# The National Budget commonly referred to as the 'Budget' Chapter 16





#### Think back to the start of the year.....

- Household Budgeting Why did we have to figure out our closing cash each month?
- National Budgeting is much the same The government need to ensure they have enough money to meet all their bills.
- This is often easier said than done!

#### Can anyone remember the last 'budget'?

#### The National Budget

- The National Budget is a document which gives a detailed breakdown of Government income and Government expenditure for the next year.
- If planned Government expenditure is greater than planned Government income, the extra amount will have to be borrowed.
- O This amount is known as the "Government Borrowing Requirement".

#### The National Budget

The national budget can be either a:

- OBalanced Budget
- OSurplus Budget
- ODeficit Budget

#### 1.Balanced Budget

# Planned total income is equal to planned total expenditure

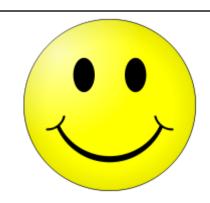


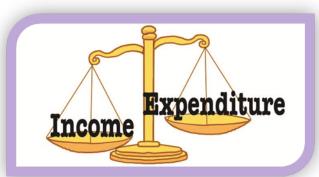


Planned Money IN = Planned Money Out

### 2. Surplus Budget

Planned total income is greater than planned total expenditure





Planned Money IN > Planned Money OUT

#### 3. Deficit Budget

# Planned total income is less than planned total expenditure





Planned Money OUT > Planned Money IN

#### Questions:

1. Which type of National Budget is Ireland currently experiencing?

2. Which type of National Budget would Ireland like to have?

#### The National Budget

Income and expenditure can be either "capital" or "current"

O Capital refers to "long term" or "once off" income and expenditure.

 Current refers to "short term" or regular types of income and expenditure

#### In terms of a household:

<b>Current Income</b>	Capital Income
Wages	Lottery Win
Child Benefit	Inheritance
	Sale of House
	Sale of Shares
	Sale of Car
<b>Current Expenditure</b>	<u>Capital Expenditure</u>
<u>Current Expenditure</u> Food	Capital Expenditure Extension to House
•	
Food	Extension to House
Food Clothes	Extension to House Purchase of a new house

Think back to your cash budgeting days!! Regular v Irregular Income/Expenditure

# Activity – From looking at a household can you please complete the same table for a business:

Current Income	Capital Income
Current Expenditure	<u>Capital Expenditure</u>

## Now lets think about the government!

Current Income	Capital Income
Current Expenditure	<u>Capital Expenditure</u>

## The National Budget

 Government income comes from a number of sources:

#### 1. Taxation

- Income tax (PAYE)
- Corporation tax (Business)
- Value added tax (VAT)
- Deposit interest retention tax (DIRT)
- Customs and excise duties

See page 126 for a description of each of these.

#### Other Government Income

O 2. EU Grants

3. Sale of Semi State Bodies

4. Dividends from investments

## Government Expenditure

#### **Current**

- 1. Social Welfare Payments
- Job Seekers Benefit (dole)
- Child Benefit
- Old Age Pensions
- 2. Public Sector Wages
- Teachers/Doctors/Nurses etc.
- 3. Daily running costs of government offices and services
- Hospitals/Revenue Offices/Garda Stations/Schools etc.
- 4. Interest on government borrowing

### Government Expenditure

#### Capital Expenditure

- Infrastructure
   Building new roads, hospitals and schools
- 2. Purchasing long term equipment and machinery for hospitals and other organisations.

\*Question – At present do you think the government is spending more money on current or capital expenditure?

# How can the government try to improve a budget deficit?

Just like when you did household budgeting there are two ways.

Increase Income

Decrease Expenditure

#### So things the government can do?

- O Borrow just like we covered in household budgeting, like a family the government can take out a loan.
- Increase Income by:
- Increase taxes
- Sell state assets
- Decrease Expenditure by:
- Reduce social welfare payment
- Decrease government grants and aid
- Ask the EU for help.

#### Local Government v National Government

 National Government runs the entire country, local government looks after a particular area or county.



#### Duties of the Local Government

- To build council houses and flats
- To maintain public parks and green areas
- To house traveller families in their area
- To provide public libraries and museums
- To maintain street lighting, refuse collection, water and other essential services.

