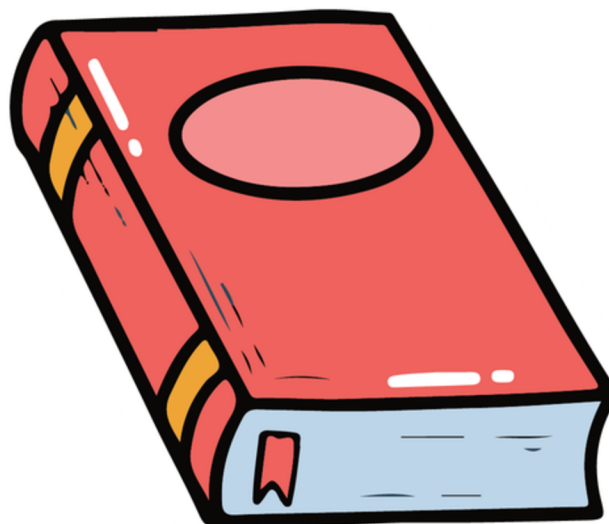


JC BUSINESS



HUB

CLASS NOTES



Chapter 30 Government Revenue and Government Expenditure

Learning Outcome 3.4. Differentiate between different sources of government revenue and government expenditure


Learning Links - LOs 1.2 1.4 1.11 1.12 2.11 3.5 3.9

Keywords

The National Budget	Government Revenue	Current Revenue	Capital Revenue	Government Expenditure
Current Expenditure	Capital Expenditure	Surplus Budget	Deficit Budget	Balanced Budget

Key Skills

- Differentiate between current and capital revenue
- Differentiate between current and capital expenditure
- Explain sources/examples of government revenue other than tax
- Explain sources/examples of current and capital government expenditure
- Calculate/identify whether a budget is a surplus or deficit
- Advise the Minister for Finance on actions to take in the event of a deficit or surplus budget

Introduction	Class Activity
<p>When we look at the money earned by an individual or a household, we call it income. For the government, this is called revenue. Ireland's government collects most of its revenue through taxes.</p> <p>Corporation Tax collected from the profits of large multinational companies such as Apple, Google and Pfizer has more than doubled between 2021 and 2025, rising from €15.3 billion to €32.9 billion.</p> <p>Therefore the government will take in more revenue than it will spend, so must decide what to do with it - to spend it, save it, or pay off some of our national debt.</p>	 <p>a) Suggest how the government could use this extra revenue to:</p> <ol style="list-style-type: none"> 1. Help with homeless crisis 2. Improve our health system 3. Increase the number of children playing sports 4. Make it easier for people to travel without driving petrol or diesel cars <p>b) Do you think the government should save some extra money for the future? Why?</p> <p>c) Why might it be risky if the government depends too heavily on Corporation Tax from foreign companies like Apple and Google?</p>



What is the National Budget?

Just like a household would, the government also looks ahead to try to plan their future money in (revenue) and money out (expenditure) by making a budget.

The Irish Government create their annual financial plan for the year ahead, called the National Budget. It is presented by the Minister for Finance and the Minister for Public Expenditure annually and sets out:

Government Revenue: All money received by the government, eg revenue received from PAYE or VAT

Government Expenditure: All money spent by the government, eg money used to build a new children's hospital or increase teachers' salaries



Top Tip: When explaining either **Government Revenue** or **Government Expenditure** you should always give examples as well to help show your understanding of each term.

Sometimes, an unexpected event such as an economic crisis or Covid may force the government to announce an **Emergency Budget** to update its planned spending.

The government must decide how to divide its spending across different areas such as healthcare, education, housing, transport, and social protection, which means they face **opportunity costs** of any decision.

For example, funding may be used to pay nurses and teachers, build social housing, improve public transport, or support people through pensions and jobseeker's payments.

This is why preparing a national budget involves setting priorities and deciding how best to use the **limited resources** our country has available.



Different types of Government Revenue

Government revenue is the money the government receives to pay for public services.

There are two main types of government revenue:

Current revenue – recurring income that continues to be earned over time

Capital revenue – non-recurring income often received as a one-off

1. Current Revenue

Current revenue is income the government collects on a recurring or continuous basis. It forms the main source of funding for everyday public services.

Source	Meaning	Examples
Tax	Money collected from people and businesses	PAYE, VAT, Corporation Tax
Fees & Charges	Payments made for public services	Passport fees driving test fees
State Companies	Profits from government-owned companies	Any profits made by ESB, An Post, Irish Rail

2. Capital Revenue

Capital revenue is once-off income the government receives occasionally, so it may not recur. It is used to fund large projects and major investments.

Source	Meaning	Example
EU Grants	EU funding that does not have to be repaid, which helps pay for large infrastructure projects	EU Grants received for a new motorway
Sale of State Assets	Selling government owned land, buildings, or assets	Selling off government shares held in Irish banks
Long-Term Borrowing	Money borrowed from banks or investors that must be repaid with interest	Selling government bonds to borrow funds

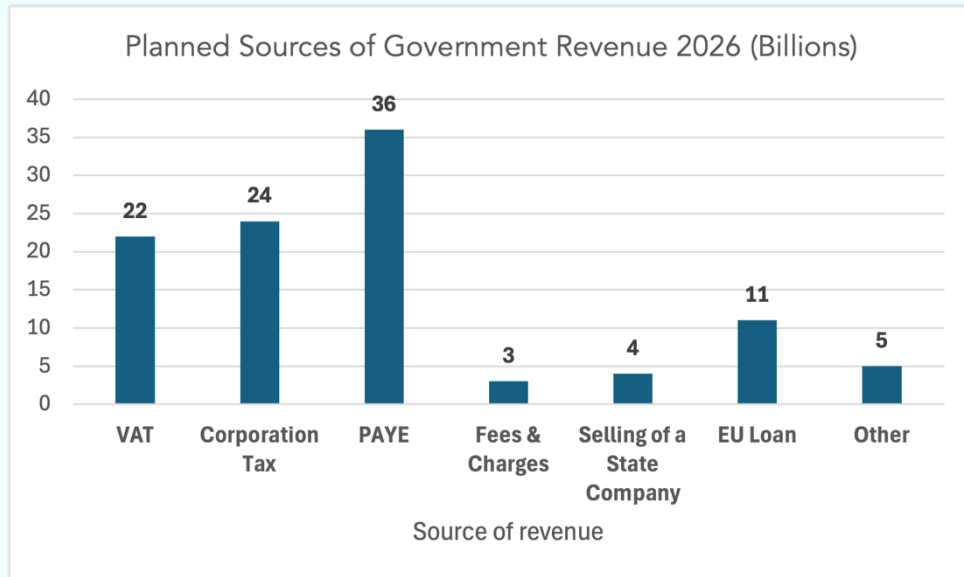




Class Activity 30.1

Key skill: Classify examples of government revenue

Part A – Study the diagram below for another country and answer the questions that follow



(a) What is the largest source of revenue for the government in 2026? _____

(b) By adding up the figures in the graph, we can calculate that the total planned revenue is €105bn for the government in 2026.

Calculate the percentage of total revenue that VAT makes up _____

Key Skill: Calculate Total Government Revenue

Part B - Study the table showing a government's planned sources of revenue for the year. It shows where the government's money will come from.

Planned Government Revenue for a Country In 2026

Source of Revenue	€ Billions
PAYE	32
VAT	21
Corporation Tax	18
Fees & Charges	6
Selling of a State Company	4
EU Loan	9
Other	5

(a) Add the figures above to calculate the total government revenue for 2026.

(b) Identify one source of current revenue and one source of capital revenue in the figures above. Explain your choices. _____

(c) What source provides the most revenue for the government _____



Different types of Government Expenditure

Government expenditure is the money the government spends to provide public services and run the country.

There are two main types of government expenditure:

1. Current Expenditure (Day-to-Day Spending)

Recurring expenditure used to run public services each year.

It is needed to keep services operating on a daily basis.

Examples include: Paying teachers and doctors, paying social welfare, heating and lighting bills in schools and hospitals

2. Capital Expenditure (Long-Term Spending)













Non-recurring expenditure on long-term projects and developing infrastructure.

It is spent on projects that should benefit Irish people for many years.

Examples include: Building new schools, social housing, roads and hospitals



Examples of Government Expenditure by Department

Department	Current Expenditure	Capital Expenditure
Education and Youth Responsible for funding schools, education services	Paying teachers' wages 	Building new schools 
Health Provide public healthcare services	Paying nurses and doctors 	Building hospitals 
Transport Manage public transport and develop infrastructure	Paying bus drivers 	Building new roads 
Housing Provides social housing and supports the homeless	Funding homelessness services 	Building social housing 
Culture, Communications and Sport Supports sporting organisations, facilities, and athlete development	Funding athletes to train for the Olympics 	Building a velodrome 
Social Protection Responsible for financial supports like child benefit and state (public) pensions	Paying jobseeker's allowance 	Developing a new national welfare IT system 



Top Tip: When dealing with government expenditure in different departments, do not just write "pay workers". Be specific, for example: "Paying nurses in hospitals" or "Funding Irish athletes to train for the Olympics". Similarly for social welfare payments, be specific and write "Jobseeker's Allowance".

Exam Corner 2019 Q13

The Government will spend €60 million in the Department of Justice and Equality to recruit additional Gardaí in 2019. State one example of expenditure in the Government Departments below:



Government Department:	Example of expenditure:
1. Health	<i>Paying doctors to work in hospitals</i>
2. Education and Skills	<i>Building new schools</i>
3. Transport, Tourism and Sport	<i>Building a new velodrome</i>

Class Activity 30.2
Key Skill: Classify examples of government expenditure



(A) Decide whether each example is current or capital expenditure.

- | | |
|---|-------------------|
| 1. Paying hospital staff | Current / Capital |
| 2. Building a new hospital | Current / Capital |
| 3. Buying textbooks for schools | Current / Capital |
| 4. Constructing a new motorway | Current / Capital |
| 5. Funding Olympians with wages to help them train more | Current / Capital |
| 6. Building a new velodrome for Olympian cyclists to train on | Current / Capital |

Key Skill: Differentiate between current and capital expenditure

(B) Give an example of both current and capital expenditure for each of these government departments:

- (i) Housing Current: _____ / Capital: _____
- (ii) Social Protection Current: _____ / Capital: _____
- (iii) Health Current: _____ / Capital: _____
- (iv) Transport Current: _____ / Capital: _____



Surplus, Deficit and Balanced Budgets

To find out if a budget is a **surplus** or **deficit**, the government compares its **total revenue** to its **total expenditure**.

If revenue is higher than expenditure, there is a surplus.

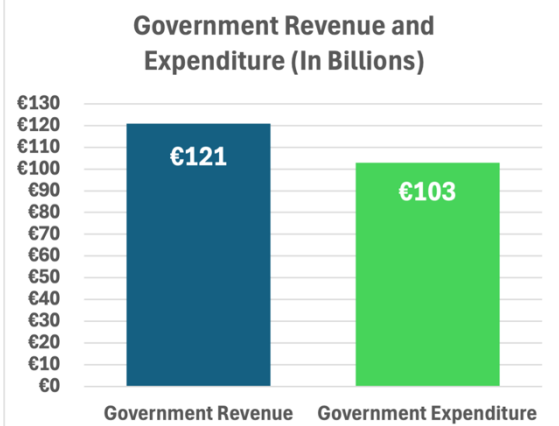
If expenditure is higher than revenue, there is a deficit.

A Surplus Budget

A **surplus budget** occurs when government revenue (money coming in) is greater than government expenditure (money going out).

This means the government collects more than it spends.

In our graph, revenue is higher than expenditure, so there is a **surplus of €18bn** (€121bn minus €103bn).



What Could the Minister for Finance Do With A Budget Surplus?

- **Reduce Our National Debt** – Use the surplus to repay part of the national debt and reduce future interest costs.
- **Increase Public Spending** – Invest more in areas such as health, education or housing.
- **Reduce Taxes** – Lower certain taxes to increase disposable income for households and businesses.
- **Build Financial Reserves** – Save the money to prepare for future economic difficulties.

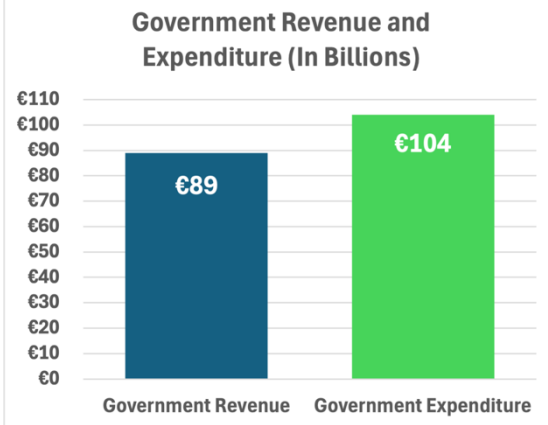


A Deficit Budget

A deficit budget occurs when government expenditure (money going out) is greater than government revenue (money coming in).

This means the government spends more than it collects.

In our graph, expenditure is higher than revenue, so there is a **deficit of €15bn** (€89bn minus €104bn).



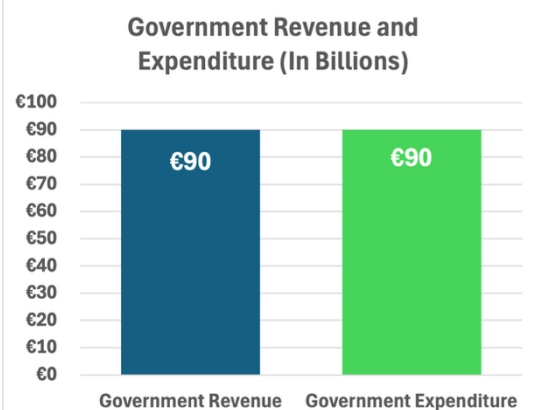
What Might the Minister for Finance Need to Do With a Budget Deficit?

- **Increase Borrowing** – Borrow to cover the shortfall, which will need to be repaid with interest and increase our national debt
- **Increase Taxes** – Raise taxes such as PAYE or VAT in order to increase future government revenue to cover the extra planned expenditure.
- **Reduce Spending** – Decide to cut funding in certain areas to help reduce the deficit, reducing the quality of some public services.

A Balanced Budget

A balanced budget occurs when government revenue equals government expenditure.

In our graph, revenue and expenditure are equal, so there is **neither a surplus or deficit**. The Budget is balanced.



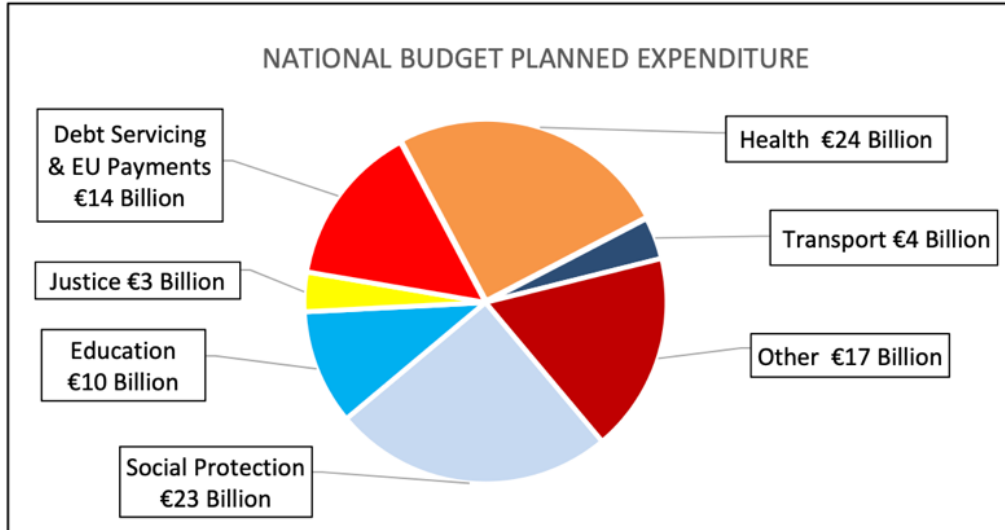
What Could A Balanced Budget Mean for the Minister for Finance?

- **Maintain Current Services** – Continue funding services at existing levels.
- **Avoid Additional Borrowing** – No need to increase the national debt.



Top Tip: Read all titles in graphs provided in the exam – in this one it states that every figure in the pie chart is planned expenditure, which helped answer part (i)

(c) The figures below were presented on budget day for a country as projections for the following year.



(i) Using the information from the pie chart above prepare the National Budget for the following year.

National Budget for the year		
	€ Billions	€ Billions
Income		105
Expenditure		
Health	24 1m	
Transport	4 1m	
Other	17 1m	
Social Protection	23 1m	
Education	10 1m	
Justice	3 1m	
Debt Servicing & EU Payments	14 1m	
Total Expenditure		95 1m
	Answer:	€ 10 1m O.F
Is the government budget for the year a deficit or surplus?		Surplus 2m O.F





(ii) Using the pie chart of National Budget Planned Expenditure, on the previous page, identify the sector the government plans to spend most money on next year. **(4m)**

Health

(iii) In the event of a surplus in the National Budget, advise the Minister for Finance what to do with the surplus money? **(2m)**

Repay some of the National Debt.
Increase Government spending on any Government Dept. e.g., Education.
Use some of the surplus to improve public services e.g., build more hospitals and employ more doctors
Invest the surplus money.

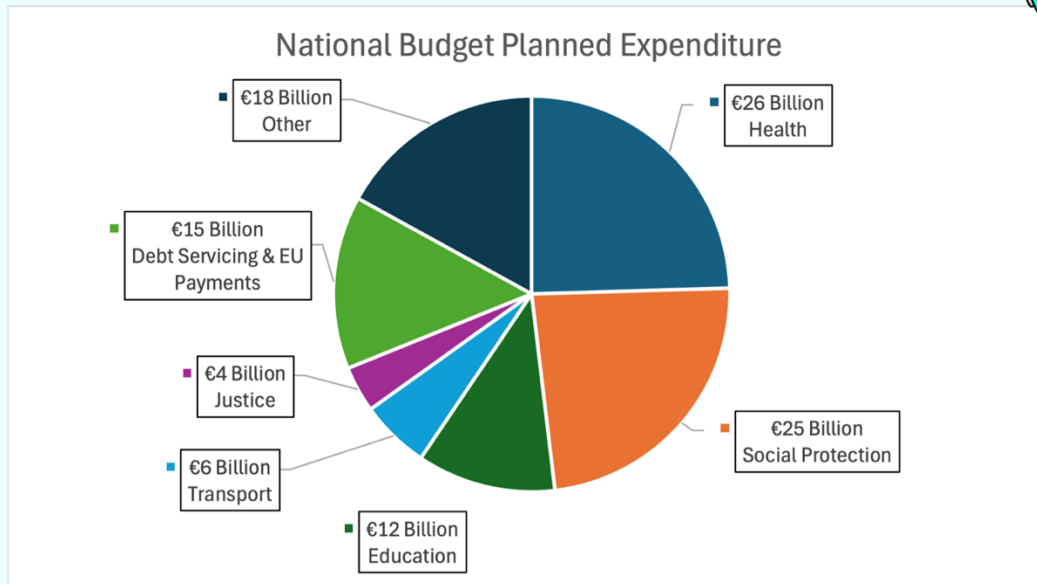
(iv) Identify **one** example of capital expenditure and **one** example of current expenditure for the Department of Education. **(4m)**

Capital expenditure: Building schools/colleges/buying school equipment, school chairs/school tables.
Current expenditure: Paying teachers/ staff/ lecturers/SNA's wages.



Class Activity 30.3

Key Skill: Calculate a National Budget and identify if it is a surplus or deficit budget



(a) Using the information from the pie chart above prepare the National Budget for the following year using the table below:

National Budget for the year		
	€ Billions	€ Billions
Total Income		110
Expenditure		
Health		
Social Protection		
Education		
Transport		
Justice		
Debt Servicing & EU Payments		
Other		
Total Expenditure		
	Answer:	
Is the government for the year a Surplus or Deficit?		



(b) Identify the sector the government plans to spend the **most** money on next year.

Answer: _____

Key Skill: Advise the Minister for Finance on actions to take in the event of a deficit or surplus budget

(c) In the event of a **surplus in the National Budget**, advise the Minister for Finance what to do with the surplus money. _____

(d) Identify one example of **capital expenditure** and one example of **current expenditure** for the Department of Health.

Current: _____ / Capital: _____

Workbook
Q10 -> Q14



Chapter 30 Keyword Summary

The National Budget	<p>The National Budget is the government's annual financial plan showing how much money it expects to collect (revenue) and how it plans to spend it (expenditure) in the year ahead.</p>
Government Revenue All income collected by the government	<p>Current Revenue - Income collected on a recurring basis each year. It funds day-to-day government activities. Examples: PAYE, VAT, Corporation Tax, Fees, Profits from State Companies</p> <p>Capital Revenue - Non-recurring income received, used to fund major projects or cover large costs like developing infrastructure. Examples: Sale of State Assets, EU grants that do not need to be repaid</p>
Government Expenditure All spending by the government	<p>Current Expenditure - Recurring spending required each year to operate day to day public services.. Examples: Paying teachers, Social welfare payments (pensions), Running costs of schools and hospitals (utilities, supplies).</p> <p>Capital Expenditure – Non-recurring spending on major projects and infrastructure that provide benefits over many years. Examples: Building schools, hospitals, roads, social housing</p>
Surplus Budget	<p>Occurs when government revenue exceeds government expenditure.</p> <p>The Minister for Finance could use a surplus to:</p> <ul style="list-style-type: none"> • Reduce our national debt by paying some off • Increase public spending to improve public services • Reduce taxes to increase disposable incomes and improve standard of living • Save some revenue for future emergencies
Deficit Budget	<p>Occurs when government expenditure exceeds government revenue.</p> <p>The Minister may need to:</p> <ul style="list-style-type: none"> • Borrow money, increasing our National Debt • Increase taxes, reducing our standard of living • Reduce government spending, cutting public services
Balanced Budget	<p>Occurs when government revenue equals government expenditure.</p> <ul style="list-style-type: none"> • No additional borrowing required • Services continue as planned

