

Introduction

A Cheann Comhairle,

Budget Day is a good day for taking stock of where we are, so let us take stock. In the second half of this year, the NTMA has raised over €7 billion in the markets. The Bank of Ireland, ESB, Bord Gais and AIB have all raised funds for the first time in years. This year the IDA has announced 84 projects set to create some 8,650 jobs. The economy grew last year and will grow again this year and next year. There are manifest signs that the country is emerging from the worst of the crisis and that the efforts of the Irish people, despite the hardship, are leading to success.

There are different measures of success however and in taking stock of where we are I would like to examine them.

The first measure of success is whether the bail out programme is being fulfilled. Well it is, Ireland has fulfilled 160 separate conditions of the programme, and has now drawn down over 80 per cent of the low cost money available under the programme. We have also made the fiscal, structural and legislative changes that provide the basis for a renewed economy that will lead to job creation.

If fulfilling the programme were the only measure of success then we are successful.

But, of course, it is not the only measure.

We must get back to the markets at sustainable interest rates. The NTMA has secured access for some of our funding this year but we must be certain of market access as needed. If a return to the markets is the measure of success I am confident that we will achieve this objective but as yet it is “work in progress”.

For the Government however and for the Deputies and Senators who support the Government the real measure of success is a growing and developing economy which provides a fulfilling life and decent standard of living for all our people. A country where everybody who wants to work has a job and where our public services are unsurpassed in their quality.

On the basis of this measure of success, despite the progress made, the country still has a long way to go, but this Government is prepared to travel that distance.

Today, on Budget Day, the Government recommits itself to this task, and political friends and foes alike should be under no illusion; this Government will not resile from the task in hand. We will not dither or procrastinate but will drive forward to lead this country out of the despair and despondency and lack of self worth in which we found ourselves in March 2011.

We will continue to fulfil the conditions of the bail out programme, we will carefully plan full market return, we will build on the strong sectors of the economy and repair the weak sectors until they are strong again, we will grow the economy and create the jobs for which so many out of work and so many young people yearn.

Last year, in the Budget, despite the lack of resources I took a series of initiatives to grow different sectors of the economy: in farming and agri-food, in foreign direct investment, in the export trade, in the tourist industry, in financial services and in the property market and these initiatives have helped to grow and create jobs in these sectors.

SMEs

This year I will follow a similar strategy but my emphasis will be on small and medium sized industry. Our large exporting sector, which includes both multi nationals and growing indigenous companies is forging ahead delivering solid export growth, and a strong balance of payments surplus.

I am aware that the operating environment in the domestic economy remains difficult, particularly for small and medium enterprises. To give this critical sector a helping hand, I am bringing forward a 10 Point Tax Reform Plan. This Plan includes measures that will make a real difference to SMEs such as:

- Reforming the 3 Year Corporation Tax Relief for Start Up Companies to allow unused credits to be carried forward. This will help SMEs and start ups navigate their early years.
- Increasing the cash receipts basis threshold for VAT from €1 million to €1.25 million and amending the Close Company Surcharge de minimis level. Both of these measures will improve cash flow.
- Amending the R&D tax credit by doubling the initial spend eligible for the credit from €100,000 to €200,000 to encourage innovation and business expansion.
- Extending the Foreign Earnings Deduction for work related travel to certain countries beyond the BRICS, which will support exports.

These measures will make a real difference to SMEs by assisting their cash position and supporting their creation of jobs. I am also publishing a public consultation paper on a micro business tax today.

Given the fragile state of the public finances, the individual measures are modest. However I believe that the combination of the measures will have a significant beneficial impact.

I am also pleased to announce an additional initiative that will support small businesses in all sectors of the economy. Virtually all businesses in Ireland rely on cost effective transport for their inputs and their outputs. This transport is provided by hauliers, the majority of whom are small businesses. In order to assist the competitiveness of this key industry, I am introducing a rebate on diesel with effect from the 1st of July 2013. This initiative will be strictly policed so as to ensure that the beneficiaries are fully tax compliant.

Work is being undertaken by senior officials in a number of Departments to finalise the PlusOne initiative, which is intended to encourage employers to hire individuals that are long-term unemployed. It is envisaged that this new incentive will replace the Revenue Job Assist and the Employer PRSI Incentive schemes.

Details of all of the Budget measures that I am announcing today are set out in the Budget documentation. There are also presentations on key sectoral initiatives, including the SME 10 Point Tax Reform Plan, available on the Budget website.

The Government is complementing these taxation actions with a focus on the provision of credit to SMEs. New initiatives from the Government such as the Microfinance scheme and the Loan Guarantee scheme are now in place. These schemes are complemented by additional credit funds, such as those supported by the European Investment Bank, the Silicon Valley Bank and the European Investment Fund, which are targeted at the innovation sector. To further assist SMEs in this area, I am today announcing a number of credit specific initiatives including:

- Approval to the Credit Review Office to extend the team of available reviewers so that SMEs seeking assistance from the CRO receive a considered and timely response to their application;
- The publication by the CRO of specific guidance for SMEs on accessing credit from banks; and
- The National Pensions Reserve Fund is also developing a range of support funds to provide equity, finance and restructuring and recovery investment to the SME sector. The funds are expected to range in size from €100 million to €400 million.

SMEs are the lifeblood of the economy and will play a vital role in the recovery of employment growth in our country. The newly constituted Local Enterprise Offices will serve as an important first stop for small businesses looking for advice and information on all available State supports.

All of these measures are designed to create additional jobs in SMEs.

Agri-Food Industry

The thousands of farms throughout the country are small and medium sized enterprises. Farming and the Agri-Food sector are critically important to our economy and both continue to perform strongly despite the difficult summer weather. Following on from last year's Budget, which supported farm expansion and the transfer of land, I have included measures in the 10 Point Tax Reform Plan, which will assist the farming sector:

- I am extending the general 25 per cent rate and the special 100 per cent rate of stock relief, which were due to expire on the 31st of December 2012, for a further three years to 2015.
- I am widening the definition of registered farm partnerships to add other production partnerships, such as beef, to the 640 milk production partnerships that can already avail of the enhanced 50 per cent rate of stock relief. Qualifying young trained farmers in such partnerships can continue to avail of the 100 per cent rate of stock relief.

Furthermore, as small businesses, many of the other reforms in the 10 Point Tax Reform Plan will benefit farming and the agri-food sectors.

In order to improve farm efficiency and help achieve the targets in Food Harvest 2020, I am introducing a relief from capital gains tax arising on disposals of farm land for farm restructuring purposes. This is a once-off relief which will apply in respect of transactions initiated in the period from the start of January 2013 to end-December 2015, subject to obtaining EU State-aid approval.

These measures are designed to create additional jobs in farming and the agri food sectors.

Film Industry

This year, my Department carried out an Economic Impact Assessment of the current Film Tax Relief Scheme widely known as Section 481. In light of the Report's findings, which I have published today, and after consultation with Minister Deenihan, and the film and TV industry in Ireland, I propose to:

- extend the Film Tax Relief Scheme to 2020;
- reform the operation of the scheme, by moving to a tax credit model in 2016, so as to ensure better value for tax payers money and eliminate the need for high income investors to provide the funding for the scheme; and
- enhance the scheme so as to make Ireland even more attractive for foreign film and TV productions.

These changes will rectify the anomaly by which investors received a disproportionate amount of the tax relief as opposed to the funds going to production.

These measures are designed to create additional jobs in the film industry.

Tourism Industry

2013 is a very important year for the tourism industry. Promotion of the Gathering has been underway for some time and reports indicate that it is striking a chord both at home and abroad. It is an initiative that we should all support.

Due to the nature of the tourism sector, the supports I have announced to assist the SME sector will apply to most of the businesses in the tourism industry. In addition, the tourism industry is already benefitting from the second reduced rate of VAT of 9 per cent that I introduced in the *Jobs Initiative* in May 2011. I confirm that the VAT rate of the tourist industry will continue at 9 per cent in 2013.

Property

In last year's Budget, I introduced certain measures to help stabilise the property market, which was one of the major constraints on economic growth. This year has seen the first signs of stability in both the residential and commercial property markets in six years.

The residential market is showing increased activity due to the return of economic growth and the impact of the enhanced mortgage interest relief I introduced last year. This measure will end on the 31st of December this year as I have set out on numerous occasions. However, in order to maintain momentum in the domestic property market, I am providing an exemption from the new Local Property Tax up to the end of 2016 for any new or previously unoccupied homes bought in that period and, in addition, purchases of any homes in 2013 by first time buyers will also be exempt for the same period. This exemption for three years from the Local Property Tax will also apply to residences in unfinished estates.

In the commercial market, the Capital Gains Tax incentive that I announced in last year's Budget means that any property bought between now and the end of 2013 will be relieved from Capital Gains Tax if held for at least seven years.

I am fully aware that regeneration is necessary in a number of our cities in order to ensure a balanced economic recovery. To date regeneration schemes have failed to encourage private sector investment in the areas most in need so I will examine proposals for a targeted incentive in already identified regeneration areas.

Commercial Property and Real Estate Investment Trusts (REITS)

Initial indications are that the reduction last year of Stamp Duty from 6 per cent to 2 per cent for commercial property transactions has also helped bring stability to the commercial property sector. Demand for high-quality large office-spaces has strengthened in 2012. In order to attract new investment, I will provide for the establishment of Real Estate Investment Trusts, which allow for investors to finance property investment in a risk diversified manner.

NAMA

The introduction of REITs may also assist NAMA in deleveraging its portfolio and allow it to bring more sustainable activity to both the commercial and residential property markets. NAMA is already making €2 billion of funding available over the next four years to complete residential and commercial projects in Ireland. This investment, which is already underway with some €650 million of advances already approved, is expected to create significant employment in the region of 25,000 jobs in the construction sector and additional jobs in the wider economy.

NAMA is also making €2 billion of vendor finance available to prospective purchasers of commercial properties over the same period.

These property measures are also designed to create additional jobs in the property and construction sectors.

International Aviation Services

The Task Forces established to consider what was needed to effect independence for Shannon Airport concluded that there is potential for significant job creation in the aviation sector in Ireland. To facilitate the sector, I will be putting in place measures to facilitate the construction of hangars and ancillary facilities that will be key to attracting additional aviation sector organisations to the country.

My Department will also examine, together with the Department of Transport, Tourism and Sport and the Department of Jobs, Enterprise and Innovation, the feasibility of new funding sources for airlines and aircraft financing and leasing companies. Further details should become available shortly.

While these measures were proposed by the Task Forces for the new International Services Centre in Shannon, I am making the measures available to all other airports who wish also to avail of these measures.

Public Finances

Based on the latest information, including the November tax receipts, my Department now projects that the general government deficit for this year will be 8.2 per cent, comfortably inside the required target of 8.6 per cent under the excessive deficit procedure. The projected deficits for 2013 to 2015 are 7.5 per cent, 5.1 per cent and 2.9 per cent respectively, all in line with the targets we have to achieve. These deficit projections are based on projected economic growth for GDP in 2013 of 1.5 per cent, rising to 2.5 per cent in 2014 and 2.9 per cent in 2015, as published in the Medium-Term Fiscal Statement three weeks ago.

Total voted and non-voted expenditure will be €69 billion in 2013. €54.5 billion of this consists of Voted public expenditure as well as expenditure funded by the Social Insurance Fund and the National Training Fund. Minister Howlin will present his Expenditure Report immediately after my statement.

In total, the Budget and Expenditure Report includes the €3.5 billion budgetary consolidation required in 2013 to achieve the deficit target. Projected consolidation for 2014 and 2015 of €3.1 billion and €2.0 billion respectively is unchanged from the figures specified in the Medium-Term Fiscal Statement, both in relation to volume and the split between revenue and expenditure.

The Irish financial crisis could be summarised in one word debt – national debt and personal debt. The Government is committed to dealing with both national and personal debt. Continuing to borrow large amounts to fund our day to day services is simply not sustainable. The reality is that stable public finances are an essential prerequisite to long term economic growth and job creation. We will only be able to successfully access the markets in the long term if the markets believe we have a credible fiscal strategy and agree that our debt is sustainable.

Dealing with personal debt is also vital. The Central Bank is overseeing the rollout of a range of options to deal with unsustainable personal and commercial debt. I must stress that these measures are focused on unsustainable debt as taxpayers cannot afford to fund blanket debt forgiveness. I welcome that AIB is committed to contacting 1,500 customers a month in order to work with them to restructure their mortgages. This is the level of ambition that the Government expects from all banks, whether State owned or not.

These commitments are not just social obligations. It is critical that the issue of mortgage debt is addressed because we cannot sustain a situation where over 100,000 families could be effectively excluded from participation in the economic recovery.

I will now deal with the tax proposals in the Budget.

Pensions

I will start with Government pension policy. The pensions sector is a very important part of the financial services industry in Ireland and provides a service to enable people to make provision for their retirement and for their old age. As it is in everyone's best interest the Government wishes to encourage as many citizens as possible to continue to invest in pension schemes.

However, some people have been allowed by previous Governments to benefit from hugely generous pension arrangements subsidised by the taxpayer. While this Government wants to encourage those on lower and middle incomes to save for pensions, it will not allow pensions of the scale previously allowed to be accumulated at the expense of taxpayers whose actual earnings are, in many cases, a fraction of those large pensions.

I want to clarify this Government's policy on a number of important issues:

- Tax relief on pension contributions will only serve to subsidise pension schemes that deliver income of up to €60,000 per annum. This will take effect from 1st January, 2014.
- Tax relief on pension contributions will continue at the marginal rate of tax.
- The Pension Levy announced as part of the *Jobs Initiative* will not be renewed after 2014.

The current arrangements governing the maximum allowable pension fund at retirement for tax purposes of €2.3 million still allow for very generous pensions for higher earners through tax-subsidised sources, particularly by way of Defined Benefit schemes in both the public and private sectors. Therefore, the necessary arrangements to give effect to the Programme for Government commitment to effectively cap taxpayers' subsidies for pension schemes that deliver income of more than €60,000 per annum will be put in place in 2014. Consultation on the specific changes required to the existing regime will continue with, among others, the pensions sector and the Departments of Public Expenditure and Reform and Social Protection.

The retention of marginal rate relief on pension contributions coupled with the proposed changes in maximum tax relieved pension pots will preserve and target tax relief to those providing for pensions up to €60,000 per annum.

Constitutional and legal constraints severely limit what steps the Government can take in relation to pensions already in payment. However, in order to ensure equity between all citizens based on their level of income, the reduced rate of USC for those over seventy with an income in excess of €60,000 will be discontinued from the 1st of January 2013 and the standard rates of USC will apply.

In addition, in the interest of fairness, Top Slicing relief will no longer be available from the 1st of January 2013 on ex-gratia lump sums in respect of termination and severance payments where the non-statutory payment is €200,000 or over. At present the

individual's average tax rate for the previous three years applies to such lump sums rather than the marginal rate of 41 per cent.

I have been advised in numerous submissions of the value of allowing limited early withdrawal from AVCs. Therefore, in the Finance Bill I will make provision for persons with AVCs to withdraw up to 30 per cent of their value. Any amounts withdrawn will be subject to tax at the individual's marginal rate since marginal rate relief was provided on the contributions on the way in. The option will be available for a 3 year period from the passing of Finance Bill 2013.

PRSI

The contributory state pension is one of the key benefits funded by PRSI contributions and it represents, together with other PRSI benefit payments, excellent value for money. This is especially so for those on the lower part of the income distribution, those with shorter contribution histories, and also the self-employed. The reality is that the PRSI contributions are progressive and redistributive because people at the higher end of the income distribution generally get back less than they pay in.

In order to ensure the stability of the Social Insurance Fund so that it can continue to pay the pensions and the benefits that those earning the least are so reliant on, there is a need to broaden the income base for PRSI. My colleague Minister Burton will be increasing the minimum level of annual contribution from the self-employed from €253 to €500 and abolishing the weekly allowance for employees. Both of these measures will make a fairer link between the amount of contributions and the significant benefits received.

Minister Burton will also bring forward legislation to change PRSI contributions as follows:

- Where modified PRSI rate payers have income from a trade or profession, such income and any unearned income they have will be made subject to PRSI with effect from the 1st of January 2013.
- Unearned income for everyone else will become subject to PRSI in 2014. This means that PRSI will be payable on income generated from wealth such as rental income, investment income, dividends and interest on deposits and savings.

These changes in PRSI are progressive as they ensure that all sources of income are now subject to PRSI.

Local Property Tax

I will now turn to the Local Property Tax, which the Government is introducing as a better alternative to increased taxes on income. Property taxes are used across the world as they are better for the protection and creation of jobs than taxes that increase the cost of employment.

The Local Property Tax will commence with effect from the 1st of July 2013 for the second half of the year. In order to design a tax that is equitable, the Government has accepted most of the recommendations made in the Report of the Expert Group chaired by Dr. Don Thornhill. The Report is being published this week. The main features of the tax are as follows:

- It will be collected by the Revenue Commissioners
- Owners of residential properties, including rental properties, will be responsible for payment of the tax.
- The tax will be payable on the basis of the market value of the property as assessed by the owner. To aid owners, the Revenue Commissioners will provide valuation guidance to which owners can refer. Alternatively, owners will be free to use a competent valuer. The initial valuation will be valid up to and including 2016, which will provide three and a half years of certainty for property owners.
- The rate of the tax will be 0.18 per cent of market value up to €1 million and 0.25 per cent on values above that level. These central national rates will not be varied during the lifetime of this Government.
- Properties with a value of more than €100,000 and less than €1 million will be assessed at the mid-point of valuation band of €50,000 width - for example, properties valued between €150,001 and €200,000 will be assessed at 0.18 per cent of €175,000. Properties below €100,000 will be assessed at 0.18 per cent of €50,000.
- Properties valued over €1 million will be liable at 0.18 per cent on the first €1 million and at 0.25 per cent on the balance, with no banding applied.
- Property owners will be able to choose from a wide range of payment options including payment by direct debit; credit or debit cards, cash payments or “deduction at source” from salary/occupational pension or certain State payments.
- Certain properties will be exempt from assessment. These exemptions largely correspond to exemptions from the Household Charge.
- In order to assist those facing difficult circumstances, there will be a system of voluntary deferral arrangements that I will set out shortly.

This Government is committed to real local Government democracy and accountability. Therefore, from 2015, local authorities will have the power to vary the rates by 15 per cent above or below the central national rates to better match their funding needs. In this way the property tax will strongly reinforce local democratic decision-making and encourage greater efficiency by authorities on behalf of their electorates.

As I stated earlier, there will be a half year’s property tax charge in 2013. Using the example of properties in the €150,000 to €200,000 band, the charge in 2013 will be a half year charge of €157. It is important to note that this represents an increase for the year of no more than €57 on the household charge payable in 2012.

I have already set out certain exemptions from the Local Property Tax that will apply to first-time purchasers of homes in 2013 and to purchasers of new or previously unoccupied homes up to the end of 2016.

A voluntary deferral will be available to liable persons whose gross income limits do not exceed €15,000 for a single person and €25,000 for a couple. A deferral option will also be available up to the end of 2017 where gross income less 80 per cent of mortgage interest falls below €15,000 for single people and €25,000 for a couple. Marginal relief will apply where the income or adjusted income is €10,000 above the income limit, to permit deferrals of up to 50 per cent of liability. Interest will be charged on deferred amounts at 4 per cent simple interest per annum, which is half the rate charged in default cases. Deferred property taxes and interest will have to be discharged on the sale/transfer of the property.

The Household Charge will cease with effect from the 1st of January 2013 and the NPPR Charge or “second homes charge” will cease with effect from the 1st of January 2014.

Full details of the Local Property Tax will be set out in the Finance Local Property Tax Bill 2012 which will be published this week and commence second stage in the Dáil next week. Extensive information is available on the Budget and Revenue Commissioners website and from the Revenue Commissioners helpline.

I view tax compliance as a core principle of our democracy. Public services can only be provided to citizens because people pay their taxes. I want to reassure the vast majority of tax compliant citizens that the Revenue Commissioners will strictly enforce the Local Property Tax and they will collect any unpaid Household Charge for 2012. Any arrears that are not discharged before the 1st of July 2013 will be increased to €200 and will be collected through the Local Property Tax system.

The Local Property Tax is fair and progressive as all property owners make a contribution but those who own the most valuable properties will pay the most.

Income Tax

The Government continues to implement the Programme for Government commitments of maintaining the current rates of income tax together with bands and credits and not increasing the top marginal rates of taxes on income.

Ireland’s income tax system is one of the most progressive income tax systems in the world and it is the most progressive in the EU. Those who earn the most, pay by far the most in tax. I would encourage Deputies to look at Annex F of the Budget documentation, which illustrates the distributional impact of recent Budgets.

The Government is firmly committed to this progressive system as it illustrates the fairness of our tax code. This level of progressivity in the tax system and the record levels of Foreign Direct Investment show that we are striking the right balance between our income tax levels and incentivising investment and job creation in Ireland. The more jobs that are created, the wider our tax base will be for the provision of public services.

I see greater fairness of the tax system as reducing the number and amount of reliefs that can be availed of by income earners to shelter their income from tax. Already, the ability of certain wealthy people to reduce their income tax liability to very low levels through judicious use of tax incentives has been restricted. The introduction of the high earners restriction has been successful in generating additional tax revenue. In 2010,

the most recent year for which the Revenue Commissioners have figures, €80 million of additional revenue was secured from 1,544 individuals.

In addition, I am announcing that from the 1st of July 2013, Maternity Benefit will be treated as taxable income. As is the case with all social welfare payments, maternity benefit will continue to be exempt from the USC. This measure will correct an anomaly so that women on maternity benefit will pay the same level of income tax as when they are working.

Excise Duty

I am not increasing excise duty on diesel and petrol.

With effect from midnight tonight, excise duty on a pint of beer or cider is being increased by 10 cent, on a standard measure of spirits by 10 cent and on a 75 cl bottle of wine by €1, with pro-rata increases on other alcohol products.

With effect from midnight tonight, the price of 20 cigarettes will increase by 10 cents and roll your own tobacco will increase by 50 cents per 25 gram pack.

The rates of both VRT and motor tax across all categories will increase with effect from the 1st of January 2013. In order to incentivise a more year round motor market, I have decided to introduce a dual registration period. Therefore in 2013 vehicles registered from the 1st of January will carry a year tag of 131 and 132 for the second half of the year.

I am extending carbon tax to solid fuels on a phased basis over two years commencing after this winter period. A rate of €10 per tonne will apply with effect from the 1st of May 2013 and this rate will increase to €20 per tonne on the 1st of May 2014.

The extension of carbon tax to solid fuels brings their tax treatment into line with the treatment of other fuels.

Philanthropy

Earlier this year, I launched a public consultation on certain proposed amendments to the tax relief available for donations to charities and other approved bodies. Based on this consultation, I have decided that donations made from the 2013 tax year will be subject to a new, simplified tax relief regime. The new rate will be a blended rate of 31 per cent which will apply to all donations.

I have, since taking office, received proposals that suggest there may be a significant number of philanthropists world-wide, many of them Irish citizens or with Irish family backgrounds, who would be interested in making significant donations to initiatives that would aid Ireland's economic recovery, if our tax system were changed to ensure suitable recognition of such donations. I have decided to ask the Joint Oireachtas Committee on Finance and Public Expenditure Reform to examine these proposals and revert to me with its recommendations.

Capital Taxes

A key element of this Budget has been to ensure fairness. In that context, I am introducing a number of measures in the area of capital taxes to ensure that people with wealth make a fair contribution to the State. These include:

- Decreasing the threshold at which Capital Acquisitions Tax applies by 10 per cent.
- Increasing DIRT from 30 per cent to 33 per cent.
- Increasing the rates of Capital Acquisitions Tax and Capital Gains Tax by 3 per cent to 33 per cent from midnight tonight.

Corporation Tax

Our recovery plan has been and remains export led growth. I have already set out measures by which we will extend the recovery to the SME sector.

Retaining Ireland's competitiveness for mobile foreign investment remains a central plank of this Government's export led recovery strategy for Ireland. The Government remains 100 per cent committed to maintaining the 12.5 per cent Corporation Tax Rate, a sentiment I believe is shared by the vast majority of Deputies in this House. Even though this commitment has been stated numerous times, it is worth repeating so that there can be no doubt.

Ireland has for the past 50 years sought to have a competitive corporate tax strategy to attract job rich foreign direct investment into Ireland. Our policies in relation to tax co-operation and international exchange of tax information have always earned international respect.

It is in this context that I am very pleased to announce today that Ireland has become one of the first countries in the world to agree a new Inter-Governmental Agreement with the United States in relation to the US Foreign Account Tax Compliance Act, commonly known as FATCA. Reaching such an early agreement with the United States will be of benefit to Irish business.

Conclusion

When I stood before the house last year on December 6th, the Irish government was locked out of bond markets. Our 2 year bonds yields were almost 10 per cent. Now they are less than 2 per cent. We have seen a total transformation in only twelve months. Today, markets and foreign lenders are willing once more to lend to Ireland and to Irish businesses. This is essential for our businesses and our economy to continue its path to recovery.

Confidence is returning to Ireland. Unemployment fell by 3,600 on an annual basis in quarter 3, the first year-on-year fall recorded since 2005. The Manufacturing Purchasing Managers Index shows that Ireland is the only country in the euro area to record an expansion – the ninth consecutive month of expansion. Retail sales have recorded strong growth over recent months. Services exports are running at double digit growth. In five of the last six months, consumer sentiment has risen.

When this Budget is implemented, most of the tax consolidation committed to by this Government will have been completed and even though the revenue target for 2014 is €1.1 billion the carry over effect of today's measures reduces this to about €500 million or so. In 2015 the carry over effects will reduce the programme target of €700 million to a similar level.

I have set out these likely levels of future revenue consolidation to reassure people and to boost confidence. It will help businesses to plan and invest and it will encourage people to plan their spending. It will allow the markets to assess the sustainability and credibility of our fiscal strategy in the full knowledge that what we undertake to do, gets done.

We are now well on the road to recovery so let's look to the future with confidence.

I commend this Budget to the House.