



End-December 2011 Exchequer Returns

Wednesday, 4th January 2012



Exchequer Balance

End-December 2011	End-December 2010
-€24,917m	-€18,744m



Exchequer Balance

End-December 2011 vs. End-December 2010

- End-December 2011 = -€24,917 million; End-December 2010 = -€18,744 million
- Exchequer deficit in 2011 €6,173 million higher than in 2010, due to:
 - Non-voted capital expenditure up €9,860 million due mainly to banking related expenditure; €3,085 million in Promissory Note payments & €7,568 million in expenditure related to July banking recapitalisations. Offset to some extent as certain payments (e.g. to NAMA) not repeated.

On the plus side and offsetting the increase:

- Tax revenue up €2,275 million
- Total net voted expenditure down €724 million
- Capital receipts up €705 million (proceeds from sale of Bank of Ireland shares)



Exchequer Balance (excluding Banking measures)

Exchequer deficit (excluding banking measures) some €2¾ billion lower year-on-year

	<u>2010</u>	<u>2011</u>
<i>Special Investment Shares (EBS & INBS)</i>	-€725m	-
<i>Promissory Notes</i>	-	-€3,085m
<i>July Banking Recapitalisation</i>	-	-€7,568m
<i>Proceeds from sale of NPRFC BOI shareholding</i>	-	+€1,018m
Net Total	-€725m	-€9,635m
Exchequer Balance	-€18,744m	-€24,917m
Exchequer Balance (excluding banking measures)	-€18,019m	-€15,282m



End-December 2011 Tax Revenue Key Points

- Budget 2011 target of €34.9 billion or a 9.9% year-on-year increase
- 2011 tax revenue of €34 billion – but €261 million in Corporation Tax payments that were anticipated for receipt in December 2011 were not received into the Exchequer account in time to benefit the end-2011 outturn. However, the vast bulk of those payments were received into the Exchequer account yesterday, 3rd January.
- Tax revenue €2,275 million or 7.2% up year-on-year with increase largely due to *Budget 2011* measures, including USC, and receipts from *Jobs Initiative* Pension Levy
- Estimated year-on-year tax revenue increase of approximately 0.8%, adjusting for reclassification of health levy to form part of USC
- A positive development after three years of falling tax revenues
- Tax revenue shortfall compared to original *Budget 2011* target was anticipated in *Budget 2012*. Taking account of Corporation Tax timing issue the overall shortfall was €612 million, over €100 million better than expected.



End-December 2011 Tax Revenue

	Budget 2011 Target €m	Outturn €m	Surplus/Shortfall €m	Surplus/Shortfall %	Y-on-Y Change %
Income Tax (inc USC)	14,125	13,798	-327	-2.3	+22.4
VAT	10,230	9,741	-489	-4.8	-3.6
Corporation Tax* (Adjusted)	4,020	3,520 (3,781)	-500 (-239)	-12.4 (-5.9)	-10.3 (-3.6)
Excise	4,675	4,678	+3	+0.1	-
Stamps	955	1,391	+436	+45.7	+44.9
CGT	410	416	+6	+1.5	+20.0
CAT	250	244	-6	-2.6	+2.4
Customs	235	240	+5	+2.2	+5.1
Total Taxes (Adjusted)	34,900	34,027 (34,288)	-873 (-612)	-2.5 (-1.8)	+7.2 (+8.0)

Small discrepancies may arise due to rounding of constituent items

*Some €261 million in Corporation Tax payments that were anticipated for receipt in December 2011 were not received into the Exchequer account in time to benefit the end-2011 Exchequer tax revenue outturn. However, the vast bulk of those payments were received into the Exchequer account yesterday, 3rd January.

Adjusting for the reclassification of health levy receipts from being a Departmental receipt (or Appropriation-in-Aid) to form part of the USC (collected as part of income tax) it is estimated that tax revenues increased by approximately 0.8% year-on-year in 2011.



End-December 2011 Tax Revenue

	Budget 2012 Estimated Outturn for 2011 €m	Actual 2011 Outturn €m	Surplus/Shortfall €m	Surplus/Shortfall %
Income Tax (inc USC)	13,835	13,798	-37	-0.3
VAT	9,730	9,741	+11	+0.1
Corporation Tax* (Adjusted)	3,730	3,520 (3,781)	-210 (+51)	-5.6 (+1.4)
Excise	4,690	4,678	-12	-0.3
Stamps	1,400	1,391	-9	-0.6
CGT	310	416	+106	+34.2
CAT	240	244	+4	+1.5
Customs	240	240	-	-
Total Taxes (Adjusted)	34,175	34,027 (34,288)	-148 (+113)	-0.4 (+0.3)

Small discrepancies may arise due to rounding of constituent items

*Some €261 million in Corporation Tax payments that were anticipated for receipt in December 2011 were not received into the Exchequer account in time to benefit the end-2011 Exchequer tax revenue outturn. However, the vast bulk of those payments were received into the Exchequer account yesterday, 3rd January. Had these receipts been received in time, Corporation Tax would have been €51million ahead of the *Budget 2012* estimated outturn.



End-December 2011 Voted Expenditure Key Points

- Total net voted expenditure €440 million (1.0%) less than planned in the July *Revised Estimates Volume* – savings in almost all expenditure areas but most notably in Agriculture, Environment and Social Protection
- Majority of overall underspend arises from higher than planned PRSI receipts
- Total net voted expenditure down €724 million (1.6%) year-on-year despite the reclassification of health levy receipts to form part of USC, which has the effect of increasing net voted expenditure
- Adjusting for this reclassification, it is estimated that total net voted expenditure decreased by 5.7% in 2011 compared to 2010
- Prudent management of voted expenditure has characterised 2011



End-December 2011

Net Voted Expenditure

	July REV Target €m	Outturn €m	Surplus/ Shortfall €m	Surplus/ Shortfall %	Y-on-Y Change %
Net Voted <u>Current</u> Expenditure	41,796	41,419	-377	-0.9	+2.2 (-2.6 adjusted)^
Net Voted <u>Capital</u> Expenditure	4,354	4,292	-63	-1.4	-27.5
<u>Total Net Voted</u> <u>Expenditure</u>	46,151	45,711	-440	-1.0	-1.6 (-5.7 adjusted)^

Small discrepancies may arise due to rounding of constituent items

^Year-on-year comparisons are distorted by the reclassification of health levy receipts from being a Departmental receipt (or Appropriation-in-Aid) to form part of the USC. This has the effect of increasing net voted current expenditure in 2011. Adjusting for this it is estimated that net voted current expenditure decreased by 2.6% while total net voted expenditure decreased by 5.7%.



Summary

- Overall tax revenues up €2,275 million (7.2%) year-on-year, primarily as a result of large revenue raising *Budget 2011* tax package, including USC, and receipts from *Jobs Initiative Pension Levy*
- Overall tax shortfall due to lower than expected VAT, Income Tax and Corporation Tax receipts but shortfall not as large as anticipated in *Budget 2012*
- Some €261 million in Corporation Tax payments that were anticipated for receipt in December 2011 were not received in time to benefit 2011 taxes. Had they been year-on-year growth in taxes would have been 8% and shortfall against target just 1.8%
- Net voted expenditure €440 million (1%) less than planned in July REV, and 5.7% down year-on-year (adjusting for USC reclassification issue) demonstrating careful management of voted expenditure which has characterised 2011
- Expect that end-December EU/IMF Programme Exchequer primary balance target will be met meaning all five of these targets set so far under the EU/IMF Programme will have been achieved
- Excluding the impact of banking measures, Exchequer deficit fell by around €2¾ billion year-on-year – a positive development
- 2011 Exchequer deficit approximately €0.3 billion less than anticipated in *Budget 2012*



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