Irish Fiscal Advisory Council

Fiscal Assessment Report
November 2025

Supporting items

This provides additional information related to the Council's analysis in its main report

Item 1 — Detail on our assessment of fiscal rules

Summary fiscal rules assessment

% of GDP

	2024	2025	2026
Corrective Arm			
General government balance	4.0	1.6	0.8
General government balance Limit	-3.0	-3.0	-3.0
	✓	✓	✓
General government debt	38.3	33.0	32.3
Debt-to-GDP ratio Limit	60.0	60.0	60.0
	✓	✓	✓
Preventive Arm & Domestic Budgetary Rule			
Assumed MTO for the structural balance	-0.5	-0.5	-0.5
Structural balance	1.1	0.8	-0.1
	✓	✓	✓

Sources: CSO; Department of Finance; and Fiscal Council workings.
Notes: All figures are presented on a general government basis. Assessments are based on the latest Department of Finance projections of revenue, expenditure, potential output, and the output gap. We use the Council's principles-based approach for assessing the Domestic Budgetary Rule and we reflect the Council's own views on what constitute one-off or temporary items. The medium-term objective (MTO) is assumed constant at –0.5% of GDP for each year.

The new EU fiscal rules do not work well for Ireland. For one, they rely heavily on GDP. This fails to recognise that GDP is not a good measure of national income for the Irish economy.[1] Ireland's debt ratio, when measured on a GDP basis is low and projected to stay below 60% of GDP. A second issue is that the rules do not treat some of Ireland's corporation tax receipts as exceptional despite their high concentration and the risk that they could fall suddenly and sharply. If these high-risk receipts disappeared, Ireland would be running a deficit.

Here, we assess the rules on a GNI* basis and exclude excess corporation tax receipts.

Summary fiscal rules assessment (alternative assessment)

% of GNI*

	2024	2025	2026
Corrective Arm			
General government balance*	-1.9	-2.2	-3.8
General government balance Limit	-3.0	-3.0	-3.0
General government debt	67.1	61.7	58.6
Debt-to-GDP ratio Limit	60.0	60.0	60.0
Preventive Arm & Domestic Budgetary Rule			
Assumed MTO for the structural balance	-0.5	-0.5	-0.5
Structural balance (1)	-1.9	-3.2	-4.9

Sources: Department of Finance; and Fiscal Council workings.
Notes: All figures are presented on a general government basis. Assessments are based on the latest Department of Finance projections of revenue, expenditure, windfall corporation tax receipts and the output gap, as well as the Council's projections for potential GNI*. We use the Council's principles-based approach for assessing the Domestic Budgetary Rule and we reflect the Council's own views on what constitute one-off or temporary items. The medium-term objective (MTO) is assumed constant at –0.5% of GNI* for each year.
(1) The structural balance estimates for 2025 and 2026 assume current spending in these years is €0.7 billion higher due to overruns in 2025 carrying forward and being repeated in 2026.

[1] It includes the profits of foreign multinationals which are not available for use by Irish residents. Huge worldwide exports by foreign multinationals are accounted for in Irish exports underpinning GDP. The gap between GNI* and GDP has grown to over €200 billion. This means that Ireland's debt ratio relative to national income is understated when scaled against GDP. For more on the EU rules, see the Council's 2024 Briefing Note.

Net expenditure path (Fiscal Council assessment)

€ billion

	2023	2024	2025	2026
Total Expenditure [1]	116.6	126.0	136.2	147.3
Plus assumed overruns [2]			0.7	0.7
Less Interest	-3.4	-3.4	-3.3	-3.8
Less EU co-financed current spending	-0.5	-0.5	-0.8	-0.7
Plus Cyclical unemployment expenditure [3]	0.7	0.7	0.4	0.2
Less Expenditure funded by transfers from the EU	-0.6	-0.4	-0.5	-0.4
Less One-off expenditure items [4]	-2.1	-2.5	0.0	0.0
Nationally financed primary expenditure	110.6	120.0	132.7	143.3
Less Discretionary revenue measures [5]	-0.3	-0.1	0.3	-1.5
Nationally financed net primary expenditure	110.3	119.9	133.0	141.8
Single-year assessment				
Nationally financed net primary expenditure growth [6]		8.4%	10.8%	6.9%

Sources: CSO; Department of Finance; and Fiscal Council workings.

[1] Total expenditure refers to general government expenditure. The 2023 and 2024 figures reflect the outturns reported by the CSO. This was published on 20 October 2025, after Ireland's latest Draft Budgetary Plan was submitted to the European Commission. The figures for 2025-2026 reflect forecasts by the Department of Finance.

[2] Overruns are estimated to amount to €0.7 billion in 2025. We assume this higher level carries into 2026.

[3] Cyclical unemployment costs are calculated by comparing the current unemployment rate to an assumed long-run rate of 5%.

[4] One-offs here are based on the Council's assessment of cost-of-living items that are temporary. Costs related to Ukrainian supports and supports for international protection applicants are included in total spending as they persist in the Government's projections.

[5] Revenue-raising measures (such as tax increases) can be used to offset bigger spending increases, whereas revenue-reducing measures (such as tax cuts) would lower the scope for spending increases. Estimates of revenue-reducing and revenue-raising measures are those judged by the Fiscal Council. In 2026, they include the expected yield from BEPS Pillar II reforms that is not deemed to be excess (€1.2 billion).

[6] The growth rates for "nationally financed net primary expenditure" are equal to $\frac{\text{Nationally financed net primary expenditure}_t}{\text{Adjusted expenditure}_{t-1}} - 1$

Net expenditure path (Department of Finance assessment)

€ billion

	2023	2024	2025	2026
Total Expenditure	116.2	125.4	136.2	147.3
Less Interest	-3.4	-3.4	-3.3	-3.8
Less EU co-financed current spending	-0.5	-0.5	-0.8	-0.7
Add/less Cyclical unemployment expenditure	0.1	0.1	-0.0	-0.0
Less Expenditure funded by transfers from the EU	-0.6	-0.4	-0.5	-0.4
Less One-off expenditure items	0.0	0.0	0.0	0.0
Nationally financed primary expenditure	111.7	121.2	131.6	142.4
Add/less Discretionary revenue measures [1]	0.2	-0.8	0.0	-0.7
Nationally financed net primary expenditure	112.0	120.4	131.6	141.8
Single-year assessment				
Nationally financed net primary expenditure growth [2]		7.8	8.6	7.7

Source: Draft Budgetary Plan and correspondence with the Department of Finance

[1] The Department of Finance report only those discretionary revenue measures above 0.1 per cent of GDP in each year.

[2] The growth rates for "nationally financed net primary expenditure" are equal to $\frac{\text{Nationally financed net primary expenditure}_t}{\text{Adjusted expenditure}_{t-1}} - 1$

Item 2 — Our "Stand-Still" estimates

Stand-Still costs are estimates of how much public spending will have to rise by in future to maintain existing supports and services, while allowing for demographic changes and price pressures. They assume social welfare and public sector pay rise in line with general wages. Ultimately, this is a policy choice, and the approach assumes no efficiency gains in how public services are provided.

The Council's "Stand-Still" estimates

€ billion, gross voted expenditure basis

	2027	2028	2029	2030
Our estimates of "stand-still" costs	4.5	4.7	4.8	4.9
of which Demographics	1.6	1.7	1.7	1.7
of which Prices and wages	2.8	3.0	3.1	3.2
Broken down by key area				
Education including the National Training Fund	0.3	0.4	0.4	0.4
Health and long-term care	1.6	1.6	1.6	1.7
State pensions	1.2	1.3	1.3	1.3
Public Sector pensions	0.2	0.3	0.2	0.3
Other social welfare payments	0.5	0.5	0.4	0.5
Rest of gross voted spending	0.6	0.7	0.7	0.7
Due to demographics				
Education including the National Training Fund	-0.1	0.0	0.0	0.0
Health and long-term care	0.9	0.9	0.9	1.0
State pensions	0.5	0.5	0.5	0.5
Public Sector pensions	0.1	0.1	0.1	0.1
Other social welfare payments	0.2	0.1	0.1	0.1
Due to prices or wages				
Education wages	0.3	0.4	0.4	0.4
Education prices	0.1	0.1	0.1	0.1
Health wages	0.3	0.3	0.4	0.4
Health prices	0.4	0.4	0.4	0.4
State pension	0.7	0.7	0.8	0.8
Public Sector pension	0.1	0.1	0.1	0.2
Social Welfare (excl. pensions)	0.3	0.3	0.4	0.4
Rest of gross voted spending wages	0.3	0.3	0.3	0.3
Rest of gross voted spending prices	0.4	0.4	0.4	0.4

Sources: Budget 2026, and Fiscal Council workings.
Notes: Education includes further and higher education.

Item 3 —How the official tax forecasts are made

This section shows how the Government's official tax forecasts are made.

We break down the yearly tax projections so as to better understand how the forecasts are arrived at.

The annual changes in taxes broken down into:

1) "macro" drivers — the part of the forecast driven by growth in the relevant macro driver. A macro driver can be something like wage growth in the case of income tax, given that income tax is sensitive to how this evolves.

2) "one-offs" — non-recurring items that affect receipts.

3) "policy" changes, such as government decisions to cut or increase taxes. For income tax items, like PAYE and USC, this does not include the yield from higher wages. Instead it focuses on specific discretionary changes in tax policy, like rate reductions or a widening of bands.

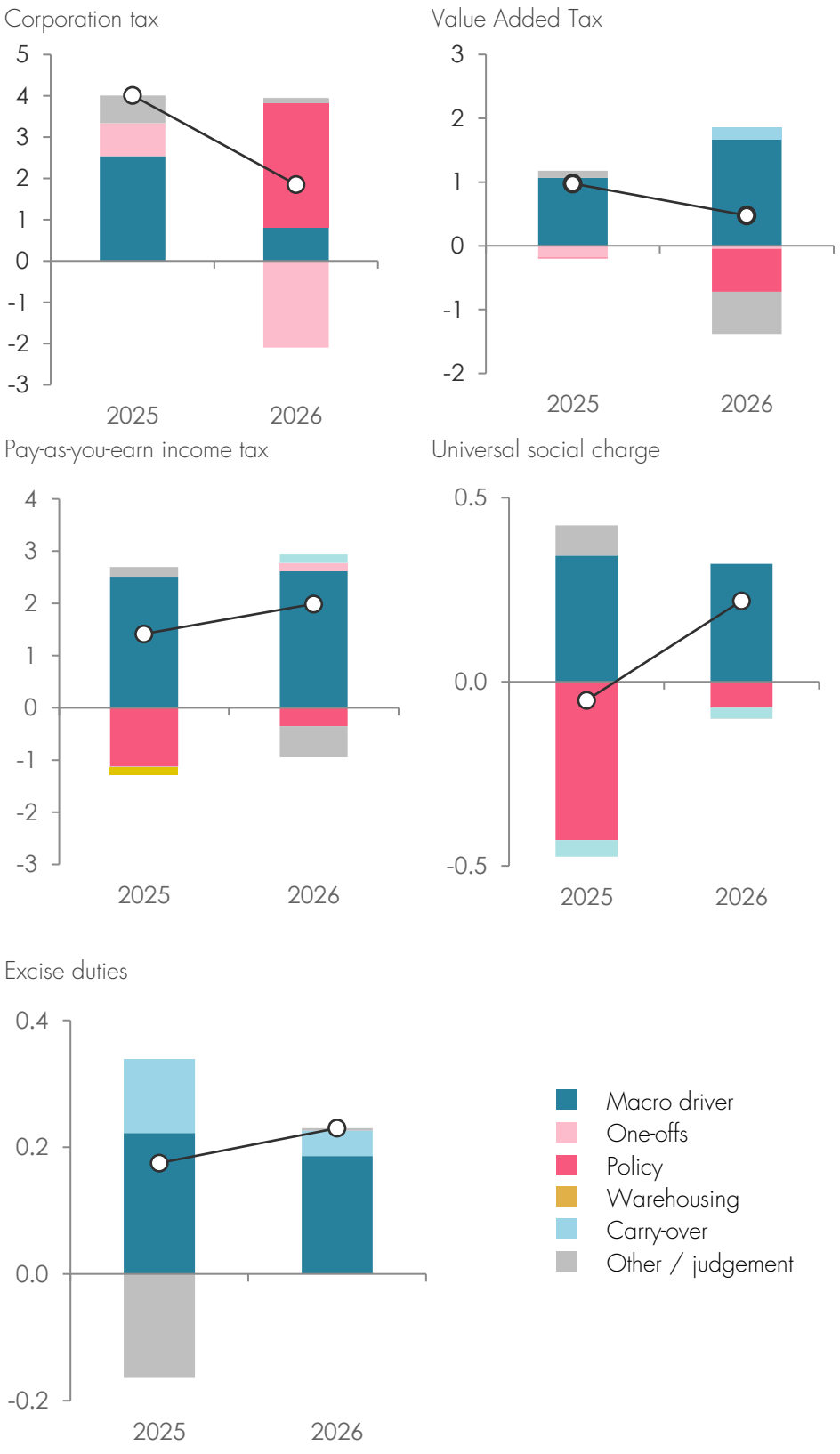
4) "warehousing" the net impact of warehousing of taxes from 2020 - 2022, with repayments from 2022 onward.

5) "carryover" effects — policy impacts that are carried over from previous years.

6) "other" effects — other potential elements affecting the forecasts, including judgment applied by the Department of Finance. It is calculated as the difference between the Fiscal Council's internal forecasting exercise and the Department of Finance's own forecasts.

How the official tax forecasts are constructed

€ billion, year to year changes



Item 4 —Our methodology for producing fiscal forecasts

This section describes the methodologies employed and the judgements made in producing our extended fiscal forecasts (see Table 2.7 of the main text).

Firstly, we take budgetary forecasts for 2025 and 2026 from Budget 2026 as given. We use Budget 2026 macroeconomic forecasts to project forward government spending and revenue.[2]

Revenue

For revenue forecasts, we take a bottom up approach. We model each individual tax heading separately. The table below outlines the macroeconomic driver which is used for each tax heading, the elasticity applied, and the assumed policy changes.

A key input into forecasting government revenue is the assumed policy. Our overarching assumption is that income tax bands and credits are indexed to wage inflation over the years 2027-2030. Apart from that, we assume that tax policy is largely unchanged.[3]

However, there are significant carryover impacts from tax policy changes announced in previous years. For example, in 2027, the full year impact of tax cuts introduced midway through 2026 is felt. This reduces our forecasts of VAT and corporation tax in 2027.

For corporation tax, we assume a further €1.8 billion uplift to receipts in 2027 due to the BEPS Pillar II reforms. This is on top of the €3.2 billion assumed in Budget 2026 for 2026. These assumptions are in line with recent Fiscal Council work (Cronin, 2025).

Increases in PRSI rates are planned out to 2028. These are reflected in our forecasts. The assumed yield of these changes is taken from Doorley and Tuda (2024).

[2] Macroeconomic forecasts in Budget 2026 covered the period 2025-2030.
[3] Some policy changes have already been announced for future years, which we incorporate into our revenue forecasts. These include planned increases in PRSI rates (out to 2028) and increases in the carbon tax (out to 2030).

VAT and excise duties are likely to be impacted by the transition to cleaner forms of energy. Absent other policy changes, this would be expected to reduce VAT and excise collected. Estimates of these impacts are taken from Casey and Carroll (2023). However, the impacts implemented here are smaller than those estimates. This is because the green transition has occurred more slowly than was assumed by Casey and Carroll (2023).

Methodology used to forecast government revenue

Tax heading	Macroeconomic driver	Assumed elasticity	Policy assumption
Income tax	Compensation of employees	1.4	Full indexation in line with wage growth
Corporation tax	Nominal GNI*	1	€1.8 billion increase in 2027 as a result of BEPS Pillar II reforms. Negative €259 million of carryover from measures introduced midway through 2026.
VAT	Consumption of goods and services	1	Negative €589 million of carryover from measures introduced midway through 2026. Estimated revenue losses from transitioning to cleaner sources of energy are also incorporated.
PRSI	Compensation of employees	1	Increases in PRSI rates assumed out to 2028.
Excise	Volume of consumption of goods and services	1	Planned carbon tax increases are incorporated, as well as impacts of transitioning to cleaner energy.
Stamp duties	Nominal GNI*	1	
Customs	Consumption of goods and services	1	
Capital Gains Tax	Nominal GNI*	1	
Capital Acquisitions Tax	Nominal GNI*	1	
Motor tax	Nominal GNI*	1	Modest impacts from the transition to electric vehicles
Other general government revenue	Nominal GNI*	1	

Expenditure

The main input into forecasts for current spending are the Council's Stand-Still estimates (see Item 2 above). These are estimates of how much public spending will have to rise by in future to maintain existing supports and services, while allowing for demographic changes and price pressures. They assume social welfare and public sector pay rise in line with general wages. Ultimately, this is a policy choice, and the approach assumes no efficiency gains in how public services are provided.

The Council's Stand-Still estimates are used to inform forecasts of public sector pay and social transfers. Interest costs are driven by the level of debt and the average rate of interest on outstanding debt. The average interest rate on outstanding debt is likely to rise in the coming years. This is because debt which is maturing in the coming years was issued at a time of very low interest rates (2016-2022).

For other parts of current government spending (intermediate consumption, subsidies and other), these are assumed to grow at an average rate of 5.9% over 2027-2030. This is informed by Budget 2026 macroeconomic forecasts of government consumption.

For capital spending, this is forecast based on the revised National Development Plan. General government investment forecasts are obtained by summing the planned changes in gross voted capital spending, non-exchequer capital spending and the assumed impact of equity injections on investment.[4]

Equity injections into Eirgrid and ESB are likely to be classified as capital transfers.[5] The funding for Eirgrid is assumed to be spread over 2026-2031. By contrast, all of the transfer to ESB is reflected in Budget 2026 forecasts for 2025.

[4] As Uisce Éireann is a general government body, the equity injections made by the government this year will likely be treated as gross fixed capital formation in the years when this funding is used for investment projects. This €2 billion of spending is assumed to be spread over 2026-2030.
[5] This is because these two bodies are outside of the general government sector. As a result, this funding is likely to be counted as a capital transfer, rather than gross fixed capital formation.

Net debt and financial assets

Funds at year-end in the Future Ireland Fund are assumed to be invested in equities and other long-term securities, such that they are no longer classified as EDP debt instrument assets. Funds of the Irish Climate and Nature Fund are assumed to remain in EDP debt instrument assets. Contributions to both funds are assumed to continue for the entire forecast horizon. Outside of this, changes in net debt move in line with the general government balance.

Item 5 —Our approach to BEPS Pillar II reforms

Box A: Almost two-thirds of additional revenues considered "excess"

Ireland has introduced a 15% minimum effective corporation tax rate for large companies, under the OECD's Pillar II reforms.[6] This means many large firms will pay more tax than they otherwise would from June 2026, assuming their activity in Ireland stays the same. The Department of Finance estimates that this policy change will yield €3.2 billion in 2026.

However, much of this additional revenue is considered "excess". That is, it is beyond what can be explained by underlying domestic economic activity. The Council includes only the non-excess share of this additional revenue as a discretionary tax measure.[7] This is because this is the part that is permanent and can be relied upon in future years.

To estimate the non-excess share of the additional revenue yield, we first estimate the share that would be considered "excess". We assume the remainder then is non-excess.

We estimate the excess share as:

$$\frac{\text{Excess corporation tax}}{\text{Estimated corporation tax paid by impacted groups}} \times 100$$

It is not yet clear how many large corporate groups will be impacted by the 15% minimum effective rate in Ireland.

Since 2016, large multinational groups have had to file country-by-country reports with their home tax authority each year. These reports include a breakdown of the amount of revenue, profits, taxes paid and other indicators of economic activity for each tax jurisdiction in which the group operates.[8]

Using this data, Cronin (2025) estimates that about 1,000 corporate groups are likely to be impacted by the reforms in Ireland.[9] Over 90% of these are foreign-owned multinationals with at least one subsidiary in Ireland. Roughly half of the total are headquartered in the US.

Figure A1 shows estimates of how much corporation tax is paid by the multinationals most likely to be affected by BEPS Pillar II reforms. As expected, US-owned groups are by far the biggest taxpayers. For example, the Council estimates that large US firms paid around €17.9 billion in corporation tax in Ireland from July 2022 to June 2023.[10]

[6] The new minimum effective tax rate of 15% applies to the profits of corporate groups with annual global revenues of at least €750 million in two of the previous four years. This minimum effective tax rate applies to profit in each country that the relevant group operates.

[7] Discretionary tax measures are policy changes that raise or lower tax revenues. Accurate estimates of their impact are important for calculating net spending growth under the new EU fiscal rules. Revenue-raising measures (such as BEPS Pillar II) can be used to offset bigger spending increases.

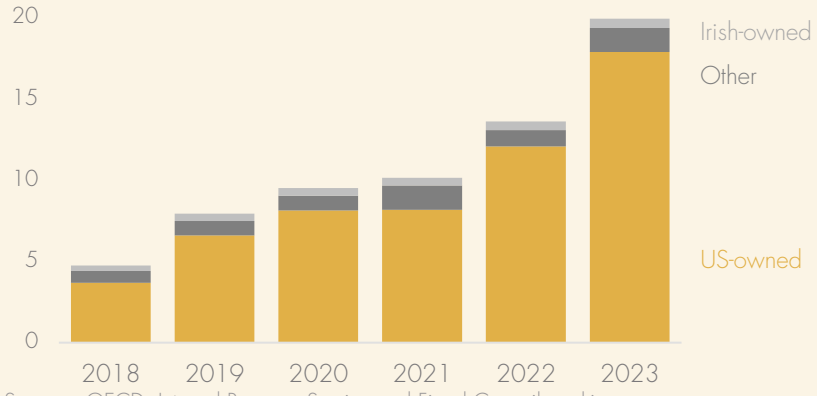
[8] The OECD publishes a partial database with this information for multiple countries here although it only goes up to 2021. In the US, the Internal Revenue Service publishes the relevant data here and it goes until June 2023.

[9] A corporate group consists of "individual companies or affiliates that are members of the same corporate entity grouped together" (McCarthy and Hayden, 2024). Therefore, while around 1,000 corporate groups are likely to be impacted by the new top-up tax, the number of individual companies impacted will be much higher.

[10] In the US, the Internal Revenue Service publishes the corporation tax paid by large US multinationals for each July-June period.

Figure A1: US-owned multinationals most impacted by OECD BEPS reforms

€ billion, estimated corporation tax paid by the affected corporate groups



Sources: OECD, Internal Revenue Service and Fiscal Council workings.

Notes: The Internal Revenue Service publishes the corporation tax paid by large US multinationals in Ireland for each July-June period. For example, the year '2023' refers to the 12-month period from July 2022 to June 2023. To ensure consistency, we apply the average annual USD to EUR exchange rate for the same period. June 2023 is the most recent year for which US data is available. We use OECD data to estimate the corporation tax paid in Ireland by non-US multinationals. However, this data comes with more of a lag so we use Fiscal Council estimates for 2023.

Our estimates of excess corporation tax are calculated as a two-year average. For example, the 2021 figure is the average of 2020 and 2021. This ensures it aligns with the July–June reporting period for US-owned multinationals.

We calculate excess corporation tax as a share of the estimated tax paid by the affected corporate groups. We focus on the average share from 2021 to 2023. These years best reflect the expected revenue increase, as pharma—and especially tech—profits rose sharply after COVID-19.

Table A1: Almost two-thirds of additional revenues likely to be excess

€ billion, unless stated

	2021	2022	2023
Excess corporation tax	5.9	9.3	11.6
Estimated corporation tax paid by impacted groups	10.1	13.6	19.9
% share	58%	68%	58%

Sources: OECD, Internal Revenue Service and Fiscal Council workings.

Notes: Estimates of excess corporation tax take the average over two years. For example the 2021 figure shown is an average of 2020 and 2021. This is so that these estimates align with the June-June calendar year that US multinationals tax payments are reported. The estimates of excess corporation tax are Fiscal Council estimates.

On average, about 62% of the additional corporation tax appears to be excess, leaving 38% as non-excess. Applying this 38% to the forecasted €3.2 billion yield gives an estimated €1.2 billion in non-excess additional revenue in 2026. The Council treats this non-excess portion as a revenue raising discretionary tax measure.

Other bodies treat the additional revenues generated by Pillar II differently. The Department of Finance do not treat them as revenue raising for now, given the uncertainty around the estimate. In contrast, the European Commission treat the full impact of this reform (about €3 billion) as a discretionary tax measure. This is because it views these revenues as a direct

consequence of a new tax introduced in Ireland. The Central Bank assume around half of the revenues generated by Pillar II will be considered excess.