FISCAL RESPONSIBILITY ACT 2012

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FISCAL RESPONSIBILITY ACT 2012

AN ACT TO MAKE PROVISION FOR SECURING THAT THE RULES IN ARTICLE 3 OF THE TREATY ON STABILITY, COORDINATION AND GOVERNANCE IN THE ECONOMIC AND MONETARY UNION TAKE EFFECT IN THE LAW OF THE STATE IN ACCORDANCE WITH PARAGRAPH 2 OF THAT ARTICLE AND THAT THE RULE IN ARTICLE 4 OF THAT TREATY TAKES EFFECT IN THE STATE; TO MAKE PROVISION IN ACCORDANCE WITH ARTICLE 3 OF THAT TREATY IN RELATION TO A MEDIUM-TERM BUDGETARY OBJECTIVE AND A CORRECTION MECHANISM; TO ESTABLISH A BODY TO BE KNOWN AS COMHAIRLE CHOMHAIRLEACH BHEUIDEADACH NA hÉIREANN OR, IN THE ENGLISH LANGUAGE, THE IRISH FISCAL ADVISORY COUNCIL AND PROVIDE FOR ITS FUNCTIONS; AND TO PROVIDE FOR RELATED MATTERS.

[27th November, 2012]

BE IT ENACTED BY THE OIREACHTAS AS FOLLOWS:

PART 1

INTERPRETATION

1.—(1) In this Act—


1OJ No. L209, 28.7.1997, p.6
2OJ No. L174, 7.7.2005, p.5
3OJ No. L306, 23.11.2005, p.33
4OJ No. L209, 28.7.1997, p.1
5OJ No. L174, 7.7.2005, p.1

“2012 Treaty” means the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union done at Brussels on 2 March 2012;

“annual structural balance of the general government”, in relation to a year, means the general government deficit or general government surplus for the year, cyclically adjusted and net of one-off and temporary measures, expressed as a percentage of gross domestic product at market prices;

“Budget”, in relation to a year, means the Financial Statement and associated material presented by the Minister to Dáil Éireann, and the Estimates for Public Services, which set out the Government’s proposals for the year with regard to the raising of tax and other revenues and to public expenditure;

“budgetary rule” shall be construed in accordance with section 3;

“cyclically-adjusted” means adjusted to take account of effects estimated to be due to the operation of the economic cycle;

“Estimates for Public Services” means the estimates of expenditure submitted by the Government to Dáil Éireann for approval in relation to supply grants and appropriations-in-aid in respect of supply services for a year;

“European system of accounts” means the European system of national and regional accounts in the Community as provided for under Council Regulation (EC) No. 2223/96 of 25 June 1996, as it has effect as amended from time to time;

“exceptional circumstances” means—

(a) a period during which an unusual event outside the control of the State has a major impact on the financial position of the general government, or

(b) a period of severe economic downturn,

within the meaning of the Stability and Growth Pact;

“Fiscal Council” has the meaning given by section 7(1);

“fiscal stance” means the change in the annual structural balance of the general government, excluding interest payments on the general government debt expressed as a percentage of gross domestic product at market prices, for a year relative to the preceding year;

“general government”, in relation to the State, shall be construed in accordance with the European system of accounts;

“general government debt”, in relation to a year, means the total gross debt at nominal value of the general government of the State which is outstanding at the end of the year, as arrived at in accordance with the 2009 Regulation;

7OJ No. L145, 10.6.2009, p.1
8OJ No. L198, 30.7.2010, p.1
9OJ No. L310, 30.11.1996, p.1
“general government deficit”, in relation to a year, means the net borrowing of the general government of the State for the year, as arrived at in accordance with the 2009 Regulation;

“general government surplus”, in relation to a year, means the net lending of the general government of the State for the year, as arrived at in accordance with the 2009 Regulation;

“gross domestic product at market prices”, in relation to a year, means gross domestic product of the State for the year at market prices, as arrived at in accordance with the European system of accounts;

“local authority” has the same meaning as in the Local Government Act 2001;

“medium-term budgetary objective” means the medium-term budgetary objective required by the 1997 surveillance and coordination Regulation;

“Minister” means Minister for Finance;

“official forecasts” means the macroeconomic and budgetary forecasts published by the Department of Finance for the purposes of fiscal planning and known as the Spring forecasts and the Autumn forecasts;


“stability programme” means the stability programme required by Article 3(1) of the 1997 surveillance and coordination Regulation;

“subsector”, in relation to the general government, shall be construed in accordance with the European system of accounts.

(2) A word or expression used in this Act and in the 2012 Treaty has, unless the contrary intention appears, the same meaning in this Act as in the 2012 Treaty.

PART 2

THE FISCAL RULES

2.—(1) The Government shall endeavour to secure that—

(a) the requirement imposed by section 3 (the budgetary rule), and

(b) the requirement imposed by section 4 (the debt rule),

which derive from Articles 3 and 4 respectively of the 2012 Treaty, are complied with.

(2) The official forecasts shall set out the data required to assess whether the requirement specified in subsection (1)(a) is complied with.

10OJ No. C236, 2.8.1997, p.1
3.—(1) The budgetary rule is that for each year either—

(a) the budget condition (set out in subsection (2)), or

(b) the adjustment path condition (set out in subsection (4)),

is satisfied.

(2) The budget condition is that either—

(a) the budgetary position of the general government is in balance or in surplus, or

(b) the requirement in paragraph (a) is not met only as a result of exceptional circumstances and the failure to meet it does not endanger fiscal sustainability in the medium-term.

(3) The requirement in subsection (2)(a) shall be deemed to be respected if the annual structural balance of the general government is at the medium-term budgetary objective.

(4) The adjustment path condition is that either—

(a) the annual structural balance of the general government is converging towards the medium-term budgetary objective in line with the timeframe set in accordance with the 1997 surveillance and coordination Regulation, or

(b) the requirement in paragraph (a) is not met only as a result of exceptional circumstances and the failure to meet it does not endanger fiscal sustainability in the medium-term.

4.—When the ratio of general government debt to gross domestic product at market prices exceeds 60 per cent, the ratio shall be reduced in accordance with the 1997 excessive deficit Regulation until the ratio reaches 60 per cent.

5.—(1) Subject to subsection (2), the lower limit of the medium-term budgetary objective shall be an annual structural balance of the general government of minus 0.5 per cent of gross domestic product at market prices.

(2) If the ratio of general government debt to gross domestic product at market prices is significantly below 60 per cent, and risks in terms of long-term sustainability of public finances are low, the lower limit of the medium-term budgetary objective shall be an annual structural balance of the general government of minus 1 per cent of gross domestic product at market prices.

6.—(1) If the Commission addresses a warning to the State under Article 6(2) of the 1997 surveillance and coordination Regulation or if the Government consider that there is a failure to comply with the budgetary rule which constitutes a significant deviation for the purposes of Article 6(3) of that Regulation, the Government shall, within 2 months, prepare and lay before Dáil Éireann a plan specifying what is required to be done for securing compliance with the budgetary rule.
(2) The plan shall—

(a) specify the period over which compliance with the budgetary rule is to be achieved,

(b) if that period is longer than a year, specify annual targets to be met in moving towards such compliance,

(c) specify the size and nature of the revenue and expenditure measures that are to be taken to secure such compliance, and

(d) outline how any revenue and expenditure measures that are to be taken will relate to different subsectors of the general government.

(3) The provision made by the plan shall be consistent with—

(a) the rules of the Stability and Growth Pact,

(b) any recommendations made to the State under the Stability and Growth Pact in relation to the period over which compliance with the budgetary rule is to be achieved and the size of measures to be taken to secure such compliance, and

(c) the current stability programme.

(4) If the Government consider that exceptional circumstances have arisen during the period specified in the plan, the things specified in the plan are no longer required to be done; but when the Government considers that the exceptional circumstances have ceased to exist, the Government shall, unless there is no longer a failure such as is mentioned in subsection (1), within 2 months prepare and lay before Dáil Éireann a new plan under that subsection.

(5) If the Government consider that a failure to comply with the budgetary rule is likely to occur the Government may, within 2 months, prepare and lay a statement before Dáil Éireann outlining the steps the Government intends to take to avoid such a failure.

PART 3

IRISH FISCAL ADVISORY COUNCIL

7.—(1) There shall be a body to be known as Comhairle Chomhairleach Bhúséadach na hÉireann or, in the English language, the Irish Fiscal Advisory Council (in this Act referred to as the “Fiscal Council”) to perform the functions conferred or imposed on it.

(2) The Fiscal Council—

(a) is a body corporate with perpetual succession and a seal, and

(b) may sue, and be sued, in its corporate name.

(3) The Schedule shall apply in relation to the Fiscal Council.
Functions of Fiscal Council

8.—(1) The Fiscal Council shall be independent in the performance of its functions.

(2) The Fiscal Council shall monitor, and at least once in each year provide an assessment of, whether any obligation under section 2(1)(a) or 6(1), or to do things specified in a plan under section 6(1), is being complied with.

(3) An assessment under subsection (2) shall include an assessment of whether (in the opinion of the Fiscal Council)—

(a) exceptional circumstances exist or have ceased to exist,

(b) there is a failure such as is referred to in section 6(1), and

(c) during any period specified in a plan under section 6(1), progress towards securing compliance with the budgetary rule is being made in accordance with the plan.

(4) The Fiscal Council shall—

(a) provide an assessment of the official forecasts, and

(b) in relation to each Budget and stability programme, provide an assessment of whether the fiscal stance for the year or years concerned is, in the opinion of the Fiscal Council, conducive to prudent economic and budgetary management, including by reference to the provisions of the Stability and Growth Pact.

(5) The Fiscal Council shall, as soon as practicable after completing an assessment under this section, give a copy of the assessment to the Minister and publish the assessment within the period of 10 days beginning on the day on which the copy is so given.

(6) If the Government do not accept an assessment of the Fiscal Council in relation to any of the matters referred to in subsection (5), the Minister shall, within 2 months of being given a copy of the assessment under subsection (5), prepare and lay before Dáil Éireann a statement of the Government’s reasons for not accepting it.

(7) The Fiscal Council has all such powers as are necessary for, or incidental to, the performance of its functions.

PART 4

MISCELLANEOUS AND SUPPLEMENTARY

9.—(1) The Minister may make regulations on the basis of the common principles referred to in Article 3(2) of the 2012 Treaty.

(2) Regulations under this section may contain such incidental, supplementary and consequential provisions as appear to the Minister to be necessary or expedient for the purposes of the regulations.

(3) The Minister shall not make regulations under this section unless a draft of the regulations has been laid before, and approved by a resolution of, Dáil Éireann.
10.—The expenses incurred by the Minister in the administration of this Act shall be paid out of moneys provided by the Oireachtas.

11.—(1) This Act may be cited as the Fiscal Responsibility Act 2012.

(2) This Act comes into operation on such day or days as the Minister may appoint by order or orders either generally or with reference to any particular purpose or provision and different days may be so appointed for different purposes or different provisions.

SCHEDULE

IRISH FISCAL ADVISORY COUNCIL

Membership

1. (1) The Fiscal Council shall consist of 5 members.

(2) Subject to paragraph 3, the members of the Fiscal Council shall be appointed by the Minister.

(3) In appointing members of the Fiscal Council, the Minister shall—

(a) have regard to the desirability of their having competence and experience in domestic or international macroeconomic or fiscal matters, and

(b) to the extent practicable, ensure an appropriate balance between men and women in the membership of the Fiscal Council.

(4) Where there is a vacancy (however occasioned) in the membership of the Fiscal Council the Minister shall, if it is reasonably practicable to do so, appoint a replacement before the end of the period of 6 months beginning on the day on which the vacancy arose.

(5) The chairperson of the Fiscal Council shall be such one of its members as is for the time being designated as such by the Minister.

Term of office

2. (1) Except where paragraph 3 or 4(5) makes provision for the term of office of a member of the Fiscal Council to be the period specified there, the term of office of a member of the Fiscal Council is 4 years.

(2) A person may not be a member of the Fiscal Council for more than 2 consecutive terms of office but is otherwise eligible for reappointment.

Appointment of initial members

3. Each person who, immediately before the day appointed for the coming into operation of section 7(1), is a member of the non-statutory Fiscal Council shall (unless he or she declines to do so) on that day become a member of the Fiscal Council and, as determined by the Minister following consultation with each such person, his or her term of office shall be 2, 3 or 4 years from the coming into operation of section 7(1).

Resignation and termination of office

4. (1) A member of the Fiscal Council may at any time resign from office by letter addressed to the Minister and the resignation shall take effect on the date specified in the letter or the date the letter is received by the Minister, whichever is the later.

(2) Subject to subparagraph (3), the Minister may remove a member of the Fiscal Council from office if, in the opinion of the Minister—...
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(a) the member has become incapable through ill-health of effectively performing the functions of the office,

(b) the member has committed stated misbehaviour,

(c) the member has a conflict of interest of such significance that, in the opinion of the Minister, the member should cease to hold the office, or

(d) the removal of the member appears to be necessary for the effective performance by the Fiscal Council of its functions.

(3) A member of the Fiscal Council may not be removed from office under subparagraph (2) unless a resolution providing for the removal and stating the grounds for it is passed by Dáil Éireann.

(4) A person shall be disqualified from holding and shall cease to hold office as a member of the Fiscal Council if he or she—

(a) is adjudicated bankrupt,

(b) makes a composition or arrangement with creditors,

(c) is convicted on indictment of an offence, or is convicted outside the State of an offence consisting of acts or omissions which would constitute an offence triable on indictment if done or made in the State,

(d) is convicted of an offence involving fraud or dishonesty, or

(e) has a declaration under section 150 of the Companies Act 1990 made against him or her or is subject or is deemed to be subject to a disqualification order by virtue of Part VII of that Act.

(5) Where the Minister appoints a new member of the Fiscal Council because a member of the Fiscal Council has died, resigned, been removed from office or become disqualified from holding office, the term of office of the new member is the remainder of the term of office of the former member.

(6) Subject to such rules as the Fiscal Council may make regarding quorum, the Fiscal Council may act despite one or more vacancies in its membership.

Remuneration and other terms and conditions of office

5. Each member of the Fiscal Council shall—

(a) hold office on such terms (other than the payment of remuneration and allowances for expenses) as the Minister may determine, and

(b) be paid by the Fiscal Council, out of the resources at its disposal, such remuneration (if any) and allowances for expenses (if any) as the Minister may determine.
6. (1) The Fiscal Council may appoint such and so many persons to be members of the staff of the Fiscal Council, and on such terms, as may be determined by the Fiscal Council with the prior consent of the Minister given following consultation with the Minister for Public Expenditure and Reform.

(2) A member of the staff of the Fiscal Council shall be paid out of the moneys at the disposal of the Fiscal Council.

Membership of Oireachtas, European Parliament or local authority

7. (1) Subparagraph (2) applies where a person who is a member of the Fiscal Council or a member of the staff of the Fiscal Council at any time (in this paragraph referred to as “the material time”)—

(a) is nominated as a candidate for election to either House of the Oireachtas or the European Parliament,

(b) is nominated as a member of Seanad Éireann,

(c) is elected as a member of either House of the Oireachtas or the European Parliament,

(d) is regarded pursuant to section 19 of the European Parliament Elections Act 1997 as having been elected to that Parliament to fill a vacancy, or

(e) becomes a member of a local authority.

(2) The person referred to in subparagraph (1) shall—

(a) if a member of the Fiscal Council, cease to be a member of the Fiscal Council, and

(b) if a member of the staff of the Fiscal Council, stand seconded from employment by the Fiscal Council, and not be paid by, or be entitled to receive from, the Fiscal Council any remuneration or allowances for expenses in respect of the period commencing at the material time and ending when the person ceases to be a member of either House of the Oireachtas, the European Parliament or the local authority.

(3) A person who is for the time being entitled under the Standing Orders of either House of the Oireachtas to sit in that House or who is a member of the European Parliament or of a local authority shall, while so entitled or such a member, be disqualified from becoming a member of the Fiscal Council or a member of the staff of the Fiscal Council.

(4) Without prejudice to the generality of clause (b) of subparagraph (2), that clause shall be read as prohibiting, among other things, the reckoning of a period mentioned in that clause as service with the Fiscal Council for the purposes of any superannuation benefits.
8. (1) A person shall not, without the relevant consent or as required by law, disclose confidential information obtained by that person in any capacity, or while performing functions, as—

(a) a member of the Fiscal Council, or

(b) a member of the staff of the Fiscal Council.

(2) A person who contravenes subparagraph (1) is guilty of an offence and liable on summary conviction to a class A fine.

(3) Summary proceedings for an offence under this paragraph may be brought and prosecuted by the Minister.

(4) Nothing in subparagraph (1) shall prevent the disclosure of information to the Fiscal Council or by or on behalf of the Fiscal Council to the Minister.

(5) Nothing in subparagraph (1) shall prevent the disclosure of information by a person in the circumstances referred to in section 35(2) of the Ethics in Public Office Act 1995.

(6) In this paragraph—

“confidential information” means information that is expressed by the Fiscal Council or, in the case of information supplied to the Fiscal Council by the Minister, by the Minister to be confidential either as regards particular information or as regards information of a particular class or description;

“relevant consent” means—

(a) in the case of information expressed to be confidential by the Fiscal Council, the consent in writing of the Fiscal Council, and

(b) in the case of information expressed to be confidential by the Minister, the consent in writing of the Minister.

Funding

9. (1) Subject to subparagraph (2), the expenditure incurred by the Fiscal Council in the performance of its functions shall be charged on and paid out of the Central Fund or the growing produce thereof.

(2) Subject to subparagraph (3), not more than the sum specified in subparagraph (4) shall be so charged and paid out for any year.

(3) If section 7(1) comes into operation otherwise than at the beginning of a year, the amount so charged and paid out for that year shall be reduced pro rata.

(4) The sum referred to in subparagraph (2) is—

(a) for the year in which section 7(1) comes into operation, €800,000, and
(b) for each subsequent year, the sum which (whether by virtue of clause (a) or this clause) applies for the preceding year as adjusted by the annual percentage change in the Harmonised Index of Consumer Prices published by the Central Statistics Office in respect of the preceding year.

Accounts and audit

10. (1) The Fiscal Council shall keep, in such form as may be approved by the Minister, all proper and usual accounts of receipts and expenditure by the Fiscal Council and shall keep any special accounts which the Minister may from time to time direct.

(2) Accounts kept under this paragraph and signed by the chairperson of the Fiscal Council (who shall be the officer accountable for such accounts for the purposes of the Comptroller and Auditor General Acts 1866 to 1998) shall be submitted as soon as is practicable (but not later than 3 months after the end of the accounting period to which they relate) to the Comptroller and Auditor General for audit.

(3) A copy of any accounts of the Fiscal Council audited by the Comptroller and Auditor General shall be given to the Minister as soon as reasonably practicable and the Minister shall lay a copy of them before each House of the Oireachtas.

(4) The Comptroller and Auditor General shall, together with the report on the Appropriation Accounts for each year, make a report to Dáil Éireann with respect to the correctness of the sums brought to account by the Fiscal Council under this paragraph in the year.

(5) (a) The Fiscal Council and any relevant member of the staff shall, whenever required to do so by the Minister, permit any person appointed by the Minister to examine any accounts of the Fiscal Council and facilitate the examination and the Fiscal Council shall pay to the Minister such fee for the examination as may be fixed by the Minister.

(b) In this subparagraph "relevant member of the staff" means a member of the staff of the Fiscal Council to whom duties relating to those accounts have been duly assigned.

Appearance before Oireachtas Committees

11. (1) The chairperson of the Fiscal Council shall, whenever requested in writing by a Committee of Dáil Éireann established under the Standing Orders of Dáil Éireann to examine and report to Dáil Éireann on the appropriation accounts and reports of the Comptroller and Auditor General, give evidence to that Committee on—

(a) the regularity and propriety of the transactions recorded or required to be recorded in any account kept under paragraph 10,

(b) the economy and efficiency of the Fiscal Council in the use of its resources,

(c) the systems, procedures and practices employed by the Fiscal Council for the purpose of evaluating the effectiveness of its operations, and
(d) any matter affecting the Fiscal Council referred to in a special report of the Comptroller and Auditor General under section 11(2) of the Comptroller and Auditor General (Amendment) Act 1993 or in any other report of the Comptroller and Auditor General (in so far as it relates to a matter specified in clause (a), (b) or (c)) that is laid before Dáil Éireann.

(2) The chairperson of the Fiscal Council shall, whenever requested to do so, account for the performance of the functions of the Fiscal Council to a Committee of either House of the Oireachtas.

**Freedom of information**


**Annual report**

13. (1) The Fiscal Council shall as soon as practicable after the end of each year prepare a report of its activities during the year to which the report relates.

(2) The Fiscal Council shall provide a copy of each report prepared under subparagraph (1) to the Minister who shall cause a copy to be laid before each House of the Oireachtas as soon as reasonably practicable after the copy is so provided.

**Seal of Fiscal Council**

14. (1) The seal of the Fiscal Council shall be authenticated by—

   (a) the signature of the chairperson or another member of the Fiscal Council authorised by the Fiscal Council to act in that behalf, and

   (b) the signature of a member of the staff of the Fiscal Council authorised by the Fiscal Council to act in that behalf.

(2) Judicial notice shall be taken of the seal of the Fiscal Council and, accordingly, every instrument—

   (a) purporting to be an instrument made by the Fiscal Council, and

   (b) purporting to be sealed with the seal of the Fiscal Council authenticated in accordance with subparagraph (1),

shall be received in evidence and be deemed to be such instrument without further proof, until the contrary is proved.

(3) Any contract or instrument which, if entered into or executed by an individual, would not require to be under seal, may be entered into or executed on behalf of the Fiscal Council by any person generally or specially authorised by the Fiscal Council to act in that behalf.

**Premises**

15. The Fiscal Council may, for the purposes of providing premises necessary for the performance of its functions, lease, equip and maintain offices and premises subject to the consent of the Minister
after consultation with the Minister for Public Expenditure and Reform.

Procedure and quorum

16. Subject to this Act, the Fiscal Council may regulate its own procedures (including quorum).