

Under embargo until early morning (01:00am) Thursday 28th November 2019.

Government did not stick to plans and continues to rely on unexpected corporation tax receipts

The Fiscal Council's latest report assesses *Budget 2020*. It finds that:

A disorderly Brexit is now less likely in the near term, but the economic outlook remains unusually uncertain. While Ireland has one of the highest debt ratios in advanced economies, the Government has allowed spending to drift upwards in recent years, especially in 2018. The Government forecasts that it will run a deficit in 2020, even before any potential spending for a disorderly Brexit and despite a number of tailwinds including surging corporation taxes.

Commenting on the report, the Chairperson of the Fiscal Council, Seamus Coffey, noted: “The Government adopted the welcome approach of offsetting overruns in 2019 in its *Budget 2020* package. Steps like this are in line with the Council’s recent advice. But upward revisions to spending outside of the Exchequer—where more transparency is needed—mean overall government spending is set to expand more rapidly than planned in 2020. This leaves the public finances in a less favourable position in an unusually uncertain environment.”

The report shows that most of the upward spending revisions in recent years have been in current spending, including in health, and hence will be long-lasting in nature. The Government’s increased reliance on corporation tax receipts, accounting for close to one-in-five euros of tax collected by the Exchequer, leaves the public finances exposed to potential reversals. The first annual payments to be made to the Rainy Day Fund in 2019 and 2020 have also been postponed.

The Government needs to improve transparency in non-Exchequer areas and it should build on and implement its recent proposals for medium-term budgeting. This includes saving temporary receipts through a prudence account and the Rainy Day Fund; better guiding net spending growth; and establishing meaningful debt targets.