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Relate

Contents

Page No.

1. Social welfare
3. Housing
4. Education
4. Child and family support
5. Taxation
6. Employment and business
6. Health
7. Environment
7. Agriculture
7. Brexit preparations
8. Other announcements

The journal of developments in social services, policy and legislation in Ireland

Budget 2019

Budget 2019 was announced on 9 October 2018. This issue of *Relate* covers some of the main announcements from Budget 2019.

Most of the Budget measures announced will come into effect in 2019. Some came into effect on 10 October 2018, for example, increased excise duty on tobacco products. Most of the Budget measures are set out in the Finance Bill 2018 (which deals with most of the tax changes in the Budget) and the Social Welfare, Pensions and Civil Registration Bill 2018 (which covers social welfare related changes).

The Budget statements and background documents are published on budget.gov.ie. The *Expenditure Report 2019* sets out details of expenditure in all areas of government for 2019. Details of these changes are also available on the websites of the relevant government departments. In 2019, total gross voted expenditure will be €66.5 billion.

Social welfare

The *Expenditure Report 2019* shows that 35% of government spending will go to the Department of Employment Affairs and Social Protection – which amounts to €20.5 billion in 2019. Examples of how this budget will be spent include:

- Pensions: €8.041 billion. Pensions are paid to over 630,000 people.
- Working age income supports: €3.917 billion. These are paid to about 340,000 people.

INSIDE: Increases in social welfare payments p2, Christmas Bonus p2, Payments to people in direct provision p2, Parental Benefit p2, Self-employed people p2, Domiciliary Care Allowance p2, One-parent families p2, Working Family Payment p2, BSCFA p3, Fuel Allowance p3, Supports for homeless people p3, People in mortgage arrears p3, Primary and post-primary schools p4, Higher and further education and training p4, Childcare p4, Tusla p5, Income tax p5, Other tax changes p5, National minimum wage p6, Prescription charge p6, Drugs Payment Scheme p7, GP visit card p7, National Treatment Purchase Fund p7, Electric and hybrid vehicles p7

- Income supports for illness, disability and carers: €4.413 billion. These are paid to 345,000 people.
- Children: €2.654 billion. Child Benefit is paid monthly to 629,000 families in respect of 1.2 million children.

Increases in social welfare payments

Weekly social welfare payments will increase by €5 per week, with proportional increases for qualified adults and people on reduced rates of payment.

The increase applies to weekly payments, including:

- State Pension (Contributory)
- State Pension (Non-Contributory)
- Widow's, Widower's or Surviving Civil Partner's Pension
- Disablement Pension
- Maternity Benefit
- Paternity Benefit
- Adoptive Benefit
- Illness Benefit
- Blind Pension
- Carer's Benefit
- Carer's Allowance
- Disability Allowance
- Invalidity Pension
- One-Parent Family Payment
- Jobseeker's Benefit
- Jobseeker's Allowance
- Jobseeker's Transitional Payment
- Farm Assist
- Back to Education Allowance
- Back to Work Enterprise Allowance

The increase also applies to employment programmes such as Community Employment (CE), Tús and the Rural Social Scheme.

People aged 25 and under who are getting a reduced rate of Jobseeker's Allowance will receive the full €5 increase.

The increase applies from the week beginning 25 March 2019.

A social welfare payment is made up of a weekly amount for you as an individual, called the personal rate. You may also get an extra amount for your child, called an Increase for a Qualified Child (IQC). In Budget 2019, the weekly rate for a qualified child aged under 12 will increase by €2.20: from €31.80 to €34. For a child aged 12 or over, it will increase by €5.20: from €31.80 to €37.

Christmas Bonus

A Christmas Bonus will be paid by the first week of December 2018 to people getting a long-term social welfare payment.

The Bonus will double your normal weekly payment for one week only, with a minimum payment of €20.

Payments to people in direct provision

From 25 March 2019, the Daily Expenses Allowance (formerly called Direct Provision Allowance) weekly rate will increase from €21.60 to €38.80 for adults and from €21.60 to €29.80 for children.

Parental Benefit

A new Parental Benefit scheme, paid at the same rate as Maternity Benefit and Paternity Benefit, will be introduced in November 2019 for insured employees and self-employed people. It will provide two weeks' extra leave to every parent of a child in their first year.

Self-employed people

Jobseeker's Benefit will be extended to self-employed people in late 2019.

Domiciliary Care Allowance

Domiciliary Care Allowance is a monthly payment for a child aged under 16 with a severe disability. From 1 January 2019, Domiciliary Care Allowance will continue to be paid for three months where the child being cared for has died.

Cost of disability

€300,000 will be provided to commission research on the cost of living with a disability. It is intended that this research will inform future policy on support for people with disabilities.

One-parent families

If you are parenting alone and receiving either One-Parent Family Payment (OFP) or the Jobseeker's Transitional (JST) payment, the amount of payment you receive depends on your earnings. The earnings disregard for the OFP and the JST payment will increase by €20 per week, from €130 to €150 per week, from 28 March 2019. This means you will be able to earn up to €150 per week and still qualify for the full OFP or JST payment.

Working Family Payment

The Working Family Payment (WFP) is a weekly payment available to employees with children on low pay.

A maintenance disregard of €95.23 per week will apply for housing costs such as rent or mortgage with the rest of your maintenance assessed at 50%. This will bring WFP into line with other social assistance schemes.

Back to School Clothing and Footwear Allowance

The Back to School Clothing and Footwear Allowance (BSCFA) helps you meet the cost of uniforms and footwear for children going to school. To qualify for BSCFA, you must be receiving certain social welfare payments or attending a qualifying training course or employment scheme.

In 2019, the BSCFA will increase by €25 per child: from €125 to €150 for children aged 4-11 and from €250 to €275 for children aged 12-22 in full-time second-level education.

Fuel Allowance

Fuel Allowance is a means-tested payment under the National Fuel Scheme to help with the cost of heating your home during the winter months. The fuel allowance season began on 1 October 2018 and will be extended by one week to cover the first week of April 2019, making a total of 28 weeks. The allowance is €22.50 per week.

Pension benefits for same-sex spouses and civil partners

An amendment to the Pensions Act 1990 will extend the right of entitlement, in certain circumstances, to spousal pension benefits (such as Widow's, Widower's or Surviving Civil Partner's (Contributory) Pension). It will now also apply to same-sex spouses and civil partners who are members of occupational pension schemes.

School meals

A pilot programme to provide hot school meals will be delivered in up to 36 DEIS schools in 2019. These are schools that fall under the Department of Education and Skills' social inclusion strategy: Delivering Equality of Opportunity in Schools.

Housing

A total of €2.3 billion is allocated to the Department of Housing, Planning and Local Government for housing in 2019. In addition, local authorities will spend an extra €93 million on housing programmes, funded from Local Property Tax surpluses. This brings the total spending on housing to almost €2.4 billion for 2019.

Social housing support

€1.25 billion has been allocated for the delivery of 10,000 new social homes in 2019 through a combination of construction, acquisition and leasing. Out of this €1.25 billion, the Social Housing Current Expenditure Programme will receive an increase of €40 million, bringing the total to €155 million for 2019.

The Housing Assistance Payment (HAP) is a form of social housing support for people who have a long-term housing need. Currently, HAP supports approximately 37,000 households. Funding for HAP is increasing by €121 million to €423 million in 2019 to provide an extra 16,760 HAP tenancies, as well as supporting people already on HAP.

Under the Rental Accommodation Scheme (RAS), local authorities draw up contracts with landlords to provide housing for an agreed term for people with a long-term housing need. The local authority pays the rent directly to the landlord. Funding of €134 million is allocated to RAS in 2019 to provide for an extra 600 new tenancies, as well as supporting households already on RAS.

Funding of €13 million is allocated in 2019 for a range of Traveller-specific accommodation schemes, including the provision of additional group housing.

The energy efficiency programme for social homes will receive funding of €25 million in 2019 to improve the energy efficiency of 9,000 social homes.

Supports for homeless people

The allocation for homeless services will increase by €30 million to €146 million in 2019. This money will fund emergency accommodation and help people to transition from homelessness into long-term housing.

An extra €60 million will be made available to fund additional emergency accommodation and family hubs for winter 2018/2019.

People in mortgage arrears

€23 million has been allocated to the Mortgage-To-Rent Scheme for 2019, an increase of €1 million over 2018. This will extend the scheme to 400 households. It allows people in mortgage difficulty to switch from owning their home to renting it as a social housing tenant.

Affordability

A new Serviced Sites Fund will receive €89 million in 2019. This fund will deliver at least 6,000 subsidised affordable

homes on local authority sites over its lifetime. The scheme will apply to new homes for single people earning up to €50,000 and couples earning up to €75,000.

€41 million has been allocated to the Local Infrastructure Housing Activation Fund (LIHAF). This fund helps to accelerate the provision of public infrastructure (such as roads) to allow for the development of land for housing, some of which will be used for social and affordable homes.

Regeneration, adaptations and remediation

The National Regeneration Programme will receive funding of €72 million in 2019. Projects being funded under the programme target the country's most disadvantaged communities, who experience high levels of social exclusion, unemployment and anti-social behaviour.

Funding for housing adaptation grants will increase to €57 million in 2019 from €53 million in 2018. These grants fund home adaptations for people with disabilities and older people, so they can continue to live in their own homes.

Funding of €32 million is allocated for remedial works to a further 460 houses affected by pyrite contamination.

Private rented housing

From 1 January 2019, the interest relief that landlords can claim against mortgages used to buy, improve or repair a residential property will increase from 85% to 100%.

An additional €4.6 million will be provided to the Residential Tenancies Board (RTB) in 2019, bringing its allocation to €11.5 million to help the RTB to enforce rent caps and expand its programme of rental inspections.

Education

Over €10.8 billion will be spent in the education sector in 2019.

Primary and post-primary schools

The standard capitation grant will increase by 5% from September 2019.

From September 2019, there will be an extra 372 teaching posts in schools. 271 of these are in response to rising numbers of pupils and 101 are to provide additional special classes.

A further 950 Special Needs Assistants (SNAs) will be recruited, bringing the total number to over 15,900. The Government will implement the Comprehensive Review of the SNA Scheme, which proposes a new school inclusion model to deliver the right supports at the right time to students with additional care needs, and will provide €4.75 million in funding to start this.

From September 2019, funding will be provided for 23 administrative deputy principal posts in special schools that currently have a principal and 15 or more class teachers.

10 additional psychologists will be recruited to the National Education Psychological Service to support wellbeing in schools.

€50 million is allocated to deliver the continued roll-out and upgrade of ICT infrastructure in all schools.

Higher and further education and training

3,500 extra places will be provided in higher education.

1,000 additional Springboard+ places will be introduced in 2019. Springboard+ provides free higher education courses for people who are unemployed.

There will be 1,200 new apprenticeships, 1,100 new traineeship enrolments and 10 new apprenticeship schemes in 2019.

An extra €6 million is provided for Skillnet Ireland (which promotes workforce learning) and €11 million for employee skills development initiatives.

A new Human Capital Initiative will allocate €300 million over the period 2020-2024 to meet the future skills needs of the economy and provide extra investment at levels 6-8 in higher education.

The allocation for 2019 includes over €150 million for higher education, further education and training, and research. New projects in the higher education sector include an engineering campus for Limerick Institute of Technology, upgraded STEM and teaching facilities at Dundalk IT, and the development of the E3 Institute at Trinity College Dublin.

Child and family support

Childcare

Extra funding of €89 million will allow for increased income thresholds for the Affordable Childcare Scheme and for the

ongoing development of the scheme. In 2019:

- The base income threshold will be €26,000
- The maximum income threshold will be €60,000
- The multiple child deduction will be €4,300

The extra funding will also support measures to improve the inspections of early years childcare programmes.

The Affordable Childcare Scheme, which is expected to start in November 2019, will replace the existing Community Childcare Subvention, After-School Childcare Scheme, Childcare Education and Training Support programme and Community Employment Childcare programme. However, the existing childcare subsidy schemes will remain in place for the 2019/20 programme.

Tusla – the Child and Family Agency

Funding for Tusla will increase by €33 million to just over €786 million. The additional funding is to:

- Implement Health Information and Quality Authority (HIQA) recommendations on the management of child sexual abuse allegations
- Fulfil commitments to unaccompanied minor refugees
- Relieve cost pressures in private residential and foster care
- Allow for further investment in services that offer support in cases of family and domestic, sexual or gender-based violence

Taxation

Income tax

Tax is charged as a percentage of your income. The percentage that you pay depends on the amount of your income and on your personal circumstances. There are a range of income tax reliefs available based on your personal circumstances that can reduce the amount of tax you have to pay.

The first part of your income, up to a certain amount, is taxed at 20%. This is known as the standard rate of tax, and the amount that it applies to is known as the standard rate tax band. The remainder of your income is taxed at the higher rate of tax, which is currently 40%.

From January 2019, the threshold for the higher rate income tax band (40%) will increase by €750. This means, for example, an increase from €34,550 to €35,300 for single individuals and an increase from €43,550 to

€44,300 for married couples with one earner.

It was further announced in the Finance Bill 2018 that lump sum payments under the following schemes will be exempt from income tax:

- Hepatitis C compensation payments
- Magdalene Restorative Justice payments

PAYE modernisation

Revenue's updated PAYE system will be fully operational from 1 January 2019. Employers will need to calculate and report their employees' pay and deductions as they are paid. PAYE modernisation is designed to streamline current business processes and make it simpler for employers to meet their PAYE reporting obligations.

Universal Social Charge (USC)

Incomes of €13,000 or less will continue to be exempt from USC in 2019. Once your income is over this limit, the following rates will apply:

- €0 to €12,012 @ 0.5%
- €12,012 to €19,874 @ 2%
- €19,874 to €70,044 @ 4.5%
- €70,044+ @ 8%
- Self-employed income over €100,000: 3% surcharge

The weekly income threshold for the higher rate of employer's PRSI will increase from €376 to €386.

Capital Acquisitions Tax (CAT)

If you receive a gift, you may have to pay gift tax on it. If you receive an inheritance following a death, it may be liable to inheritance tax. Both these taxes are types of Capital Acquisitions Tax.

The Group A tax-free threshold, which applies primarily to gifts and inheritances from parents to their children, will be increased from €310,000 to €320,000. The increase applies to gifts or inheritances received on or after 10 October 2018.

Other tax changes

In January 2019, the Home Carer Tax Credit will increase by €300: from €1,200 to €1,500.

The Earned Income Tax Credit for self-employed people will increase from €1,150 to €1,350.

The exemption for young trained farmers from stamp

duty on agricultural land transactions was due to expire at the end of 2018. This will now continue for another three years, until the end of 2021.

The excise duty on a packet of 20 cigarettes increased by 50 cent (including VAT) with a pro-rata increase on other tobacco products. An additional 25 cent was added on roll-your-own tobacco. These changes took effect from midnight on 9 October 2018.

All cigarettes sold below €11 per packet now carry the same excise as those sold at €11 and above.

The duty on bets placed by customers in the State will increase from 1% to 2% for bookmakers, and from 15% to 25% on the commissions earned by betting intermediaries.

A 1% VRT surcharge (applied across all VRT bands) is being introduced for diesel engine passenger vehicles registered in the State from 1 January 2019.

Employment and business

The Department of Business, Enterprise and Innovation has a budget allocation of €950 million in 2019.

National minimum wage

The national minimum wage will increase from €9.55 per hour to €9.80 per hour from 1 January 2019.

Key Employee Engagement Programme (KEEP)

KEEP is an incentive to help small and medium-sized enterprises (SMEs) to attract key employees by offering share-based remuneration.

Employees who make gains from their KEEP share options are liable to pay Capital Gains Tax when they sell the shares, instead of paying income tax, USC and PRSI on these gains. SMEs can take advantage of this incentive when they grant qualifying share options between 1 January 2018 and 31 December 2023.

Budget 2019 has introduced further changes to KEEP to help SMEs to compete for skilled staff. These include:

- Increasing the ceiling on the maximum annual market value of shares that may be awarded to equal the full amount of the salary (an increase from 50%)
- Placing a lifetime limit on the shares that can be offered
- Increasing the overall value of options that can be awarded per employee from €250,000 to €300,000

VAT rate on tourism and services

The VAT rate for the tourism sector will increase from 9% to 13.5% from January 2019. The rate for newspapers and sporting facilities will continue at 9%. VAT on books and electronically supplied newspapers will reduce from 23% to 9% in January 2019.

Future Growth Loan Scheme

A new Future Growth Loan Scheme has been announced for SMEs and the agriculture and food sector. The scheme will offer loans over a term of 8 to 10 years to allow businesses to make long-term investments after Brexit. The scheme will be run by the Strategic Banking Corporation of Ireland through participating finance providers. Legislation will be required to implement the scheme and the European Investment Fund Agreement Bill 2018 has now been published.

Disruptive Technologies Innovation Fund

As part of the National Development Plan 2018-2027, a Disruptive Technologies Innovation Fund has been established to make available €500 million for investment in co-funded projects involving enterprise and research. Disruptive technology is technology that can change the way markets and businesses operate. It can involve a new product, process or business model. Projects can be funded for up to three years.

Start Your Own Business Relief

The Start Your Own Business tax relief for profit-making start-up companies which create and maintain jobs is being extended for three years, until the end of 2021.

Health

The Department of Health will receive an increase of €1.05 billion in funding, giving it a total budget of €17 billion in 2019. The Budget features over €200 million to implement the Sláintecare Implementation Strategy, intended to deliver a sustainable and equitable health and social care service over the next 10 years.

Prescription charge

If you have a medical card, you pay a charge for medicines and other items that you get on prescription from pharmacies. For people aged 70 and over, the prescription charge will be reduced from €2 per item in 2019 to €1.50

per item in 2019. Prescription charges will be phased out for people in emergency accommodation.

Drugs Payment Scheme

Under the Drugs Payment Scheme, you currently pay a maximum of €134 in a calendar month for approved prescribed drugs, medicines and certain appliances in that month. The maximum amount you pay in 2019 will reduce from €134 to €124 per month.

GP visit card

A GP visit card allows you to visit a participating GP for free. Eligibility for the card is means tested, with different income limits depending on your age and circumstances. In 2019, the weekly income limits will be increased by €25.

National Treatment Purchase Fund (NTPF)

The total available budget for the NTPF will be €75 million in 2019, an increase of €20 million on 2018.

Other health measures

€9 million is provided to support the introduction of the HPV screening test for cervical cancer and to extend the HPV vaccination programme to boys.

€12 million is provided to develop public health services for termination of pregnancy.

100 new therapy posts will be recruited to address backlogs in Assessment of Need applications for children with disabilities and increase access to therapies for children.

Environment

Climate change and waste management

The Department of Communications, Climate Action and Environment will invest over €164 million in 2019 to help to achieve Ireland's energy efficiency and renewable energy objectives, in line with the National Mitigation Plan. Measures include:

- Energy efficiency upgrades in residential, public and commercial building stock to reduce CO₂ emissions
- Promotion of renewable energy in the heat sector through the Support Scheme for Renewable Heat
- Incentives to use electric vehicles

- Energy research to promote diversification away from fossil fuels to green energy

€103.5 million has been allocated to the Forestry Programme for improvements in incentives for planting forests.

Additional funding of €70 million is provided for the Environment and Waste Management Programme and for the continued promotion of initiatives on environmental protection, waste prevention, climate change and the remediation of environmentally degraded landfill sites.

Electric and hybrid vehicles

€13 million has been allocated to continue to incentivise the uptake of electric vehicles. The benefit-in-kind relief for battery electric vehicles has been extended for three years (subject to a cap of €50,000 on the value of the vehicle) and VRT relief on hybrid and plug-in hybrid electric vehicles has been extended for one year.

Alternatives to diesel

Measures will be introduced to encourage the uptake of gas-propelled commercial vehicles including an accelerated capital allowances scheme for gas-propelled commercial vehicles and refuelling equipment.

Ireland will no longer buy diesel-only buses for the urban public service obligation (PSO) bus fleets after July 2019.

Agriculture

€70 million is provided for the Targeted Agriculture Modernisation Scheme (TAMS) which provides grants to farmers to build or improve a specified range of farm buildings and equipment on their holdings.

€20 million has been allocated for the introduction of the Beef Environmental Efficiency Pilot (BEEP) scheme to improve the carbon efficiency of beef production.

Brexit preparations

All Government departments are preparing for Brexit, including the possibility of a 'no-deal' Brexit. There is still considerable uncertainty around the form of any post-exit arrangement. Funding of over €110 million has been allocated to Brexit measures across Government departments including:

The Citizens Information Board provides independent information, advice and advocacy on public and social services through citizensinformation.ie, the Citizens Information Phone Service and the network of Citizens Information Services. It is responsible for the Money Advice and Budgeting Service and provides advocacy services for people with disabilities

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Agriculture, food and the marine

A package to address challenges arising from Brexit in the farm and food sectors, including:

- Provision for initial staffing and ICT needs to deal with the regulatory requirements of Brexit
- Funding for Bord Bia to support Brexit-related promotion and development work
- Investment in food innovation facilities
- Investment in food companies to improve productivity and competitiveness

Business, enterprise and innovation

Measures include:

- Loans under a new Future Growth Loan Scheme to allow businesses (including farmers) to make strategic investments after Brexit
- Encouraging enterprise agencies to reach out internationally to take advantage of opportunities that may arise from Brexit
- IDA property investment in further regional locations
- Strengthening and resourcing the Office of the Director of Corporate Enforcement
- Resourcing Local Enterprise Offices to help fund local and indigenous enterprises

The Health and Safety Authority, the National Standards Authority and the Competition and Consumer Protection Commission have been assigned additional resources to meet Brexit-related challenges.

Foreign affairs and trade

Measures include:

- Allocating extra resources to the Passport Service to meet rising demand, including Brexit-specific increases
- Increasing support to organisations that promote reconciliation and understanding between communities within Northern Ireland, and between Northern Ireland and Ireland
- Continuing to implement the Global Ireland Initiative

Other announcements

Funding for the Data Protection Commission will increase by €3.5 million to €15.2 million, which will allow for the recruitment of approximately 40 additional staff.

The Government will start work with the Central Bank on the regulation of crowdfunding in Ireland.

A pilot scheme on gender and equality budgeting will be extended to assess the impact of budgets in the areas of poverty, socio-economic inequality and disability.

Overseas Development Aid will increase by €110 million to €817 million in 2019.

The Social Welfare, Pensions and Civil Registration Bill 2018 includes a provision where the Minister for Employment Affairs and Social Protection will share the analysis being conducted by the DEASP on the impact of Brexit on the reciprocal arrangements for social insurance schemes, social assistance schemes and child benefit between Great Britain, Northern Ireland and the Republic of Ireland.

Please note that this issue of *Relate* is a combined November/December publication. In 2019, we will continue to publish *Relate* bi-monthly.

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