
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.
- This amount is known as the “Government Borrowing Requirement”.



The National Budget

The national budget can be either a:

- Balanced Budget
- Surplus Budget
- Deficit 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”
- 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:

<u>Current Income</u> Wages Child Benefit	<u>Capital Income</u> Lottery Win Inheritance Sale of House Sale of Shares Sale of Car
<u>Current Expenditure</u> Food Clothes Electricity and Heating Bills Telephone Insurance	<u>Capital Expenditure</u> Extension to House Purchase of a new house New Car Re-roofing your 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:

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



Now lets think about the government!

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

- 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

-

1. 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?

- 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.

