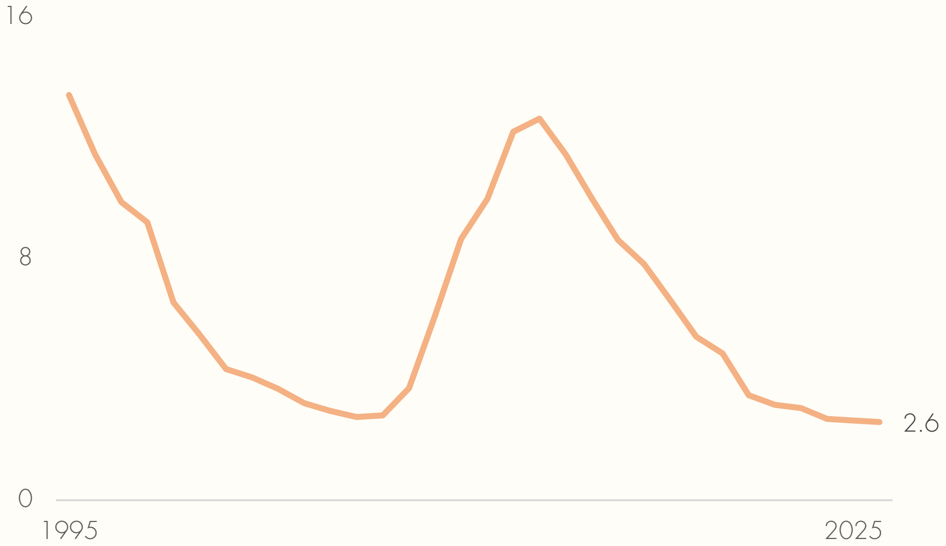
2.8: **The interest burden has fallen to record lows**

% of general government revenue



Sources: Department of Finance.
Notes: Revenue figures exclude excess corporation tax receipts as well as the receipts arising from the CJEU judgement. Get the data.

Trade developments put revenues at risk

Understanding how the international trade developments will impact Ireland's public finances is exceptionally difficult.

The largest area at risk is corporation tax receipts. But in that case, its highly concentrated nature means that decisions made by a handful of firms matter hugely. Elsewhere, the tax impacts should be more in line with how economic activity is impacted. Yet the uncertainty around trade policy means that there is a wide range of potential impacts here. Box A explores the potential fiscal impacts.

Box A — What trade policy might mean for the public finances

This box looks at the potential long-run impact that global trade developments could have on the Irish economy and public finances.

One of the most comprehensive studies for Ireland of the impact of tariffs is Egan and Roche (2025). This offers a valuable top-down assessment of the potential impacts on the Irish economy relative to a no-tariff baseline. This box focuses on their estimates of the impact of a permanent bilateral set of 25% tariffs between the EU and US. This is the most adverse individual scenario considered in the study. In this scenario, the analysis implies 3% lower employment in Ireland than would otherwise be the case after 7 years.[21]

[21] While this is the most adverse scenario presented in the paper, more adverse effects could be felt via higher tariffs. In addition, this study doesn't incorporate the impact of policy uncertainty.

To better gauge its potential budgetary impacts, we use judgment to map the overall impact on employment to various sectors (Table A1). These estimates are informed by the concentration of foreign multinationals in each sector. However, in some sectors such as pharmaceuticals, the long-term nature of investments made here mitigates the impact of tariffs somewhat. The food and beverage sector is assumed to be heavily impacted. 38% of all beverage exports in 2024 went to the US.

Some domestic sectors are also adversely affected. This is because of lower domestic demand.[22] For example, the impact on wholesale and retail employment is based on Egan and Roche (2025) estimates of the impact on consumption.

A1: Some sectors are likely more exposed to tariffs than others

	Employment in 2024	Employment impacts in the adverse scenario	
	000s	%	000s
Pharmaceutical	66	5	3
Other foreign manufacturing	93	10	9
ICT	176	14	25
Food and beverage	57	12	7
Financial and insurance	125	6	8
Wholesale and retail	323	2.8	9
Hotels, restaurants	186	10	19
Transportation and construction	289	0.8	2
Total		3.0	81

Sources: CSO, Egan and Roche (2025), and Fiscal Council estimates.
Notes: Other foreign manufacturing is predominantly the manufacturing of medical devices.

Next, we apply those impacts on employment to the tax revenues paid in the relevant sectors (Table A2). This is important to do on a sectoral level, as some sectors which are impacted have very high wage levels on average. As a result, those employees face high effective tax rates. This is why the impact on income tax and PRSI (3.8% and 3.6%) is higher than the impact on employment (3%).

A2: Taxes would likely suffer as a result of tariffs

€ billion impact on revenues for each sector

	Income tax	VAT	PRSI	Total
Manufacturing	0.3	0.1	0.2	0.6
ICT	0.5	0.1	0.2	0.9
Financial and insurance	0.2	0.0	0.1	0.4
Domestic sectors	0.2	0.4	0.1	0.7
Total	1.3	0.7	0.6	2.6
Total (%)	3.8	3.5	3.6	

Sources: CSO, Revenue, and Fiscal Council estimates.
Notes: Manufacturing here comprises pharmaceuticals, medical devices and other manufacturing. Domestic sectors here are primarily retail, restaurants and hotels.

The analysis suggests that the impact on the public finances is likely to be slightly larger than the impact on the economy as a whole. This is because the sectors most likely to be directly impacted have highly paid jobs. These are more tax rich than the average job in the Irish economy.

[22] In addition, lower growth in the US and the world economy could mean lower external demand from foreign visitors.

There is one upside that could counteract these revenue losses somewhat. If a tit-for-tat trade war between the EU and US were to emerge, some revenue would be raised from tariffs on goods (and possibly services) imported from the US. 20% of customs tariffs are retained by the country concerned, with the remaining 80% going into the EU budget. However, given the likely behavioural effects and reduction in trade in such a scenario, this revenue is likely to be relatively small.

Corporation tax is clearly an extremely important source of revenue at present. Given how sensitive the impact of tariffs on corporation tax is to the specific sectors covered, we do not present specific estimates here. As discussed above, if pharmaceutical and tech services continue to be exempted from tariffs, then there may be a limited impact on corporation tax receipts.

Major policy decisions are not yet included

In addition to likely overruns, well flagged policy changes are not yet included in government forecasts. The previous Government had signalled that it was going to increase capital spending, on housing, water and grid infrastructure using €3 billion of proceeds from selling shares in AIB. Further spending is likely to come from increases in spending in the new National Development Plan due in the summer.

These areas are all likely to see government spending higher than currently forecast.