BUDGET 2012
Public Expenditure & Reform

O'Hanlon Tax Limited

6 City Gate, Lower Bridge St., Dublin 8 T: 01 6040280 F: 01 6040281 E: info@ohanlontax.ie W: www.ohanlontax.ie

Changes to Social Welfare

The Minister for Public Expenditure and Reform, Mr Brendan Howlin TD, addressed the Dáil on 05 December 2011 on the Government's Expenditure Estimates for 2012. The challenge facing the Government in 2012 is to reduce public expenditure by €2.2bn. The Capital Expenditure Budget for 2012 has been reduced by €755m and the remaining €1.4bn will be achieved through reductions in Health, Education and Social Welfare spending (which between them made up 84% of public expenditure in 2011).

> ***"Right now, the State is spending €16 billion a year more than it is taking in. This problem will not be fixed unless we take action to bridge this gap."***
>
> **Enda Kenny - The National Address**
> **04 December 2011**

Targeted Cuts

The Minister announced targeted social welfare cuts, including the following:-

- Reducing child benefit over two years by standardising the rates of payments (saving €43m in 2012).
- Reducing the payment week for jobseeker's benefit to a five-day week rather than the current six-day week (saving €5.9m in 2012).
- Reducing the fuel season from 32 to 26 weeks (saving €51m in 2012).
- Reducing payments made to support one-parent families (saving €20.7m).
- Changing the redundancy and insolvency scheme, to reduce the employer rebate on redundancies from 60% to 15% (saving €81m).
- Revising the rent supplement (yielding savings of €55m in 2012).
- Discontinuing entitlement of certain new claimants to concurrent payments of jobseeker's benefit and illness benefit (saving €21.8m in 2012).

New €100 Household Charge

The Minister for the Environment, Community and Local Government, Mr. Phil Hogan, TD announced a Bill to bring in a new household charge of €100 to fund local authorities.

The Minister indicated that the €100 charge will be introduced as an interim measure. Work will start in 2012 on the development of a property tax and the Government has indicated that it remains committed to introducing a valuation based property tax. The charge will apply to most residential properties (i.e. those not rated commercial), and indications are that it will supplement the existing non principal private residence relief (NPPR). Where the property is rented, the owner rather than the tenant will be liable and it is anticipated that this will raise circa €160m.

The proposed exemptions include properties held as trading stock (not generating an income), social housing, properties owned by the Government/HSE and charities.

If a person is forced to leave his dwelling due to long-term mental or physical infirmity (such as an elderly person that has moved into a nursing home) he will not be subject to the charge. Waivers may apply to those in receipt of mortgage interest supplement or living on certain unfinished housing estates.

Health Insurance Premiums

The Comprehensive Expenditure Report 2012 - 2014, published today, indicates that the way public hospitals charge for public beds will be changed as announced in 2010. The reaction from the VHI, through the media, indicates that this could have the effect of increasing the premiums for private health cover by as much as 50%.