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On Mature Reflection...Budget 2013

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With no changes announced in the rates or bands for Income Tax, Universal Social Charge or Employee PRSI there should be no negative surprises in our first payslips next January. However, for many this is where the good news ended as the Government continued with its policy of "death by a thousand cuts" in the latest of the "Austerity Budgets" announced last week.

Of course, Minister Noonan et al might point to the need for a €2.5bn budgetary adjustment and the inevitable hard choices that brings and indeed to the horrors that might have befallen us had they imposed the full €3.1bn in cuts and tax rises as initially demanded by our international overseers. However, the measures were still met by anger, disbelief and frustration amongst a people enduring their seventh "austerity budget" in a row.

The cuts were unpleasant if not savage. The cuts to the telephone allowances for the elderly, the changes to the medical card eligibility thresholds and the reduced jobseekers' benefit for those under 25 have attracted the majority of the complaints, viewed by many as the cruelest steps.

The restriction for tax relief on medical insurance premiums will also have a wide-ranging impact on low to middle income families putting private medical insurance outside the reach of those already struggling to meet those costs.

Minister Noonan's assertion that the measure is designed to "restrict the exposure of the Exchequer in relation to premiums paid for 'gold plated' medical insurance policies, while not affecting the majority of individuals who avail of more standard levels of medical cover" seems questionable with the health insurers representative body maintaining that the change to tax reliefs for policies would affect 90pc of all health insurance products.

Those with money on deposit were hit with a marked increase in the rate of DIRT, tax paid on deposit interest, with the rate increasing from 33% to 41% for payments made on or after 1 January 2014. PRSI of 4% will also attach to payments made to those within the self-assessment Income Tax regime. It is hoped that the increase in the rate will serve to stimulate spending. A strong likelihood is, however, that savers will instead seek alternative places to put their money rather than unleashing a flurry of consumer spending.

The indications that the economy may be about to "turn the corner" will encourage the Government that the measures introduced to stimulate the economy and job creation will bear fruit. The retention of the 9% rate of VAT for the hospitality sector was a positive development in that regard. The reduced rate has been effective in sustaining and creating jobs in this area and keeping the VAT rate at 9% should allow this positive trend to continue.

Measures introduced to help the Irish SME sector are somewhat of a mixed-bag but the consensus is that this budget has improved the business environment in which this sector, so crucial to our economy and job creation, operate.

Budget 2014 is intended to be the last of the "Austerity Budgets" but this expectation should be tempered with the provisos that sustained economic growth and a smooth transition back from Troika supervision to economic sovereignty are necessary to ensure that we are not hit by a disappointing sense of Déjá Vu following Budget 2015.

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