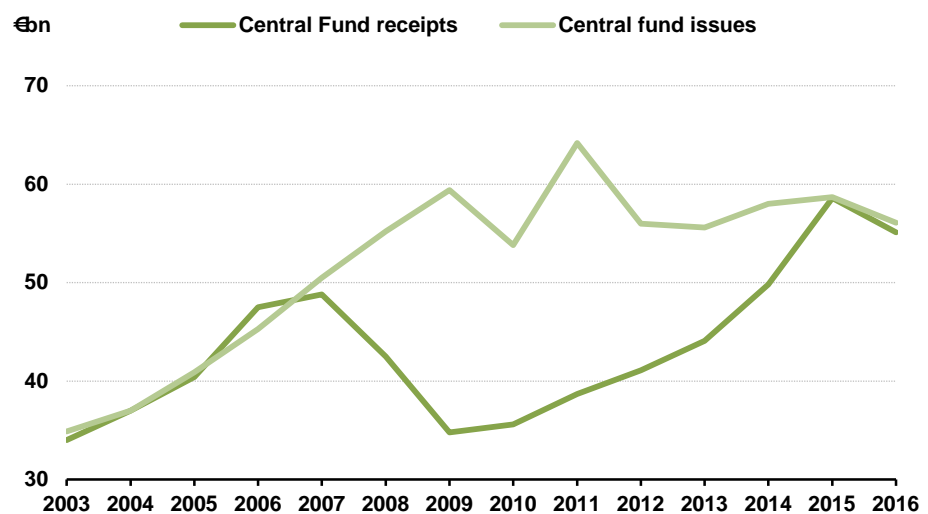


1 Exchequer Financial Outturn for 2016

- 1.1** All revenues of the State are paid into the Central Fund of the Exchequer unless otherwise determined by law.¹ Central Fund receipts include tax revenues and the proceeds of borrowing undertaken on behalf of the State by the National Treasury Management Agency (NTMA). Issues from the Central Fund are used to fund expenditure on State services and to service State debt.
- 1.2** The annual Finance Accounts present the receipts into and issues from the Central Fund together with details relating to NTMA borrowing and information about certain liabilities and assets of the State. This report summarises the transactions on the Central Fund and highlights some key trends. Because the Finance Accounts do not include a balance sheet, the summary position in relation to key assets and liabilities at year end is also set out.
- 1.3** Excluding movement related to borrowing, Central Fund receipts and issues over the period 2003 to 2016 are set out in Figure 1.1.

Figure 1.1 Central Fund receipts and issues, 2003 to 2016.



Source: Finance Accounts 2003 to 2016

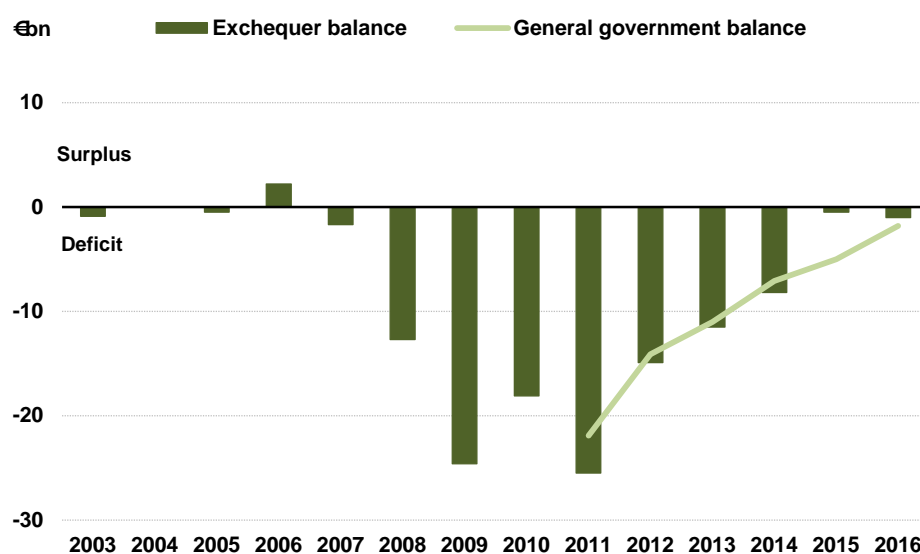
Exchequer balance

- 1.4** The Exchequer balance is the net surplus or deficit position of the Central Fund i.e. the surplus or deficit of Central Fund receipts over issues. The Exchequer deficit was €1 billion in 2016. The deficit in 2015 was €64 million.
- 1.5** The general government balance is a broader measure than the Exchequer balance. It is used for fiscal monitoring under the European Union Stability and Growth Pact — the set of rules under which member states of the European Union must manage their public finances.

¹ Examples of State revenue not paid directly into the Central Fund include Pay Related Social Insurance receipts, which are paid into the Social Insurance Fund, and the proceeds of motor tax, which are paid into the Local Government Fund.

- 1.6 The general government balance is a standard measure of fiscal performance of the general government sector i.e. central government, local authorities, non-commercial State sponsored bodies, and funds such as the Social Insurance Fund managed by government bodies. It does not include commercial State sponsored bodies.
- 1.7 Figure 1.2 shows both the Exchequer balance over the period 2003 to 2016, and the general government balance for 2011 to 2016. This indicates that the measures are relatively close over that period, with the exception of 2015. The difference in that year arises mainly from the treatment of transactions relating to financial sector stabilisation measures.

Figure 1.2 Exchequer balance, 2003 to 2016 and general government balance 2011 to 2016



Source: Finance Accounts 2003 to 2016; CSO Government Income and Expenditure 2011 to 2016 (July 2017 results).

Central Fund receipts and issues

- 1.8 An analysis of receipts and issues of the Central Fund for the years 2012 to 2016 is set out in Figure 1.3.

Central Fund receipts

- 1.9 Receipts into the Central Fund in 2016 totalled €55.1 billion. This represented a decrease of €3.5 billion (6%) relative to 2015 receipts. There was a significant reduction in capital receipts because a number of transactions in 2015 relating to financial sector stabilisation measures were of a one-off nature.¹ In addition, the repayment of advances was significantly lower than in 2015, because there was a reduction in the need for cash flow advances to the Social Insurance Fund.

¹ See Chapter 3 for further details of financial sector stabilisation measures.

Figure 1.3 Composition of Central Fund receipts and issues, 2012 to 2016^a

Receipts	2012	2013	2014	2015	2016
	€m	€m	€m	€m	€m
Current receipts					
Tax revenue	36,646	37,806	41,282	45,601	47,864
Transfer from Local Government Fund	—	—	520	481	318
Central Bank surplus income	958	1,152	1,225	1,719	1,800
Dividends from State bodies	112	264	475	551	269
Other current revenues	1,695	1,260	746	765	717
Capital receipts					
Loans/advances repaid ^b	1,077	1,098	4,987	5,348	2,143
Financial sector stabilisation measure receipts	—	2,311	—	3,682	1,871
Sale of mobile phone licences	450	60	—	—	—
National Lottery licence receipts	—	—	405	—	—
Aer Lingus share capital disposal	—	—	—	335	—
Other capital receipts	150	113	131	106	75
Total receipts	41,088	44,064	49,771	58,588	55,057
Issues					
Issues for voted expenditure	44,950	43,072	42,224	42,863	43,986
Service of national debt	5,823	7,459	7,579	7,107	6,845
Contribution to EU budget	1,393	1,726	1,685	1,952	2,023
Oireachtas Commission	105	101	101	106	114
Loans/advances ^b	1,485	1,444	4,875	5,111	2,320
Financial sector stabilisation measures	1,575	1,060	100	30	4
Irish Water capital contributions and loans	—	—	461	96	184
Transfer to Local Government Fund (Local Property Tax)	—	—	484	461	463
European Stability Mechanism capital contribution	510	510	255	—	—
Securities market programme related payment	—	—	31	—	—
Payments in respect of pension schemes (s. 48(b) Pensions Act 1990)	—	—	—	43	13
Ireland Strategic Investment Fund	—	—	—	335	—
Payments to local authorities to repay HFA loans	—	—	—	427	—
Other payments	139	195	165	121	123
Total issues	55,980	55,567	57,960	58,652	56,075
Deficit for the year	14,892	11,503	8,189	64	1,018

Source: Finance Accounts 2012 to 2016

Notes: a Transactions of the Exchequer Account and the Capital Services Redemption Account are consolidated. The latter account is maintained by the National Treasury Management Agency for servicing national debt and transactions of a normal banking nature.

b See Annex 1A for further details.

- 1.10** Total tax revenue in 2016 was €2.3 billion higher than in 2015, with increased receipts for most taxes. The largest increases were in respect of income tax (up €810 million or 4%), corporation tax (up €480 million or 7%), value added tax (up €476 million or 4%) and excise (up €420 million or 8%).

Central Fund issues

- 1.11** Issues from the Central Fund in 2016 amounted to €56.1 billion, which represents a decrease of €2.6 billion, or 4%, on 2015. Significant components were
- issues for voted services increased by 3%
 - payments related to servicing of borrowing undertaken by the NTMA were €6.8 billion in 2016, 4% lower than 2015
 - reduction of €2.8 billion in loans and advances (as mentioned above).

Government funding of Irish Water

- 1.12** In 2016, Irish Water received €184 million from the Central Fund in the form of a capital contribution. A working capital loan of €96 million issued from the Central Fund in 2015 was also converted into a capital contribution in December 2016. The Central Fund has previously provided loans, capital contributions and equity investment to Irish Water. Irish Water has also received subventions from the Local Government Fund and loans from the Ireland Strategic Investment Fund (see Figure 1.4).

Figure 1.4 Government funding of Irish Water, 2013 to 2016

	2013	2014	2015	2016	Total
	€m	€m	€m	€m	€m
Grants and capital contributions					
Local Government Fund subventions	—	439	399	652	1,490
Department of Housing, Planning and Local Government	1	—	—	—	1
Central Fund capital contributions	—	407	—	280 ^a	687
Share capital acquired in Irish Water ^b	—	—	54	—	54
Total grants and capital contribution	1	846	453	932	2,232
Loans					
Central Fund convertible loan ^b	—	54	(54)	—	—
Central Fund working capital loan	—	—	96	(96)	—
Ireland Strategic Investment Fund ^c	250	50	—	—	300
Total loans	250	104	42	(96)	300
Total	251	950	495	836	2,532

Source: Finance Accounts 2013 to 2016; Local Government Fund Accounts 2013 to 2016; Department of Housing, Planning and Local Government.

- Notes:
- a Comprises €184 million issued from the Central Fund in 2016 and conversion of a working capital loan of €96 million.
 - b Convertible debt instrument issued by Irish Water in 2014 and held by the Minister for Finance converted into an equity holding in Irish Water in September 2015.
 - c The aggregate €300 million facility provided in 2013 and 2014 was refinanced and replaced by a new €300 million ISIF facility in September 2015 (and extended in September 2016). ISIF also made a €150 million facility available to Irish Water but no funds had been drawn down against that facility up to the end of 2016.

Local Property Tax transfer

- 1.13** Local Property Tax (LPT) is collected by the Revenue Commissioners and remitted to the Exchequer as part of the tax revenue receipts. From 2014, the Minister for Finance is required to transfer an amount equivalent to LPT so remitted, including any interest paid by taxpayers during the year, from the Central Fund to the Local Government Fund. In 2016, €463 million of LPT receipts remitted to the Exchequer were paid to the Local Government Fund.

Contribution to the EU budget

- 1.14** Ireland's contribution to the EU budget in 2016 amounted to €2 billion, an increase of 20% when compared to 2014. The largest element of the contribution to the EU budget is a uniform percentage levied on the Gross National Income (GNI) of each member state.

Exchequer assets and liabilities

- 1.15** The Finance Accounts do not include a balance sheet, notwithstanding the substantial level of Exchequer financial assets and liabilities that exist. Exchequer borrowing is reported on in Chapter 2 Government Debt.

Cash and financial assets

- 1.16** The level of cash and other financial assets held by the Exchequer fell from €13.6 billion at end 2015 to €11.1 billion at end 2016 (see Figure 1.5). The reduction of just over €2.4 billion (18%) reflected the impacts of the deficit of €1 billion and net debt repayments of €1.4 billion in the year.
- 1.17** The balance on the Central Bank Exchequer account was €8.4 billion at the end of 2016, an increase of €421 million on the balance at the end of 2015. Exchequer deposits in commercial banks fell by €1.6 billion during the year to €199 million.

Figure 1.5 Movements in Exchequer cash and financial asset balances, 2012 to 2016

Movement in year	2012	2013	2014	2015	2016
	€m	€m	€m	€m	€m
Balance at 1 January	17,692	23,850	23,601	14,759	13,554
Net Exchequer borrowing/ (repayment) in year ^a	21,050	11,254	(653)	(1,141)	(1,417)
Exchequer deficit	(14,892)	(11,503)	(8,189)	(64)	(1,018)
Balance at 31 December	23,850	23,601	14,759	13,554	11,119

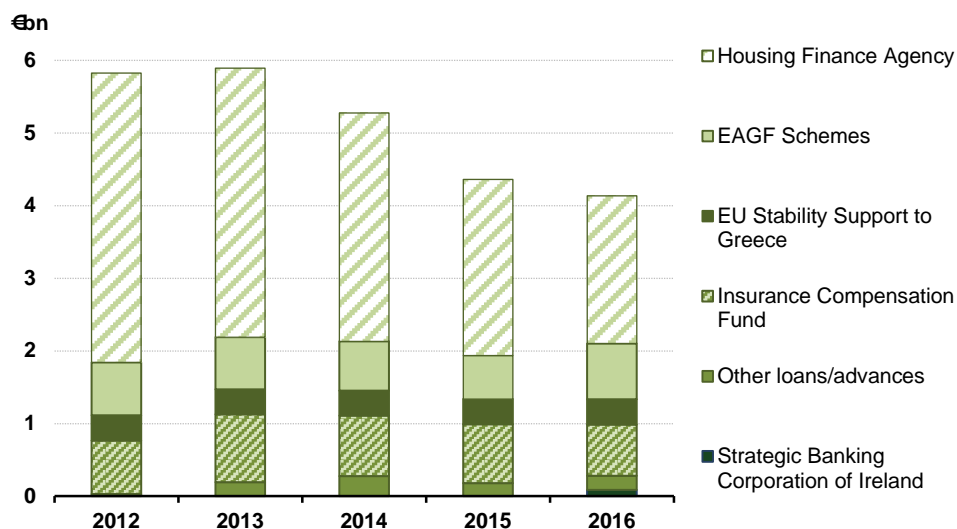
Composition of cash and financial assets at 31 December	2012	2013	2014	2015	2016
	€m	€m	€m	€m	€m
Central Bank Exchequer account	15,280	4,432	4,089	7,964	8,385
Commercial bank deposits ^b	3,020	11,068	5,540	1,779	199
Non-Irish treasury bills	1,045	3,041	1,474	1,184	—
SBCI medium-term guaranteed notes ^c	—	—	—	—	85
Loans to Housing Finance Agency	3,982	3,704	3,145	2,424	2,032
Collateral funding	523	1,356	511	203	418
Balance at 31 December	23,850	23,601	14,759	13,554	11,119

Source: Finance Accounts 2012 to 2016

- Notes:
- a 2012 and 2013 figures exclude Government bonds to the value of €3.5 billion issued to meet the cost of the promissory note payment of €3.06 billion to Irish Bank Resolution Corporation, and floating rate bonds of just over €25 billion issued to replace Irish Bank Resolution Corporation promissory notes.
 - b Includes collateralised deposits and tri-party repurchase agreements.
 - c Strategic Banking Corporation of Ireland (SBCI) was established under the Strategic Banking Corporation of Ireland Act 2014. Its aim is to ensure access to flexible funding for Irish small and medium enterprises by facilitating the provision of lower cost of funding and flexible products. The issued share capital of the SBCI is owned solely by the Minister for Finance.

Exchequer loans and advances

- 1.18** Loans and advances provided from the Central Fund, and outstanding at the end of 2016, comprised lending of €2 billion to the Housing Finance Agency in the form of guaranteed notes, and other loans totalling €2.1 billion. This included lending of €85 million provided in 2016 to the Strategic Banking Corporation of Ireland in the form of guaranteed notes. The outstanding balances for the major categories of loans and advances at year end are shown in Figure 1.6. In addition, the Exchequer is entitled to reimbursement of contributions provided to the Credit Institutions Resolution Fund in 2011 and to the Credit Union Fund in 2012 (€250 million was provided to each fund).

Figure 1.6 Year-end balances on Central Fund loans and advances, 2012 to 2016

Source: Finance Accounts 2012 to 2016

- 1.19** The Insurance Compensation Fund was established primarily to provide a minimum level of protection for policy holders where a non-life insurance company goes into administration or liquidation. The Fund has received Exchequer loans of over €900 million. It receives contributions from insurance companies calculated as a percentage of the aggregate of gross premiums.¹ Contributions are collected by the Revenue Commissioners. The Exchequer loans outstanding at end 2016 amounted to €706 million.

European Commission decision on State aid

- 1.20** Following an investigation launched in 2014, the European Commission published its final decision in August 2016 concerning two tax rulings by the Revenue Commissioners on the attribution of profits to branches of the Apple Group. The Commission's decision is that those rulings conferred an advantage to Apple Group companies and constituted State aid.
- 1.21** The legal basis for the Commission's decision has been rejected by the State and an annulment application has been lodged with the General Court of the European Union in November 2016. In the interim, Ireland is obliged to collect the estimated value (including interest) of the alleged State aid from the Apple Group. It is planned that the sum collected from Apple will be placed in an escrow account, pending the outcome of the legal proceedings.

¹ Section 7, Insurance (Amendment) Act 2011

Annex 1A Loans and advances, 2012 to 2016

	2012	2013	2014	2015	2016
	€m	€m	€m	€m	€m
Housing Finance Agency					
Opening balance	3,848	3,982	3,704	3,145	2,424
Net movement in the year	134	(278)	(559)	(721)	(392)
Closing balance	3,982	3,704	3,145	2,424	2,032
Strategic Banking Corporation of Ireland					
Net movement in the year	—	—	—	—	85
Closing balance	—	—	—	—	85
European Agricultural Guarantee Fund					
Opening balance	720	730	715	677	599
Repayments	(720)	(730)	(715)	(677)	(599)
Loans issued	730	715	677	599	770
Closing balance	730	715	677	599	770
Social Insurance Fund					
Opening balance	55	—	15	—	—
Repayments	(355)	(285)	(4,015)	(4,365)	(1,370)
Advances	300	300	4,000	4,365	1,370
Closing balance	—	15	—	—	—
Insurance Compensation Fund					
Opening balance	280	735	933	833	812
Repayments	—	—	(100)	(100)	(106)
Loans issued	455	198	—	79	—
Closing balance	735	933	833	812	706
EU Stability Support to Greece					
Opening balance	346	346	346	346	346
Repayments	—	—	—	—	—
Loans issued	—	—	—	—	—
Closing balance	346	346	346	346	346
Other loans and advances					
Opening balance	32	30	178	273	177
Repayments	(2)	(83)	(157)	(260)	(68)
Loans issued	—	231	252	164	180
Closing balance	30	178	273	177	193^a

Source: Finance Accounts 2012 to 2016

Note: a In 2016, a loan of €96 million to Irish Water was converted into a capital contribution. This was a 'non-cash' transaction but reduces the amount of loans outstanding at the end of 2016 by €96 million.