unfair on children to have to deal with this.

Deputy Ruairí Quinn: There have been no cuts in education in this budget.

Deputy Clare Daly: Ministers are immunised in their cosy little club in here but they do not actually know what is going on outside these doors. If they did, they would realise that to take away mortgage interest supplement when so many families are about to lose their homes is lunacy. Unfortunately we do not have much time but it is ironic that the Government can come here some evening and change the law overnight, keep us here until the early hours to deal with a new burden on the taxpayer, but cannot bring in any measures to deal with the wealthy. The Government cannot tackle a small wealth tax that would allow it to cancel the home tax. It could not bring in a 1.5% increase on the top 10% of earners which would yield an extra €400 million. It deals with some aspects on the pension but not the whole lot of it. The Government will be judged by how many people are at work and on that it will flounder because there can be no economic recovery without job creation. That cannot be left to the private sector. Only a State-led programme will do it and the Government has failed terribly.

Deputy Seamus Healy: This budget targets the sickest and poorest in our society, the young, the squeezed middle, the elderly and even the dead. Some 20,000 families will lose the bereavement grant in 2014 as a result of this budget. During the 2011 general election campaign the Labour Party and Fine Gael sought a mandate to burn the bondholders, not to give another cent to the banks, said it would be Labour's way, not Frankfurt's way and that the vulnerable would be protected. They broke all those promises long ago and robbed the clothes of Fianna Fáil and the Green Party. They have cynically and deliberately reneged on those commitments and targeted the most vulnerable in our society. This budget takes from those on low and middle incomes here and gives to the very rich at home and abroad. Next year €9 billion will be paid out to service the debt on borrowed money to bail out rich investors on the one hand and to subsidise the low-taxed rich here at home.

As the Government regularly says, somebody has to pay. Why must the poor, and low-income and middle-income families always pay? Why do the rich and powerful always get away scot free? Not long ago then Minister Deputy Joe Costello told us here that Ireland was the seventh wealthiest country in the world. Not long ago the Minister for Finance, Deputy Noonan told me the top 10,000 earners in this country earn €595,000 each per year and that the top 20,000 earn €437,000 each per year. Why is there no higher rate of income tax for these people who are not paying their fair share of taxation? Why is there no wealth tax to ensure they pay their fair share? The wealthiest 10% of people in this society have increased both their incomes and assets during this recession.

The only thing this budget does for jobs is to guarantee that jobs in the public service would be eliminated and that the money taken out of the pockets of those on low and middle incomes will depress demand and eliminate jobs in the private sector. The only way to create sustainable jobs is for the State to invest in publicly-owned modern industry, but the Government is ideologically opposed to that. Over-dependence on foreign direct investment has placed our people at the mercy of others. This budget has a raft of broken promises. One was made by the Labour Party at every door during the last general election campaign when they knocked and said they would not touch child benefit. They reversed that last year with savage cuts on child benefit. From 1 January 2014 there will be more child benefit cuts. Fourth and subsequent children will lose €10 per month.

I specifically refer to the savage attack on the sick and elderly, the cuts to medical card holders. There are €666 million of cuts in the health budget. Some €149 million of those are cuts to medical card holders. This is social vandalism. It is shameful. It is an attack on the ill and the elderly, the most vulnerable in our society, and the Labour Party should be ashamed of itself. Its founder, James Connolly, is turning in his grave, as are Brendan Corish and Frank Closkey, because they would not have countenanced such attacks on ill and elderly people. When will this Government stop attacking and terrorising sick and elderly people? It has targeted them this year with the withdrawal of their medical cards.

It is not possible to overstate the fact that sick and elderly people are traumatised and in daily fear of losing their medical cards. This budget will make matters worse. The postman or postwoman, who was always a welcome sight for elderly people, will become a source of anxiety as people wonder if he or she is bringing the white letter notifying them that their medical card is under review and will be withdrawn. Sick and elderly people are being targeted in this budget to pay banks and bondholders and protect the very wealthy in this society. Elderly and sick people were always able to get discretionary medical cards, particularly when they needed ongoing medical treatment. Even before these cuts come in, people with such serious illnesses as cancer and motor neuron disease and children with very difficult illnesses do not qualify for medical cards or are having them withdrawn. This must stop. This serious attack on sick and elderly people is unworthy of this Government and the Labour Party. I call on all civil society organisations to organise to force this Government to reverse this despicable decision and policy to target sick and elderly people.

Deputy Stephen S. Donnelly: I was hoping to be able to address my budget day comments to the Ministers, Deputies Howlin and Noonan but, sadly, half way through Fianna Fáil's response they left. I consoled myself that at least I would be able to address the Taoiseach, but then he left. So I thought at least I will be able to address the Tánaiste, but during Sinn Féin's spokesman's speech he left. I mean no disrespect to the Minister for Education and Skills, Deputy Quinn.

Deputy Ruairí Quinn: I do not take it personally. There is something called collective responsibility. I will report Deputy Donnelly's remarks.

Deputy Barry Cowen: Deputy Quinn is leaving for Brussels.

Deputy Stephen S. Donnelly: It is an outrage that on budget day neither Deputy Noonan nor Deputy Howlin would see fit to wait in Dáil Éireann to hear what Members have to say. I am sure both Ministers are dying to get on the six o'clock news but we could have started before 2.30 p.m. today if that were the case.

Deputy Ruairí Quinn: Then it would have been the one o'clock news.

Deputy Stephen S. Donnelly: I acknowledge a small number of measures in this budget. The retention of the 9% VAT for the hospitality sector for one year is to be welcomed. The levy on the banking sector is something we could all support. There are two real questions for us - is this budget fair and will it kick start the social and economic recovery so badly needed in this country?

In his budget document Deputy Howlin provided a lovely graph from the ESRI which shows that according to the income deciles the budget changes mean the more one has the more is being taken from one, unless one is in the bottom decile, in which case a huge amount is taken from one. It turns out that this information includes 2008 to 2013. In the same paper the ESRI has another graph which does the same analysis, used on budget day by Deputy Howlin just for the Fine Gael and Labour budgets. That graph does not appear in Deputy Howlin's document, but if it did it would show that the last two budgets directly have taken more from those who have less per income decile.

6 o'clock

It is incredible. The less one has the more one is asked to give. Is that the case in this budget? We do not know because, despite repeated requests for a quality analysis in order that we can answer that question, we have not received that analysis. However, when it is issued, we will see yet again that this budget takes from those who have least to give and benefits those who are well off.

Why do I believe this? Let us look, for example, at what young people in their late teens or early twenties see when they look at this budget. They see a further cut in State funding for the universities and colleges which between 2008 and 2015 will see a 50% cut in State funding per student. They see a reduction in the level of social protection. I do not know why this applies to young people under 25 years or why the same logic does not apply in education and training when one reaches 26.

Let us look at what parents of young children see when they look at this budget. They see the second cut in one year in maternity benefit and see no support to meet the cost of the most expensive child care on the planet.

If those in the negative equity generation look at this budget, they see an end to mortgage interest relief, an end to rent supplement and see a full year of property tax coming their way, regardless of whether they own the house. If they are in negative equity to the tune of €100,000, they will still be charged property tax on the market value of the house.

What else do people see when they look at this budget? They see an increase in pension charges and if they have been fortunate enough to save some money, they see additional charges. There is no additional support for mortgage holders who are struggling to restructure their mortgages with the banks. A pensioner looking at this budget sees a cut in the number of medical cards, a cut in household benefits and a cut in invalidity pension.

A local employer looking at this budget sees the cost of employment rising through having to pay more in sick pay. We see total tax relief for entrepreneurial activity at €7 million, but we see nothing at all about lowering the cost of employment and, for example, about making local authority rates more affordable.

What do people aged between 50 and 65 years who have €100,000 or a few hundred thousand in the bank see if they look at this budget? They see a range of tax reliefs for their investments. They see a tax rebate for getting work done on their houses. This budget introduces a tax relief for having a nice extension built onto one's house, but it reduces tax relief for those who cannot afford to pay their mortgage.

This budget could and should have been a catalyst to kick-start social and economic recovery. It could have exceeded the deficit and reinvested in families, education, entrepreneurship and job creation, but it has failed sadly in this regard. It continues to grind down our youth, the negative equity generation, families and, for some reason, women who have just had children. The story of this budget is not what it is, but what it could have been.

Deputy Joan Collins: When I first came into this Chamber, I welcomed the coalition of cuts. Unfortunately for the people, whether working men or women, young people, a person who has lost a job or a young person hoping to get a job in the future, this budget does nothing to address the key problems facing them. The economy remains stagnant; we still face a mortgage crisis and the jobs crisis has not got away. There is nothing for young people, except potential emigration. Is it part of the Minister for Finance's foresight to reduce tax on air travel in April 2014? That is just about the time many students will be about to do their leaving certificate examinations and think about the future. That reduction will make it easier for them to travel out of the country. It is sickening to think about what this budget could have meant and to look at what it is now.

This budget targets the sick, young adults, the elderly and pregnant women and protects the wealthy. This is the result of the three budgets of a Government with the Labour Party in power.

I agree that jobs have been created. Some 33,000 have been created and this figure has been bandied about as if it was a big hurrah for the economy. It is good to see jobs created, but some 12,100 of them are part-time jobs. This means that people do not have enough hours to earn a decent wage. There are 150,000 part-time workers who want more hours, an increase from the 4,000 in 2007. There are some 86,000 people on Mickey Mouse schemes, with no real jobs for them at the end of them. To June 2013, there was a fall in numbers at work in the key 25 to 34 age group and also in the 20 to 24 age group. This group is now being hit with a cut in their unemployment benefit. This is scandalous, particularly when there has been a drop in the level of employment among this group. The Government should be ashamed it is introducing a cut in the welfare provision for this group. It has shown no foresight in this budget in that regard.

The claim by the Minister for Finance that there is growth in the economy for the third successive year is a joke in bad taste that will leave a sour taste in people's mouths. After a disastrous economic collapse, we are bumping along at the bottom and continue to do so in an endless programme of austerity. What the Minister should have done in this budget was to launch a proper job creation programme. He has over €6 billion in the strategic investment fund that should have been allocated in the next two to three years in a programme aimed at improving the infrastructural deficit and job creation in the domestic economy in areas such as water services, broadband provision, green energy projects and early childhood education services. This would deliver real investment returns in the medium term, with immediate benefits in job creation, increased income tax and lower welfare costs.

We have heard nothing, however, but empty talk, seen cuts and the elimination of mortgage interest supplement for those desperately trying to hold onto their homes. This budget is yet another failed opportunity to address this problem. It provides for a figure of €30 million from the national lottery proceeds to recommence the State's housing building programme. Is the Minister serious or is he having a laugh? This will only build 200 to 300 houses, not even enough to provide for those who may be evicted in the next few months from their homes. This amount will not deal with the people concerned, nor with the 100,000 on housing waiting lists who are desperately trying to put a roof over their heads. It will not even provide for the people who have jobs and a few bob who want to take out a mortgage to buy a home. This proposal is a joke and putting it forward as recommencing the State's housebuilding programme - something in which the Labour Party would have been involved in the past - is a proposal for which the Minister should hang his head in shame.

This budget is an attack on pregnant women, with some €30 million being cut from maternity benefit payments. This follows the cut to maternity benefit made in last year's budget that took effect this year. It is scandalous also that prescription charges are being increased. This issue has been raised on numerous occasions recently. I put it to the Minister for Health that people who had gone to have their prescriptions filled had had them filled in two separate amounts. One person I mentioned had a prescription for 25 mg of lespace which had been dispensed in two separate doses of 20 mg and 5 mg and he had been charged €3 in prescription charges. Another constituent had been prescribed 4 mg of warfarin and it had been packaged in 1 mg and 3 mg does for which my constituent had been charged €3. Now the person concerned will be charged €6 and the cap has been put at a figure of €25. The people concerned will face another cut in their pension owing to these increases.

The issue of people losing their entitlement to medical cards has been discussed in the Dáil on a number of occasions. A woman in my area who used to work in Blindcraft and was a productive member of the community is now on social welfare. She is blind and has other ailments. In the past two years she has been applying for a discretionary medical card. However, she was turned down and had to appeal twice. This year again she has been told she will not get one. Is this refusal part of the effort to save €113 million? People like her desperately need the discretionary medical card.

The issue of the removal of the telephone allowance for the elderly has been mentioned, as has the removal of the bereavement grant. Some €18 million is being cut from the PSO subvention for public transport services. Is the Minister consciously saying he will not support public transport services and that he will be cutting back in that area in the next period? The Minister, Deputy Ruairí Quinn, has stated he is here to represent the collective Cabinet. He should be ashamed.

Deputy Thomas Pringle: The budget targets the young, the old and the sick. Once again, the Government is making the vulnerable pay with mean-spirited cuts and there is none more mean-spirited than the abolition of the bereavement grant. This will force bereaved families to go to a community welfare officer to receive assistance. Until today families could, as of right, apply for and receive the bereavement grant. They will now have to queue at community welfare clinics to apply, on the whim of a community welfare officer, for supplementary welfare benefit to allow them pay for the burial of their loved ones. This shows the depth to which the Government has sunk in targeting the vulnerable and weak in society.

The budget could have been different. It could have been a budget which told the people we were at the end of the austerity process. It could have told them they would have some respite and encouraged them to go out and start spending and participate again in society. However, the Government has chosen not to do this. The Department of Finance's figures show that a neutral budget, with no cuts in expenditure, would see the deficit reduced to 5.8% next year without doing anything. Instead the Government has decided to take another €2.5 billion out of the economy to reduce the deficit to 4.8%. We could have introduced extra taxation on those who could afford it to reduce the deficit to the troika target. I estimate it would require a sum of only €1.1 billion to achieve this target. Instead the Government has attacked the vulnerable, the elderly, the unemployed and the young. This is the choice it has made. It could have reduced tax relief on pensions to save hundreds of millions of euro. It could have introduced a third tax rate for those earning more than €100,000. It could have started the process of introducing a wealth tax which, according to the Department's figures, could raise more than €400 million, but it continues with the cuts in social welfare and to attack those on medical cards and the elderly.

The cut in jobseeker's payments for those under 25 years of age to €100 a week shows the spirit of the Government. There is a film called "No Country for Old Men". We are telling young people who are unemployed through no choice of their own, need support and should be encouraged that this is no country for young people. We are telling them that they are not valued in our society and to get on the boat, head away and emigrate. This is the only message we are sending to them.

The targeted cuts in the telephone allowance will affect vulnerable people who are dependent on household benefits, including elderly persons who live alone. The telephone allowance will be removed completely from them to save €44 million. This measure could have been avoided.

The prescription charge is being increased to €2.50 per item. Many people come to my office because they cannot afford the €19 a month charge. How will they be able to afford the €25 a month charge which the Government will impose on them?

Hidden in the Estimate figures for the Department of Social Protection is a reduction in rent supplement of €54 million next year. It will be made more difficult for people to access the supplement and individuals will be put at risk of homelessness. The attacks on them will continue. The Minister announced €30 million for housing as if this were something about which we should all sing and dance in the streets. As has been outlined, €30 million is a drop in the ocean when one has more than 100,000 families on housing lists throughout the country. This is at a time when there is €440 million in European Investment Bank finance which the voluntary housing associations are unable to draw down. This money is available to the country to provide housing for its citizens, but the voluntary housing associations cannot draw it down. The Government is doing nothing to change policy to make it available. The €30 million for housing will do nothing to alleviate the difficulties faced by so many in danger of homelessness. The Government is also removing mortgage interest benefit. From next year those who are struggling will not be able to obtain any respite.

The Government could have made different choices. It could have decided not to reduce expenditure in the budget and still achieve the troika targets. It could have decided to introduce a wealth tax and make these targets even more achievable, but it did not do so. It chose to attack the young, the old and the sick and this is to its shame.

Deputy Richard Boyd Barrett: This budget was depressingly predictable. The Government has clearly chosen as its targets the young, the old, the sick, particularly the chronically sick, and the unemployed. At the same time it has chosen to protect the very wealthy and the profits of enormously profitable corporations. I am sure Fine Gael is very pleased because its stated agenda is being vindicated, that is, to look after the well-off in society and defend the champions of the free market and big business in big corporations. At every hand's turn, they are protected. Of course, one would expect this from Fine Gael, but it must be particularly happy that it has the Labour Party to do the dirty work in the form of the Minister for Public Expenditure and Reform, Deputy Brendan Howlin, delivering the pain to the old, the young, the chronically sick and the unemployed. I must tell the Minister for Education and Skills, Deputy Ruairí Quinn, that this is pathetic on the part of the Labour Party.

The amount of the cuts in the health budget of €660 million alone makes a mockery of any attempt by the Government in the run-up to the budget to state it would improve access to free GP care. In reality, what it has done is attack eligibility to access health care for some of the sickest people in the country, namely, the old and the chronically sick. Frankly, I am sick of it. Day in, day out and week in, week out, very sick people come to my clinic to tell me how they are being denied medical cards. We must plead and beg with the Minister and the Department to give them what they are entitled to. People who are very sick and in pain and on multiple medications have been hit again and again in a series of measures in the budget. It is nothing short of despicable to leave people in pain in this way.

The Government's big plan in health involves delisting drugs, increasing prescription charges, reducing income thresholds for medical cards and what it laughingly calls "probity" - trying to find ways not to give people medical cards. It promised free GP care for everybody, but, of course, we know this will never be delivered. Let us not forget the downgrading of the invalidity pension for 65 year olds. The Government knew 65 year olds were in trouble because of the cut in the State transition payment, but instead of rectifying this unfairness, it has downgraded the invalidity pension for this bracket of individuals who have worked all their lives and reached the age of 65 years. The Government has knocked them down.

The cutting of the bereavement grant is nasty beyond belief. It is bad enough that the Government attacks the old and the sick while they are alive, but to attack people in death really is appalling. This will hit the least well-off and well the Minister knows it.

The abolition of the telephone allowance will probably go down in history as a notorious attack. The one time Minister Ernest Blythe became notorious for decades because he took one shilling off the old age pension. The Minister for Social Protection, Deputy Joan Burton, will go down in the annals as the Minister who left old people frightened, alone and isolated in their own homes when they needed company and support the most.

The attacks on young people are utterly despicable. Cutting jobseeker's allowance for those aged between 22 and 25 years when there are no jobs available for them is a straightforward invitation to leave the country. That is what they are doing. The facts are clear and the Government cannot deny them. The CSO tells us that 40,000 people are leaving a year, not all young people but mostly young people. The intelligence, the education and the energy that could help this country recover is being pointed towards the door. That is what this cut is doing to them. It also makes a mockery of the Government's claim that it is defending core payments. This is a core payment, or are young people not entitled to core payments? The Government is slicing and chipping away at core payments. It is the slippery slope to attacking the social welfare state, again, something Fine Gael has long been committed to, but for the Labour Party to do it is nothing short of disgusting.

Other cuts that will hurt young people include the €35 million from third level education and registration in FÁS projects, VTOS and Youthreach, again hitting the least well off. Not mentioned today, of course, is a further €8 million in cuts to the budget of the Department of Children and Youth Affairs, where there was a €16 million cut last year. This will precisely hurt the outreach, community and youth projects in the most disadvantaged areas of Dublin, other urban centres and other parts of the country. People have already been out protesting, saying that the futures of the most vulnerable young people in the poorest of areas are being put in danger by last year's cuts, and now the Government is going to do it to them again.

There is also the cut to the mortgage interest supplement. It is bad enough to lose a job but, now, when a person loses a job, he or she will be threatened with the loss of his or her home, compounding one misery on top of another. Then, as a token, the Government tells us it is going to build 500 council houses and spend €30 million. Five hundred council houses against a background of 110,000 families on the housing list will not even cover the new applicants who go on the list this year. In other words, the housing crisis will be worse next year anyway. What is the Government going to do to reverse that?

A serious housing programme and a serious stimulus programme would spend €3 billion, as we proposed. By simply multiplying the Government's figures, a sum of €3 billion would build 50,000 council houses. That would pay for itself over a five- or ten-year period because we would save €500 million a year in rent supplement and generate an extra €300 million or €400 million in extra rental revenue to the State. I do not understand why the Government will not do that but, of course, there is an answer in the speech of the Minister, Deputy Noonan. It is that the Government's answer to stimulating the economy is to give more tax breaks to the speculators and developers who are still standing through the new real estate investment trusts, through breaks in capital gains tax and through other tax incentives for the very same people who ruined the housing market, ruined the economy and inflicted such suffering on ordinary people. I understand why Fine Gael would do it, but why would the Labour Party do it? Can we not make the big corporations and the wealthy pay their fair share and protect the vulnerable people who voted for the Minister, Deputy Quinn?

Deputy Luke 'Ming' Flanagan: I am not that disappointed that neither of the appropriate Ministers is here, because they never listen to us anyway. Fortunately, there will be an audience watching outside the House who are far more important than them, and that is who the message is for.

I have to give the Government credit: it has pulled off a master-stroke in this budget which will lead to a reduction in unemployment numbers. It definitely will. It is brilliant, a really smart thing to do. The Government will reduce unemployment numbers, but what will the consequences be? The number it will reduce will be that of people in the 22- to 25-year age bracket, and it will reduce their number by running them out of the country. That has always been the policy. It was the policy for my family in the 1980s and it is the same policy for the people of this generation.

The Government claims that no core payments have been cut. I am sorry but, the last time I looked, people in that age bracket were actually human beings, so how the Government can say their payments were not cut I do not know. Maybe the Government's logic is to pull a lever and to encourage them to go back to work or into a training place by cutting back on their money. We have been told by the Government that its target is to increase employment by 1.5% next year, which is in the region of 30,000 people. That is its definition of success, although I would not deem it a success. However, if the Government is successful, that will still leave well over 400,000 people unemployed. Despite the lever the Government has pulled, where does it expect these people to go? It will not be able to get them a job. Many of these people will already have degrees and will have gone through training. What is the Government going to put them on - a communications course, even though they already have a degree in English? They will have only one route to go, and that is to leave the country. It is no coincidence, because it is exactly bloody well what the Government wants them to do, because that is its solution. Next year, the Government will say: "Look, the unemployment figures are down". If there were a tsunami in Galway tomorrow and the whole population were wiped out, within two weeks the Government would announce with a straight face that it had reduced unemployment in the western region. That is what it is doing with the people who have to leave this country.

The reason I could not give a damn about the Ministers being here or not is that this message is for the young people whom the Government has shafted. However, while there might not be many jobs, there are jobs coming up next May. I would suggest that one of the reasons the Government has made cuts affecting these people is that they are less likely to vote. Not only will I be calling on them to vote next May, I will be calling on them to apply for all of these jobs that are coming up, because it is their last chance before the Government runs them out of the country. There are 18 of these jobs in community development, which pay about €30,000 a year, coming up in Carlow, 18 in Cavan, 28 in Clare, 55 in Cork county, 37 in Donegal, 63 in Dublin, 40 in Dún Laoghaire-Rathdown, 40 in Fingal, 18 in Galway city and 39 in Galway county. Before I go on, by the way, if they start off on €30,000, they could end up being paid what the Taoiseach is paid, which is about €200,000 a year. There are 33 jobs available for these people in Kerry, 40 in Kildare, 24 in Kilkenny, 19 in Laois, 18 in Leitrim, 40 in Limerick, 18 in Longford, 29 in Louth, 30 in Mayo, 40 in Meath, 18 in Monaghan, 19 in Offaly, 18 in my own county of Roscommon - and, by God, we will be making sure they apply for those jobs - 18 in Sligo, 40 in south Dublin, 40 in Tipperary, 32 in Waterford, 20 in Westmeath, 34 in Wexford and 32 in Wicklow. There are 918 new jobs in total on the way for all of those people to apply for. That is what they have got to do because there is no point in waiting for the Government to do it. Not only does the Government not want to listen to alternatives, even if we provide them; the Ministers are not even here in the first place. That is what people have to do. For a century people have sat back and waited for the Labour Party, Fianna Fáil and Fine Gael to do it. Guess what? It has not happened; it is never going to happen. The only way things will change in this country is if people go out there and take those jobs off the Government next May, because it has shafted them.

The good news for the Minister, Deputy Quinn, is that Labour Youth has already put out a press release condemning the Government's shafting of the young people of this country. Hopefully, they will leave Labour Youth in their droves and join with the people I am calling on to take these jobs next year, and cut the spokes of the political bicycle. Come the next general election, they will be there to lead the charge and to blow very strong winds of change, if they are still here, and take these parties out of government.

The Minister, Deputy Quinn, is not a socialist. As Deputy Boyd Barrett put it so well, no one is surprised at what Fine Gael has done. They are Blueshirts; they are fascist to the core. The Labour Party is meant to be different. It was meant to be socialist - in other words, to take care of the vulnerable. What has it done with the vulnerable? It has now put some people into a situation in which they will have to be buried in a paper bag, because the Government will not provide the money for them. That is not socialism.

If the Minister is interested in creating jobs - he appears to think nobody has answers - why not do something about the cost of living in this country and the fact that the Competition Authority is a joke and the Minister for Jobs, Enterprise and Innovation, Deputy Richard Bruton, will not do anything about it for obvious reasons? Why not do something about the fact that local authority rates are at such a high level one would have to be daft to set up a business, or about upward only rent reviews? No, as usual in this country, the Government's policy is to get rid of the unemployed by not solving the problem and dumping them out of the country. Then it tells us it did not cut core social welfare rates. To me, the people concerned are human beings, but to the Government they are not. Somebody came up with a focus group and it was decided to shaft them and that the group with five year olds and under who will get medical cards might come to the Government's side. It is about more than focus groups; it is about people. Sadly, however, we know what the Government thinks of them - get them out of the country as they are a bloody nuisance.

Deputy Catherine Murphy: The Minister for Public Expenditure and Reform, Deputy Brendan Howlin, who is not in the Chamber, as many of my colleagues have noted, told us earlier that the Fianna Fáil Government had left us beholden, like the Famine victims of old, to seek relief outside the country. Boy, did we have to seek assistance from outside it. A bailout implies that one is getting something for nothing, but one gets nothing for nothing. If there is to be hope for the future, we will have to deal with the level of debt and servicing that debt. Next year the national debt alone will account for 120% of GDP, at €204 billion. The estimated cost of servicing that debt is approximately €8.4 billion annually. Instead of paying to service that huge number with borrowed money, we are paying to service it from taxation taken from Irish citizens. One way or the other we are paying; let us not think, therefore, that we are getting something for nothing. A sum of €14 out of every €100 collected in taxation will go to service the debt, not just next year but for decades. Where is the game changer promised in June 2012 when we were given to expect that much of our banking debt would be dealt with retrospectively? If we are to hope for the future, we must acknowledge to ourselves and others, particularly our so-called partners, that the level of government debt is the elephant in the room. If it is not dealt with, there is no real and sustainable hope for the future.

The mood music from the European Union is not good. The German Finance Minister, Wolfgang Schauble, said today it was unlikely the ESM would be used to directly retroactively recapitalise our banks. He said, "Ireland did what Ireland had to do ... now everything is fine." From where is he getting that message? It is not fine. It is not fine that those on low and middle incomes are being crippled with additional taxation, be it direct or indirect taxation, and that taxation is soaking up huge portions of the incomes of those on fixed incomes such as pensioners or those living on disability payments and so forth. It is not fine that we are so limited in what we can do in terms of the amount of money we can direct to creating jobs, which is the key to sustaining a reasonable level of public services and creating more jobs in the future. If we can deal with this issue, there will be real hope for the future.

It is impossible to talk about this budget without talking about its central theme, the level of government debt that must be serviced. Of course, that is in addition to personal and business debt and, furthermore, the problems with public service pension funds and so forth. There is a really serious problem.

I wish to highlight the issue of medical cards since it is one we encounter week after week. What is the strategy for keeping citizens well? It is impossible to fathom how somebody who has a chronic illness can be disallowed a medical card because he or she is marginally over the income threshold or even quite a bit over it, but it is absorbing all of his or her income, yet at the same time the Government can move in another direction and give children under five years of age free GP care, welcome as that is. Please outline the medical strategy in all of this because it must make sense. It cannot be one at the expense of the other.

The reduction in the social welfare payment for 24 year olds to €100 makes a presumption

- it is a middle class presumption - that they all live at home and can get something from their parents. No provision is made for those who have come out of care or must leave home. They, too, must exist on this €100. There are also those whose families are very hard pressed. It is as if unemployment is something that is self-inflicted by the young. The presumption is that the payment is like pocket money. The Dublin Institute of Technology, DIT, conducted a very useful experiment on what it cost to maintain a young person for one week and the figure is way above the €100 provided for in the budget today.

We are told there will be extra investment to maintain local roads. It is all smoke and mirrors or a three-card trick because were there not increases in motor tax earlier this year? The people have paid for these changes themselves and now they are being announced. The same is happening in the case of the huge housing crisis. There are 100,000 families on housing waiting lists. We must build houses and it is welcome that they will be built, but the State is paying a huge sum, €403 million last year, in rent assistance. Often that is given to people at way below the market rents and they must top it up from their social welfare payments. It makes sense, therefore, to build again in some locations. Not only will it provide housing, but it will also provide much needed jobs for people who have the skills to build them. The Minister, Deputy Brendan Howlin, said he was allocating €30 million from the lottery licence proceeds to recommence the State's house building scheme. However, the table on page 149 of the booklet provided by him shows that the capital allocation for housing in 2013 was €265 million, but that will reduce to €223 million in 2014. Is he taking it from one side and placing it in another?

The cuts to the household benefits package will come at a cost, including the isolation of and risk to elderly people. The cut to maternity benefit for the second year is aimed at a targeted group. While it is positive that class sizes will not be increased, it will be a sign of hope when we are reducing class sizes and restoring some of the supports that should be available in the classroom. Those who are sick and have discretionary medical cards are very much a target. The abolition of the mortgage interest supplement is one of the meanest cuts of all.

Are we returning to a situation where some people will end up in paupers' graves? To be honest, I do not see how some very poor people will be able to bury their dead when there is not even a minuscule grant available to meet only a tiny fraction of the cost. It is a terribly mean cut which will cause all sorts of problems in the future.

Sitting suspended at 6.40 p.m. and resumed at 7.10 p.m.

Allocation of Time: Motion

Minister of State at the Department of the Taoiseach (Deputy Paul Kehoe): I move:

That, notwithstanding anything in Standing Orders, the financial motions by the Minister for Finance shall, for the purpose of debate, be grouped, moved and decided together in accordance with the following schedule and the proceedings thereon, and on any amendments thereto, shall, in the case of each resolution or group, as appropriate, be brought to a conclusion by one question which shall be put from the Chair not later than the times indicated as follows: Resolution No. 1 to conclude after 25 minutes; Resolution No. 2 to conclude after 25 minutes; Resolutions Nos. 3 and 4 to conclude after 40 minutes; Resolution No. 5 to conclude after 15 minutes; Resolution No. 6 to conclude after 55 minutes; and Resolution No. 7 to conclude after 55 minutes.

Deputy Pearse Doherty: It has been normal practice in the Chamber that there is a short brief on each of the resolutions. The pressure of time means we have one hour during the suspension of the sitting to look at the Financial Resolutions before us. We have been handed a white page, with some points having only seven or eight words, as a brief on some of the financial statements. It is bad form, as the Government knew well in advance that these were the resolutions to be tabled in the House. We have a deadline to the implement resolutions, which Sinn Féin will facilitate, but it is bad form in terms of the briefing provided to Opposition spokespersons.

Deputy Emmet Stagg: On a point of information, the Financial Resolutions have been circulated in great detail.

Deputy Pearse Doherty: I am talking about the briefing.

Deputy Emmet Stagg: I am talking about the document of Financial Resolutions.

An Ceann Comhairle: We are not having a debate. That is not a point of order.

The Taoiseach: I would say the Sinn Féin Whip agreed it less than ten minutes ago.

Question put and agreed to.

Financial Resolutions 2014

The Taoiseach: I move:

Financial Resolution No. 1: Alcohol Products Tax

(1) THAT for the purposes of the tax charged by virtue of section 75 of the Finance Act 2003 (No. 3 of 2003), that Act be amended, with effect as on and from 16 October 2013, by substituting the following for Schedule 2 to that Act (as amended by section 58 of the Finance Act 2013 (No. 8 of 2013)):

“SCHEDULE 2

Rates of Alcohol Products Tax

(With effect as on and from 16 October 2013)

Spirits:	*€42.57 per litre of alcohol in the spirits*
Beer:	

Exceeding 0.5% vol but not exceeding 1.2% vol	***€0.00***
Exceeding 1.2% vol but not exceeding 2.8% vol	***€11.27 per hectolitre per cent of alcohol in the beer***
Exceeding 2.8% vol	***€22.55 per hectolitre per cent of alcohol in the beer***
Wine:	
Still and sparkling, not exceeding 5.5% vol	***€141.57 per hectolitre***
Still, exceeding 5.5% vol but not exceeding 15% vol	***€424.84 per hectolitre***
Still, exceeding 15% vol	***€616.45 per hectolitre***
Sparkling, exceeding 5.5% vol	***€849.68 per hectolitre***
Other Fermented Beverages:	
(1) Cider and Perry:	
Still and sparkling, not exceeding 2.8% vol	***€47.23 per hectolitre***
Still and sparkling, exceeding 2.8% vol but not exceeding 6.0% vol	***€94.46 per hectolitre***
Still and sparkling, exceeding 6.0% vol but not exceeding 8.5% vol	***€218.44 per hectolitre***
Still, exceeding 8.5% vol	***€309.84 per hectolitre***
Sparkling, exceeding 8.5% vol	***€619.70 per hectolitre***
(2) Other than Cider and Perry:	
Still and sparkling, not exceeding 5.5% vol	***€141.57 per hectolitre***
Still, exceeding 5.5% vol	***€424.84 per hectolitre***
Sparkling, exceeding 5.5% vol	***€849.68 per hectolitre***
Intermediate Beverages:	
Still, not exceeding 15% vol	***€424.84 per hectolitre***
Still, exceeding 15% vol	***€616.45 per hectolitre***
Sparkling	***€849.68 per hectolitre***

(2) IT is hereby declared that it is expedient in the public interest that this Resolution shall have statutory effect under the provisions of the Provisional Collection of Taxes Act 1927 (No. 7 of 1927).

The Taoiseach: This resolution provides for increases, with effect from midnight, in the rates of alcohol products tax across the full range of alcohol products. The increases, when VAT is included, amount to 50 cent on a standard bottle of wine, 10 cent on a pint of beer, 10 cent on a pint of cider and 10 cent on a standard measure of spirits, with *pro rata* increases for other products. The expected yield from the increases is approximately €35 million in 2013 and €145 million in a full year.

Deputy Billy Kelleher: This is a missed opportunity. We have been speaking for a long time about public health policy in the context of alcohol consumption and the damage it causes to broader society. This is an increase in excise that will affect the off-trade and the on-trade equally. There was an opportunity to address the off-trade and below-cost selling, consider the introduction of minimum pricing and deal with the fact that a plethora of supermarkets are wholesaling alcohol to broader society, which is having a major impact. This is a budgetary matter but it could have been addressed. There was an opportunity to do so in the context of introducing minimum pricing, which is recommended by all experts who have looked at the difficulties Irish society faces due to the increase in alcohol consumption, particularly among younger people. It has been identified that their sourcing of alcohol is primarily from off-licences and supermarkets and that it has a damaging effect. In the context of this resolution, it would have been more appropriate, as a public health policy as well as a tax-raising initiative, to address the issue of off-licences.

Deputy Pearse Doherty: This is one of the Government's main taxation proposals. It will take in €145 million in additional taxes from people who consume alcohol. The retention of the 9% VAT rate for the tourism sector been dressed up by the Minister as making up for this, but the 9% VAT rate for 2014 will amount to slightly more - around €290 million from across the entire hospitality and tourism sector. This will be a blow to vintners and, most importantly, individuals. My question to the Taoiseach is whether he can give us some indication of the homework he has done on this. As the longest-serving Member of the House, the Taoiseach remembers debates about the driving force for cross-Border shopping, which was alcohol sales. Can the Taoiseach give an indication of the homework the Government has done on the factors at play in the levying of an additional 50 cent on a bottle of wine in terms of the average price of a bottle of wine in Tesco compared to one in Asda? Has the Government done its homework on whether there is potential for the Government to drive people to purchase alcohol across the Border?

I have no problem with anyone shopping on either side of the Border. County Donegal, my home county, gets the benefit of people deciding to buy petrol and diesel on this side of the Border. Likewise, residents in Derry get the benefit of shoppers going in the other direction. However, when alcohol sales are a driver of cross-Border shopping, people stock up on alcohol beyond what they would consume if they were going to the local supermarket. Has there been analysis of this?

Deputy Denis Naughten: I am disappointed that the Minister for Finance did not examine the introduction of a lid levy. Presentations have been made to the Minister and I have raised the point on a number of occasions. My understanding is that the Minister said the advice from the Attorney General was that he could not differentiate between the on-trade and the off-trade in respect of alcohol sales. However, they are governed by two separate licences that are issued separately by the courts and the Department of Justice and Equality. Completely different statutes are involved, so I cannot understand why they cannot be dealt with separately. The big advantage of introducing a lid levy is that it would bring in far in excess of €145 million - approximately €200 million per annum. The other big advantage to it, and the difference between that and minimum pricing, is that minimum pricing will only increase profits for the major multinational retailers in this country. A lid levy would bring additional funds to the Exchequer that could be ring-fenced to deal with the problems associated with alcohol, particularly within the health service. I ask the Taoiseach to look at this issue again, because there is a direct correlation between consumption and tax. There is also a strong argument at European level that there is flexibility where a measure is being introduced as a health provision. That is acknowledged by the Minister, who says the legal issue is now at home rather than abroad. One must remember that in 2003 the Government brought in a similar initiative, specifically in relation to alcopops, because of the particular difficulty they raised at the time. I would ask the Taoiseach to examine this.

The budget proposals involve €1.2 billion in taxes, as announced by the Minister for Finance, and €1.6 billion in cuts, as announced by the Minister for Public Expenditure and Reform. That adds up to a figure of €2.8 billion, not €2.5 billion. Perhaps the Taoiseach would clarify that in his response.

Deputy Joe Higgins: Táimse glan in aghaidh an méid atá an Taoiseach tar éis a chur chun cinn. Is ionsaí eile e seo ar phócaí gnáth dhaoine - €145 milliún breise ag teacht as na pócaí céanna, cuid den scéim déine lena bhfuil an Rialtas ag leanacht ar aghaidh. Is rud é seo atá agus a bheidh tubaisteach do chúrsaí eacnamaíochta. I am opposed to this and I will vote against it. I suppose we should at least be grateful that the Taoiseach had the grace not to try to justify it by arguing that it was for health reasons - or, maybe, to put it the other way around, he did not have the neck to argue that this new grab at the pockets of ordinary people was justified for health reasons.

There are serious health issues relating to alcohol, as there are relating to tobacco, in this society. They should be taken seriously and they should be addressed through serious measures. It is not a serious measure, in case anyone is pretending otherwise, to simply land more increases that hit in particular those who drink little alcohol or drink in moderation, which is most people. Those are the people who have been hit harshly by the austerity measures of the past five years. There is now another burden of a further €145 million if consumption remains stable. If the Government wants to implement serious measures to deal with alcohol, which has toxic effects in society, let us look at the social background and social issues, let us look at the glamorising of alcohol, and let us ban the advertising of alcohol right across the board in every medium in which it still exists, ban its glorification and deal with the issues that, unfortunately, give rise to serious problems among a certain cohort of our people who seriously abuse alcohol, which means serious abuse for those who are near and dear to them. This is not the way to do it. I oppose the measure.

Deputy Billy Timmins: This measure will be voted on shortly and, obviously, the vote will be successful.

Deputy Timmy Dooley: I would not depend on that.

Deputy Billy Timmins: Before I make my contribution, I must declare an interest in the form of a family pub.

Deputy Naughten said that a lid tax could bring in €200 million. The Taoiseach drives through the towns of this country on his way up from Mayo on Sunday or Monday night and sees the pubs empty. There is no one in them. For a number of years, there was no tax increase on alcohol. In the past couple of budgets, there has been such an increase. I ask him to consider, perhaps during the finance Bill, having this measure reversed. The Minister, Deputy Noonan, made reference in his speech to the retention of the 9% VAT rate, which had been reduced from 13.5%, but most of the pubs that are really suffering do not serve food any more due to labour and overhead costs. There was a documentary on Irish pubs recently, although I did not see it. It is out in the cinemas. The pub plays an integral part in Irish life. Pubs are literally dying on their feet. The Taoiseach will know the situation better than I do. It is a kick in the teeth to an sector that is dying and that is losing jobs.

The Taoiseach is familiar with the needs of rural Ireland. It is not something that is unique to rural Ireland. It is the same with the pubs around suburban Dublin, most of which are empty if one goes out on a Tuesday or Wednesday night. It is merely one more nail in the coffin. I ask the Taoiseach to go back and examine the measure in view of the fact that a person who positions him- or herself outside any supermarket or multiple on a Friday evening or Saturday will see people coming out with boxes of beer and trays of alcohol, spirits and wines. It would serve a dual purpose if this burden were placed through a lid tax as opposed to an increase in excise.

Deputy Lucinda Creighton: I lend my voice to the sentiments that have been expressed by pretty much everybody who has taken the floor to date. We must appreciate that there are significant constraints on the Government in terms of what can be delivered upon in this budget, and I am conscious that credible, effective and immediate revenue-raising measures must be introduced. Having said that, I must point out that most people have welcomed the retention of the 9% VAT rate for the hospitality sector as a significant, important and positive decision taken by the Government in setting out the draft budget today. I suppose the contradiction is that this measure will hit that sector significantly, particularly the pubs, as mentioned by Deputy Timmins and others, but also restaurants and hotels - all the licensed premises that we are trying to support and to which we are trying to provide some stimulation through the VAT measure. I see a slight contradiction in this approach.

It is clear that a lid levy would raise a greater sum of revenue for the Exchequer. Potentially, it would ease the pressure on the other measures that have had to be taken, which I will not list, as we will have plenty of opportunity to do so over the next 24 hours. It would make sense to go back and review the potential of such a measure, both from a revenue-raising perspective - because the revenue that can be raised is greater than what is proposed through this 10 cent increase in excise on alcohol - and from the perspective of public policy. When one is constrained by what one can do through budgetary measures, one can prioritise public policy and the public interest, and health must be factored into that. There is an opportunity here to do something that is substantially and credibly in the interest of supporting health policy in this country by tackling binge-drinking and the scourge that is alcoholism in this country.

Deputy Timmy Dooley: I thought the real Opposition would not get any opportunity to oppose these measures, such is the level of opposition from within the Government side.

An Ceann Comhairle: There is no need for that. This is in committee and everybody is entitled to make known a view, from both sides of the House and none.

Deputy Timmy Dooley: I accept that.

I am pleased that the Taoiseach has effectively given in to the pressure to retain the 9% VAT rate on tourism-related products. That is beneficial and helpful and I am pleased that the Minister has listened to the industry. However, in what the Minister is doing, there is an element of the three-card trick. He is also putting a greater burden on the Irish pub trade. The Taoiseach is giving with one hand and taking on the double with the other. The rural Irish pub is a very significant tourism attraction and, therefore, the measures to increase the excise on alcohol across the trade will impact disproportionately on the pub trade and on tourism activities. On the other hand, the Taoiseach could have followed the example Fianna Fáil had set in our budget proposal which was the introduction of a lid levy as a means of dealing with the public health issue, recognising that the abusive consumption of alcohol is impacting on the cost of the delivery of health services. It is clear that some of the multiples - not the independently owned off-licences - are using alcohol as a loss leader in an effort to attract customers to the shops to purchase other products with a much higher margin. This budget does nothing to address that issue. It is disappointing that the real negative impact will ultimately lead back to the people who are providing a service in rural and urban areas and a tourism attraction. In addition to a retention of the 9% VAT rate, the Minister's Estimates relating to tourism show that funding of €13 million for tourism promotion is discontinued. This will have a negative impact on the capacity of the State to market Ireland abroad. Money has been taken out of the pension fund over the past three years and the Taoiseach has not spent all of it in the way he promised-----

An Ceann Comhairle: The Deputy should keep to the motion. There are five more speakers and only eight minutes remaining before the Taoiseach's reply.

Deputy Timmy Dooley: The budget seeks to give the impression that the Government is doing something wonderful for the tourism sector in its efforts to attract tourists to the country - which is the case - while on the other hand limiting the capacity of the Department of the Taoiseach and Fáilte Ireland to market the country because funding of €30 million has been taken away. The sector which has the most to gain is being damaged by this policy.

An Ceann Comhairle: There is nothing in the order to allow for the Taoiseach to reply. Unless the House is agreeable-----

Deputy Timmy Dooley: We know the Taoiseach does not debate and we would not expect it.

The Taoiseach: I will answer the Deputy directly.

An Ceann Comhairle: There is no need to be so smart all the time, Deputy. I am only trying to make a point and to be helpful to others. If the House agrees to allocate at least two minutes for the Taoiseach to reply, this would leave five minutes speaking time for the remaining speakers. Is that agreed? Agreed.

Deputy Robert Troy: I wish to voice my opposition to this measure. Once again, we are hitting a sector that is on its knees. My own village of Ballynacargy has four small rural pubs, similar to many villages all over the country. Such pubs no longer open at this time of the evening; they do not open until 8 p.m. or 9 p.m. and in some cases, 10 p.m. because the business is not there. The Taoiseach stated earlier that this measure is offset by the retention of the 9% VAT rate but that will not help many pubs in rural Ireland because they do not serve food. This measure is hitting the ordinary man and woman who like to have a pint in the evenings. It will do nothing to address the health issues. If the Taoiseach were serious about addressing the health concerns associated with excessive drinking he would not hit the place where people can go to drink in moderation and in a controlled environment. Last year, when I spoke in opposition to a similar motion I advocated the lid levy as a means of tackling below-cost selling in supermarkets, the Taoiseach replied that the Government would bring a report on below-cost selling of alcohol before the House in a matter of weeks. He told the House that the then Minister of State, Deputy Shortall, had completed a considerable amount of work prior to her departure. Almost 12 months later, that report is still to come before the House while the Taoiseach instead has tackled a labour intensive sector which is on its knees. Family businesses are on their knees and are not receiving any support. The Taoiseach should not talk about tackling the health issues caused by excessive drinking because if he were interested in that issue he would bring forward the report on below-cost selling.

Deputy Richard Boyd Barrett: It is clear that this is not a public health measure; it is just a revenue-raising measure. Nobody could take seriously a Government claiming it was interested in public health when earlier today it has attacked the eligibility to health care of some of the most chronically ill and elderly people in the country. This measure is just about revenue but in so far as it is a revenue-raising exercise, it is a regressive measure. It regressively and disproportionately hits the least well-off and, as has been pointed out, it regressively and disproportionately hits the small rural pubs and those who work in them and depend on them.

If the Government wants to raise money from this sector to finance public health or anything else, it should increase the corporate tax take from the people at the top in a progressive way, as has been suggested. However, that is the one thing the Taoiseach will not do; he will not even consider higher corporate taxes on these people. Instead he adopts a measure that will further hit the ability of the least well-off to have a little bit of down time and it will hit the small rural pub. There is nothing progressive about it; it is just a revenue-raising grab.

Deputy Willie Penrose: I am a pioneer so the measure does not affect me. However, I reflect the views of a lot of people because alcohol plays a complex role in Irish society and it is associated with many aspects of social and cultural life. It is generally consumed for enjoyment and relaxation in a sociable setting. The pub plays an important role in this regard because it is a controlled environment within which people drink providing as it does an over-arching view of what people drink. The pub trade in rural Ireland is under threat. I have no problem getting more money from the drinks industry and it is high time that a social responsibility tax was levied on the drinks industry. Accident and emergency departments are filled with people suffering the effects of alcohol, in particular at the weekends, on Friday, Saturday and Sunday nights. I say this as someone who has helped out in many of these areas.

The real excise issue to address is alcohol that is cheap relative to its strength. These measures proposed today could undermine the pub trade. I call on the Taoiseach to bring forward the minimum unit price legislation without delay. The Minister of State, Deputy White, has brought a memo to Government. It is about time the memo was elevated to a more prominent level. There is no reason to delay. It may require North-South co-operation but the time has come to recognise good public houses for what they are.

Deputy Róisín Shortall: I agree with Deputy Pearse Doherty that it is no way to treat Members of the House to call out an order without circulating it. It is the least the Ceann Comhairle could have done, in my view, to show some respect for Members.

It is very disappointing that the Government is taking this approach. This measure is no substitute for an alcohol strategy. The steering group produced a draft strategy 18 months ago which contains proposals for minimum pricing, for a social responsibility levy and a number of other measures. It is very regrettable that the Government has been sitting on its hands in this regard and that we do not have a Government strategy. Alcohol misuse is a serious public health threat to the entire country which needs to be dealt with in a serious way by recognising the problem of off-sales drinking and the lack of supervision of drinking in the home which is providing the growing market for below-cost selling. The Government is actually subsidising the sale of cheap alcohol through the VAT costs involved. It should have been tackled in a meaningful way. This measure is not a meaningful way and it is nothing to do with public health. This is simply a revenue-raising issue which is likely to exacerbate the existing problems with alcohol and it is very disappointing.

The Taoiseach: Deputy Shortall is correct. This resolution provides for increases in the prices of alcohol products with effect from midnight. It is not meant to be an alternative strategy for alcohol nor is it a strategy for dealing with alcohol consumption. The item was on the agenda for today's Cabinet meeting but it is an issue that requires some considerable discussion both at Cabinet and in the House. Therefore, as a result of the budget, it will move on.

A number of points have been made. Minimum pricing of alcohol is an issue that is being dealt with by the Minister of State at the Department of Health, Deputy Alex White. It was the subject of a court case in Scotland and it is also before the European Commission. Below-cost selling is a matter for the Minister for Jobs, Enterprise and Innovation, and he has it in his sights.

The question of a lid levy was raised by a number of people. The Minister has been examining ways of restricting the selling of cheap alcohol in off-licences, and particularly supermarkets that have pallets of the product. In recent budgets the Minister examined a proposal to apply a tax to alcohol sold in certain containers and outlets, the effect of which would mainly have applied to off-licences. When the proposals were examined they were found to be in breach of aspects of the relevant EU directive on alcohol taxation, which requires that such taxes are applied by reference to the nature and strength of the product rather than the means of packaging or the location in which the product is sold.

Prior to this year's budget, the Licensed Vintners' Association and the Vintners' Federation of Ireland submitted proposals to the Department, supported by legal advice, on the introduction of a lid-on levy. An examination by the Revenue Commissioners suggested the proposal would likely be in breach of the EU excise directive concerning the general arrangements for excise duty. Further discussion between the vintners and the Department of Finance on the matter resulted in a more focused opinion, covering what they believed was the issue highlighted by the Revenue Commissioners. The opinion of the Attorney General was sought on the revised proposal and the view expressed was that the legal sustainability of the measure was questionable and it would fall outside the framework of the directive.

There is a discrepancy in the figures because of the carry-over of measures contained in budget 2013, which amount to €500 million. There are social issues arising from this, as mentioned by Deputy Higgins. I could bring him to many lonely outposts that were once thriving public houses but for a variety of reasons are not any more. The Minister of State, Deputy White, has brought the matter before the Government for discussion today and it will be discussed here very shortly. Pubs do not provide food in many cases, and places may become popular for reasons such as location. There are constraints on the Government. The question is not about the 9% VAT rate. Deputy Dooley voted against it when it was introduced, and there was no pressure on the Minister to introduce it.

Deputy Timmy Dooley: I voted against the raid on the pension fund.

The Taoiseach: By the reduction in the rate from 13.5% to 9% the industry was sustained, and it has provided 15,000 new jobs. County Clare, no more than anywhere else, has seen a beneficial impact.

Deputy Eamon Gilmore: The Deputy was against it.

Deputy Timmy Dooley: I have a list of things that the Tánaiste was against.

The Taoiseach: It is a case of listening to those in the industry and seeing where there is a demonstrable result that can sustain the industry and provide 15,000 jobs. People are excited about this measure and the abolition of the travel tax, which should affect air fares. Deputy Troy is gone, but I had a famous Latin teacher from Ballynacargy, which he mentioned.

Deputy Dara Calleary: Vote Colm Keaveney.

The Taoiseach: The report will be on the agenda before too long.

Deputy Barry Cowen: He will not be drinking a pint with him.

The Taoiseach: Deputy Penrose mentioned minimum pricing, which is part of what the Minister of State, Deputy White, will be dealing with. As I mentioned to Deputy Shortall, this is not an alternative process.

Deputy Doherty asked about cross-Border comparisons. A cross-Border survey carried out by the Revenue Commissioners on 25 September 2013, using an exchange rate of €1 equals £0.8419, indicated that a 75 cl bottle of wine cost €9.25 here compared to €8.62 in Northern Ireland, with an alcohol product tax that is €0.40 higher here; a 50 cl can of beer cost €2.08 here and €1.94 in Northern Ireland, with an alcohol product tax that is €0.08 lower here; and a 70 cl bottle of whiskey cost €24.71 here and €23.05 in Northern Ireland, with an alcohol product tax that is €0.93 higher here.

An Ceann Comhairle: I thank the Taoiseach.

The Taoiseach: I will finish in two minutes. The rate of duty on beer was last increased in 1994 and the cider rate was increased at the end of 2001 to bring it in line with the rate for beer. The spirits rate was increased the following year and this increase was also applied to spirits-based alcopops. Rates for wine, with *pro rata* increases for certain fermented and intermediate products, were increased in the 2009 budget. There was a general decrease in rates for all alcohol products of approximately 20%, inclusive of VAT, in the 2010 budget. There was no change in 2011 or 2012. Excise duty on all alcohol products was increased in the 2013 budget, with €1 per bottle of wine and ten cent for each pint of beer and cider and a standard measure of spirits.

Beer consumption declined for all years from 2001 to 2012, with the exception of 2005, when a modest increase of 0.3% occurred. Cider consumption has decreased since 2007, with consumption this year estimated to be the same as 2012. With the exception of 2003, when there was a 20% fall in consumption, spirits consumption increased in the period up to 2007 and, following a decline in 2008 and 2009, increased by 11.7% in 2010, 3.2% in 2011 and 2.4% in 2012.

Ireland has the highest excise rates-----

An Ceann Comhairle: The Taoiseach is five minutes over time.

The Taoiseach: Gabh mo leithscéal.

Question put:

The Dáil divided: Tá, 103; Níl, 53.

Tá	*Níl*
Bannon, James.	***Adams, Gerry.***
Barry, Tom.	***Boyd Barrett, Richard.***
Breen, Pat.	***Browne, John.***
Bruton, Richard.	***Calleary, Dara.***
Burton, Joan.	***Collins, Joan.***
Butler, Ray.	***Collins, Niall.***
Buttimer, Jerry.	***Colreavy, Michael.***
Byrne, Catherine.	***Cowen, Barry.***
Byrne, Eric.	***Crowe, Seán.***
Carey, Joe.	***Daly, Clare.***
Coffey, Paudie.	***Doherty, Pearse.***
Collins, Áine.	***Dooley, Timmy.***
Conaghan, Michael.	***Ellis, Dessie.***
Conlan, Seán.	***Ferris, Martin.***
Connaughton, Paul J.	***Flanagan, Luke 'Ming'.***
Conway, Ciara.	***Fleming, Sean.***
Coonan, Noel.	***Grealish, Noel.***
Corcoran Kennedy, Marcella.	***Halligan, John.***
Costello, Joe.	***Healy, Seamus.***
Coveney, Simon.	***Healy-Rae, Michael.***
Creed, Michael.	***Higgins, Joe.***
Creighton, Lucinda.	***Keaveney, Colm.***
Daly, Jim.	***Kelleher, Billy.***
Deasy, John.	***Kirk, Seamus.***
Deenihan, Jimmy.	***Kitt, Michael P.***
Deering, Pat.	***Lowry, Michael.***
Doherty, Regina.	***Mac Lochlainn, Pádraig.***
Dowds, Robert.	***McConalogue, Charlie.***
Doyle, Andrew.	***McDonald, Mary Lou.***
Durkan, Bernard J.	***McGrath, Finian.***
English, Damien.	***McGrath, Mattie.***
Farrell, Alan.	***McGrath, Michael.***
Feighan, Frank.	***McGuinness, John.***
Ferris, Anne.	***McLellan, Sandra.***
Fitzgerald, Frances.	***Martin, Micheál.***
Fitzpatrick, Peter.	***Mathews, Peter.***
Flanagan, Charles.	***Moynihan, Michael.***
Flanagan, Terence.	***Murphy, Catherine.***
Gilmore, Eamon.	***Nulty, Patrick.***
Griffin, Brendan.	***Ó Caoláin, Caoimhghín.***
Hannigan, Dominic.	***Ó Cuív, Éamon.***
Harrington, Noel.	***Ó Fearghaíl, Seán.***

Harris, Simon.	*Ó Snodaigh, Aengus.*
Hayes, Brian.	*O'Brien, Jonathan.*
Hayes, Tom.	*O'Dea, Willie.*
Heydon, Martin.	*O'Sullivan, Maureen.*
Hogan, Phil.	*Pringle, Thomas.*
Howlin, Brendan.	*Ross, Shane.*
Humphreys, Heather.	*Smith, Brendan.*
Humphreys, Kevin.	*Stanley, Brian.*
Keating, Derek.	*Tóibín, Peadar.*
Kehoe, Paul.	*Troy, Robert.*
Kelly, Alan.	*Wallace, Mick.*
Kenny, Enda.	
Kenny, Seán.	
Kyne, Seán.	
Lawlor, Anthony.	
Lynch, Kathleen.	
Lyons, John.	
McCarthy, Michael.	
McEntee, Helen.	
McGinley, Dinny.	
McHugh, Joe.	
McLoughlin, Tony.	
Maloney, Eamonn.	
Mitchell, Olivia.	
Mitchell O'Connor, Mary.	
Mulherin, Michelle.	
Murphy, Dara.	
Murphy, Eoghan.	
Nash, Gerald.	
Naughten, Denis.	
Neville, Dan.	
Nolan, Derek.	
Noonan, Michael.	
Ó Ríordáin, Aodhán.	
O'Donnell, Kieran.	
O'Donovan, Patrick.	
O'Dowd, Fergus.	
O'Mahony, John.	
O'Reilly, Joe.	
O'Sullivan, Jan.	
Penrose, Willie.	
Perry, John.	
Phelan, Ann.	

Phelan, John Paul.	
Quinn, Ruairí.	
Rabbitte, Pat.	
Reilly, James.	
Ring, Michael.	
Ryan, Brendan.	
Shatter, Alan.	
Sherlock, Sean.	
Spring, Arthur.	
Stagg, Emmet.	
Stanton, David.	
Timmins, Billy.	
Tuffy, Joanna.	
Twomey, Liam.	
Varadkar, Leo.	
Wall, Jack.	
Walsh, Brian.	
White, Alex.	

Tellers: Tá, Deputies Emmet Stagg and Paul Kehoe; Níl, Deputies Michael Moynihan and Seán Ó Fearghaíl.

Question declared.

8 o'clock

Tánaiste and Minister for Foreign Affairs and Trade (Deputy Eamon Gilmore): I move:

Financial Resolution No. 2: Tobacco Products Tax

(1) THAT for the purposes of the tax charged by virtue of section 72 of the Finance Act 2005 (No. 5 of 2005), that Act be amended, with effect as on and from 16 October 2013, by substituting the following for Schedule 2 to that Act (as amended by section 49 of the Finance Act 2013 (No. 8 of 2013)):

"SCHEDULE 2

RATES OF TOBACCO PRODUCTS TAX

(With effect as on and from 16 October 2013)

Description of Product	Rate of Tax
Cigarettes	Rate of tax at-(a) except where paragraph (b) applies, €241.83 per thousand together with an amount equal to 8.72 per cent of the price at which the cigarettes are sold by retail, or(b) €275.62 per thousand in respect of cigarettes sold by retail where the rate of tax would be less than that rate had the rate been calculated in accordance with paragraph (a).
Cigars	Rate of tax at €279.345 per kilogram.
Fine-cut tobacco for the rolling of cigarettes	Rate of tax at €252.222 per kilogram.
Other smoking tobacco	Rate of tax at €193.799 per kilogram.

(2) IT is hereby declared that it is expedient in the public interest that this Resolution shall have statutory effect under the provisions of the Provisional Collection of Taxes Act 1927 (No. 7 of 1927).

Deputy Eamon Gilmore: This resolution provides for excise duty increases on tobacco products with effect from midnight tonight. The increase amounts to 10 cent, inclusive of VAT, on a pack of 20 cigarettes in the most popular price category together with *pro rata* increases for other tobacco products. The minimum duty on cigarettes will also increase.

The price of a pack of 20 cigarettes in the most popular price category will increase to €9.50. The excise duty component of this price will be €5.67, and the total tax, inclusive of VAT, will be €7.44, which represents just more than 78% of the price. The price and tax component of cigarettes in Ireland is among the highest in the EU. The high tax here reflects the long-standing commitment by successive Governments to use taxation as an instrument to discourage smoking. These latest increases will ensure that tobacco tax continues to play an important role in discouraging consumption of tobacco products.

Unfortunately, high prices and taxes also make Ireland an attractive location for tobacco smugglers. The Revenue Commissioners, who have responsibility for tobacco products tax, are very conscious of the threat that this poses to legitimate business and to the Exchequer and will continue to make tackling the trade in illicit tobacco products a key objective. This measure is estimated to yield €2.5 million in 2013 and €15.4 million in a full year.

Deputy Michael Healy-Rae: Unpopular as it might seem to be, I am totally opposed to the measure because of the last point to which the Tánaiste referred, namely, that constantly increasing the price of cigarettes only increases the amount of illegal tobacco sold every week in this country. On the plain packaging proposal, I appreciate very much what the Government is trying to do in its drive to stop additional young people smoking. That is of vital importance. However, I do not agree with constantly raising the price of tobacco as it is making this country a haven for the illegal importation and sale of tobacco products by unscrupulous gangs who make enormous sums of money every week. That is the reason I am against what the Government proposes.

Deputy Brendan Griffin: I take a different view to my constituency colleague. We differ on some things. I welcome the proposal and believe there is scope to increase the price further. Any measures that can be taken to discourage tobacco use in society is positive and will pay dividends in the long term. We must make a greater effort to stamp out the trade in illegal, illicit and counterfeit tobacco. I have major concerns about the adverse health impacts of some of the counterfeit products that are freely available in any village, town or city in the country. A serious response is required from the Government. Apart from the impact of regular smoking, we do not know what many counterfeit products contain and in the long term they could have a seriously negative impact on public health.

Deputy Joe Higgins: Ba mhaith liom arís labhairt in aghaidh an ordaithe seo, a bhaineann le tabac. Is fimínteacht ar pháirt an Rialtais ligean orthu gur ar mhaithe le sláinte don chuid is mó atá sé seo á dhéanamh acu. Is ionsaí eacnamaíochta eile é, i ndáiríre, a luífidh isteach orthu siúd a bhfuil thíos leis an dúil atá acu maidir le nicitín. Buille eacnamaíochta eile atá i gceist do ghnáthdhaoine atá sa chruachás seo. I do not take seriously the arguments that have been made in the House for many years about the extra excise duty on tobacco being primarily for health reasons. It is simply another grab for another slice from the pockets of those who are mostly ordinary working class people on middle and low incomes and unemployed people, including those who, unfortunately, are very hard pressed psychologically by the effects of the austerity of the past five years, which does not help them to kick the nicotine habit.

If the Tánaiste were serious about tackling the toxic health effects of nicotine addiction there are a number of roads he could take. I would take the entire tobacco industry into public ownership and strictly control it that way. That hardly would be agreeable to the Labour Party. However, it might at least consider a massive tax on the profits of such companies and devote the extra taxation to address the health effects of nicotine addiction to prevention programmes, breaking addiction for those who are addicted, and to health treatment for the victims of addiction. Those are the areas that must be addressed. A glib measure such as this does nothing. The Government is cutting back on the health service which will affect people who, unfortunately, suffer badly as a result of nicotine at the same time as pretending this is a health measure.

If the Tánaiste were serious about bringing in the extra money to alleviate much of the hardship, a simple 1% in wealth tax on the wealthiest 1% would yield €583 million. If an emergency 5% tax were imposed on them it would yield €2.9 billion in one year. That is only to mention one source of wealth the Labour Party, shamefully, resolutely turned its head against but it hit again the people who can least afford it, including with this measure.

Deputy John Lyons: As a smoker, I wish I never smoked but I do and it is not the easiest addiction to kick. It is equally as difficult to deal with smoking addiction as alcohol addiction. I am a member of the Joint Committee on Jobs, Enterprise and Innovation. It is easy to get illegal tobacco in any town or village around the country, my own included. It is a growing part of the economy in this country. Retailers take issue with price increases. We have a number of mobile scanners located at ports that can scan for illicit cigarettes but there are not enough of them. I note from the information we have received that the money it would cost to have a number of additional port scanners and staff allocated to run them 24 hours per day would be made back overnight by comparison with what it would cost to really clamp down on the illicit tobacco trade in Ireland. Putting 10 cent on tobacco will not stop me or the hard-pressed smoker from smoking. It will be tougher on us, particularly on those who find it difficult to make ends meet. Sometimes smoking is the only relief people have during the week. We have made it a little bit harder by imposing the tax but the reality is that all smokers wish at some stage in their lives that they did not smoke. We really need to invest in mobile scanners, in particular. We need to clamp down on cigarettes whose ingredients we do not even know and which are worse than those we can buy over the counter.

Deputy Clare Daly: It is an insult to dress up this measure as a behaviour-altering measure. In reality, it is simply revenue generating. If this Government were serious about tackling the tobacco industry, it would start at the top with those companies that poison tobacco users rather than with the victims. Tobacco smoking is an addiction. People need to smoke and unless they get help to come off the drug, they will continue to smoke. The Government's solution is to make them pay more. This will not take anybody off cigarettes.

If the Government were really serious about improving the health service and people's health, it would have considered in the budget the idea of a sugar tax. There are alternatives to using drinks infested with high quantities of sugar. People have a choice in this regard but if one is addicted to cigarettes one must continue smoking unless one gets the required help. If the Government's measures were guided by a desire to improve health, why did it not introduce measures to tackle obesity? That the Government did not introduce such a measure exposes the option before us as an easy one. It is a question of targeting those regarded as a soft touch, or those who must smoke because smoking is an addiction, rather than investing in a means of weaning them off nicotine.

Deputy Denis Naughten: Food addictions create difficulties also, and this might need to be examined.

I cannot understand why the Department is selling itself so short with regard to the shadow economy. I refer to €20 million in respect of illicit cigarettes and fuel laundering. Will the Tánaiste explain why he is selling himself so short in this regard? If we examine the activities of the revenue authorities north of the Border, specifically regarding the identification of fuel-laundering facilities, we will note that in the last full tax year, 2012, they raised approximately €42.5 million more than we did in the South. Surely it would make far more sense if we redeployed some of the staff from the special investigations unit in the Department of Agriculture, Food and the Marine who are surplus to requirements there – there has been a 40% reduction in the budget – to deal with fuel laundering and the illicit trade in cigarettes and alcohol. They have the capability and skill set. The Revenue Commissioners and Customs and Excise staff involved in this type of work have said it is very labour intensive. Surely, by using existing staff in this role, we could dramatically increase the figure from €20 million. This would stop the undermining of Exchequer figures and the leakage of money because of criminal activity across the Border.

Deputy Richard Boyd Barrett: We are all aware that the prohibition of alcohol in the United States in the 1930s did not stop the consumption of alcohol but produced the Mafia. Today, the prohibitive pricing of cigarettes will not stop people smoking; it is producing a cigarette Mafia in this country and there is absolutely no question about that. One could probably trace a simple correlation between the rise in cigarette prices in recent years and the growth of the cigarette Mafia. That poses a bigger threat to public health because of the degraded quality of the cigarettes that are smuggled. In many cases, they pose a very direct and immediate threat to people's health.

I am a smoker, I must confess, and I would love to give it up. However, the idea that price will be a serious inhibitor of what is an addiction is nonsense. The Tánaiste knows that. The Taoiseach was honest enough in the debate on alcohol to admit it was about revenue and that a different strategy is required to deal with alcohol abuse and binge drinking, etc. At least the Tánaiste should be honest enough to call this measure what it is, a grab for money.

We should create a culture in which young people do not develop addictions, to alcohol or cigarettes. We need to give people alternatives and generally create a society in which people are not so stressed, anxious and alienated such that they engage in behaviour that is addictive or bad for them. Of course, in budget after budget, the Government and its predecessor have cut and chipped away at the amenities, services and resources that would actually offer people alternatives. The Tánaiste should, at least, be honest: this is about money, nothing else.

Deputy Peter Mathews: I agree this is all about revenue raising.

Deputy Jerry Buttimer: Unbelievable.

Deputy Peter Mathews: Tobacco is a drug. The people who get into the illicit drug trade are in the illicit tobacco trade. Cigarettes do not come in with the clouds and rain on the people; they are brought here in shipping containers. Shipowners and shipping agents are the people who should be forced, through really punitive fines and penalties, of €500,000 or €1 million, to police what is shipped in their containers. If spot checks are carried out, the shipping line would get fined heavily. The manufacturers and distributors of cigarettes should be paying social contribution taxes.

As previous speakers have said, there is no doubt that it is difficult to give up cigarettes but it is not impossible. I would like to give encouragement by way of an anecdote. Although I am not iron willed or steel disciplined, I gave up cigarettes on 19 August 1980. One must just decide to do so, and one can do so. My colleagues should not feel despair that they cannot give up cigarettes. Of course, they can. I did it and I am not iron willed.

(Interruptions).

Deputy Jerry Buttimer: Self-help.

Deputy Peter Mathews: I am sharing life stories.

Deputy Micheál Martin: Fine Gael did not recognise brilliance in its midst.

Deputy Pearse Doherty: It is a bit like a self-help group here.

Deputy Jerry Buttimer: We will all hold hands next.

Deputy Pearse Doherty: I say that as a reformed smoker. We articulated our views last year on foot of the measure to increase the price of tobacco products. The Tánaiste will be aware that we called for an increase in our alternative budget submission. We believe the increase should be in the order of 20 cent. If the Tánaiste read our document, he would have read that money should be ring-fenced to deal with black-market activity. The principle that applies is nearly the same that applied last year. I am nearly rehearsing my contribution of last year. The price of cigarettes can be a deterrent to smokers in some cases. In other cases, it will not be. In some cases, it is just hitting hard in the pocket people with an addiction who cannot give up cigarettes, for whatever reason. International evidence suggests, however, that a price increase can act as a deterrent. However, if we examine the evidence in this State, where the cost of cigarettes has increased quite substantially in recent years, one notes that the percentage of smokers, at 29%, has remained-----

Deputy Micheál Martin: It has dropped.

Deputy Pearse Doherty: It has started to drop. There may be a decrease and that is to be welcomed.

The various surveys by Retail Ireland and others show that one in every three cigarettes purchased in this State is purchased on the black market or through illicit trade. The surveys show that this costs the Exchequer in the region of €700 million in lost revenue. Statistics show that detections this year are lower than in previous years. I understand there is quite a low figure. We know from documentaries, including "Prime Time", that we do not have the necessary infrastructure to combat very organised tobacco-smuggling criminals, as Deputy Lyons mentioned. If we decide, as a State, to impose the highest excise duty on cigarettes in Europe we must make sure we have in place our defences and barriers. That is the problem right now - we do not have them in place. That is why in every town and village in Ireland one can buy a pack of cigarettes for €4 or even less. When the margins start to increase, it drives more people into it. The reality is that black market activity in cigarettes has been normalised. There would not be such a high level of black market activity if ordinary, decent Irish people did not think there is nothing wrong with smoking a packet of cigarettes bought on a street corner for €4-----

Deputy Eric Byrne: There would not be such a high level of illegal activity if the paramilitaries cut it out.

Deputy Pearse Doherty: -----or from people who go around housing estates, knocking on doors and selling cigarettes.

Deputy Emmet Stagg: The Deputy has the zeal of the convert.

Deputy Pearse Doherty: People do not see it in terms of defrauding the State, in the context of lost revenue, or even of breaking the law. It is not looked at in that way. There is a job of work to be done if we want to recoup the €750 million that is lost annually through the black market trade but the only way we can do that is to ring-fence the proceeds from increases in excise duty on cigarettes to deal with the problem. Today's budget identifies €20 million for dealing with black market activity over a wide range of areas, including diesel laundering and cigarette smuggling, which is to be welcomed.

Deputy Emmet Stagg: Has Deputy Doherty's crowd given up all that now?

Deputy Pearse Doherty: The Revenue Commissioners have told the Department that if there is an additional investment in Revenue's human resources, it can identify €100 million of additional revenue. The net effect of that is something like €93 million. An investment of €6 million will bring in €100 million, according to the Revenue Commissioners.

The increase in excise duty is something for which Sinn Féin called, but not if the Government does not direct that revenue to dealing with the fact that one in three cigarettes is bought illegally in this State. The Government must increase the detection infrastructure at our ports. Failing that, the Government should ring fence the additional revenue and use it to deal with health issues. If one goes to Northern Ireland, one can buy nicotine patches very cheaply in places like Asda but in the Republic, they actually cost quite a lot. They are available on medical cards, which is to be welcomed, but for those without medical cards, they are quite expensive. We need to provide incentives for people to give up cigarettes and to assist them in their efforts.

I do not believe the Government has introduced this measure because of a desire to reduce the future health bills of the State or to target black market activity but simply as a snatch and grab exercise to increase the revenue of the State and to fill the hole that exists.

Deputy Jerry Buttimer: I welcome this measure, the announcement of which ties in with the Minister for Health's drive to achieve a tobacco-free Ireland by 2025. Those who are making their comments should be aware that a report published by the Minister for Health contained 66 recommendations in this regard. I compliment Deputy Micheál Martin for the approach he took on tobacco. It is time for a unified approach to take us from the smoking ban to a tobacco-free Ireland. I am disappointed by the cynical remarks of Deputy Mathews because price is an inhibitor. Price plays a role in tobacco consumption. As Deputy Doherty has said, we need a concerted effort to tackle tobacco consumption through education as well as dealing with smuggling and the illicit trade in cigarettes. We also need to examine the issue of plain packaging and how we can educate our young people.

Those who were opposed to the smoking ban should reflect on where we are today and the benefits that have accrued in the workplace. They should also consider the benefits to public health generally. This resolution must be viewed as a public health measure and I challenge those opposite to declare whether they are opposed to public health measures. Are they against the aim of driving people away from tobacco and smoking? Do they believe the tobacco industry is our friend? That industry employed almost 200 lobbyists last week to put pressure on members of the European Parliament in the context of tobacco controls. Let us be clear about the fact that 5,200 people die in this country every year from tobacco-related diseases. Is that to be our legacy on public health? This measure is a positive one which should be supported.

Deputy Eamon Gilmore: The taxpayers of this country pay all of us who come into this House sizeable salaries. In addition to that, the taxpayers of this country also provide resources for Deputies in the form of parliamentary assistants, personal assistants and so forth. Frankly, I believe it is unacceptable to taxpayers in this country that Deputies Daly, Higgins, Boyd Barrett and Mathews would come in here and make such ill-informed contributions as they just have on this item.

Deputy Richard Boyd Barrett: They were not ill-informed contributions.

Deputy Eamon Gilmore: The Deputies should at least come in here on an informed basis.

Let us deal with the facts now. First, on tobacco consumption, the proportion of the population that is smoking has fallen. According to the National Tobacco Control Office, 21.7% of the population is currently smoking, compared to 27% in 2003 and 31% in 1998. There are several factors contributing to the decline in the consumption of tobacco, one of which is the measure introduced by Deputy Martin when he was Minister for Health. Price is also a factor and the excise duties placed on tobacco products have contributed to the aforementioned decline in consumption. Since 2003, the total consumption of tobacco declined by 45%. However, when one looks more closely at the statistics on consumption between 2003 and 2013, one will see that in four of those ten years, there was no increase in excise duty on tobacco. There was a decline in consumption in every year that excise duty was increased but in two of the four years when excise duty remained unchanged, there was an increase in consumption. In 2005, for example, excise duty was not increased and consumption increased by 3.4%. In 2006, excise duty was unchanged and again, there was an increase in consumption of the order of 1.6%. Last year, with an increase in excise duty of 25 cent, there was a decline in consumption of almost 9%.

Deputy Joe Higgins: The Tánaiste has no idea of the amount of illegal tobacco being consumed here.

Deputy Eamon Gilmore: There is a direct correlation there.

On the question of illegal consumption, the Revenue Commissioners estimate that the total consumption of non-duty cigarettes in the State is 19%. Of that, 6% is made up of cigarettes purchased legally in other States, that is, cartons that people buy on their holidays abroad and bring home with them. The other 13% is due to smuggling. A number of measures are being taken to address the smuggling problem. The Revenue Commissioners, for example, have added a van scanner to their detection equipment. Revenue had a number of scanners for detecting large containers of cigarettes coming into the State and in response to that, some smugglers broke up their consignments into smaller units. The new van scanner is capable of scanning for the much lower quantities involved.

I am aware that I am out of time but am grateful for the opportunity to put those facts before the House.

An Ceann Comhairle: The time has expired so I must now put the question, "That Financial Resolution No.2 be agreed to". Is that agreed?

Deputy Richard Boyd Barrett: No.

Question put and declared carried.

Minister for Communications, Energy and Natural Resources (Deputy Pat Rabbitte): I move the following Financial Resolutions:

Financial Resolution No. 3: Income Tax

(1) THAT the Taxes Consolidation Act 1997 (No. 39 of 1997) be amended-

(a) in Schedule 25B by inserting the following after the matter set out opposite reference number 15B:

"

15C.	***Section 284 (wear and tear allowances) subject to section 485C(1B).***	***An amount equal to the amount of wear and tear allowances (within the meaning of section 284) made to an individual in relation to specified plant and machinery for the tax year under section 284, or deemed to have been made to an individual under section 287, whether by virtue of section 298 or otherwise, including any such allowances or part of any such allowance made to the individual in a previous tax year and carried forward from that previous tax year in accordance with Part 9.***
15D.	***Section 288 (balancing allowances and balancing charges) subject to section 485C(1B)***	***An amount equal to the amount of the balancing allowance (within the meaning of section 288) made to an individual for the tax year under section 288 in relation to specified plant and machinery.***

”,

and

(b) in section 485C by inserting the following after subsection 1A:

“(1B) (*a*) For the purposes of this subsection and Schedule 25B ‘specified plant and machinery’ means plant and machinery on which a wear and tear allowance may be granted under section 284, whether by virtue of section 298 or otherwise, which would be restricted by section 403(3) save for the provisions of section 403(9).

(*b*) Subject to subsection (*d*), a wear and tear allowance granted under section 284, or deemed to have been made to an individual under section 287, whether by virtue of section 298 or otherwise, shall only be a specified relief to the extent it relates to specified plant and machinery.

(*c*) Subject to subsection (*d*), a balancing allowance arising under section 288 shall only be a specified relief to the extent it relates to specified plant and machinery.

(*d*) This subsection and the matters set out opposite reference numbers 15C and 15D in Schedule 25B shall not apply to allowances granted to an individual who in respect of the trade to which the allowances relate is an active trader, within the meaning of section 409D, or an active partner, within the meaning of section 409A.”.

(2) IT is hereby declared that it is expedient in the public interest that this Resolution shall have statutory effect under the provisions of the Provisional Collection of Taxes Act 1927 (No. 7 of 1927).

Financial Resolution No. 4: Income Tax

(1) THAT the matter set out opposite reference number 47A in Schedule 25B to the Taxes Consolidation Act 1997 (No. 39 of 1997) be amended by substituting “section 490, where the subscription for eligible shares is made on or before 15 October 2013 or on or after 1 January 2017” for “section 490”.

(2) IT is hereby declared that it is expedient in the public interest that this Resolution shall have statutory effect under the provisions of the Provisional Collection of Taxes Act 1927 (No. 7 of 1927).

Deputy Pat Rabbitte: Section 1 introduces two new items into Schedule 25B. The new items are capital allowances and balancing allowances on specified plant and machinery, as defined in section 485C(1B) of the Taxes Consolidation Act 1997. These sections provide that the allowances on specified plant and machinery will be a specified relief, subject to the new section 485C(1B), whether granted directly under section 284, indirectly through the provisions of section 298 or deemed to have been granted to the individual under section 287. The allowances will be a specified relief whether they are claimed in the year of assessment or carried forward into that year of assessment from a previous year of assessment.

Deputy Denis Naughten: Financial Resolution No. 4 deals with the employment and investment incentive scheme. In budget 2013, the Minister for Finance announced plans to extend this scheme until 2020. In April, the Minister for Jobs, Enterprise and Innovation stated that he expected to have European Commission approval for the scheme by the end of June. Bizarrely, the Department of Finance only submitted the application in June, however. Will the Minister explain why this was the case? When will there be a decision on this scheme, as it is pointless talking about amending a scheme when we have not even got Commission approval?

This was one of the ten points announced by the Minister for Finance last December to support small and medium-sized enterprises, SMEs. It is a worthy proposal. I do not have any problem in principle with the changes proposed in Financial Resolution No.4. What is frustrating about the fact that it has not got Commission approval yet is that it is estimated by the Department of Finance that this scheme could create 1,200 new jobs a year. Recently, I spoke to one employer who told me he could increase his workforce from 60 to 70 if he had access to the scheme. There are many other employers in such a position. This is a mechanism that will get cash into businesses because the reality with the banks is that one almost needs to prove one does not need the loan before they will give it. This scheme will allow an investor to put cash into a business.

Earlier today, the Minister for Finance announced a 25-point plan giving additional tax incentives for investing in businesses. However, this scheme, announced in the last budget, is still not operational. When will it be put into operation? Why is there a delay? Why has the Minister for Jobs, Enterprise and Innovation been left out of the loop in terms of what is happening with this scheme?

Deputy Pearse Doherty: Seo ceann de na ceisteanna a phlé muid leis an Aire Airgeadais sa choiste Oireachtais i rith na bliana. Cé gur moladh an scéim go huile agus go hiomlán mar scéim úr, sílim go bhfuil sé ceart agus cóir go bhfuil an leasú seo ag teacht os comhair na Dála anocht mar gur féidir leo sin atá ioncam an-ard acu mí-úsáid a bhaint as an scéim seo. Maidir leis na rialacha agus an srian atá orthu sin a bhfuil ioncam an-ard acu - go gcaithfidh siad céad codán den ioncam sin a dhíol mar cháin - feiceann muid go bhfuil dóigh inar féidir leo fáil thart ar. Sílim, mar sin, gur rud maith é go bhfuil an moladh seo ag teacht os ár gcomhair.

I discussed with the Minister for Finance on Committee Stage of this year's Finance Bill the fact that certain high-income individuals are able to get around the high-earner restrictions we have. This was one of the measures that was open to tax avoidance. Financial Resolution No. 3 is a sensible proposal from the Government to ensure tax avoidance is closed down without delay.

Deputy Peter Mathews: Will the Minister explain in simple and understandable terms what the anti-avoidance measure in Financial Resolution No. 4 amounts to? Manufacturing businesses, by definition, are risky. They often require large investments in plant and machinery, which are not so bankable. From a businessman's or businesswoman's point of view, he or she may need the backing of high-earning wealthy individuals who are prepared to make an investment and to provide a shield for what would otherwise be a large tax bill. Sometimes it is a way of raising working capital for plant and machinery for businesses that may otherwise not get it.

It is not good enough just to say that because the measure is anti-avoidance, it is good. Sometimes it is not good. The avoidance of taxation is sometimes seen as a business philanthropy rather than a social philanthropy by people of enormous wealth. They know they are going to lose the money. Many film investors know they will lose their investments but they can see they can soften the blow of that write-off by having a slightly reduced tax bill. I would refrain from the knee-jerk reaction of thinking that anti-avoidance measures are always good. In the Budget Statement, the Minister said this would have a nil effect on the Exchequer. The Department should check with businesses that have attracted passive investment from wealthy and high-income individuals to find out what would have occurred if they had not raised that capital.

Deputy Pat Rabbitte: There is an interesting philosophical debate to be had about Deputy Mathews's proposition that stamping out tax avoidance need not always be a good development. I can see certain circumstances in which this might be the case. However, in return for facilitating people in sheltering income, there has to be some kind of cost-benefit analysis: is additional economic activity generated, or are new jobs created?

In this particular case, we are not seeking to penalise the business that is the economic activity concerned. Rather, we are addressing the abuse whereby high-net-worth individuals are leasing plant and equipment to, for example, a manufacturing business in return for an annual or monthly rent while writing down the costs against their tax liabilities.

Deputy Peter Mathews: That is the point, Minister. It reduces the leasing charge.

An Ceann Comhairle: Through the Chair, please.

Deputy Pat Rabbitte: The evidence presented to us by the Revenue Commissioners does not suggest that this is the case. Financial Resolution No. 4 amends item 47A of Schedule 25B to the Taxes Consolidation Act 1997 to provide for the temporary removal of the employment and investment incentive from the high earner restriction. It is a positive measure. The restriction ensures a minimum tax rate is paid by high-income individuals by limiting the amount of tax reliefs that can be claimed in any one year if there is a cumulative claim of different tax reliefs. In the case of the financial resolution before the House the employment and investment incentive provides tax relief for investments in SMEs in recognition that such investments are risky, and as a temporary stimulus measure amounts subscribed for shares under the employment and investment incentive, EII, between budget day 2013 and 1 January 2017 will not be subject to the high-earners restriction. This is a positive measure to facilitate investment above that restricted figure into the enterprise. In that sense-----

Deputy Peter Mathews: Rather than into plant and machinery?

Deputy Pat Rabbitte: Regarding Financial Resolution No. 3 on the plant and machinery, there is very limited activity. It does not pass the test in terms of jobs created or contribution to-----

Deputy Peter Mathews: That is because we are in a recession.

Deputy Pat Rabbitte: I do not know. We are addressing only passive investors, not the kind of investor who wants to go into an SME, for example-----

Deputy Peter Mathews: Capital is always passive.

Deputy Pat Rabbitte: I refer to the investor rather than the investment. Active traders will be unaffected by this measure. This scheme of capital allowances is intended to provide relief for individuals who purchase plant and machinery for use in their business. Passive investors who are not actively involved in the business are claiming this relief for purchasing plant and machinery and subsequently leasing it to the manufacturing companies, as Deputy Pearse Doherty has said. It is not intended that this relief be available to such passive investors.

Deputy Pearse Doherty: Am I correct in saying that Financial Resolution No. 4 represents a cost to the State of €1 million?

Deputy Pat Rabbitte: That is correct.

Deputy Pearse Doherty: Can the Minister explain how the cost to the State applies, how it is calculated and where the extra charge comes from?

Deputy Pat Rabbitte: The information we have is that the relief was claimed by only 14 individuals and that this roughly realised a relief used up of just over €1 million. That suggests an average relief per investor of just under the limit of restricted higher earners, €78,000. This is an anti-avoidance measure. It is not designed to bring in a great deal of additional tax to the Exchequer.

Deputy Denis Naughten: Could the Minister come back on the delays in getting the Commission approval and when we will see that?

Deputy Pat Rabbitte: Deputy Naughten refers not to the scheme, which is in operation, but the extension of the scheme generally. The European Commission has assured the Department that approval will be received by year end. Up to now, before the application being submitted, as is normal in these cases, the case was being advocated and promoted in Brussels in ongoing discussions with the Commission. The latest communication from the Commission suggests the extension to which Deputy Naughten refers is likely to be approved before year end.

Deputy Michael Healy-Rae: We are always warned we should declare any potential conflict of interest. I have concerns. If there is deliberate avoidance in this matter I can see where the Government is coming from, but I would not want genuine traders to be adversely affected by the Government's proposals. The Government must be 100% sure of its facts. I listened carefully to what the Minister just stated about the number of people who availed of it in the past. It would raise an alarm bell when one sees everybody claiming to the exact amount.

Deputy Pat Rabbitte: I should have said that those 14 were for a given year, 2011. I do not mean 14 in total.

Deputy Michael Healy-Rae: The Minister can see my concern, in case it would affect legitimate operators who are going about their business. They may be at it in a bigger way than the usual person and that is why it comes across as a large amount of money.

Deputy Pearse Doherty: I return to the figures. Will the Minister correct me if I go wrong? In 2011, 14 people availed of a relief that cumulatively reduced their tax bill by €1 million. These are high income earners. We are getting rid of that and this will cost the State €1 million. I do not understand that.

Deputy Pat Rabbitte: No, as a result of the abuse being obliterated the investor will not have this facility in the future. It will be subject to the restriction.

Deputy Pearse Doherty: Some of the 14 individuals do no wrong but just use the existing tax code. They would not be able to write down their tax liability to €1 million if they were going to lease their plant to other companies. Therefore they would have to pay the full €1 million in taxes.

Deputy Pat Rabbitte: We are confusing the two financial resolutions. The value of this resolution is that it removes the ceiling so that an investor could invest up to €150,000 in the enterprise. This is the positive side of it. The previous resolution is an anti-avoidance measure. This is for a temporary period of three years in the hope that it will act as a spur to innovation, enterprise growth or employment creation. The EII provides that a maximum of €150,000 now can be invested by the individual per annum. The high earners restriction was effectively reducing the amount to €80,000, so it is a plus.

Deputy Pearse Doherty: Let us reverse. Financial Resolution No. 3, on which I spoke earlier, is fine regarding closing that avoidance measure. How did the Government calculate the €1 million cost to the State from Financial Resolution No. 4? That is where the Minister spoke about the 14 investors but those investors were in Financial Resolution No. 3. The Government is opening the potential for another tax avoidance measure. The intended outcome is good but the Government is relaxing the restriction that forced high earners to pay a certain proportion of their income in taxes. How did the Government calculate €1 million? Where did this lobby come from? Earlier the Minister mentioned that Financial Resolution No.3 came from the Revenue. Who is lobbying for this? How many individuals does the Minister think will increase their investment as a result of this?

Deputy Michael Moynihan: To clarify, with regard to family run machinery or agricultural machinery businesses, would it be permitted for an individual connected with the family to invest? Would a member of the family be allowed invest the value of the machine? Is that allowed or is that provision changed in any way under this resolution?

Deputy Denis Naughten: Will the Minister clarify further for me? My understanding is that the scheme under Financial Resolution No. 4 lapsed at the end of 2012 and that in budget 2013 it was rolled over and requires EU Commission approval to be active in the current year. Will the Minister clarify that? If I am wrong, that is great. However, if I am correct, will Revenue recognise the intention was for the scheme to continue in operation and that if someone invests now, he will get the relief once the approval comes before the end of the year? That is a concern for people.

Deputy Pat Rabbitte: I assure Deputy Moynihan that there is no concern in the farming area in that regard. The same point was raised by Deputy Healy Rae in a different way - whether the real investors will be impeded. The answer to that question is “No”. It is only in regard to an application to the passive investor. The real plant hire company that is eligible at the moment to benefit from the scheme will continue to be eligible to benefit from the scheme.

In regard to Deputy Naughten’s question, as I understand it, subject to correction, it is not that the scheme has expired or closed. The issue the Deputy raised relates to the extension of the scheme to activities or enterprises not encompassed at the moment for a period of time. There is an application to that effect in Brussels and the indications are that it will be approved.

Deputy Denis Naughten: If that extension had been approved already, more investment could go into businesses. I understand that from the point of view of investors and taxation, once it is done by the end of the year, there is no difficulty with it. However, I understand there is a concern among investors that if they make the investment prior to Commission approval, the Revenue Commissioners may interpret it as not having had approval at the time and they may not be able to avail of the relief.

Deputy Pat Rabbitte: No, that is not the case, on the basis, as I understand it, that the Department has had an assurance that the extension to which the Deputy referred will be forthcoming. Applications can be made and accepted in the interim. The expectation is that it is a matter of getting the formal stamp of approval.

Deputy Pearse Doherty: The Minister did not respond to my question in regard to the €1 million cost to the State. Where did the calculation come from and how many investors are involved? What is the cost based on and how many additional investors are required? Who is lobbying for this change and for this resolution to be moved tonight? This is not something that will have people running to their tax accountants tomorrow morning. Why is the resolution being taken tonight instead of in the Finance Bill?

Deputy Pat Rabbitte: There is an age old rule of thumb regarding what is required to comply with being a Financial Resolution on the night of the budget and I am advised this fits the requirement. The figures tend to show that December is the busiest month of the year in the context of this kind of investment. This was the case going back to the old BES and other schemes. With regard to where the figures come from, the figures mentioned by the Deputy are the assessment of the Revenue Commissioners. I do not know what the cost is, in terms of the extension Deputy Naughten advocated or of motion No. 4 in the context of the three-year stimulus period. It is difficult to make a stab at whether people will be running out or not and it is difficult to calculate. However, the idea behind it is not that there was particular lobbying, but that it is just another measure in the suite of measures the Minister for Finance announced today that is calculated to stimulate economic activity.

Question, "That Financial Resolution No. 3 be agreed to", put and declared carried.

Question, "That Financial Resolution No. 4 be agreed to", put and declared carried.

Minister for Communications, Energy and Natural Resources (Deputy Pat Rabbitte): I move:

Financial Resolution No. 5: Income Tax

THAT section 253 of the Taxes Consolidation Act 1997 (No. 39 of 1997) be amended by inserting the following after subsection (7):

"(8) Notwithstanding subsection (7), the deduction authorised by that subsection shall not exceed -

(a) as respects the year of assessment 2014, 75 per cent of the deduction that would but for this subsection be authorised by that subsection,

(b) as respects the year of assessment 2015, 50 per cent of the deduction that would but for this subsection be authorised by that subsection,

(c) as respects the year of assessment 2016, 25 per cent of the deduction that would but for this subsection be authorised by that subsection, and

(d) as respects the year of assessment 2017 and each subsequent year of assessment, zero per cent of the deduction that would but for this subsection be authorised by that subsection.

(9) This section shall not apply to a loan made after 15 October 2013.

(10) Subsections (8) and (9) shall not apply to a loan referred to in subsection (1) where the partnership is a farming partnership within the meaning of section 598A.".

(3) IT is hereby declared that it is expedient in the public interest that this Resolution shall have statutory effect under the provisions of the Provisional Collection of Taxes Act 1927 (No. 7 of 1927).

Deputy Pat Rabbitte: Section 4 amends section 253 of the Taxes Consolidation Act 1997, which provides tax relief to individuals for interest on money borrowed to enable him or her to acquire a share in a partnership or to contribute or advance money to a partnership. This relief is part of a suite of measures that were introduced to help provide employment and foster growth by encouraging individuals to invest in their own enterprises. An internal review of these reliefs in 2005 recommended at the time that they should be abolished. The review found that the reliefs were disproportionately distributed, with the majority going to those earning in excess of €200,000 per annum. It also stated that there was no evidence that they were increasing employment or having any notable effect on economic growth. This review was published and is available on the Department of Finance tax policy website.

Based on 2011 taxpayer data, it is estimated that the cost of tax relief on loans applied in acquiring an interest in a partnership is approximately €4 million and is availed of by approximately 1,100 claimants. It is not intended that the withdrawal of this relief will affect the provision of tax relief for loans to invest in farming partnerships. The farming sector is a unique sector with its own challenges and these partnerships are in essence different from other business partnerships. The relief is being discontinued for new loans taken out from budget night and phased out over a three-year period for existing loans, with a cessation date of 1 January 2017.

Question put and agreed to.

Minister for Communications, Energy and Natural Resources (Deputy Pat Rabbitte): I move:

Financial Resolution No. 6: Income Tax

(1) THAT section 470 of the Taxes Consolidation Act 1997 (No. 39 of 1997), as it relates to relief for insurance against expenses of illness, be amended in subsection (1) -

(a) by inserting the following definition:

" 'child' means an individual under the age of 18 years or, if over the age of 18 years and under the age of 23 years, who is receiving full-time education and is dependent on the individual with whom the contract is effected;",

and

(b) by substituting the following for the definition of "relievable amount":

" 'relievable amount', in relation to a payment to an authorised insurer under a relevant contract, means -

(a) where the payment covers no benefits other than such reimbursement or discharge as is referred to in the definition of 'relevant contract', an amount equal to the full amount of the payment reduced by the amount of credit due (if any) under section 470B(4) and credit due (if any) under a risk equalisation scheme (within the meaning of the Health Insurance Act 1994), or

(b) where the payment covers benefits other than such reimbursement or discharge as is referred to in that definition, an amount equal to so much of the payment as is referable to such reimbursement or discharge reduced by the amount of credit due (if any) under section 470B(4) and credit due (if any) under a risk equalisation scheme (within the meaning of the Health Insurance Act 1994 (No. 16 of 1994)), provided that in respect of a relevant contract renewed or entered into on or after 16 October 2013 the relievable amount in respect of any payment made under a relevant contract, in respect of any 12 month period covered by that contract, shall not exceed the aggregate of –

(i) the lesser of the relievable amount attributable to each individual, other than a child, to whom the relevant contract relates, or €1,000 in respect of each individual, and

(ii) the lesser of the relievable amount attributable to each child to whom the relevant contract relates, or €500 in respect of each child,

and where the contract is for a period of less than 12 months or being for a period of 12 months is terminated before the end of that period, the relievable amount shall be reduced proportionately.”.

(2) THAT this Resolution shall have effect in respect of relevant contracts (within the meaning of section 470 of the Taxes Consolidation Act 1997) entered into or renewed on or after 16 October 2013.

(3) IT is hereby declared that it is expedient in the public interest that this Resolution shall have statutory effect under the provisions of the Provisional Collection of Taxes Act 1927 (No. 7 of 1927).

Deputy Pat Rabbitte: I am in substitute time now, but we will make it up as we go along, if we do not get help.

Deputy Michael Healy-Rae: The Minister never needed any help.

Deputy Pat Rabbitte: The resolution provides for the introduction of a limit in respect of the relievable amount of medical insurance premiums on which tax relief will be granted. The provision is effective in respect of policies entered into, or renewed, on or after 16 October 2013. The resolution provides that a maximum relievable amount of €1,000 per adult and €500 for each child covered by the policy will apply. Where the premium for a particular beneficiary under the policy is less than the relevant limit, relief will be restricted to the actual premium paid.

A child for the purposes of this particular provision includes a student over 18 years and under 23 years who is in full-time education. These ceilings are being introduced as the cost of the tax relief has increased significantly in recent years, from €404 million in 2011 to €448 million in 2012 and €500 million in 2013.

9 o’clock

In the absence of the measures here today, the cost to the Exchequer could be expected to continue to grow as premiums increase further. Given the ongoing expenditure cuts to the health budget to meet overall expenditure targets, the continuing increase in the cost to the Exchequer of this particular relief cannot be sustained.

The Commission on Taxation in 2009 recommended that while tax relief for medical insurance premiums should be continued, it should be on a more limited basis. The commission did acknowledge that medical insurance is expensive, and that medical insurance relief plays a part in attracting and retaining individuals within the medical insurance system. However, it also considered the relief consisted of a large element of deadweight.

There are a wide variety of policies available in the market, offering different levels of cover at different premiums. The introduction of a maximum ceiling per person, which will qualify for tax relief, will impact on the most expensive of these policies and given that the pricing structure of such policies reflects superior levels of cover, it is not likely that the tax relief is a critical element in an individual's decision to purchase one. In fact, the introduction of such an upper ceiling acts to retain tax relief for policies which offer good levels of cover, while limiting Exchequer exposure to policies with significant premiums. Therefore I am today introducing a limit on the amount of relief available for premiums. This is expected to yield €94 million in 2014 and €127 million in a full year.

Deputy Denis Naughten: The Government is working off flawed figures on this. Approximately 90% of adult premiums are over the threshold of €1,000. The Health Insurance Authority in a report earlier this year stated the average premium paid per insured person including children in 2012 was €1,048. The premiums for children are significantly lower, and in some packages they are free, so when they are taken out of the calculation the average insurance premium for an adult is well in excess of €1,000. The provision announced today will mean an increase of between 5% and 22% on premiums for adults in the private health insurance system. To put this in plain English, someone on VHI Plan B Options, which is not a gold-plated policy by any manner of means, pays €1,830 at present, the gross cost is €2,300, and the person will face a 15% increase in premium as and from tomorrow morning because of this. On top of this, the €30 million announced in additional bed charges will see an extra 5% to 10% being levied on top of insurance premiums. This is on top of increases coming down the track with regard to medical inflation. Someone on VHI Plan B, which is a pretty basic health insurance policy, will, over the next 12 months, face a minimum of a 30% increase in his or her premium, much of which is on foot of the initiative announced in the budget. Will the Minister explain how many people are to be affected by this? I am sure the Department has figures on it. I would like to know because the figures I have are very different to the ones he has. Mine are based on the Health Insurance Authority's annual report.

What is the situation for people who have already received renewal notices? Normally insurers send out renewal notices approximately four weeks in advance to give people the opportunity to shop around. People have already received renewal notices based on the existing tax relief. What will be the situation for them tomorrow morning if they renew their policy? Must the health insurer reissue a new revised statement? What happens if it is due tomorrow? Will a person end up without cover until he or she figures out who will make up the differential?

This has come like a bolt of lightning to the insurance industry. It does not have the systems in place to make the revisions for these particular calculations in the renewal notices which will go out tomorrow, Thursday, Friday and next week. Who carries the can in this regard?

The Minister made the point very well that the cost to the Exchequer is increasing significantly and has increased from €400 million in 2011 to €500 million in 2013. I am blue in the face from explaining to people in this House over the past 12 months that insurance premiums are going through the roof. I have been ignored by the Minister. We need to tackle this issue by the scruff of the neck but the Government is abdicating its responsibility. It will not cost it any more in spiralling insurance costs and more and more people will haemorrhage out of the health insurance system, which will put additional burdens on the public hospital system which is already creaking. I urge the Minister to reconsider this and withdraw this proposal. The Government will be revisiting it very soon because it is ill-thought-out. The figures do not stack up. Perhaps the Minister will clarify this in his response. They do not seem to stack up and it will cause untold hardship for people who have already received their renewal notices.

Deputy Lucinda Creighton: I support the sentiment and figures put on the record by Deputy Naughten. This measure is extremely ill-thought-out. I am not sure any serious thought was given to it. The Minister, Deputy Noonan, stated in his speech gold-plated health insurance packages would be the only health insurance packages to be affected by this measure. This is incredibly misleading. The vast majority of health insurance packages, as Deputy Naughten pointed out, will be affected by the elimination of this relief. The average cost of a premium for any individual in the State is more than €1,000. With age comes ill health and increased premiums and costs. Older people will be hit disproportionately by this measure and I do not believe this has been well thought out, if thought out at all.

It will automatically add to insurance premiums from tomorrow morning but we do not know precisely by how much. It will probably average in the region of approximately 15%. This is on top of the very well-flagged increases announced by the VHI which are set to begin in 2014. These will average anywhere from 15% to 25%. The substantial increases already felt by ordinary citizens of the State over the past number of years will be dramatically increased from tomorrow and from 1 January 2014.

To put this in the context of the wider budgetary measures, older sick people will be hardest-hit and this is on top of the proposal flagged in the budget to withdraw approximately 35,000 medical cards from those aged over 70, and a swathe of other measures which will disproportionately hit older people in our society, such as the double pension levy being introduced from 2014. The pension levy due to cease in 2014 will now become double pension levy. DIRT tax is being dramatically increased and this will hit older people's savings, many of whom worked hard all their lives to build a nest egg. All of this combined amounts to a draconian approach to older people in this budget. We cannot ignore this. The measure, introduced hastily by resolution this evening, will come into effect from tomorrow morning without any real costings or real figures being given to the House, which is not acceptable. I have major concerns. I hope the Minister can provide assurances to the House, although I doubt it.

Deputy Dara Calleary: This is one of the ultimate head-in-the-sand measures from this budget. It is unfortunate that the Minister, Deputy Reilly, is not here in the House to defend it. I was very annoyed by the Minister, Deputy Noonan's characterisation of plans as "gold-plated", as if they are some sort of luxury for people. I want to give an example of what a so-called "gold-plated" plan is. I was contacted this evening by a young woman who suffers from chronic pain syndrome. She has to travel from Mayo to the national pain centre at St. Vincent's Hospital every two months to have a box in her stomach filled with pain relief medication. She has a very high VHI premium due to using that service but there is nothing gold-plated about that. That woman is on disability benefit of €188 a week and is still managing to pay her VHI because she cannot depend on the public system, but this measure will cost her €150 extra a year and she does not have it. There is nothing gold-plated about that kind of experience. There is nothing gold-plated about the 20,000 people aged over 70 who tonight face losing their medical cards. They are paying a higher VHI premium, not for gold-plated services but for basic services and comforts at that stage of their life, but they must now face the prospect of the little tax relief they are getting on their VHI being gone or reduced.

When one considers the restrictions to medical card eligibility, the increase in prescription charges and the further €666 million to come out of the health service within the next three weeks - perhaps that is where the Minister is tonight - this measure is completely ignorant of the reality of health insurance today. People are leaving in their droves yet we are now going to drive more people into the public hospital system, which cannot cope and is about to take another cut of €666 million. The characterisation of "gold-plated" shows an ignorance of the state of health insurance and of the kind of restrictions on health insurance packages in recent years which have made the plans more basic. What we are going to do is drive more people onto waiting lists and into the public system, which is already at risk. People with chronic illnesses, who depend on their health insurance cover to give them a little comfort and relief, are looking at this tonight and wondering why they bother to pay health insurance. All we will do is add to our ever-growing problem.

It is unfair that the two Ministers opposite have been left in the House while the Minister, Deputy Reilly, has gone missing again - he has gone back into hiding, by the look of it. This is a very unfair measure. It will hit people who are suffering very hard.

Deputy Michael Healy-Rae: I add my support to those who have spoken, in particular Deputy Naughten, who presented the figures. I believe the Government is hell-bent on ensuring people no longer have any incentive whatsoever to take out their own private health insurance. Families struggle weekly to put their bit of money together to ensure they can pay for private health insurance. All that has happened is that they have continuously got kicked in the teeth from this Government. The message going out from the Dáil tonight - from the Ministers, the Government and those who support them - is that anybody who has private health insurance would need to reconsider what they are doing. This extra increase is an attack on them at a time when they are already struggling.

All of us in this Chamber know that people who have had private health insurance for a long time want to keep it because they believed in it and thought it was right to provide for their own health care, but they are getting the wrong message from the Government today. In forcing this through, I believe the Government has not thought out its full implications. As my colleagues have stated, all it will do is drive people away from private insurance and put them onto the public waiting lists, which are completely unable to deal with the volume of people who are already on those lists.

I do not know what the Minister or those in the Department were thinking when this was drawn up. Like my colleagues, I too ask what the Minister for Health is doing tonight. It is like when the Seanad issue was being debated out in Donnybrook and the Taoiseach thought it was more sensible to launch a book. I ask what is the Minister for Health doing tonight that is more important than being inside here to answer the questions-----

Deputy Aengus Ó Snodaigh: He is reading the book.

Deputy Michael Healy-Rae: Yes, perhaps he is reading some other book. It is ridiculous. What are the priorities of this Government? Has it not learnt from the debacle of the Seanad referendum, where it took its eye off the ball? Would it not have the people in the places they are supposed to be when they are supposed to be there to answer the questions, and treat the House with a small bit of respect? It is budget night. The Minister for Health should be sitting here and taking the questions which concern his own Department. I mean no disrespect to the two Ministers present but he should be here.

Deputy Catherine Murphy: If I was convinced this was for the gold-plated policies, I would be persuaded to support it, but I am not persuaded of that. We all know the cost of premia, and €1,000 is not a large figure for an adult and €500 is not large for a child. Most people will have budgeted for the year. As was said, if somebody has just taken out a premium in the last month, will they be impacted by this? If this is the case where people have already made decisions, it is unfair and this almost becomes a retrospective adjustment for them.

With regard to the packages which include free cover for children, the cost for the adult is increased in such packages so it is not easy to simply break down costs to €1,000 or €500. The packages are being offered to make them family-friendly, if one likes, but there is a pick-up on the adult side.

A large number of the people I come across should not have private health insurance at all but they have it because they do not have confidence they will be looked after in the public system. That is the origin of many of these policies that people are trying to keep on the go, even though they really cannot afford them.

The cost on the other side has already been alluded to, and I believe there will be a cost. The more people who drop out, the more dependence there is on the public system which, as we know, is creaking in many respects. One wonders if it will be able to bear the extra load if many people drop out because of this, given there are many who are tinkering on the edge and wondering whether they can afford insurance. For many people, this may be the straw that breaks the camel's back.

Deputy Billy Kelleher: I cannot understand how this resolution has come before the House tonight. We have been waiting a long time for a White Paper on universal health insurance. There was a commitment from the Minister in the context of making sure families would not be under undue pressure yet, time and again, we see a relentless rise in health insurance premia for ordinary families.

The Minister, Deputy Noonan, is a very clever man. His language today spoke of "gold-plated" policies. As the Ministers present well know, there is nothing gold-plated about a family which makes extreme sacrifices to fund itself in the context of paying its health premium, thereby lightening the burden on the State with regard to the provision of health care. We are being asked tonight to ensure that families who make huge sacrifices are recognised. We have tabled motions on this in the House time and again.

The Health Insurance Authority has highlighted the fact that families are under huge pressure, which has also been said in this House repeatedly. We have consistently advocated that something must be done to alleviate the burden on families who are finding it very difficult to maintain their private health insurance. They are doing that so they will not have to ask the State to cover the cost of their health treatments. This is an assault, in principle, on people who are doing their best to lighten the load of the State in the provision of health care. In one fell swoop, the Government is saying in this measure that it will penalise people further for trying to ensure that they and their children have health insurance.

Then there is the grand plan of universal health insurance, which is to force everybody who can afford it to take out health insurance. The State will pick up the tab for those who cannot afford it. In this respect, it is an affront to suggest that somehow people who have health insurance are all gold-plated. The vast majority of people who have private health insurance are ordinary hard-working families who make sacrifices each day. When it comes to paying their health insurance premia, they make decisions as to whether they will fill the tank with oil, buy clothes for their children or pay their premia. That is the position of families at present. The Minister lumbering a cost of up to €250 on top of the cost of premia through the changes in this proposal will mean that families will simply not be able to retain their health insurance with the spiralling cost of the premia.

There is a Government proposal for universal health insurance in the programme for Government and we are awaiting the White Paper. At the same time, the Minister, Deputy James Reilly, is saying on a continual basis that the spiralling costs of health insurance are the fault of the health insurers and the consultants. Yet, the Government will, in one fell swoop, add €200 to €300 to the costs of families which it says have gold-plated health insurance. Why would the Government consider gold-plated the people who must take out health insurance because they have complications other than those which are covered by normal, traditional health insurance? Ophthalmology, orthopaedics and other areas must now be covered because they are no longer in the standard packages being offered by health insurance companies.

This proposal obviously came from somebody who knows nothing about health insurance, the pressures families are under and the fact that health insurance is a spiralling cost beyond the average family. Week in, week out I submit parliamentary questions asking when the White Paper will be published and when this great proposal from the Government will be produced. In the meantime, this budget is pillaging families who are struggling daily to make their premium payments. Previously, families used to pay their health insurance on an annual basis, but now most people pay it by monthly direct debit. If one looks behind that, one will find that those direct debits are being returned on a continual basis as well, because that is where families are. Now, the Government is asking us to support a proposal that will put huge pressure on them.

This is ill conceived. I have no difficulty with removing the relief from gold plated health insurance, but that type of insurance will fly one to Dubai, New York, Memorial Sloan-Kettering Cancer Centre or some other fine institute. The ordinary family is now being attacked as well. This proposal is ill conceived and I ask the Minister to revisit it. Whoever thought of it has no understanding of the pressure families are under or, as importantly, of the proposal the Government is sponsoring with regard to universal health insurance.

Whatever else happens, this issue should be revisited. Massive savings for the State have been factored in but it is short-sighted, will put families under huge pressure and will burden the State further, even though it is already under huge stress trying to provide public health facilities. I ask the Minister to reconsider this very quickly. We will vehemently oppose it. We have been consistent on this issue, and the parties in Government held that position as well. When they were in the Opposition they consistently pointed out that any increase in health insurance was transferring a burden from private health insurers to the public purse. That is exactly what this proposal will do due to the fact that families will not be able to sustain private health insurance.

Deputy Aengus Ó Snodaigh: I am a firm believer in a universal health care service. I do not believe in tax relief for private health insurance or that it is compatible with the delivery of a universal health service. However, we do not have that universal health service at present.

The Minister spoke about the substantial amount of tax foregone. Due to the changes that were announced in the budget the Minister said €94 million will be recouped to, or saved by, the Exchequer. That would be welcome if, in fact, it was ploughed back into the health service to ensure that the lack of confidence felt by all the people who take out health insurance in this

State was being addressed. However, consider the other measures announced today by the Minister, including the fact that €325 million is being taken out of the budget of the Department of Health and the HSE and that there is an increase to €666 million, a figure referred to earlier by the Minister. He is not here to address that figure. Waiting lists are getting longer and we have the debacle with the junior doctors, which the Minister promised to address but which has been an absolute failure. There is a delay with the children's hospital. It was promised to be delivered by 2016 but I doubt that one will see a child in a new children's hospital in this city before 2018, if not later. There is also the fact that the Minister cannot even pay to address the waiting lists for cochlear implants, which we will discuss on Thursday in a Private Members' motion.

There is a raft of reasons that the public does not have confidence in the public health service. I have confidence in it, but many do not. They are scared to give up the payments they have been making into a private health insurance company. Some of them have been paying for many years. They will forego their dinner rather than give up the hope or cover they think they have as a result of purchasing health insurance.

I spent most of today in Crumlin children's hospital and have nothing but praise for those working there. I have been to a number of other hospitals in the last two years. That comes with having young children. Every one of them had a waiting list and every one of them was bursting at the seams each time I visited. Every doctor and nurse I have met is owed nothing but praise for working in the difficult conditions in which they work. However, the savings the Minister spoke about here are not being ploughed into the services on which they should be spent. This is not being ring-fenced.

This is not a move towards a universal health service. It is not even a move towards universal health insurance, which is the direction the Government promised it would take. This is, in fact, another grab by the Department of Finance which will be spent elsewhere or put into the black hole it has created. I urge the Minister to ring-fence this money to ensure that this and any other progressive move to remove tax reliefs from private health insurance in the long run is ploughed into a universal health service. That is the way the State should be going. It is the way a progressive state would deal with it. Those who wish to pay for private health insurance will do so, understanding that they will not get the benefit from a public service. I will not support the measure because the Minister is not ring-fencing the savings to improve the public service that is already creaking at the seams.

An Leas-Cheann Comhairle: Five Members, including the Minister, have yet to speak, so I ask for everyone to co-operate to allow everyone time to speak.

Deputy Joe Higgins: A publicly delivered universal health care service should obtain in society and it should be a right of every citizen to have comprehensive health care of the highest quality paid for from general taxation. There should be one health service of the highest quality for all. On the contrary, in our society we have a two-tier, totally unjust health service. The wealthy, who grow wealthier by the year despite austerity and recession, have no worries because they can buy anything they want in terms of health care. Many working people on modest to middle incomes, which are also modest considering the outlays, and many families are not eligible for the medical card. A certain level of care, which the medical card guarantees, exists only to a certain degree. Modestly paid workers in the private and public sectors who do not have medical cards feel constrained, frightened and psychologically coerced to take out private health insurance because of the serious lack in the health service in the State. The destruction and damage wreaked on our health service in the 1980s - in a period of capitalist crisis with attempts to resolve it by savaging the living standards of ordinary people and the axing of the public sector - still has not been repaired. We are way behind the better European states in terms of health expenditure.

Workers with modest to medium incomes are paying direct and indirect taxes and private health insurance is another kind of tax. The Government says it is moving to the universal health insurance system, the model laid out a few years ago by the Fine Gael Party in its new health policy, which provides for the wholesale privatisation of health care, giving enormous power to private health insurance companies within health facilities and hospitals. We should have the information tonight. Does the Minister for Communications, Energy and Natural Resources, Deputy Rabbitte, have the information? I know he does not have a clue because it is not his area of responsibility but the Minister for Health should be here and he should have this information. How many people will be affected by this measure? The Government should have got information from the insurance companies in respect of the type of premia and their wages. We should have a profile of the people, particularly those on modest to middle incomes, affected by this measure. I would support measures such as this if we had a comprehensive, publicly delivered health service of the highest quality for every individual; we do not. This is another grab instead of real tax income being increased and ploughed into our health services and other areas of society. As some of us are sick of pointing out, every 1% increase in a new wealth tax that should be put on the top 1% will bring in more than €500 million a year.

Deputy Peter Mathews: Hear, hear.

Deputy Thomas P. Broughan: Hear, hear.

Deputy Joe Higgins: With an emergency wealth tax of 5%, which the top 1% would not miss, it would amount to €2.9 billion. Every 1% of corporation tax, based on an effective rate of 8%, amounts to €500 million a year. A financial transaction tax could also yield €500 million. These amount to billions of euro the Government could plough into remaking our health service from top to bottom. That would remove the pressure on ordinary people to buy private health insurance. That is the approach to be taken and therefore I oppose this measure.

Deputy Richard Boyd Barrett: I am utterly opposed to a two-tier health system and utterly opposed to health care only being available to people who can afford expensive private insurance. It is anathema to me. I find it deeply worrying that the Government is committed to the universal insurance model, which is just a recipe to enrich private health care insurance companies and cost society a hell of a lot more in administration and billing costs to run the health service than in delivering front-line health services. This is clearly the case in the United States, which spends more on health than any other country but where huge numbers of people - tens of millions - have no access to health care. The so-called Dutch model is not mentioned much anymore because the evidence of increased insurance costs and the failure of the model to deliver an efficient system is piling up in Holland.

We need a national health service free at the point of demand. If we had a state-of-the-art national health service in which ordinary people have confidence, we would not need private health insurance. The vast majority of people would not seek to take out private health insurance if they had trust and confidence in the public health system. How can they possibly have trust and confidence in a public health system that is being slashed to bits year after year, with billions of euro, thousands of beds and thousands of nurses being taken out of the system? How can they possibly have confidence in it? How can they be encouraged to do anything else than, out of fear and anxiety, fork out money they cannot afford to try to cover themselves in case of ill-health? Now, the Government wants to punish them for doing so. This will punish them for being victims of the cuts the Government and previous Governments imposed on the public health system. I utterly oppose this because, although it is dressed up as being progressive, it will hit low and middle income families who struggle to provide a safety net for themselves in the case of ill-health. That they do so is understandable.

Those who oppose this measure have a responsibility to outline how we could finance the state-of-the-art national health service we could and should have. I am sure the Government will mention this in response. One way to do it is to ensure half of the money does not go into the coffers of private health insurance companies and wasted administration and billing, which is crazy when it should be spent on nurses, beds and health staff. We must ask where we get the money and this raises the question of progressive taxation. As Deputy Higgins mentioned and as some on this side of the House constantly go on about, it means looking at wealth taxes and higher income taxes for those earning over €100,000. It means looking at corporate taxes. It means looking at financial transaction taxes. Whenever one even raises those issues, all we get from the Government and from half of the media establishment in this country is poo-pooing. They say we do not know what we are talking about and say it is "fantasy economics", because they do not want to touch the wealth of the big corporations and of the very wealthy in society, but it can be done.

Our budget submission questions to the Department of Finance confirmed, for example, that if there was 50% income tax rate on earnings over €100,000, 60% on over €150,000 and 70% on over €200,000, it would raise €1.1 billion. Would that not be fair? I think it would be fair. It would be a hell of a lot fairer than hitting the vast majority of low and middle-income families, taking their medical cards from them or hitting them with this further tax by removing this small tax break, and all the other mean and nasty income cuts and taxes the Government has imposed on them. There are many more measures, such as, as has been mentioned, the wealth tax, and even a small increase in corporate tax. Why will the Government not consider those measures instead of repeatedly hitting the low and middle-income families who are struggling and who are battered?

An Leas-Cheann Comhairle: I appeal again for brevity. There are four speakers and we are against the clock.

Deputy Peter Mathews: The temptation to the Government is to raise €94 million. When I heard the word "gold-plated", I said: "Be careful here, we are in the territory of magicians." We use illusions. That is how magicians work. One does not see how they do the tricks but one gets the feeling that one understands them and one believes what one sees, which is not always the truth.

Let us look at the figures. I thank Deputy Naughten for giving us a bit of fact-finding. Fact-finding is always helpful. Take the B plan Options, the standard non-gold-plated one. It is a Cornflakes or porridge type policy. It costs €2,300 gross per adult. There is a 15% increase imminent, which brings the gross premium for one adult to €2,645. Deduct the €1,000 exemption per this proposal and it brings you to a taxable amount of €1,645. At 20%, that is €329. In a household of two, there will be €658 to be paid, which equates to a Dublin residential property tax.

Deputy Colm Keaveney: Scandalous.

Deputy Peter Mathews: We were told there would be no increase in income tax. What have I just calculated? That is an increase in income tax. It is not in the headline rate of 41% or USC, but it is income tax. It must be paid out of income and, therefore, it is a tax on income, or else one does not have medical insurance. That is the truth about that.

I was asked what happened here today and I said, "It is a soggy type of budget." It is like when one has a cardboard box that gets soggy in the rain. It was predictable that the Department of Finance, in its two divisions, would hang its arguments, and do its calculations, on the old frameworks. That is exactly what has happened. There has been no imagination. What about a betting tax? The turnover of the betting sector, online, etc., which wreaks havoc in families, is considerable - €2 billion or €3 billion. If one put 5% tax on that, one would get €100 million.

This brings me to the other areas of raising revenues to make society fair and stop the inequality. On inequality, by the way, I will not go over the figures again but they are there if one is honest. In the United States, a neoliberal society, the top 1% of income and wealth of society increased that income and wealth by 30% since Christmas 2008 while the income and wealth of the bottom 40% shrunk by 6%, and the same is happening in this country.

It brings me quickly to foreign direct investment in the Minister, Deputy Noonan's, budget today.

An Leas-Cheann Comhairle: Deputy Mathews is moving a little away from the resolution.

Deputy Peter Mathews: There are many issues that arise. The Minister started off, and stayed, on Ireland's corporate tax. The Minister stated it had three elements, "rate, reputation and regime". What about reality? Deputy Boyd Barrett pointed out correctly that, according to the last year available from the Revenue Commissioners, €70 billion of corporate profits was taxed at €4 billion, that is, an effective rate of 6.5%. Commentators state that taxable profits are different than reported profits. Are they? Are we back to the illusion, defining different expenses and revenues for the purpose of massaging what one wants to pay?

Society deserves better than this. We have many problems. I am an optimist, but based on realism. Such realism must be based on the figures, such as that simple calculation of two adults on an ordinary, non gold-plated plan where the extra tax to be paid will be €658 or else they must fold their hand of cards and say, "we are not having medical insurance". That is not right.

While on the subject of gold-plated, let us go to the armour-plated corporates. The armour-plated corporates need to be revisited. As the Minister may be aware, I have spoken to CEOs of the foreign direct investment, FDI, multinational companies, MNCs, and a 2.5% national-recovery levy for three years would not even make them blink.

Deputy Thomas P. Broughan: Hear, hear.

Deputy Róisín Shortall: I very much share the concerns that have been expressed by earlier speakers about this measure. It is one of a number of measures which will result in the health service going into free fall. The programme for Government sets out a clear plan for transition to universal health insurance but, unfortunately, we are now at a point two and a half years down the road where little or no progress has been made on implementing the programme for Government. We were promised a White Paper which would set out all of the issues concerned in the moved towards universal health insurance. Two and a half years later, there is no sign of that White Paper and I would have to ask does anybody in Government know what is happening in Health. Does anybody in government realise that, as a result of the inaction, and also some of the austerity cuts over recent times, coupled with a number of provisions in today's budget, we will find ourselves soon in a situation where the health service is in free fall?

We are supposed to be moving towards a situation where health services are more accessible, more affordable and more equitable, and the result of these measures today, and actions that have been taken over recent budgets, is that health services will become less accessible, less equitable and more expensive for everybody. On this measures today, whereas we are supposed to be moving towards a situation where more citizens can afford health insurance according to the model set out, already, because of austerity and because they have so little money in their pockets, they are leaving health insurance in their droves, and this will accelerate that process.

I very much object to the presentation of this by the Minister, Deputy Noonan, earlier on where he claimed this was merely about "gold-plated" health cover. This is about hitting those who are struggling to maintain basic cover plans with VHI or one of the other health insurance companies. This measure, which makes health insurance less affordable, will result in increasing numbers giving up their health insurance altogether.

Other budget measures will see 35,000 people over the age of 70 years lose their medical cards. The new income limits and all income limits applying to the over 70s are gross income limits. For example, a joint income of €900 a week for a couple may be regarded as comfortable enough, but it must be borne in mind that when applied for medical card purposes, it is regarded as gross income and there are no offsets for expenses, irrespective of the level a couple in such circumstances may be faced with. No expenses can be written off. It must be remembered that the medical card not only allows a person to access GP services but critically for older people it is also the only way of gaining access to a public health nurse, the local home help service and physiotherapy service from the local clinic. One must have a full medical card to access these services.

The Government is making health care far less accessible to 35,000 people over the age of 70 years. In addition, the other provision in the Budget Statement is to make savings of €113 million from those aged under 70 years by withdrawing a significant number of medical cards - in the region of 150,000 will be withdrawn in the coming year. The medical card income limits have not changed or increased for donkey's years. The limits are actually below the standard rate of social welfare benefit. I am very concerned that we are moving towards a situation where many more people will be squeezed out of cover, whether that is cover they are struggling to provide for themselves by way of health insurance or having a medical card. Sometime in the middle of next year the health service will be in freefall because the centre will not hold within it. There are too many pressures on it and there has been no reform. There will be cuts of €660 million on an already overstretched health service and none of the reforms and changes to the model of care has taken place. A total of 55,000 people with long-term and chronic illnesses expected to have free GP care because the Government had told them they would be included in the first phase of the programme. They are also being squeezed out and denied the essential care they require. Of course, it would have made good sense if the Government had gone with that proposal - the argument about legal advice is entirely spurious - to give medical cards to that cohort of people with chronic diseases. It would have allowed a change in the model of care in order that the chronic disease management programmes could have been introduced which successive Ministers for Health have been promising in the past ten or 12 years.

I share the concerns expressed by other speakers. We are facing a really difficult period in health due to inaction, the lack of joined-up thinking and any plan under consideration by the Government. There is a plan in the programme for Government, but, unfortunately, it has been entirely ignored. We are facing a most horrendous situation where more and more people will be denied basic health care. More and more doctors and nurses are leaving the service and its centre will not be able to hold.

Deputy Micheál Martin: This measure will affect 90% of health insurance plans, not just the gold-plated ones. That sleight-of-hand in the presentation of the measure is to be regretted. There is too much of this in today's presentation, a matter I will deal with more comprehensively in my contribution tomorrow. The presentation of many of the measures announced left a lot to be desired. This measure suggests an incoherence at the centre of health policy. The Government has a policy of encouraging more people to take out health insurance and of having mandatory health insurance by means of a universal health insurance policy - the detail or execution of which is further away by the day - while at the same time an extraordinary scale of cuts have been imposed on the public service, with approximately €660 million worth of cuts. The estimated saving is an additional €127 million in a full year from this measure. In total there will be approximately €787 million in savings overall in health care. I do not know what the Minister for Health, Deputy James Reilly, was doing during the negotiations and the talks leading to this budget; he must have been asleep at the wheel or not engaged in any way. Does he realise what has happened under his watch in this budget as opposed to other Departments? I agree with Deputy Róisín Shortall's apt phrase that the centre simply cannot hold in the health service. Last week we raised the issue of discretionary medical cards and were told we were not dealing with reality. Within four days the Taoiseach had acknowledged it when members of the Fine Gael Party had informed him that people all over the country were losing their discretionary medical cards. Some of the cases are horrendous, such as those involving children with multiple conditions and syndromes being refused cards. People with motor neurone disease are also having their medical cards taken from them. What does today's statement about saving €113 million and probity mean? Is that a transparent presentation of a budgetary measure? When one includes the over 70s, the guts of €150 million are being taken out of the provision of medical cards. There is an absence of detail in the presentation of the measure.

Hospital surgeries are being cancelled because they are running out of money. Hospital procedures are being delayed and cancelled because funds are running out. We need a far more transparent debate about how health services are to be funded into the future and less of this codswallop about universal health insurance and money following the patient. There is no detail attached and no White Paper has been published. Deputy Róisin Shortall was in the Department and has given us the most up-to-date account of the absolute divergence between what is contained in the programme for Government and what is happening in reality. This measure will affect ordinary families. A total of 90% of health insurance plans will be affected and the measure hits hard-working families who are endeavouring to supplement and complement what they can obtain from the public service.

Will the Minister confirm that the chief executive officer of the HSE stands over the figure of €660 million, as presented in today's Budget Statement? I presume he does. It is a pity the Minister is not present to confirm this. Will he also confirm that the Secretary General of the Department of Health stands over the figure of €660 million? Will he confirm that each figure identified in the budget documentation which represents a saving measure can be backed up with the detail one would normally receive in the more traditional Estimates volume but which is in short supply in the documentation we have received to date?

It should be remembered that this all stemmed from a commitment that those with a long-term illness would receive medical cards. That promise has been solemnly discarded and broken, with no explanation or presentation of any legal opinion which has now entered the scene to provide a reason this measure cannot proceed. Those most in need because of medical conditions have most to fear in terms of what will happen next year in respect of medical card eligibility and access to private health insurance. As Deputy Billy Kelleher noted, many people with complex conditions require good packages. It is about more than medicines and prescriptions; it has to do with a range of other measures. The people concerned will be hit hardest by this measure which flies in the face of the Government's stated objective of getting more people into the health insurance sector. Thousands of people have left the health insurance market in recent years, leaving in their droves because of escalating costs. This action will exacerbate the drift from medical insurance policies which we have witnessed. It is incomprehensible and represents incoherence at the heart of health policy and decision making.

Minister for Jobs, Enterprise and Innovation (Deputy Richard Bruton): I thank the Deputies who contributed to the debate which strayed well beyond what is a tax measure.

10 o'clock

Deputy Thomas P. Broughan: It is about choices.

Deputy Richard Bruton: Exactly. It is about choices.

Deputy Colm Keaveney: It is about income tax and bad choices.

Deputy Richard Bruton: The choice today is to allocate the tax relief available for health insurance to those who most need it, and that is the principle being applied. The total cost of this measure represents approximately 4% of total insurance premia. The Revenue Commissioners have estimated that the number of policyholders affected will be approximately 577,000, which is a little over half of all those who have insurance policies.

I have examples of the impact of the change. With a policy broadly similar to the old plan C covering two adults and four children, the impact will be less than 2% on the premia. By contrast, the Health Manager Gold plan, which is broadly similar to the old plan E, covering two adults and costing €10,700, will see an impact of €764 or 16%. It is clearly progressive as the people on the very high cover plans, with access to private hospitals-----

Deputy Denis Naughten: What about my example of plan B?

Deputy Richard Bruton: -----would pay a much larger proportion of this measure. This is about allocating the available tax relief for health insurance in the most equitable way-----

Deputy Dara Calleary: There is nothing equitable about it. What about people with chronic illnesses?

Deputy Richard Bruton: -----which is what we are seeking to do in this measure. Of course, we would like to be in a position where we would not have to find €2.5 billion in this year's budget but that is where we are, and we all know why that is so. A sum of €94 million is being found in this area.

It is important to bear in mind the background to this, and most people have spoken about that. There are 1.9 million people with free access to both primary and secondary care, with approximately 2 million paying private insurance. Much of that is paid in order to get preferential access to care, which is an advantage of health insurance, as some care is available in private hospitals. I am surprised to hear such a trenchant argument against a relief that is clearly progressive, and any cursory examination of this would indicate it is progressive. Those on the benches opposite were very strongly attacking it as if it were a regressive policy. It is also consistent with the long-term ambitions that many people, including myself, have to introduce universal health insurance, where people have access to a core package that is allocated equitably and eschews preferential access. This approach is similar as we are concentrating the tax relief on the core packages and curtailing tax reliefs available to the upper end.

One must consider this in the context of the economics. If the taxpayer picks up 20% of the cost of the upper packages, regardless of what is put into them, there will be a major incentive for insurance companies to keep loading on the more expensive packages and seeking to get people to pay more for them.

Deputy Micheál Martin: The opposite is happening.

Deputy Richard Bruton: We are trying to make core services universally available on an equitable basis, and this is quite consistent with that goal. Deputy Naughten asked why there is a move to require private patients who are occupying public beds to contribute more to the cost. That is again perfectly equitable and consistent with the policy being pursued; if public beds are designated for use by public patients but are accommodating people with private access, it is not unreasonable to seek an equitable contribution. That is what has been put forward by the Minister and will come into play here.

Many people spoke in the debate about the collapse of health insurance but the data does not support that. From December 2008 to June 2012, when the cost of health insurance increased by 86%, the number of subscribers fell by 7.5%. When I used to do economics, that was a price elasticity of less than 0.1.

Deputy Micheál Martin: The Minister should speak to a few health economists. They would say the opposite. It is a dangerous position.

Deputy Richard Bruton: That is the number of people taking insurance.

Deputy Denis Naughten: Keep the economists away from health policy.

Deputy Micheál Martin: They might be better at it.

Deputy Richard Bruton: I am only giving the figures to the Deputies. They can interpret as they wish, and elasticity is only a term of description. It is not charged with anything else. The truth is there has not been a mass exodus from insurance. Another factor to bear in mind is that medical inflation is quite low and despite that, health insurance premia are rising rapidly, so the Minister for Health is correct to be concerned about competition and cost-effectiveness within the health insurance industry.

Deputy Dara Calleary: If he is so concerned, where is he tonight?

Deputy Richard Bruton: It is an issue about which we must be conscious and I hope a measure like this will bring about a more cost-conscious insurance sector responding in a market-effective way. Against a background of what we are trying to achieve in this budget, which is to exit the bailout, make room for positive employment creation measures and get more people contributing to our economy to build a better economic and social model, these are reasonable and fair allocations of difficult measures. I accept it is difficult to do it as people are very pressed but this is a reasonable and equitable measure that will generate close to €100 million. I commend it to the House.

Question put:

The Dáil divided: Tá, 99; Níl, 57.	
Tá	***Níl***
Bannon, James.	***Adams, Gerry.***
Barry, Tom.	***Boyd Barrett, Richard.***
Breen, Pat.	***Broughan, Thomas P.***
Bruton, Richard.	***Browne, John.***
Burton, Joan.	***Calleary, Dara.***
Butler, Ray.	***Collins, Joan.***
Buttimer, Jerry.	***Collins, Niall.***
Byrne, Catherine.	***Colreavy, Michael.***
Byrne, Eric.	***Cowen, Barry.***
Carey, Joe.	***Crowe, Seán.***
Coffey, Paudie.	***Daly, Clare.***
Collins, Áine.	***Donnelly, Stephen S.***
Conaghan, Michael.	***Dooley, Timmy.***
Conlan, Seán.	***Ellis, Dessie.***
Connaughton, Paul J.	***Ferris, Martin.***
Conway, Ciara.	***Flanagan, Luke 'Ming'.***
Corcoran Kennedy, Marcella.	***Fleming, Sean.***
Costello, Joe.	***Fleming, Tom.***
Coveney, Simon.	***Grealish, Noel.***
Creed, Michael.	***Halligan, John.***
Daly, Jim.	***Healy, Seamus.***
Deasy, John.	***Healy-Rae, Michael.***
Deenihan, Jimmy.	***Higgins, Joe.***
Deering, Pat.	***Keaveney, Colm.***
Doherty, Regina.	***Kelleher, Billy.***
Donohoe, Paschal.	***Kirk, Seamus.***
Dowds, Robert.	***Kitt, Michael P..***
Doyle, Andrew.	***Lowry, Michael.***
Durkan, Bernard J.	***Mac Lochlainn, Pádraig.***
English, Damien.	***McConalogue, Charlie.***
Farrell, Alan.	***McDonald, Mary Lou.***
Feighan, Frank.	***McGrath, Finian.***

Ferris, Anne.	*McGrath, Mattie.*
Fitzgerald, Frances.	*McGrath, Michael.*
Fitzpatrick, Peter.	*McGuinness, John.*
Flanagan, Charles.	*McLellan, Sandra.*
Gilmore, Eamon.	*Martin, Micheál.*
Griffin, Brendan.	*Mathews, Peter.*
Hannigan, Dominic.	*Moynihan, Michael.*
Harrington, Noel.	*Murphy, Catherine.*
Harris, Simon.	*Naughten, Denis.*
Hayes, Brian.	*Nulty, Patrick.*
Hayes, Tom.	*Ó Caoláin, Caoimhghín.*
Heydon, Martin.	*Ó Cuív, Éamon.*
Hogan, Phil.	*Ó Fearghaíl, Seán.*
Howlin, Brendan.	*Ó Snodaigh, Aengus.*
Humphreys, Heather.	*O'Brien, Jonathan.*
Humphreys, Kevin.	*O'Dea, Willie.*
Keating, Derek.	*O'Sullivan, Maureen.*
Kehoe, Paul.	*Pringle, Thomas.*
Kelly, Alan.	*Ross, Shane.*
Kenny, Enda.	*Shortall, Róisín.*
Kenny, Seán.	*Smith, Brendan.*
Kyne, Seán.	*Stanley, Brian.*
Lawlor, Anthony.	*Tóibín, Peadar.*
Lynch, Kathleen.	*Troy, Robert.*
Lyons, John.	*Wallace, Mick.*
McCarthy, Michael.	
McEntee, Helen.	
McGinley, Dinny.	
McHugh, Joe.	
McLoughlin, Tony.	
McNamara, Michael.	
Maloney, Eamonn.	
Mitchell, Olivia.	
Mitchell O'Connor, Mary.	
Mulherin, Michelle.	
Murphy, Dara.	
Murphy, Eoghan.	
Nash, Gerald.	
Neville, Dan.	
Nolan, Derek.	
Ó Ríordáin, Aodhán.	
O'Donnell, Kieran.	
O'Donovan, Patrick.	

O'Dowd, Fergus.	
O'Mahony, John.	
O'Reilly, Joe.	
O'Sullivan, Jan.	
Penrose, Willie.	
Perry, John.	
Phelan, Ann.	
Phelan, John Paul.	
Quinn, Ruairí.	
Rabbitte, Pat.	
Reilly, James.	
Ring, Michael.	
Ryan, Brendan.	
Shatter, Alan.	
Sherlock, Sean.	
Spring, Arthur.	
Stagg, Emmet.	
Stanton, David.	
Timmins, Billy.	
Tuffy, Joanna.	
Twomey, Liam.	
Varadkar, Leo.	
Wall, Jack.	
Walsh, Brian.	

Tellers: Tá, Deputies Emmet Stagg and Paul Kehoe; Níl, Deputies Aengus Ó Snodaigh and Seán Ó Fearghaíl.

Question declared carried.

Minister for Jobs, Enterprise and Innovation(Deputy Richard Bruton): I move:

Financial Resolution No. 7: Income Tax

(1) THAT section 261A of the Taxes Consolidation Act 1997 (No. 39 of 1997) shall only apply as respects interest paid by a relevant deposit taker in respect of a relevant deposit held in a special term account that is opened before 16 October 2013.

(2) THAT section 267C of the Taxes Consolidation Act 1997 (No. 39 of 1997) shall not ap-

ply to dividends paid by a credit union in respect of shares held in a special term share account that is opened on or after 16 October 2013 unless those dividends are paid in respect of shares held in a long term account that was converted from a medium term account that was opened before 16 October 2013.

(3) THAT for the purposes of paragraphs (1) and (2) of this Resolution, "interest", "relevant deposit taker", "relevant deposit", "special term account", "dividends", "medium term account", "long term account" and "special term share account" have the same meaning, respectively, as in Part 8 of the Taxes Consolidation Act 1997.

(4) IT is hereby declared that it is expedient in the public interest that this Resolution shall have statutory effect under the provisions of the Provisional Collection of Taxes Act 1927 (No. 7 of 1927).

Deputy Richard Bruton: Current tax law provides for an exemption for a part of the interest paid on special term accounts offered by banks and special term share accounts offered by credit unions. In the case of a medium term account, where the money is held on deposit for at least three years, the first €480 of interest earned on the account is exempt while, in the case of a deposit held in a long-term account, where the minimum holding period is five years, the exemption limit is €635.

Financial Resolution No. 7 removes these exemptions from special term accounts that are opened on or after 16 October. This is to ensure that such accounts cannot be used to avoid payment of deposit interest retention tax, or DIRT as it is commonly referred to.

Deputy Michael McGrath: I thank the Minister for his comments. I wish to ask a few questions to clarify the position. First, why is there not any anticipated yield from this measure? The Minister said it is to prevent persons using these accounts to avoid paying DIRT and as a consequence, why is there not any yield from it?

On the overall issue of increasing DIRT to 41%, could the Minister clarify whether that it is a matter that will be dealt with in the finance Bill? An associated issue is PRSI on unearned income which was announced in last year's budget. Will that also apply to deposit interest earned, which is separate to DIRT? Could the Minister confirm that the change does not in any way affect the various State savings products?

Deputy Richard Bruton: I presume the reason there is no yield is because it is an anti-evasion measure to avoid people shifting money. In that sense, it is not designed to generate revenue.

Deputy Billy Kelleher: The Minister should have put it in the Department of Health in that case.

Deputy Richard Bruton: I beg the Deputy's pardon.

Deputy Billy Kelleher: It is nothing.

Deputy Richard Bruton: The provision for the increase in the deposit interest retention tax to 41% will be contained in the finance Bill. That would be normal. I will confirm the position with PRSI-----

Deputy Michael Healy-Rae: The Minister could allow the official to answer all the questions.

Deputy Mattie McGrath: The permanent government.

An Leas-Cheann Comhairle: The Minister has the floor.

Deputy Richard Bruton: I am trying to provide the House with accurate information. The information has been provided already and it is just confirmed by the note to be accurate. That might be reassuring for the Deputy.

Deputy Tom Hayes: Deputy McGrath would like it to be correct.

Deputy Richard Bruton: That is the situation.

Deputy Ray Butler: Deputy Healy-Rae would know a lot about it.

Deputy Michael McGrath: My question is on PRSI.

Deputy Mattie McGrath: I would know as much as Deputy Butler anyway.

Deputy Ray Butler: Dumb and dumber.

Deputy Richard Bruton: PRSI is a matter for the Minister for Social Protection who will bring forward legislation shortly to deal with the situation for 2014. It is my understanding that PRSI will be charged on DIRT income that is subject to assessment by the Revenue Commissioners. The income will be included in the tax return of chargeable persons and subject to self assessment. Chargeable persons are individuals who are in receipt of income which has not been fully subject to tax under the PAYE system. The Revenue Commissioners allow individuals in receipt of PAYE income who also have insignificant non-PAYE income that has been notified to Revenue to have that income coded in the PAYE system and, as such, they are not chargeable persons and will not have a PRSI liability. PRSI is not payable by individuals over 66 years of age and, as such, pensioners are not liable to pay PRSI on deposit interest income. There is an income threshold for pensioners, those aged over 65, in the tax code. It is €36,000 for a couple and €18,000 for a single person. DIRT would not be collected from people whose income is below that level.

Certain State saving accounts are tax free and are not subject to DIRT. They are savings certificates, savings bonds, instalment savings, final payment on national solidarity bonds and prize bond winnings. The annual interest on national solidarity bonds and interest on normal post office saving bank accounts are subject to DIRT.

Deputy Richard Boyd Barrett: I seek clarification on the resolution. I have no difficulty whatsoever, and in fact am positively in favour of increased taxes on large amounts of accumulated wealth in deposit accounts or anywhere else, but I would not be in favour of anything that would hit relatively modest savers, in particular older people - this seems to be a theme of the budget - who might have built up a modest amount of savings for their old age, but that might come into the net for the planned increase in DIRT. If I understand correctly the Minister's officials, whom I questioned on this earlier, while this resolution does not deal with the substantive issue of the increase in DIRT that the Minister is proposing, it is essentially facilitating it by removing exemptions that he believes could be used by people trying to escape the increase. This is a pre-emptive move to ensure that as many people as possible, if not everybody, can be hit with the DIRT increase the Minister is proposing in the finance Bill. That is my concern and suspicion. I would like the Minister to elaborate on it. If what I contend is untrue, he should assure us that this measure will not essentially assist him in another grab at the modest savings or nest eggs of ordinary people, particularly the elderly, who may have spent a lifetime acquiring them. These sums are already subject to DIRT but the Minister now wants to make them subject to an even higher rate.

Deputy Joe Higgins: I have one or two questions. The Minister mentioned a number of exemptions. Will he confirm that, for everybody other than those exempt, the DIRT, at 41%, represents a quite indiscriminate tax hit, including on a young person or partners saving desperately to buy a home and who might have €10,000 or €15,000 accumulated and who might be trying to accumulate more. The Minister mentioned two types of accounts, one of which is related to the credit union. He mentioned two interest thresholds under which DIRT would not apply. One was €650. Could he repeat his point? The Deputies who have been here for hours should really have received briefing notes on the seven financial resolutions, which are very technical. We should have had a briefing note on the measure on health insurance, giving us more detail. The approach is not acceptable. Could the Minister repeat the two types of accounts and the two figures up to which interest would be exempt from taxation? What amount would have to be in an account to reach the threshold of €650?

Like Deputy Boyd Barrett, I would not have any problem whatsoever with a wealth tax. We have been calling for it. I am referring to large accumulated deposits. However, the few thousand euros or even the €10,000 or €12,000 that many elderly people have put together over many years or that ill people have put together to have a few bob to bury themselves, as they say in the country, should not be hit, nor should the savings of small depositors who might be in rude good health. These people are in a different category completely from those who hold the real wealth that we demand should be hit but which has not been hit by this Government.

Deputy Róisín Shortall: Following on from Deputy Michael McGrath's question, I did not hear the full exchange but would like the Minister to clarify whether PRSI will apply to savings such that DIRT and PRSI combined will result in a tax rate of 45% on savings.

I agree that the approach is wholly unsatisfactory as a means of dealing with very significant budgetary proposals. No briefing at all has been provided. There is no explanatory memorandum for the seven Financial Resolutions. I agree with the point made by Deputy Joe Higgins that we need clarification on the exemption limits. Will they apply to the PRSI element that will now be applied to savings?

Deputy Richard Bruton: I thank the Deputies. Let me work backwards. I read out the note, which basically states PRSI will not apply in respect of PAYE and where one's PAYE-related income is insignificant in amount. The measure will apply only where a self-employed person is making a return in respect of which he is obliged to include all his income, which would include interest. He would then be required by the Revenue Commissioners to make return as a chargeable person subject to self-assessment. However, PAYE workers would not normally have a PRSI liability.

Deputy Róisín Shortall: For self-employed people, is that 45%?

Deputy Richard Bruton: For self-employed people who would be chargeable, PRSI would apply.

Let me deal with the point that Deputy Higgins made. There are two categories subject to an exemption, one of which is a three-year deposit account. The first €480 in interest earned on the account per annum is exempt. The other category is a five-year account, in respect of which the exemption limit is €635 per annum. I suppose the interest rates on such accounts would be approximately 3%. A three-year account will earn interest of approximately 3%. Therefore, one is talking about approximately €15,000.

Deputy Ray Butler: Twenty thousand euro.

Deputy Richard Bruton: There is the man who knows how to calculate the odds.

On Deputy Richard Boyd Barrett's point, those who already have the accounts in question will continue to be subject to the exemption. Therefore, if someone has just bought a three-year product, the exemption will apply until the end of the lifetime of that product. The same applies to a five-year product. There will be a deduction before DIRT kicks in. That provision will not apply to new products issued. That is basically the position.

Deputy Joe Higgins: What the Minister is trying achieve is completely unacceptable. He stated that up to €650 per annum in interest will be exempt on a five-year account. At a rate of 3%, €650 would involve a deposit of up to €21,300. That is the relief that has obtained to date. The deposit could easily be that of young people or working people trying to put a house deposit together. It is not real or massive wealth. What is occurring is completely unacceptable. The Minister stated the figure pertaining to a three-year deposit account is €480. This would be associated with a deposit of €16,000 at a rate of 3%. These are very modest amounts of money in the present context, in which people require relatively large deposits to purchase a home, if they want a home of their own, or to start a family. In my view, removing these exemptions is another blow to people who are not wealthy by any means.

Deputy Richard Bruton: The information I just gave is inaccurate. These are figures for the end of the account, so the €480 figure is for three years rolled up and the €635 figure is for five years rolled up. Therefore, they are smaller concessions than previously indicated. They are very small and are roughly one third of the sum calculated. These are exemptions that were in place for longer-term products and those exemptions will no longer be provided. In compensation, people who invest in longer-term products obviously get a much higher rate of interest. At the moment, on ordinary bank deposit accounts, the interest rate available is tiny. Therefore, people investing in longer-term products are not doing badly relative to others. Essentially this is a measure to shore up the DIRT system and to avoid people switching to these accounts. Over the long term, such accounts will not have the concessions they hitherto enjoyed. People will not have additional concessions if they are saving by way of longer-term accounts rather than by way of ordinary deposit accounts. That is the intention of the change.

Deputy Róisín Shortall: I ask the Minister to clarify that. Is it not the case that self-employed people already pay PRSI on their savings and that the intention is to impose 4% PRSI on employees savings?

Deputy Richard Bruton: My understanding is that what has been introduced is PRSI on unearned income but PAYE workers who have money coming from a non-PAYE source that is of an insignificant amount do not pay PRSI on that money. That is the arrangement with the Revenue Commissioners. If a person has unearned income which is a significant source of income and makes a return, then in the normal course, as a chargeable person, he or she would be subject to PRSI on that income. However, as I said in the original reply, the Minister for Social

Protection will be bringing forward measures in the legislation dealing with this element. It has been flagged that changes are forthcoming in 2014.

Deputy Róisín Shortall: I would like a bit more clarity on that. What is an insignificant amount? If a PAYE employee has savings and he or she earns interest on those savings, that interest is actually unearned income. Will that interest now be subject to 41% DIRT and PRSI, giving an effective rate of 45% tax on those savings? I ask the Minister to clarify that point because that is my understanding of these changes.

Deputy Richard Bruton: The note I have refers to Revenue Commissioner practice. Obviously interest rates are very low at the moment. On €10,000 in an ordinary deposit account for example, one might only earn €100 in interest in a year. Obviously, we will have to get information from the Revenue Commissioners as to the figure they use but they have an arrangement in place whereby if the non-PAYE source of income is insignificant relative to the PAYE source, they do not require such persons to make tax returns and they are not subjected to PRSI.

Deputy Róisín Shortall: A sum of €100 in interest can be significant to people. Is the Government now intending to take €45 out of that €100 in tax?

Deputy Richard Bruton: No. That is the point. It would not be taken out in the case of a PAYE worker. In that case, a PAYE worker is not a chargeable person and will not have a PRSI liability.

Deputy Richard Boyd Barrett: We are trying to get our heads around what is quite a technical motion and a change designed to impose a higher level of tax on savings but the explanations and assurances being given to us by the Minister are not really satisfactory. We have no examples whatsoever in front of us and there is a legitimate concern that small savers and ordinary people could be hit. This underlines the point that it is utterly unacceptable that we should even be discussing this without proper examples and briefings and we have no choice but to vote against it on that basis. We cannot support something that is not being properly explained, with examples provided and assurances given as to who and how many it will affect and so forth. We have no choice but to oppose this resolution.

Deputy Peter Mathews: The budget booklet from the Department of Finance states as follows:

> The rate of retention tax that applies to deposit interest, together with the rates of exit tax that apply to life assurance policies and investment funds, is being increased and will now be 41% whether payments are made annually or more frequently (previously 33%) or are made less frequently than annually (previously 36%). The increased rates will apply to payments, including deemed payments, made on or after 1 January 2014.

Following on from what the last speaker said, we need to see examples here. Otherwise we are supporting, not supporting or abstaining on an issue that is not clearly understood. I do not like making decisions without seeing how something works. I like to see underneath the bonnet of the car before I buy it. In the case of life assurance policies and investment funds, I have an example which is pertinent here. About 25 or 26 years ago my wife and I started a life assurance savings fund with New Ireland. The purpose of the fund was to provide for fees for university or whatever might arise in 20 years time. Is that one of the life assurance policies and investment funds referred to by the Minister? What sort of exit tax would apply? The idea of those funds was that one saved up in the early years, accumulating with growth to a point where one could start drawing down money to pay fees or to support one's child in college and so forth. If I thought there would be an exit tax on any savings I made at anything resembling the level being proposed here, I would never have set up that fund. In that sense, the Government is discouraging people from being prudent. However, I could be wrong here. Maybe that is not the sort of fund that is being identified for this purpose. I would like an explanation and I would like a few examples so that the people outside can know what is involved. Otherwise it is voodoo land that we are in.

Deputy Michael McGrath: I will give my interpretation of this resolution. Much of the debate we have just heard is straying into areas that will be part of the Finance Bill, which will provide for the increase in DIRT to 41%. The issue raised by Deputy Mathews concerning exit taxes applying to life assurance policies and investment funds will be part of the Finance Bill. My understanding of Financial Resolution No. 7 is that it relates to very specific special term accounts within financial institutions that hitherto have been exempt from DIRT tax. The Government is removing that exemption and such accounts will be treated in line with all other accounts in financial institutions. That is the change we are making here.

Some of the answers on PRSI have not been satisfactory, to be frank but that is a matter for debate when the relevant legislation is brought forward. We can then discuss the issue of the treatment of PRSI on unearned income for PAYE earners and the self-employed. The whole debate about DIRT at 41% is a debate for the Finance Bill. Is my interpretation correct that Financial Resolution No. 7 concerns specific accounts from which the Government is removing an exemption?

Deputy Richard Bruton: Technically, we are only debating the narrow point, as Deputy Michael McGrath stated, of closing off the possibility of opening such accounts and the thresholds of €480 and €635. Some Deputies asked whether the tax that will apply under the finance and social welfare Bills will be additive. The position is that a PAYE worker with only DIRT income, in addition to his or her PAYE income, would not be a chargeable person and would not be subject to PRSI on that interest. As Deputy Michael McGrath rightly said, the PRSI element will be the subject of debate in the Social Welfare and Pensions Bill while the 41% rate for DIRT will be discussed in the Finance Bill.

In respect of Deputy Mathews's concerns, there are several products that are not subject to DIRT. These include savings certificates, savings bonds, instalment savings, final payment on the national solidarity bond and prize bond winnings.

Deputy Peter Mathews: And life assurance policies.

Deputy Richard Bruton: The change we are making with this Financial Resolution is that these products cannot be opened with a deductible end from now on. It is an anti-avoidance measure.

Question, "That Financial Resolution No. 7 be agreed to", put and declared carried.

Minister for Jobs, Enterprise and Innovation (Deputy Richard Bruton): I move:

Financial Resolution No. 8: General

THAT it is expedient to amend the law relating to inland revenue (including value-added tax and excise) and to make further provision in connection with finance.

Debate adjourned.

Written Answers follow Adjournment.

The Dáil adjourned at 10.55 p.m. until 10.30 a.m. on Wednesday, 16 October 2013.