STATEMENT OF STRATEGY
2017 - 2020

An Roinn Airgeadais
Department of Finance
3 Message from the Minister
5 Foreword by Secretary General
7 Our Mission
8 Our Values
11 Our Goals
13 Key Challenges, Risks and Opportunities in our Operating Environment
17 Moving Towards Our Strategic Goals
21 Structures in the Department
23 Enhancing Our Resources
27 Department of Finance ‘Programme for A Partnership Government’ Commitments (2016)
Message from the Minister >

This is a Statement of Strategy for the Department of Finance for the period 2017-2020.
The economy continues to perform strongly. Importantly, employment is increasing, leading to improvements in living standards. The prudent fiscal management of recent years has laid the foundation for Ireland’s recovery and I will maintain this approach to our national finances, so that Government can plan for further improvements in the years ahead, businesses can invest with confidence and tax payers can be assured that their money is being spent wisely. The important policy work of my Department will be shaped for the coming years by the commitments set out in the Programme for Partnership Government. Working closely with the Oireachtas, we will seek to implement these policies which are in the interests of all of our citizens.

The economy continues to grow strongly and sustainable growth is forecast for the coming years. Employment is more solidly based with jobs being created across all sectors of the economy. My Department is forecasting that there will be a further 50,000 people at work next year (2018), in addition to the 48,000 jobs created this year. Indeed, with the unemployment rate expected to go below 6 percent next year, we are now approaching what is considered to be full employment.

The growth of the economy has been mirrored in the public finances. This recovery has not happened by accident. It has been achieved following many difficult years of careful management of our finances underpinned by consolidation on both the revenue and expenditure sides. We must and will continue to pursue the policies that ensure we are on a stable footing and that what we spend is sustainable into the future.

Against this relatively positive economic backdrop, a new set of challenges and opportunities have emerged. The outcome of the UK’s referendum on EU membership will be a defining challenge for this Government. So too will challenges to the international environment.

Domestically there is a critical need to increase housing supply as we work towards meeting the demand for housing in both the public and private spheres. But we will meet the demands, in this and other sectors.

Government will chart a course to ensure that continued robust economic growth provides the resources necessary to advance social progress, promote inclusivity, fairness and provide high-quality public services to all citizens.

The Strategy for the Department of Finance for 2017-2020 will focus on maintaining a sustainable economic environment, sound public finances and a balanced and fair economy. I look forward to working with my Department officials in pursuit of these objectives in the face of key challenges and opportunities under the guidance of Secretary General Derek Moran and his team.

Paschal Donohoe, TD
Minister for Finance
Foreword

I have the pleasure of presenting to the Government the Department of Finance’s Statement of Strategy 2017-2020.
This three year strategy is about looking forward. It looks to consolidate the progress achieved in recent years, put in place the necessary structures for further economic and social progress and creating the necessary buffers to support the economy in the event of deterioration in the global economic situation.

The Government has set out its priorities. These are designed to build upon the solid progress made to date, to enable all citizens participate in the recovery, to ensure a more regionally balanced composition of activity, to enhance the provision of high quality public services and to make the economy more resilient to external events.

Through this Strategy the Department will continue to pursue a debt-GDP ratio that is on a downward trajectory, and an Irish sovereign that continues to be rated as investment grade by all of the main credit rating agencies. It will implement the Government’s medium term fiscal strategy to ‘balance the books’, once account is taken of the economic cycle on the public finances.

The Department will continue to manage the State’s investments in the domestic banking system and also work to promote a vibrant financial services sector capable of supporting the real economy.

The uncertainty surrounding the post-exit economic relationship between Ireland and the UK will be a key challenge for the Department in the coming years.

The Department will continue to work at international level to help influence the debate around corporate taxation and will strongly engage with the legal challenge to the to the European Commission’s State Aid ruling.

Against the backdrop of an increasingly complex and ever-changing political, business and international environment, we recognise the need to routinely evaluate our structures, systems and resources. We will continue to focus on enhancing and developing leadership skills and capability throughout the Department to allow us to perform better both as individuals and teams to facilitate higher performance and foster commitment, dedication, cooperation and active engagement. This will ensure that the Department is imbued with a common purpose, built on a shared set of values and is efficient, high-performing, capable and adaptable to overcome the strategic challenges that we face and to keep our priorities in focus.

Derek Moran
Secretary General
Our Mission>

The Department’s mission is to manage Government finances and play a central role in the achievement of the Government’s economic and social goals having regard to the Programme for a Partnership Government. In this way we will play a leadership role in the improvement of the standards of living of all Irish citizens.
Our Values>

In order for the successful delivery of our Mission, the provision of a high standard of advice to our Ministers and Government and to achieve our objectives, it is important that we have a shared set of values. These shared values drive behaviour and define a culture that supports our efforts to deliver in a professional, efficient, fair and balanced manner.

The values of integrity, objectivity, impartiality, openness, accountability and respect are the code to which the Department subscribes, and these are aligned with those standards as reflected in the Civil Service Code of Standards and Behaviours, the Code of Ethics and the Civil Service Renewal Plan, to which all civil servants are held. Staff must familiarise themselves with all the codes, rules and legislation governing the Civil Service.
The behaviours that shape our Departmental culture and enhance our capacity to do our work well in our dealings with external and internal stakeholders and with our own staff include:

**IN OUR DEALINGS EXTERNALLY**

Foster the trust of the public through quality service and good communication.

Apply the highest standards of integrity.

Cultivate a strong service culture, take ownership and pride in our work.

Be open, consultative and listen to and consider the opinions of others.

**IN OUR DEALINGS WITH COLLEAGUES**

Maintain a motivating and supportive relationship with our colleagues.

Give recognition where merited.

Apply rules and conditions consistently, equally and fairly.

Implement human resource practices to support our staff.

Value the roles and contributions of all of our colleagues.

**IN OUR DEALINGS INTERNALLY**

Cooperate, share information, resources and capability to achieve common goals.

Analyse issues impartially, examining information and evidence objectively.

Foster a positive work environment where staff are empowered to contribute.

Reinforce a performance-driven work culture.

Recognise initiative and continuous improvement.

Take initiative to address issues proactively, accept constructive feedback as aid to continuous improvement.

**CONSTANTLY LEARN, DEVELOP AND IMPROVE**

Build skills capability through effective training and the development of a learning culture.

Develop talented staff through training.

Continuously acquire new knowledge and skills.

Be cognisant of the behaviours and attributes needed to be effective in our roles.

Learn from experience and improve.
Finally, the Department is committed to openness and transparency in all aspects of our work. This ranges from how we develop policy to our engagement with the public and the Oireachtas.

We are committed to delivering policy in as open a way as possible, consistent with the law, and to the regular and timely publication of internal technical studies, policy reviews and other relevant statements, papers, reports and action plans. Extensive engagement with stakeholders, think-tanks and other experts help improve the quality of our policy advice. Open policy making is substantially supported by our public consultation processes. These help ensure that policy choices are carefully evaluated in an informed manner. The Department welcomes scrutiny whether from Internal Audit, the Audit Committee, external review agencies, regulatory bodies, the Comptroller and Auditor General, the Oireachtas or the public.
Our Goals >
This Statement of Strategy is consistent with the collaborative approach outlined in the Programme for a Partnership Government. All Government Departments as well as the Oireachtas Committee on Finance, Public Expenditure and Reform have been consulted and their views have been taken into consideration in preparation of the Strategy Statement, its strategic goals and underlying action plans for the coming years. It also takes into account the priorities and commitments in the Programme for a Partnership Government, the Civil Service Renewal Plan and the Public Service Reform Plan, Frameworks and Action Plans and other relevant overarching policy frameworks. In line with our Public Sector Duty, the Department of Finance is committed to developing the process of budget and policy proofing as a means of advancing equality, reducing poverty and strengthening economic and social rights.

In pursuing our mission, the Department is working for the period 2017 to 2020 towards achieving the following Strategic Goals:

1. A sustainable macroeconomic environment and sound public finances.

2. A balanced and equitable economy enabled by a vibrant, secure and well regulated financial sector.

We will do this by providing independent, impartial and well informed evidence based advice to Ministers and Government on the most appropriate taxation, budgetary and financial services policies to maintain solid economic growth. We will also advise on and implement policies that will ensure that Ireland’s financial system will be able to operate on a stable, sustainable and commercial basis.

Economic growth is not an end in itself. Instead it is a means of creating jobs, reducing unemployment and achieving equitable living standards and social recovery in a manner that is felt in the daily lives of individuals, families and communities across the country through stability, growth and job creation.

The Department, on behalf of the Minister, will continue to engage at all levels with European and International institutions to further Ireland’s economic, financial and social interests.
Key Challenges, Risk and Opportunities in our Operating Environment

We operate in a highly globalised economy. Indeed, the global economy has become increasingly integrated, as barriers to trade and the free movement of capital and labour are being progressively dismantled. As one of the world’s most globally-integrated economies, this presents us with enormous opportunities and challenges. To meet these we must continuously adapt in order to ensure that Ireland remains an attractive location for high value added economic activity.
The economic environment in which we operate is becoming increasingly complex. A salient feature of globalisation is a greater fragmentation of production across borders; technological and other factors also mean that services are increasingly traded across borders. As one of the most open economies in the world, this creates enormous opportunities for Ireland, including to re-position economic activity further up the value chain.

But it also creates challenges, not least of which relates to greater competition for mobile investment. The decision of the UK to leave the European Union is a risk that has crystallised, and the uncertainty surrounding the post-exit economic relationship between the two regions will be a key challenge for the Department in the coming years. Brexit creates particular challenges for the smaller indigenous sectors within the Irish economy, including agri-food, tourism and parts of manufacturing. We have already taken important steps to prepare our economy in both Budget 2017 and Budget 2018 and Brexit will be a critical factor in our longer-term economic strategy supporting prudent budgetary policy to improve the resilience of the economy against the backdrop of heightened uncertainty including from Brexit.

Through our collaboration with colleagues in other Government Departments/Agencies based both here and abroad in Missions overseas and the constructive engagement by Department officials at relevant EU and international fora, we will contribute to the whole of Government response on Brexit. In addition, while the outlook for world growth is improving, with the notable exception of the U.K, it is doing so against the background of increasing policy uncertainty, and of rising geopolitical tensions.

The more rapid than assumed pace of recovery and a labour market heading towards full employment brings additional challenges in terms of increasingly binding capacity constraints. In this context, the Department will work to ensure that overheating risks are identified and addressed.
The Department will continue to play a central role in promoting stability-oriented budgetary policies, in order to enhance domestic living standards and also, to re-build safety buffers to enable the economy to withstand possible deterioration in the external environment. Key to this will be a continued policy focus upon reducing our elevated debt levels and following achievement of the MTO (Medium Term budgetary Objective) the establishment of a ‘Rainy Day Fund’ to provide a counter cyclical buffer and ensure the long term sustainability of the public finances.

There is compelling evidence that a broad, stable tax base, combined with low rates of taxation is the most effective means by which taxation policy can support growth. A key feature of the Irish business model is a business taxation regime that supports entrepreneurship and job creation. The Department will continue to be at the forefront of the legal challenge to the European Commission State Aid ruling with respect to Apple and will engage with the State Aid regime where it impacts on taxation policy and practice.

Access to credit at reasonable rates is crucial for SMEs to expand and create additional employment. The Department will work both domestically and at an international level to promote measures that enhance the availability of credit for the SME (Small and Medium Enterprises) sector. At a European level, the Department will work to ensure legislative changes have the desired impact inter alia in promoting a vibrant financial services sector capable of supporting the real economy.

Compliance with the fiscal rules is critical in order to ensure that Ireland’s hard-won reputation is retained. The Department will continue to advise and communicate the need for ongoing compliance with the rules and engage constructively at a European level in this area.
The Department will continue to manage the State’s investments in the domestic banking system and advise the Government regarding the optimum approach and schedule for divestment. The Department will continue to proactively engage with the credit union sector in implementing the recommendations of the Credit Union Advisory Committee (CUAC). The Department will interact with institutions on key economic and financial issues and also work with the relevant bodies to ensure that key Government objectives – such as increased funding and investment in housing development – are achieved within the time horizon agreed.

The Department has a significant role in EU and International matters and officials from the Department articulate, defend and represent Ireland’s interests at a number of different fora. This is complemented by the work of the Department’s staff in the Permanent Representation of Ireland to the EU in Brussels and the staff seconded to international institutions including the European Commission.

The European Commission is due to bring forward its proposals on the post-2020 Multi Annual financial Framework (MFF) in May 2018. The post-2020 negotiations will be a key challenge and priority for the Department.

Our strategy also considers the key challenges facing us over the medium term including workforce demographics, housing supply pressures, the risk of overheating combined with rapid technological change against the backdrop of an increasingly complex and ever-changing political, business and international environment which is characterized by increasing uncertainty and how we match financial, staffing and property resources available to us to deliver our objectives.
Moving Towards
Our Strategic Goals >
We have identified a range of short term strategies/actions that will help us move towards fully achieving our strategic goals. Implementing these strategies/actions will result in a number of positive outcomes for each goal. We have also identified a range of performance measures in order to monitor the success of our strategies. Our strategies, expected outcomes and performance measures are set out in the following sections. All performance measures will be considered both in absolute terms as well as against EU and international norms.
<table>
<thead>
<tr>
<th>STRATEGIC GOAL</th>
<th>A STABLE MACROECONOMIC ENVIRONMENT AND SOUND PUBLIC FINANCES</th>
</tr>
</thead>
</table>
| OUTCOMES       | Balanced and sustainable pace of economic growth that contributes to a social economy  
                 Sound public finances that comply with the fiscal rules  
                 Protecting and advancing Ireland's position in the EU and internationally  
                 Reduction in public and private indebtedness  
                 Market access on favourable terms  
                 Sustainable, growth-friendly, efficient and equitable tax system  
                 Enhanced international tax reputation including corporate taxation  
                 Increased number of linkages between domestic and foreign-owned sectors |
| ACTIONS TO MEET OUR STRATEGIC GOAL | Implement budgetary policy in compliance with European and domestic fiscal rules, EU semester process, EU Economic Governance requirements  
                                             Economic policies to promote increased living standards, stability and job creation and advising on all policies to invest in society in delivering a strong, sustainable economy  
                                             Progress towards and maintenance of Medium-Term Budget Objective  
                                             Review and revise tax expenditures in the context of a dynamic environment to maintain competitiveness and equity  
                                             Establish contingency reserves (rainy day fund) once a balanced budget is achieved  
                                             Promote Ireland’s economic and financial interests on the world stage  
                                             Maximise opportunities and mitigate challenges resulting from the outcome of the UK EU referendum  
                                             Ensuring Ireland’s effective involvement with International Financial Institutions and multilateral development banks  
                                             Monitoring and advising on emerging trends and risks |
| PERFORMANCE MEASURES | Improved labour market performance  
                           Increase in GDP per capita, GNP growth, Distribution of income  
                           Target sustainable revenue and expenditure levels  
                           Government balances that comply with the fiscal rules  
                           Yield on Irish government paper relative to German equivalent  
                           Implementation of Road Map for International Tax Competitiveness |

Performance measures will include among others:
## STRATEGIC GOAL 2

**A BALANCED AND EQUITABLE ECONOMY ENABLED BY A VIBRANT, SECURE AND WELL REGULATED FINANCIAL SECTOR**

### OUTCOMES

- A supportive environment for enterprise and employment
- Conditions to support housing delivery and growth in household income and wealth
- Equitable access to governmental services that underpin long term sustainable growth
- A well-regulated, effectively supervised, competitive and more stable financial services sector that protects consumer interests
- Continuing development of Ireland as a location of choice for investment for international foreign financial services firms
- Ensure the taxpayers’ investment in the domestic banks is fully recouped.
- Availability of sustainable credit union, bank & non-bank funding sources to extend recovery into the domestic economy and to respond to the needs of a changing economy

### ACTIONS TO MEET OUR STRATEGIC GOAL

- Work to maintain effective and efficient structures and procedures for the financial regulation and supervision of individual service providers and the conduct of business by financial service firms
- Enhanced two way communication with other policy makers, industry and academic commentators both domestically and internationally
- Lead cross-Departmental and cross-Agency IFS 2020 efforts
- Careful management and disposal of our bank holdings and ensure that NAMA continues to fulfil its strategic objectives
- Support funding mechanisms for the delivery of affordable housing
- Advance measures on financial inclusion to ensure access to financial services for all
- Work with the Central Bank and NTMA to ensure financial stability
- Develop a strategic approach to Government banking and payment services
- Continue to oversee policy development to make sustainable credit, finance and investment available to viable households and small and medium sized business and invest in Irish enterprises and Infrastructure
- Participate in cross-Government initiatives to increase pension cover and deliver a simplified consistent and understandable pensions system in the context of an ageing population

### PERFORMANCE MEASURES

Performance measures will include among others:

- Competitiveness, productivity levels and other relevant indicators benchmarked against EU and international norms
- Sustainable levels of personal, mortgage and business debt and Levels of credit and funding available to households and viable small and medium sized businesses
- Positive commentary, reports and assessments by external agencies, media and the global business community
- Investment into the Irish financial services sector
- Best return on our investment from the banking sector and assets
Structures in the Department >

Our organisational structure derives from our core job of providing policy advice to the Minister and the provision of the infrastructure that is integral to support that role. The structure is not fixed but changes and evolves according to needs and emerging priorities.

It is key to the proper administration of the functions entrusted to the Department that there is clarity about individual roles and responsibilities. This clarity is provided by the senior management team. The organisation structure is shown here:
SECRETARY GENERAL

- BANKING DIVISION
- ECONOMIC DIVISION
- EU & INTERNATIONAL DIVISION
- FUNDS, INSURANCE MARKETS & PENSIONS DIVISION
- INTERNATIONAL FINANCE DIVISION
- SHAREHOLDING & FINANCIAL ADVISORY DIVISION
- TAX DIVISION
- CORPORATE AFFAIRS & FINANCE UNIT
- FACILITIES MANAGEMENT UNIT
- HUMAN RESOURCES UNIT
- LEGAL UNIT
Enhancing Our Resources >

Over recent years the Department has implemented changes with the aim to develop a modern, professional and forward-looking Department. We have adapted, realigned and enhanced our resources in order to achieve the goals we set ourselves. We will continue to build and improve on the work started over the timeframe of our last Statement of Strategy.
Our success in achieving the goals we set will be delivered by our people; they are at the centre of everything we do. We will focus on enhancing and developing leadership skills and capability throughout the Department to allow us to perform better both as individuals and in teams to facilitate high performance and foster commitment, dedication, cooperation and active engagement. There will also be a focus on continuously adapting and improving our operating model so that our organisational structure, accountabilities and responsibilities, governance, culture, employee values and behaviours, along with a learning culture, and the right processes and technology, all work together to support our strategic priorities.
The Department’s Statement of Strategy will be delivered by its people; they are at the centre of everything we do. It is their knowledge, skills and abilities, when working both as individuals and collectively as part of teams, that delivers the organisation’s priorities and objectives, adding value through their work. We will continue to develop and implement underlying actions to our HR Business Strategy 2016-2019 with a focus on Leadership, Employee Engagement, People Management, enhancements to our IT systems, Organisational Structure/Workforce Planning and Organisational Learning & Development in order to achieve our strategic goals, deliver effective policy making, public value and our Public Sector Duty as follows:

- We will continue to enhance and develop the leadership skills and capability throughout the Department to allow us to perform both as individuals and in teams in order to produce a world class Department of Finance.

- We will ensure that the organisational structure and distribution of resources facilitates an adaptable and collaborative working environment that is responsive to new emerging requirements and ongoing business objectives. We will resource and maintain the Department at the required staff, budget and training levels.

- We will continue to equip our staff with the knowledge, skills, attributes and expertise that are appropriate for their current role, while also facilitating career progression, continuous personal development and career opportunities.

- We will continue to ensure that staff are managed effectively to achieve the highest combination of wellbeing, personal development and performance.

- We will continue to create a motivating work environment where all staff are fully engaged, where the Department values all staff members’ contribution and commitment to the organisation and where staff members value the Department as an employer.
The Department continues its commitment to the ongoing Civil Service Renewal Plan which seeks to build capacity to respond to existing and future challenges and improve the performance of the Civil Service and its staff. Effective leadership and active participation in the implementation of this programme of change will continue to be a key focus going forward.

We also recognise the Bodies and Offices under the Aegis of the Minister and Department as key stakeholders and strategic partners in tax, economic and banking policy implementation.

We will continue to enhance and promote good corporate governance and compliance so that it can best deliver on our objectives in a professional, fair and balanced manner.

Through collaboration with the Office of Government Chief Information Officer (OGCIO), we will continue to invest in the roll-out of our ICT strategy as a key enabler to treat data and information as a corporate asset, to introduce innovation and to transform the way in which we work that achieves our business needs to support better decision making and assist us to deliver effective public value. We will also work with the Office of Public Works and other tenants to ensure that we maximise efficient and coordinated usage of our physical facilities that are fit for purpose and provide a safe working environment. The Department will continue to fulfil those commitments it has set out in its published Irish Language Scheme. We will work with the Office of Government Procurement (OGP) to procure and implement a modern, streamlined banking solution to process the receipts and payments of Government Departments/Offices. We will assist the National Shared Services Office (NSSO) with the development and implementation of a new shared services financial management system for the Department.
Department of Finance
Programme for a Partnership
Government Commitments >

Pre-Budget Consideration
- Spring Statement sets the parameters on what is possible (April)
- Presentation of Tax Strategy Reports (July /August)
- Include "Tax Expenditures" in scrutiny with activity level and costings (February)
- Establish an Oireachtas Budget Office and a new Dáil Committee on Budget and Finance (Ongoing)

We will engage with European authorities on the budgetary treatment of new housing development

We will maintain enhanced tax relief for landlords who accept rent supplement and HAP tenants. We will request the new Oireachtas Committee on Housing to examine other tax relief proposals designed to encourage a greater supply of private rented accommodation for tenancies supported by housing assistance, longer term leases and support more medium term emergency accommodation for homeless families. (First 100 Days Action)

We will remove barriers to private housing supply and initiate an affordable housing scheme. We will work with the Irish banks, the European Investment Bank, industry bodies, the Central Bank and the Irish Strategic Investment Fund to develop a new ‘Help to Build’ funding scheme for the development of affordable housing in the private sector. (Year 1 Action)

We support NAMA’s plan to work with and fund developers to deliver 20,000 residential units before the end of 2020. However, given the scale of the housing supply challenge we will request that NAMA review their business plan to encourage it to be more ambitious in housing delivery. (Year 1 Action)

In the meantime we will also expect NAMA to continue to agree rent reductions for SMEs and collaborate with the IDA to maximise new commercial investment opportunities from its portfolio. (Ongoing)

In the long term we will support the use of the projected NAMA surplus after 2018 to fund new investment in infrastructure, including affordable housing programmes to ensure a sustainable level of housing output.

We will support the Irish Strategic Investment Fund to encourage the delivery of housing-related enabling infrastructure in large-scale priority development areas. (Ongoing)

We recognise the potential role that Credit Unions can play in housing finance. We support the efforts of the Registrar of Credit Unions at the Central Bank to gradually lift current lending restrictions as appropriate, including for housing. To investigate what role the Credit Union movement can play in the development of new housing, the Department of Finance will engage with the League of Credit Unions to help them develop their housing proposals. (First 100 Days Action)

Consistent with our existing deficit reduction targets, we will ask the Oireachtas to consider the merits of a temporary targeted reduction of the rate of VAT from 13.5% to 9% on new, affordable houses and apartments, both public and private, timed to generate the maximum impact on supply and to target principally the purchasers of affordable homes. (Year 1 Action)

Introducing a similar scheme to the ‘Living City Initiative’ to regenerate town centres and villages throughout
Ireland (Year 1 Action)
Reclassifying and incentivising the use of underutilised or vacant areas over ground floor premises in towns, for both residential and commercial use (Year 1 Action)

To reflect the growing public concern regarding credit servicing firms and other property firms we will ask the Central Bank and the Oireachtas Committee on Housing to examine the legislation introduced last year that ensured that borrowers, whose loans are sold to third parties, maintain the same regulatory protections they had prior to the sale. We will provide greater protection for mortgage holders and tenants and SMEs whose loans have been transferred to non-regulated entities (‘vulture funds’). (Year 1 Action)

Difficulties faced by first time buyers in accessing mortgage finance have placed increased pressure on the rental market and may be hampering the recovery of the residential construction sector. The new Government will work with the Central Bank, as part of its review of its mortgage lending limits, to develop a new “Help to Buy” scheme to ensure availability of adequate, affordable mortgage finance or mortgage insurance for first time buyers as new housing output comes on-stream. (Year 1 Action)

The Government submission to the Central Bank will include a request to consider a ‘capacity to pay’ test (e.g. the payment capacity of potential purchasers based on rent paid over a five year period to be off-set against the current deposit rules).

It is not ethically acceptable for Irish banks to charge excessive interest rates on standard variable rate customers. We will take all necessary action to tackle high variable interest rates; including through establishing a new code of conduct for switching mortgage provider, administered by the Central Bank and the development of a new, easy-to-use standardised and dedicated switching form. In line with the above, the Central Bank has been conducting

We will also request the Competition and Consumer Protection Commission to work with the Central Bank to set out the options for the Government in terms of market structure, legislation and regulation to lower the cost of secured mortgage lending and improve the degree of competition and consumer protection. (Year 1 Action)

We support the Central Bank’s regulation of ‘negative equity’ mortgage products that allow homeowners to move house while still in negative equity. (Ongoing)

We support the need to develop an overall banking policy that encourages more entrants and a vibrant banking sector with real competition in order to provide more choice to mortgage holders. (Ongoing)

Work with the Central Bank to amend the Code of Conduct on Mortgage Arrears to include an obligation on providers of mortgage credit to provide a range of sustainable arrears solutions. This Code of Conduct will be put on a statutory basis

Fund an information campaign to encourage engagement in the new resolution process

We will also retain mortgage interest relief beyond the current end date of December 2017 on a tapered basis.

To retain confidence in the economy and protect our country from growing international risks, we will maintain our commitment to meeting in full the domestic and EU fiscal rules as enshrined in law. By adhering to these rules and by delivering steady economic growth, we will eliminate the remaining Government deficit by 2018, and keep the public finances broadly in balance thereafter.

We will also establish a rainy day fund.
To address unmet needs, we will introduce budgets that will involve at least a 2:1 split between public spending and tax reductions. In this way, the Government will – consistent with current growth forecasts and adherence to the fiscal rules – work with the Oireachtas to spend at least an additional €6.75 billion in delivering public services by 2021 compared with 2016, to cover:

- The costs of an ageing and growing population
- Targeted improvements in public services, with a particular focus on health, education, disability, and child development and care
- Targeted improvements in welfare payments for the elderly, people with disabilities, the sick and carers, among others
- Sustainable increases in public service pay and pensions

We will also keep the tax and revenue base broad, while reducing the rate of tax on work and some other activities to achieve specific social and economic objectives, such as full employment, more housing and urban and rural regeneration. Any new tax incentives will be subject to detailed cost-benefit analysis, public consultation and Oireachtas debate.

We will not rely on unpredictable and fragile sources of revenue to finance permanent public spending increases. The reductions in personal tax rates – such as the continued phasing out of the USC – needed to reward work and support enterprise and employment (see below) will be funded largely through:

- Extra revenues from not indexing personal tax credits and bands
- The removal of PAYE tax credit for high earners and other measures to ensure the tax system remains fair and progressive
- Higher excise duties on cigarettes and increased enforcement and sanctions on the illegal importation and sale of cigarettes
- Increase enforcement and sanction of fuel laundering
- A new tax on sugar sweetened drinks
- Improving tax compliance

Commit that the State will use its bank shareholding in the best interests of the Irish people

Not sell more than 25% of any bank before the end of 2018. (plus any small additional shareholding required by the under-writer to complete the sales process)

Request the Central Bank to procure an independent assessment of the arrears and negative equity loan books of the banks

Cease to appoint new Public Interest Directors to the banks, and reform the procedures for the appointment of bank directors by the State, with a view to increasing transparency in the process

We will maintain Ireland’s 12.5% Corporation Tax, and engage constructively with any measures to work towards international tax reform while critically analysing proposals that may not be in Ireland’s long term interests.

We will work with our international partners in tackling aggressive international tax planning through the OECD’s Base Erosion and Profit Shifting (BEPS) initiative.

We will also closely monitor the introduction of the Knowledge Development Box (KDB) to encourage both Irish and multi-national companies to develop their knowledge-based capital in Ireland.

We will reduce the rate of Capital Gains Tax for new start-ups to 10% from 2017 (held for five years and subject to a €10million cap on gains).
We will ask the Oireachtas to continue to phase out the USC as part of a wider medium-term income tax reform plan – to be published for consultation with the Oireachtas Committee on Finance by July and for approval by the Oireachtas in October – that keeps the tax base broad, reduces excessive tax rates for middle income earners, and limits the benefits for high earners. Reductions will be introduced on a fair basis with an emphasis on low and middle income earners.

Working with the Oireachtas, we will increase the Earned Income Tax Credit from €550 to €1,650 for the self-employed, to match the PAYE credit, by 2018.

We will explore the mechanisms through which SMEs can reward key employees with share options in a tax-efficient manner.

We will seek to provide a supportive tax regime for entrepreneurs and the self-employed.

Working with the Oireachtas, we will increase the Small Benefits Exemption (voucher) from €500 to €650, which is equivalent to approximately one week’s wages for those on the average industrial wage.

We will work with the Oireachtas to raise the Band A Capital Acquisitions Tax Threshold (including all gifts and inheritances from parents to their children) to €500,000.

We will seek to use Government current and capital funding and tax and regulatory supports to leverage additional private investment in sectors struggling with large infrastructure deficits, including residential care, housing, regional transport and third level education.

Working with the Oireachtas we will cut Employers’ PRSI for low-income workers to mitigate the cost of minimum wage increases, in order to protect jobs.

We recognise the difficulties faced by community groups in relation to VAT rates on certain products (e.g. defibrillators). While this is an EU competency we will work with our EU counterparts in seeking to reform this area.

We recognise the difficulties faced by community and voluntary groups in relation to VRT rates on vehicles. We commit to examine the issue.

We will maintain the three-year tax relief for certain start-up companies until the end of 2018 which is an important support for entrepreneurs and local job creation.

We will also advance a new model of ‘community banking’ by requesting An Post and the League of Credit Unions, as well as any other interested stakeholders, to investigate and propose a new model of community banking that provides a suite of banking services through the large network of Post Offices. This could be based on the Kiwibank model in New Zealand, where the Post Office owned bank provides a comprehensive suite of financial services, from personal loans and bank accounts to credit cards, business banking, and insurance. We will thoroughly investigate the German Sparkassen model for the development of local public banks that operate within well-defined regions.

We will develop a strategy for growth and development for the credit union sector. We are also committed to ensuring that credit unions benefit from regulatory support, in order to respond to the needs of a changing economy.

Assisting credit unions in making successful applications to retain members’ savings in excess of €100,000 (CP88), recognising the independence of the Registrar of Credit Unions.

Asking the Central Bank of Ireland to instigate a review of the continued appropriateness of the savings limit within a year of the formation of the new Partnership Government.

Working with the Registrar of Credit Unions at the Central Bank to gradually lift current lending restrictions as
appropriate, including for housing

Credit unions’ move towards more electronic and online services, including the rollout of debit cards and enhanced online banking services

Asking the Credit Union Advisory Committee (CUAC) to conduct a review, and report by the end of June 2016, on the implementation of the recommendations outlined in the Report of the Commission on Credit Unions

Access to finance is essential for local business and new start-ups to progress in capacity and scale. To achieve this, we need to deliver €1billion per year from new sources of finance to supplement normal bank offerings to SMEs. Such an ambitious goal will require a mixture of sources and include:

1 New forms of equity
2 Mid-size investment rounds
3 Development finance for manufacturing and international services
4 New forms of export and trade finance
5 Peer-to-peer lending

We will examine the use of tax instruments and other incentives to support investment by GPs, dentists and other professionals in primary care centres, technology and service developments.

We will support parents who choose to stay at home and care for their children (through an increase in the Home Carers Credit).

We will seek ways to incentivise private nursing home investment and new supported living/assisted living arrangements. This will include working with the Strategic Investment Fund to provide loan finance for new and additional residential options.

Strategic change in the taxation system to support farm incomes and land mobility.

Encouraging banks from within and outside the State, including the European Investment Bank, to make competitive rates available to farmers with repayment options tailored for farm income (recognising the benefit of the development of new financial products such as the Milk Flex Fund and working with industry and the banking sector to encourage further tailor made products to make banking more affordable for farmers)

We will encourage the continued availability of favourable terms for investment in primary agriculture, processing and marketing under the Strategic Banking Corporation of Ireland (SBCI) which includes the EIB as one of its funding partners. We will work with the agri-food sector and the financial services industry to ensure that financial products are developed for all sectors of farming across the industry

A new Government will be committed to using the taxation system strategically to encourage greater land mobility, increased productivity and greater profitability at farm level. Land-leasing, partnership and mobility measures will be developed further to ensure the next generation of farmers are supported and the sector is developed strategically for future growth. We will also investigate taxation measures aimed at supporting farmers through periods of volatility.

Following an examination of best international practice in other countries it will report to the new Government in May 2016, on the most effective way to ensure that all homes and businesses can access flood insurance where the State has already invested in certifiable flood defences that meet best international standards.

We will review the Living City Initiative and the conditions that apply to the size of properties in order to boost the attractiveness of the scheme, which will contribute to both built heritage and urban regeneration.
Government Buildings, Upper Merrion Street Dublin 2 D02 R583 Ireland

T: +353 1 676 7571 F: +353 1 678 9936 www.finance.gov.ie