Budget Speech by the Minister for Finance, Paschal Donohoe

From Department of Finance

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A Cheann Comhairle,

When I presented Budget 2020 we confronted the main challenge then facing our country - a hard Brexit. This year, while we continue to prepare for Brexit, we are now responding to the worst global pandemic in a century.

We live in an era of great uncertainty and increasing risk. Overcoming these challenges in the interests of our fellow citizens is the central task of this government.

However, it is not enough that this Budget, which I present with Minister McGrath, surmounts the immediate threats we face, it must also advance efforts to make progress on the great priorities which our society continues to value. These are core missions for this government: more homes, improved healthcare and a better national response to climate change.

We have faced numerous difficulties since independence, but never one like COVID-19; an invisible enemy that has caused great suffering, and disrupted so much of what is central to our well-being.

Equally, we meet this enemy with greater determination, resolve and resources than ever before in our history. This is due to the careful management of our economy when times were good, the support and solidarity of the European Union, and, more than anything, the hard work, dedication, and resilience of the Irish people.

So, our message is clear.

Yes, the test we face is daunting, further demanding choices await. Yes, the uncertainty and anxiety about the future of lives and livelihoods is great. And yes, we will prevail. We will come through this. And from the ashes of the pandemic, together, we will build a stronger, more resilient Ireland.

Budget 2021 is a bridge to that better future.

COVID-19: Government response in 2020

Our determination to act is demonstrated by actions taken. The government has responded swiftly and assertively during 2020. We were able to respond effectively because we had the financial resources to do so, because of the decisions of recent budgets.

As a result of last year's Budget we entered 2020 with a surplus of €1.3 billion and a Rainy Day Fund worth €1½ billion. Entering the year with a surplus also reaffirmed our reputation with the international bond markets; helping to keep our interest payments affordable as we borrowed more.

To-date, the total value of support measures amounts to €24½ billion. This is nearly eight times last year's Budget plan. We have never experienced a challenge like this in modern times; but equally Ireland has never delivered such a strong response.

As a result of this response we aim to recover more quickly and prevent a recession turning into a prolonged depression.

But crucial to this recovery is understanding that the health of the country and the health of the economy are interdependent – the better our public health, the stronger our economic health. The government understands the trade-offs in public health choices. We appreciate the impact of decisions on lives and livelihoods.

COVID-19: EU Response

However, we are responding to a virus that knows no borders. So it is imperative that we have a response that transcends national borders. This is why the importance of collective responses to international problems is clear – no one country can act in isolation.

In this regard it is important to highlight the important role that the European Union has played throughout the crisis:

- the European Central Bank's €1.35 trillion pandemic bond purchasing programme
- the multi-year budget and recovery plan worth just under €2 trillion over 7 years

Interdependence combined with a highly infectious disease is a vulnerability. Economic interdependence combined with political purpose is a source of strength. All of these European decisions strengthened our national response.

Macroeconomic outlook

Budget 2021 has been prepared against a background of extraordinary uncertainty regarding near-term economic and budgetary prospects. As a result, it is exclusively focused on the coming year.

Two major assumptions underpin Budget 2021:

Once again this year, Budget 2021 is framed on the basis of no bilateral trade deal between the EU and the UK. My department estimates that the absence of such a deal will reduce Irish growth by just under 3 percentage points in 2021, with expected growth of 1¾ per cent.

Secondly, in relation to COVID-19, Budget 2021 has been framed on the assumption of the continued presence of the virus in Ireland next year, and the absence of a broadly available vaccine.

Looking to the final months of 2020, GDP is projected to decline by 2½ per cent for the year as a whole, with domestic demand falling by 6 per cent.

The unemployment rate is expected to decline slowly throughout the second half of the year, reaching 12¼ per cent in the fourth quarter, with an annual average rate of just under 16 per cent. However, this figure could change depending on the overall path of the virus.

My department is forecasting a total loss of approximately 320,000 jobs in 2020, with this recovering by approximately 155,000 jobs next year.

The evidence is clear that the pandemic has had a disproportionate impact on the job prospects of younger workers. Youth unemployment hit a peak of 64 per cent in May, before falling to 37 per cent in September – figures which were unimaginable just a few short months ago. As such, this government is steadfast in its determination to overcome the challenge of unemployment amongst our young.

For 2021, overall GDP growth of 1¾ per cent is projected, with an unemployment rate of 10¼ per cent. The level of economic activity of last year is not expected to return until at least 2022.

These updated projections incorporate today's measures into the pre-Budget forecasts that were endorsed by the Fiscal Council.

But let me reiterate, the outlook remains uncertain. For instance, under a more challenging scenario, one where the disease continues to spread over the coming months followed by a much slower economic recovery next year, growth would be reduced by a further 1 percentage point this year to minus 3½ per cent, and by almost 4 percentage points in 2021 to around minus 2¼ per cent.

This is a stark reminder of the journey ahead. But, if we make more progress on protecting our public health, then every day, every week and every month will be a step towards a future so much better than seems possible today.

So, this is not the time for an optimism unfettered to the reality of the challenge that we confront. But it is the time for a hope that recognises our challenges, and a hope that strives with the strengths of our economy and our society to succeed.

Budgetary stance

With the onset of the pandemic, the government has maintained a clear strategy to respond to the great risks facing us today:

- firstly: rapidly building up healthcare capacity
- secondly: protecting household incomes
- thirdly: supporting employment

The budgetary landscape has transformed dramatically in the space of a few months. A deficit of €21½ billion, or 6.2 per cent is currently projected for 2020.

While this is a huge figure by Irish standards, it is a similar level of deficit to what peer countries are borrowing. What is crucial is making sure that any deficit remains a manageable deficit.

We are reducing the deficit carefully over the coming year, and this is one of my key budgetary objectives. As such, Budget 2021 forecasts a deficit of €20½ billion or 5.7 per cent.

Our borrowing is falling, but at a proportionate and careful speed. We are getting the balance right between improving our national finances and supporting jobs and investing in our public health and in our future. Again, I expect this to be a broadly similar reduction to peer economies.

Using our hard earned savings to address these challenges in our time of need is the appropriate choice to make. In this context, I will fully utilise the €1½ billion Rainy Day Fund, and will be bringing a resolution to Dáil Éireann this evening to bring this into effect.

This year's deficit will bring our overall national debt levels to just under €219 billion or almost 108 per cent of national income. This is just over a €20 billion increase or approximately 10.4 percentage points on our projections in Budget 2020. However, the increase in national debt needs to be seen in the context of the significant increase in private savings over the past few months.

There are limits to the overall levels of debt that are prudent to take on.

We must manage and reduce our borrowing levels over the coming years to move our national finances back to a balanced position, and to remain well inside Eurozone levels of borrowing. We know what happens when risks develop in our national finances. We will not let that happen again.

This will require decisions in the future about how we reduce our deficit; about our levels of spending and taxation. This is because the health of our national finances before this crisis was an essential ingredient in what we can do now.

The single most important step in that journey will be investing to bring our country back to work and to regain our public health. The key to reducing our deficit and managing our debt will be through building employment.

My department will, therefore, publish an updated Medium-term Budgetary Strategy as part of the Stability Programme Update next year.

The National Economic Plan, to be published next month, will also have a key role to play in mapping out our economic pathway for the coming years, and for developing economic resilience in a post-COVID world.

The Plan will also progress the Programme for Government commitment to developing wellbeing indicators. A paper setting out options in this regard is being published by my department today.

In addition, my department is also publishing an analysis of Budget 2021 which provides clear evidence of its progressive nature and how it protects the most vulnerable in our society.

There remains a high level of uncertainty regarding the scale of the deficit for this year, even at this late stage. This is because of the possibility of more stringent containment measures being implemented in the final quarter of the year, and the associated budgetary costs.

Budget measures

There will continue to be much uncertainty on many issues for the coming period. Our key objective here today is to ensure that economic policy does not compound the uncertainty, but helps to manage and mitigate it for individuals, for families and for businesses throughout the country.

I am today announcing a total budgetary package of over €17¾ billion, more than €17 billion of which relates to expenditure, and €270 million in taxation measures. This package is unprecedented in both size and scale in the history of the Irish State. The impact of this Budget will be felt in every household and business across the country.

Of the nearly €18 billion:

- €8 ½ billion is for our public services to address the challenges of COVID-19, including €2.1 billion in contingency funding;
- €3.8 billion will be spent on supporting existing services across a range of departments, in particular the Department of Health;
- expenditure on core capital programmes is to increase by €1.6 billion next year;
- €3.4 billion will establish a Recovery Fund to stimulate demand and employment

Capital expenditure will increase to €10.1 billion, the largest amount that has ever been allocated to investment in schools, homes and public transport.

In addition, I am providing for a net tax package of €270 million.

Recovery Fund

As committed to in the Programme for Government, I am announcing the establishment of a Recovery Fund worth €3.4 billion. This will provide significant additional resources to fund additional government decisions next year.

The Recovery Fund will be targeted and will help to stimulate increased domestic demand and employment. Crucially, given the evolving nature of COVID-19 and Brexit, the Fund will be flexible in its design in order to provide Government with the means to react swiftly to a constantly changing environment.

It will focus on three main areas: infrastructure development, reskilling and retraining, supporting investment and jobs. It will support both those in employment and those whose jobs have not survived the pandemic.

This forms a cornerstone of our continued economic response in 2021.

Supporting business

I want to turn to the SME community as they will be central to our broader national recovery. They are indeed the backbone of our domestic economy, supporting thousands of jobs across the country.

The SME sector requires a range of supports as it recovers from the immediate impact of the pandemic and the accelerated market and technological changes.

These can take various forms, including the extensive supports already available through the July Stimulus Plan, such as the Credit Guarantee Scheme and the Strategic Banking Corporation of Ireland (SBCI) Working Capital Scheme.

To build on this, the Department of Finance is coordinating a group comprised of representatives from the Department of Business, Enterprise and Innovation; Enterprise Ireland; the Ireland Strategic Investment Fund, the European Investment Bank; and the European Investment Fund.

This group will report to me by mid-November with proposals to leverage European capital and establish an equity fund with a mandate to invest in domestic, high innovation enterprises.

The government will provide an initial €30 million in funding through the Ireland Strategic Investment Fund (ISIF) to support an appropriate and effective scheme and thereby leverage matching funding for early stage seed and growth capital.

In addition, as part of a continuing process of ensuring that our business supports remain efficient and responsive, my department will this year initiate an assessment of how the Employment and Investment Incentive Scheme can be enhanced in light of the impact of the current crisis.

In order to provide further additional liquidity support for employers, I will provide for an extension of the tax warehousing scheme to include repayments of Temporary Wage Subsidy Scheme funds owed by employers and preliminary tax obligations for the adversely affected self-employed.

I am aware that not all self-employed taxpayers can benefit from the losses provision introduced in the July Stimulus but will have suffered a significant drop in income and will struggle to pay their 2019 balance and preliminary tax for 2020.

Therefore, I will provide that the debt warehousing provisions be extended to include the 2019 balance and 2020 preliminary tax to allow such taxpayers to defer payment for a period of a year with no interest applying; 3 per cent will apply thereafter and will attract no surcharge.

Future of Wage Subsidy Scheme

On the Temporary Wage Subsidy Scheme (TWSS), I am announcing today that my department has begun the process to apply for EU funding towards its costs.

This EU fund, known as SURE (or the European instrument for temporary Support to mitigate Unemployment Risks) is part of the European response to help protect jobs and workers affected by the COVID-19 pandemic. This could result in Ireland accessing just under €2½ billion. This funding will help to diversify sources of financing for the Exchequer over the coming period.

Similarly, this summer, the European Council agreed to establish a Brexit Adjustment Reserve. While the technical details of this fund are still being worked out, Ireland will seek to avail of these funds in the coming years given the disproportionate impact of Brexit on us.

We also need to meet the broader challenge of being responsive to the changing needs of the economy. The Employment Wage Subsidy Scheme is currently set to continue until 31st March 2021, however, a similar type scheme will be needed out to the end of 2021 to provide businesses with greater levels of certainty, in the most uncertain of times.

There will be no cliff edge to this vital scheme. It will continue during 2021 and the government will decide on the form of its extension when economic conditions are clearer.

COVID Restrictions Support Scheme (CRSS)

I am very conscious that there are many sectors in our economy that have been particularly impacted by the government public health restrictions. Indeed some specific sectors have been temporarily closed from the outset of the pandemic, such as the entertainment and arts sector as well as many pubs.

Today, I am announcing a new scheme to provide targeted support for businesses.

The scheme is designed to assist those businesses whose trade has been significantly impacted or temporarily closed as a result of the restrictions as set out in the government's 'Living with COVID-19' Plan. The scheme will generally operate when Level 3 or higher is in place and will cease when restrictions are lifted.

The sectors impacted by the current Level 3 nationwide restrictions are accommodation, food and the arts, recreation and entertainment. If the government decides to move to a higher level of restriction then other sectors may qualify.

For these businesses, the government will make a payment, based on their 2019 average weekly turnover, to provide support at a difficult time.

The scheme will apply to business premises where the government restrictions directly prohibit or restrict access by customers. Qualifying businesses can apply to the Revenue Commissioners for a cash payment in respect of an advance credit for trading expenses for the period of the restrictions.

The scheme will be effective from today, Budget Day, until 31st March 2021, and the first payments will be made to affected businesses by mid-November.

Payments will be calculated on the basis of 10 per cent of the first €1 million in turnover and 5 per cent thereafter, based on average VAT exclusive turnover for 2019. It will be subject to a maximum weekly payment of €5,000.

Once the scheme is operational and a county or region is subject to government restrictions of Level 3 or above, qualifying businesses can claim in week 1 and valid claims will be repaid for the entire period of the restriction within 2-3 working days. Payments will automatically cease at the end of the COVID restriction period. If restrictions are extended a subsequent claim can be made.

The scheme will operate on a self-assessment basis and qualification will require a business to demonstrate that their turnover has been severely impacted; that is it may not exceed 20 per cent of the turnover for the corresponding period in 2019.

VAT

In relation to VAT, as part of the July Stimulus I announced a reduction in the standard rate of VAT from 23 per cent to 21 per cent for the period 1st September 2020 to 28th February 2021.

This was designed to provide assistance to a wide range of economic activities and, as such, benefits a broad range of businesses and traders.

Today, in recognition of the unprecedented challenges facing particular sectors of the economy, I am announcing a reduced VAT rate for the hospitality and tourism sector from 13 ½ per cent to 9 per cent with effect from 1st November 2020.

I have chosen to introduce this at the earliest possible moment to allow those businesses that are currently open to benefit. I am putting this reduced rate in place until December 2021 in order to provide significant additional support to businesses next year.

Further Business Supports

I am extending the Knowledge Development Box relief for a further 2 years until end December 2022. The Knowledge Box is an OECD-compliant intellectual property regime that supports businesses in retaining and exploiting assets that have resulted from R&D activities in Ireland.

In relation to the film industry, this is one of many sectors badly affected by COVID-related shut-downs. As a result, much of the planned incentive effect of the Section 481 regional uplift for 2020 has been lost. I am therefore amending the scheme to provide for an additional year at its peak rate of 5 per cent. The uplift will now be in place until 31st December 2023.

I am also announcing my intention to commence work on the development of a tax credit for the digital gaming sector, with a view to supporting qualifying activity from January 2022 onwards. This is a sector that has seen exponential global growth in the past decade, and there are potential synergies with our established film and animation sectors to support quality employment in creative and digital arts in Ireland.

In view of the importance of energy efficiency at both domestic and international levels, and following a review of the scheme, I am extending the accelerated capital allowances scheme for energy efficient equipment for a further three years.

In addition, the energy efficiency criteria for the scheme will be re-assessed over the coming year to ensure the categories of equipment availing of the scheme remain appropriate and reflect the most up-to-date efficiency standards.

Income Tax

As was announced in the Programme for Government, I am not making any broad changes to income tax credits or bands at this time. Our resources must be focused on saving jobs and on protecting our health.

However, I will make some specific changes:

- in order to ensure that the salary of a full-time worker on the minimum wage will remain outside the top rates of USC, the ceiling of the second USC rate band will be increased from €20,484 to €20,687 - a move which will give a modest benefit to workers whose income is above that amount

- another consequential change is to the weekly threshold for the higher rate of employer's PRSI from €394 to €398 to ensure that there is no incentive to reduce working hours for a full-time minimum wage worker
- for the self-employed, I will fully implement a Programme for Government commitment to equalise the Earned Income Credit with the PAYE credit by raising it by €150 to €1,650;
- to support families with caring responsibilities, I am announcing an increase in the Dependent Relative Tax Credit from €70 to €245.

Remote Working

Working from home, or remote working, has been an essential part of our response to the pandemic. The Programme for Government includes a commitment to develop a strategy for remote working and remote service delivery.

An Inter-Departmental Group has already set to work on this.

Without wishing to pre-empt the results of this Group, may I take the opportunity to highlight what is in place on remote working:

- in cases where the employer makes payments towards the expenses of working from home, up to €3.20 may be paid to employees without a Benefit-In-Kind arising;
- where the employer does not make a contribution, the worker may claim a tax deduction for utility expenses such as heat and light – and, new for 2020, the Revenue Commissioners have now confirmed that this may include the cost of broadband. Details will be set out in the Revenue guidance; and
- finally, claims may also be made for any other vouched expenses incurred "wholly, exclusively and necessarily" in the performance of the duties of their employment.

Housing

Turning to one of the longer term priorities mentioned at the outset of this speech: housing. On Help-to-Buy, I am extending the July Stimulus additional measures, the lower of 10 per cent of the value of the property or €30,000, to the end of 2021.

I introduced the Stamp Duty Residential Development Refund Scheme in 2017. It provides for refund of a portion of the Stamp Duty paid on the acquisition of non-residential land where that land is subsequently developed for residential purposes.

This scheme is currently due to expire on 31st December 2021. However, due to the impact on the sector of COVID-19, and also to certain issues that have been brought to my attention since its introduction, I propose to make a number of changes to it this year. These will see it extended to operations commenced by 31st December 2022, and the time allowed between commencement and completion of a qualifying project being extended by 6 months to two-and-a-half years.

Climate Change

One of the most important priorities for this government is undoubtedly climate change.

Last week, the government published the draft text of the Climate Action and Low Carbon Development (Amendment) Bill 2020. The Bill will set the country on course to become climate neutral by 2050 by establishing climate targets in law.

In line with the Programme for Government commitment, carbon tax will be increased by €7.50 from €26 to €33.50 per tonne/CO2. This increase will be applied to auto fuels from tonight and all other fuels from 1st May 2021.

This increase is another important step in our collective efforts to decarbonise our economy. Measures which help to reduce our emission levels also help to improve air quality and public health. The additional revenue raised will be used to meet the goals set out in the Programme for Government, which Minister McGrath will outline in more detail.

Legislation will be provided in the Finance Bill to increase the tax each year by €7.50 up to 2029 and by €6.50 in 2030 to achieve €100 per tonne.

Vehicle Registration Text (VRT)

At the outset it must be acknowledged that the current New Europe Driving Cycle (NEDC) system has been utterly discredited in terms of undervaluing the emissions output of motor vehicles. Our CO2-based VRT and motor tax regimes were taxing cars based on artificially deflated CO2 emission levels. We need to transition our CO2-based vehicle registration tax regime to the new more robust Worldwide Harmonised Light Vehicle Test Procedure (WLTP) emissions system from January 2021.

This new regime will be based on emissions performance levels which are much closer to real world performance levels than is currently the case.

The modified new structure of rates and bands for VRT and motor tax have been adjusted to take account of the fact that cars under the new test record higher CO2 emissions. We have strengthened the environmental rationale of the VRT regime to encourage motorists who are in the market for a new car to make greener choices.

To create a level playing field between new cars and used imports, which have been subject to different emissions tests, I am ensuring that used imports subject to the weaker emissions test will have their CO2 values uplifted to a level equivalent with the WLTP test to which all new cars are subject.

VRT reliefs for Plug-in Hybrid Electric Vehicles and hybrids will be allowed to expire having regard to the fact that there will now be much lower VRT rates for low emission cars.

I will also taper relief for Battery Electric Vehicles. It should be noted that the changes to the VRT rates and bands compensates for the changes to these reliefs.

In addition, following on from its introduction in last year's Budget, I am adjusting the Nitrogen Oxide (also known as NOx) surcharge bands so that higher NOx emitting vehicles will pay more. It is essential that we take these measures now, as Ireland is way off course to meet our 2030 legally binding emission targets.

Motor Tax

I will also make adjustments to Motor Tax to ensure a level playing field. Currently, nearly half a million cars are in the pre-2008 engine sized based regime; and approximately 1.6 million cars in the post 2008 CO_2-based regime. Rates will remain unchanged for all cars in the engine sized regime and all but the most pollutant cars in the post-2008 regime.

I am today opening a third Motor Tax table for cars registered from the 1st of January next year to take account of the introduction of the WLTP emissions test.

Tobacco

I am increasing excise duty on a pack of 20 cigarettes by 50 cents, with a pro-rata increase on other tobacco products. This will bring the price of cigarettes in the most popular price category to €14.00 and supports public health policy to reduce smoking levels in Irish society.

Stamp Duty

Consanguinity Relief, which provides for a reduced 1 per cent rate of stamp duty on transfers of agricultural land between family members, is due to expire at the end of this year. I propose to extend this relief for a further three years to 31st December 2023.

Further, in the Finance Act 2017 I introduced a relief which provides for a Stamp Duty rate of 1 per cent to apply where the transaction concerned is part of a farm consolidation.

The relief was introduced to encourage farmers to consolidate their holdings, and increase the efficiency and viability of their farms. It is currently due to expire on 31st December this year, but I can confirm that it is to be extended by 2 years to end-2022. This will serve to align the next review date with its Capital Gains Tax (CGT) equivalent. In addition, I am increasing the farmers' flat VAT rate addition from 5.4 per cent to 5.6 per cent with effect from 1st January.

Corporation Tax

Over the course of this year just under €7½ billion in corporation tax receipts has been generated for the Exchequer to-date – revenue which has played an essential role in funding pandemic related expenditure.

This re-enforces the benefits to our wider economy of our long-standing commitment to a stable and transparent corporation tax regime, and I would like to take this opportunity to again reaffirm Ireland's commitment to the 12½ per cent corporation tax rate.

I will publish an update on Ireland's Corporation Tax Roadmap. This will reflect on the significant action taken to-date on corporation tax reform and outline further areas for consideration, consultation and action over the coming months and years.

The update on the Roadmap will also consider further the reports published by the OECD BEPS Inclusive Framework just yesterday on its work to address the tax challenges of digitalisation.

Further work is needed at international level before final agreements can be reached. What is certain however is that change is inevitable.

Agreement at the OECD would present challenges for Ireland as changes to the international tax framework would see a reduction in the level of profits taxable here. Failure to reach agreement at the OECD would also have negative consequences for the Exchequer.

This work will reach a crucial stage next year. Decisions will be needed and the future direction of the global and European corporation tax landscape will be decided upon.

In this context, to ensure that Ireland's tax regime for intellectual property is fully consistent with international best practice, I am amending the legislation to provide that all intangible assets acquired after today will be fully within the scope of balancing charge rules. I will be moving a Financial Resolution to allow this change to take immediate legal effect.

While the new rules are not expected to result in significant additional tax revenue given the current profile of claims, they will ensure that our tax regime for intellectual property, together with the broader corporation tax regime, remains competitive, legitimate and sustainable.

As part of our commitment to international tax reform, we have been transposing the EU Anti-Tax Avoidance Directive, or "ATAD", since Budget 2019 and will continue to do so next year with the introduction of interest limitation and anti-reverse-hybrid rules.

I will be making a technical amendment this year to our ATAD-compliant Exit Tax rules to clarify the operation of interest on instalment payments. This clarification will be introduced with effect from tonight, by way of Financial Resolution.

Commission on taxation and welfare

Finally, looking to the future financial sustainability of the Exchequer, the Programme for Government committed to the establishment of a Commission on Welfare and Taxation.

This Commission will independently consider how best the tax system can support economic activity and promote increased employment and prosperity, while ensuring that there are sufficient resources available to meet the costs of the public services and supports in the medium and longer term. This will be essential for putting the public finances on a sustainable basis over the coming years.

The Commission will have particular regard to the impact of the COVID-19 pandemic, as well as long-term developments such as ageing demographics, the move to a low-carbon economy, and the rise of digital disruption and automation.

It will review all existing tax measures and expenditures and have regard to the taxation practices in other similar-sized open economies in the OECD.

Over the coming weeks I will bring forward further details on the membership of the Commission, its resources, and terms of reference.

Capital Gains Tax

In relation to Capital Gains Tax Entrepreneur Relief, I am amending the ordinary share holding requirement so that an individual who has owned at least 5 per cent of the shares for a continuous period of any three years qualifies for this relief. Previously, a person had to own at least 5 per cent for a continuous period of 3 years in the 5 years immediately prior to the disposal.

This introduces a greater ability for a person to expand their business without worrying about losing this relief. The fact that they will still be required to work in the business for three out of the five years before disposal means that this easing of the ownership restriction does not benefit passive investors.

In addition, I am bringing forward a Financial Resolution tonight to make a technical amendment to the CGT legislation to address an avoidance issue which has been brought to my attention.

Tax appeals commission

An effective appeals process is an essential element of a fully functioning tax system. In July I appointed the inaugural Chairperson of the Commission. The new Chair is responsible for delivery on the Commission's mandate and I am pleased and encouraged to say that the Commission is now making progress in reducing the back-log of appeals.

Conclusion

I want to conclude by paying tribute to the heroes of this period, both seen and unseen. The additional supports announced today will play an essential role in helping them in the coming year. I also want to extend my sympathies to all who have lost life and health.

Today's Budget is the largest in the history of the State. This is, without question, the appropriate response and the government remains steadfast in its determination to provide as much economic certainty as possible to allow households and businesses to plan for the future.

This will be done through:

- capital investments for our future worth €10.1 billion

- new interventions – such as the COVID Restrictions Support Scheme
- maintenance of continued flexibility, such as through the Recovery Fund worth €3.4billion

2020 will be recorded as arguably the most challenging year we have faced as a nation. To everyone who has experienced fear, stress and anxiety, let me say unequivocally, that there is hope, and that we will come out of this crisis.

As Seamus Heaney once said: “if we winter this out, we can summer anywhere”.

So, as the evenings shorten and the leaves change colour, we re-commit ourselves to the road ahead. I can’t say for certain how long the journey will take, but I can say that we all have roles to play: collectively and as individuals, for the benefit of ourselves, each other and our country.

The government will do its part, and we, as citizens – both young and old - now need to continue to do our best to combat and then defeat the common enemy; this disease. The stronger our response, the sooner we will complete this journey.

With this, I commend this Budget to the House.