



# Irish Fiscal Advisory Council

## Press Release: Fiscal Assessment Report — When saving means borrowing

Publishing its latest Fiscal Assessment Report today, the Irish Fiscal Advisory Council said that the public finances remain reliant on corporation tax. It also warned that spending (net of tax changes) is growing faster than the sustainable growth rate of the economy.

### **Net spending set to grow at a fast pace**

The Government's revised medium-term fiscal plan is not an appropriate guide for budgetary policy. Over 2025-2030, spending (net of tax policy changes) is planned to increase by more than 7% per year. This is well above the sustainable growth rate of the economy (around 5%). Ireland's medium-term plan shows the fastest net spending growth in the EU.

### **Reliance on corporation tax continues**

The Government plans to spend the vast majority of the corporation tax it collects. Over 2026-2030, for every €6 collected, only €1 will be saved. The other €5 will be spent. This leaves the public finances less prepared for known and predictable future pressures, such as an ageing population and climate change.

### **Surpluses are expected to decline**

The Government plans to run surpluses in the years ahead. However, these are expected to decline over time. Excluding excess corporation tax, a deficit of more than €11 billion is expected in 2026. This is more than 3% of national income. The underlying deficit is projected to rise to over €20 billion by 2030.

### **Borrowing to save**

The Government has set up new savings funds in recent years. These were intended to set aside risky corporation tax receipts. However, the planned surpluses are not large enough to fund contributions to these funds. As a result, the Government will need to borrow to finance some of these contributions. This departs from the original purpose of the funds, which was to save these risky corporation tax receipts, rather than spend them.

### **Spending overruns continue**

Spending overruns have become a persistent feature of budgetary policy in Ireland. Since Budget 2024, they have driven nearly 30% (€6.8 billion) of spending increases. Further overruns are already emerging this year, including in health and education.

## **Ireland needs a domestic fiscal rule**

Ireland needs its own domestic fiscal rule. This is partly because the medium-term plan is not an appropriate guide for budget decisions. This rule should be carefully designed and placed in legislation.

### **Recommendations**

Looking ahead, the Council has four recommendations for budgetary policy:

- 1) Ensure budgetary policy reduces the ups and downs of the economic cycle.
- 2) Run bigger surpluses. This would leave the Government better placed to address future challenges such as an ageing population and climate change.
- 3) Introduce a domestic fiscal rule to guide budgetary policy.
- 4) Improve how budgetary forecasts are produced.

Commenting on the report, Seamus Coffey, the Council's Chairperson noted:

“The current plans point to spending growing faster than the economy, alongside a growing reliance on risky corporation tax receipts. A stronger fiscal framework, including a domestic rule, would help guide better budget decisions.”