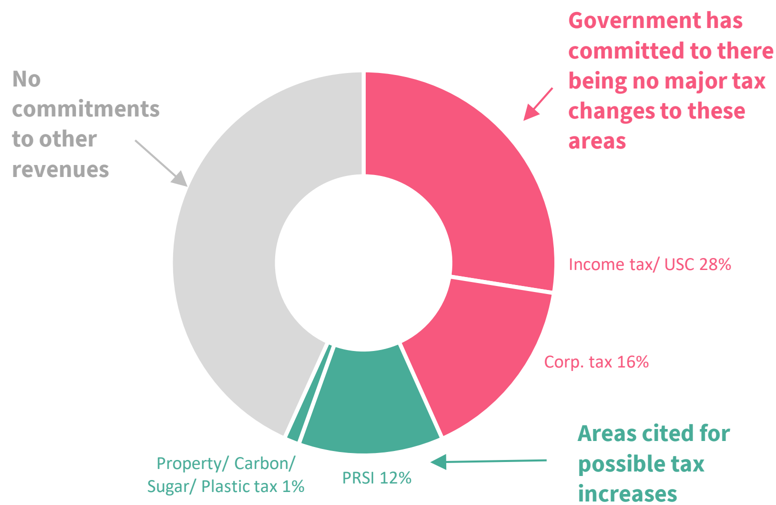
Figure 3.20: Only small areas where taxes might be raised

% total general government revenue in 2021



Source: CSO; Revenue; Programme for Government; and Fiscal Council workings. Get the data.

However, the Government has limited plans for areas where new tax revenues could be raised to fund additional commitments. It has ruled out major changes to areas that accounted for about 43 per cent of receipts in 2021. There is no explicit commitment to any changes to another 43 per cent. Only 13 per cent of existing revenues are cited as areas where the Government might raise revenues: PRSI, which accounted for 12 per cent of receipts in 2021, and a mix of smaller taxes that make up the remaining 1 per cent: carbon, sugar, plastic and property tax (Figure 3.20). One area where there are currently plans to introduce revenue-raising measures is in the area of unused land and properties. The Government's *Housing for All* plan in 2021 set out plans to collect data on vacancy with a view to introducing a new Vacant Property Tax. The Government has also committed to a new zoned land tax to replace the existing vacant site levy.

Box H: Auto enrolment could have significant macro and fiscal implications

In March, the Government announced plans to implement a new scheme. Some 750,000 workers — one third of all people employed in Ireland — would be automatically enrolled in a retirement savings system. It is proposed that the scheme would commence in 2024 (Department of Social Protection, 2022). The scheme would involve employees, employers and the State all making contributions to worker pensions.

This proposal could represent a major change to how Irish people are likely to save for retirement. Foster, Wijeratne, and Mulligan (2020) note that from its introduction in the UK in 2012 to 2016, auto-enrolment saw pension participation among eligible employees rise by over 31 percentage points to 73 per cent. They note the largest increases in contributors to pensions were the youngest age cohorts, and the average opt-out rate was low at around 9 per cent.

As the Government notes, Ireland is the only OECD country not yet operating some form of auto enrolment system to promote savings for retirement (OECD, 2014).[73] This box looks at some of the potential implications for the economy and public finances.

Key details

The proposed scheme is intended to encourage workers to save earlier with an opt-out rather than opt-in approach and by providing for significant employer and state contributions as well.

Table H1: Pension contributions are proposed to increase over time

Pension contributions as a percentage of salary under auto-enrolment plans

	Employee	Employer	State	Total
2024-2026	1.5	1.5	0.5	3.5
2027-2029	3.0	3.0	1.0	7.0
2030-2032	4.5	4.5	1.5	10.5
2033 onwards	6.0	6.0	2.0	14.0

Source: Department of Social Protection, 2022.

The scheme would work as follows:

1) From 2024, all employees aged 23 to 60 earning over €20,000 and not already in a work pension scheme will be automatically enrolled in one. Employees will have the option of opting out after participating in the scheme for six months.

2) Employees, employers and the state would all make contributions. Employers would match employees' contributions, while the state would top them up by €1 for every €3 saved by the participant. In other words, every €3 employee contribution would automatically grow to €7 before it is invested.

3) Both employer and employee contributions are to start at 1.5 per cent and increasing every three years by 1.5 per cent of qualifying earnings, reaching 6 per cent by year 10 (2033, see Table H1).

4) The drafting of legislation is set to commence this year.

Economic and fiscal impacts

The establishment of an auto enrollment scheme could have several effects. First, it will increase the level of pension coverage in the private sector.[74] This should see individuals with a financial situation that is better prepared for retirement and less likely to see significant falls in their income upon retirement. An increased level of private sector pensions coverage should also alleviate some of the pressure on the public pensions system. This is key, as demographic changes are expected to lead to significant additional fiscal costs (Fiscal Council, 2020).

Data from the Revenue Commissioners suggest that there would be approximately 750,000 employees enrolled in the initial phase. With an assumed 95 per cent retention rate and an

[73] At the time of the report, Ireland and New Zealand were the only countries without a mandatory earnings-related pillar for retirement savings. Since then, New Zealand has introduced a system whereby all employees are automatically enrolled in a pension scheme.

[74] International experience would suggest that auto enrolment could increase pension coverage substantially (Bourquin et al, 2020; Chalmers et al., 2021; and Beshears et al. 2009). Of those not currently enrolled in a pension in Ireland, 45 per cent said they had not yet done so because they "never got around to organizing it" (CSO, 2021). This accounts for a larger share than those who said they could not afford to contribute (40 per cent).

average wage level of €35,000 per annum amongst participants, the fund would potentially accumulate €21 billion in contributions by year 10.[75,76]

Using this scenario, we can attempt to estimate the potential impacts of the auto-enrolment scheme on personal disposable income and hence consumption. When contributions are set at 1.5 per cent of annual salary (2024-2026 under current proposals), employee contributions would equate to approximately 0.25 per cent of economy-wide personal disposable income. By 2033, the rate of contributions is proposed to have increased fourfold. As a result, this would equate to approximately 1 per cent of aggregate personal disposable income. However, the international experience suggests that those auto enrolled would tend to be at the lower end of the income distribution. One might therefore expect that those affected could have an above-average marginal propensity to consume out of their incomes. With that in mind, the impact on consumption could be larger than the impacts on disposable income described above. In the very long term, consumption is likely to be boosted by pensioners having higher income than would otherwise have been the case.

The scheme will result in contributions being paid by the State. Official estimates put the cost of the scheme to the State at €3 billion in total over the first ten years (equating to €300 million per annum or about 0.1 per cent of GNI*).

[75] €9.0 billion from employers, €9.0 billion from employees, and €3.0 billion from the State.

[76] Bercholz et. al (2019) found that pension non-coverage was more pronounced among younger workers and those on lower incomes.