



Ireland finds extra cash for "modest" budget boost

Reuters Staff

- * Ireland more than trebles budget package to 1.2 bln euros
- * Vacant site levy hiked, new housing agency introduced
- * Brexit loan scheme to offer SMEs cheap working capital (Adds details on Brexit loan scheme, reaction)

By Padraic Halpin and Conor Humphries

DUBLIN, Oct 10 (Reuters) - Ireland's finance minister sought to raise over 800 million euros in extra revenue in a budget on Tuesday to give taxpayers a "modest" break and help tackle a housing crisis.

He also sought to balance the state's books for the first time in a decade.

Ireland started reversing years of savage spending cuts and tax hikes in 2014 - about the time its economy began to rebound sharply from a deep financial crisis.

But hemmed in by European Union borrowing rules, Paschal Donohoe initially had far fewer resources this year than in those expansionary budgets.

In the event, he boosted the budget package to 1.2 billion euros from the mere 350 million available chiefly through a 4 percentage point increase in stamp duty on commercial property, ensuring income tax cuts will not go into one pocket and come out the other.

"On this budget day we build on progress that would have looked impossible only a few short years ago," Donohoe told parliament in his first budget speech as finance minister.

While Ireland's economy has posted the fastest growth in Europe for the past three years, sluggish sentiment surveys suggest many consumers are seeing few benefits amid increasing living costs, particularly in rents and rising house prices.

By increasing the relatively low threshold at which people hit the higher rate of income tax and trimming the amount they actually pay, Prime Minister Leo Varadkar said an average family would be a "modest" 500 to 600 euros better off a year.

Varadkar knows that with the agreement with their main rivals to back the minority administration set to expire in just over a year's time, the small boosts will likely be the last to filter through to voters' pay packets before the next election.

HOUSING FOCUS

The government stuck to its ratio of over 2:1 in favour of spending increase over tax cuts, increasing current spending in line with the 3.5 percent growth in the economy as services try to keep pace with a population that is also the fastest growing in the EU.

But Donohoe focussed much of his speech on housing as the government scrambles to boost a chronic under-supply across the country, including a significant increase in a planned levy on vacant sites that owners fail to build on.

He will also siphon off 750 million euros from the state's sovereign wealth fund, the Ireland Strategic Investment Fund, to start a new body that will offer debt finance to builders and be staffed by executives from the state's "bad bank", NAMA.

Ireland's Construction Industry Federation (CIF) said the measures will help address the "systemic weaknesses" in infrastructure investment.

After last year's "Brexit proof" budget was criticised by business for not doing enough to shield it from key trade partner Britain's departure from the EU, a new 300 million euro Brexit loan scheme was introduced to help businesses employing fewer than 500 people with short-term working capital.

The scheme will leverage funds from the European Investment Bank, the EU's lending institution, and target vulnerable but viable firms, particularly in the food sector which accounts for most of the EU's most exposed goods to the British market.

Enterprise Minister Frances Fitzgerald said she was also working on a longer term loan scheme and is in talks with the EU on the availability of rescue and restructuring aid, part of "a suite of measures that will be available to companies".

The government has said previously that it can only consider major interventions such as seeking a potential exemption from EU state aid rules when the shape of Brexit becomes clearer.

"Three hundred million euros is a very, very small amount of money when you consider 93 percent of our members are trading with the UK. I think long term it's only a finger in the dyke," said Irish Exporters Association Chief Executive Simon McKeever. (Reporting by Padraic Halpin; editing by Jeremy Gaunt and Peter Graff)