Exchequer Returns End January 2014

Information Note

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Department of Finance

Summary

- An Exchequer deficit of €1.1 billion was recorded in January 2014. This compares with a surplus of €0.7 billion in January 2013.

- The main drivers behind this year-on-year increase in the Exchequer deficit are the sale of the Bank of Ireland Contingent Convertible Capital notes for over €1 billion in January 2013 and the delay in receiving certain tax revenues into the Exchequer, due to the introduction of SEPA. This is a technical timing issue and was discussed in an information note published on Friday 31st January.

Revenue

- Tax revenue in January saw a reduction of €644 million (17.1%) year-on-year. Certain tax heads have been impacted by the introduction of SEPA. Under this system the first presentation of direct debits may take up to seven banking days. As the file and pay date for Revenue On Line Services was the 23rd of January, some receipts have been delayed. This is a technical timing issue and does not alter the tax forecast for the year. It should be noted that €527 million was collected on the first banking day of February compared to €80 million in 2013.

- Assuming that SEPA delayed monies come in as anticipated (most of it already has) and stripping out the impact of the stamp duty one off in January 2013, tax revenues proper to January 2014 are expected to have grown by about 5% year-on-year.

- Income tax totalled €1,236 million for the month, a reduction of €151 million (10.9%) year-on-year, reflecting the impact of the delayed receipts following the introduction of SEPA.

- VAT receipts in the month totalled €1,369 million, which represents a decrease of €372 million (21.4%) from January 2013. Again the delay due to the first presentation of direct debits under the SEPA scheme has impacted VAT receipts significantly.

- Corporation tax receipts of €7 million in January 2014 are €11 million (60.8%) down on January 2013. While January is not an important month in terms of overall corporation tax collection, it still shows the impact of delayed direct debits.

- Excise duties, at €342 million for the month, are €24 million (7.4%) up year-on-year. The various excise revenue raising measures that were introduced in Budget 2014 are likely to have contributed to this performance. Further, car sales are up considerably on January 2013 resulting in higher VRT receipts.

- Stamp Duties were down €181 million (77.5%) year-on-year. This is primarily due to a €170 million receipt in January 2013, in respect of health insurance policies renewed in the last five months of 2012. The Health Insurance Levy for policies renewed after the 1st January 2013 are paid into the Risk Equalisation Fund rather than the Exchequer account. Excluding this once off payment, stamp duties are marginally down compared to the same period last year.

- Local Property Tax receipts during the month amounted to €33 million. As LPT was introduced mid-2013, there are no year-on-year comparisons available at this stage.

- Taken together, the remaining smaller tax-heads – Customs, CGT, CAT and – are up €12 million (38.3%) year-on-year.

Non-tax revenue

- **Non-tax revenue,** at €219 million for January 2014 is down €4 million (1.6%) year-on-year. Bank guarantee receipts have reduced significantly year-on-year, from €210 million to €56 million due to the closing of the ELG scheme in March 2013. This reduction is offset by the receipt of a special dividend from the ESB of €153 million.

Capital receipts

- **Capital receipts**, at €1,353 million for January 2014, are down €292 million (17.7%) year-on-year. This reduction is driven by the sale of the contingent convertible capital notes in Bank of Ireland in January 2013 and partially offset by the refund of the December 2013 advance to the supply account in January 2014 and the timing of the sinking fund payment this year.

Expenditure

Voted Expenditure

- **Net voted expenditure** for January 2014 was €4,134 million, this represents a year-on-year increase of 3.8% or €152 million.

- **Net voted current expenditure** to end-January was €4,001 million, which is a 3.3% or €127 million increase over January 2013. The largest Departmental increase in net voted current expenditure arose in the Department of Social Protection, which recorded an increase of €141 million (12.1%) year-on-year. This was driven by an additional weekly payday in January 2014, (5 as opposed to 4 in January 2013) and had an impact on both contributory and non-contributory pensions and widow/ers pensions. Another factor was the implementation of the Single Euro Payments Area (SEPA) which has resulted in a slight delay in the pay-over of PRSI receipts amounting to almost €140 million. The additional payday and the introduction of SEPA are both timing issues which will be unwound later in the year.

- **Net voted capital expenditure** to end January amounted to €133 million, an increase of €25 million (23.2%) year-on-year.

- **Gross voted expenditure** has increased €114m or 2.4% year-on-year to €4,803 million; of which €88 million arises on the current side and €26 million on the capital side. The largest Departmental increase in gross expenditure was in the Department of Education and Skills, which increased expenditure by €69 million (9.1%) year-on-year. The main reason behind this increase was due to the improved processing of Student Support payments. This is a timing issue and will not impact overall annual expenditure.

Non-voted expenditure

- **Non-voted capital expenditure,** at €501 million for January 2014, was up €347 million year-on-year. This increase is due to a temporary loan to the Social Insurance Fund.

- **Non-voted current expenditure**, excluding debt servicing costs, stands at €241 million for the month, compared to €232 million for January 2013.

Debt Servicing costs

- Adjusting for the timing of the sinking fund payment, the cost of servicing the national debt in January 2014 was €368 million, a year-on-year reduction of €201 million or 35%. This reduction is due primarily to the buy-back and cancellation, in December 2013, of €4.1 billion of the Government bond which matured last month and the resulting lower interest payment. On a headline basis – that is including the sinking fund payment – debt service costs increased by €399 million year-on-year.