



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

Item 2 – Our “Stand-Still” estimates

Item 3 – How the official tax forecasts are made

Item 4 – Our approach to BEPS Pillar II reforms

Item 5 – Calculating Net Spending Growth Rates

Item 1 — Detail on our assessment of fiscal rules

Summary fiscal rules assessment

% of GDP

	2025	2026	2027	2028	2029	2030
Corrective Arm						
General government balance	1.8	1.4	1.3	0.9	0.3	0.8
General government balance limit	-3	-3	-3	-3	-3	-3
	✓	✓	✓	✓	✓	✓
General government debt	32.9	31.2	30.3	30.0	29.8	29.0
Debt-to-GDP ratio limit	60	60	60	60	60	60
	✓	✓	✓	✓	✓	✓
Preventive Arm & Domestic Budgetary Rule						
Assumed MTO for the structural balance	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Structural balance	0.8	0.5	0.6	0.4	0.0	0.6
	✓	✓	✓	✓	✓	✓

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.

Summary fiscal rules assessment (alternative assessment)

% of GNI*

	2025	2026	2027	2028	2029	2030
Corrective Arm						
Underlying general government balance ⁽¹⁾ ⁽²⁾	-2.1	-3.1	-3.4	-4.2	-4.8	-4.7
General government balance Limit	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Preventive Arm & Domestic Budgetary Rule						
Assumed MTO for the structural balance	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Structural balance ⁽²⁾	-3.1	-3.9	-4.0	-4.6	-4.9	-4.7

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 underlying general government balance excludes excess corporation tax. This is the part of corporation tax that cannot be explained by the growth of domestic enterprises and is instead linked to the exceptional performance of foreign multinationals. We use the "windfall estimates" produced by the Department of Finance.

⁽²⁾ The underlying general government balance and the structural balance estimate for 2026 assume a spending overrun of €0.5 billion given likely spending pressures in health and social protection. We also assume this higher level carries into 2027 and beyond.

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

	2024	2025	2026	2027	2028	2029	2030
Total Expenditure ⁽¹⁾	125.7	133.8	143.8	152.2	163.8	174.8	182.5
Plus assumed overruns ⁽²⁾			0.5	0.5	0.5	0.5	0.5
Less Interest	-3.3	-3.0	-3.3	-3.9	-4.6	-5.3	-6.1
Less EU co-financed current spending	-0.6	-0.6	-0.7	-0.6	-0.4	-0.3	-0.3
Plus Cyclical unemployment expenditure	0.5	0.3	0.2	0.2	0.1	0.1	0.0
Less Expenditure funded by transfers from the EU	-0.4	-0.5	-0.4	-0.1	-0.1	-0.1	-0.1
Less One-off expenditure items ⁽³⁾	-2.5	0.0	-0.3	0.0	0.0	0.0	0.0
Nationally financed primary expenditure	119.5	130.0	139.9	148.2	159.3	169.7	176.5
Less Discretionary revenue measures ⁽⁴⁾	-0.1	0.3	-1.8	-0.2	-0.5	0.0	0.0
Nationally financed net primary expenditure	119.4	130.3	138.1	148.0	158.9	169.7	176.5
Single-year assessment							
Nationally financed net primary expenditure growth ⁽⁵⁾		9.0	6.2	5.8	7.2	6.5	4.1
Cumulative-year assessment (base year = 2025)							
Nationally financed net primary expenditure growth			15.8	22.5	31.4	39.9	45.6

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

¹ Total expenditure refers to general government expenditure.

² The Council estimates overruns will amount to €0.5 billion in 2026, given likely spending pressures in health and social protection. We assume this higher level carries into 2027 and beyond.

³ One-offs here are based on the Council's assessment of cost-of-living items that are temporary. In 2026, these include the extension of the fuel allowance and support payments to road transport operators, farmers and fisheries.

⁴ Revenue-raising measures, such as tax increases, can offset larger spending increases, while revenue-reducing measures, such as tax cuts, reduce the room for higher spending. Estimates of revenue-reducing and revenue-raising measures are those judged by the Fiscal Council.

⁵ The growth rates for "nationally financed net primary expenditure" are equal to $\frac{\text{Nationally financed net primary expenditure}_t - 1}{\text{Adjusted expenditure}_{t-1}}$

Net expenditure path (Department of Finance assessment)

€ billion

	2024	2025	2026	2027	2028	2029	2030
Total Expenditure	125.7	133.8	143.8	152.2	163.8	174.8	182.5
Less Interest	-3.3	-3.0	-3.3	-3.9	-4.6	-5.3	-6.1
Less EU co-financed current spending	-0.6	-0.6	-0.7	-0.6	-0.4	-0.3	-0.3
Add/less Cyclical unemployment expenditure	0.1	-0.1	0.0	0.1	0.3	0.5	0.8
Less Expenditure funded by transfers from the EU	-0.4	-0.5	-0.4	-0.1	-0.1	-0.1	-0.1
Less One-off expenditure items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nationally financed primary expenditure	121.5	129.7	139.5	147.6	159.0	169.6	176.8
Add/less Discretionary revenue measures)	-0.9	0.2	-0.2	-0.5	-0.3	-0.6	-0.2
Nationally financed net primary expenditure	120.7	129.8	139.3	147.1	158.7	169.0	176.7
Single-year assessment							
Nationally financed net primary expenditure growth ⁽¹⁾		6.9	7.4	5.5	7.5	6.3	4.2
Cumulative-year assessment (base year = 2025)							
Nationally financed net primary expenditure growth			14.8	21.1	30.2	38.4	44.1

Source: Annual Progress Report and correspondence with the Department of Finance

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

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	5.5	5.1	4.9	5.3
of which Demographics	2.0	1.9	1.7	1.8
of which Prices and wages	3.6	3.2	3.2	3.5
Broken down by key area				
Education including the National Training Fund	0.4	0.4	0.4	0.4
Health and long-term care	1.7	1.7	1.7	1.8
State pensions	1.3	1.3	1.3	1.4
Public Sector pensions	0.9	0.6	0.3	0.5
Other social welfare payments	0.5	0.5	0.5	0.5
Rest of gross voted spending	0.8	0.6	0.7	0.7
Due to demographics				
Education including the National Training Fund	-0.1	0.0	0.0	-0.1
Health and long-term care	1.0	1.0	0.9	1.0
State pensions	0.5	0.5	0.6	0.6
Public Sector pensions	0.4	0.3	0.1	0.2
Other social welfare payments	0.2	0.1	0.1	0.1
Due to prices or wages				
Education wages	0.4	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	0.8	0.7	0.8	0.8
Public Sector pension	0.5	0.3	0.2	0.3
Social Welfare (excl. pensions)	0.4	0.4	0.4	0.4
Rest of gross voted spending wages	0.3	0.3	0.3	0.3
Rest of gross voted spending prices	0.5	0.3	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.

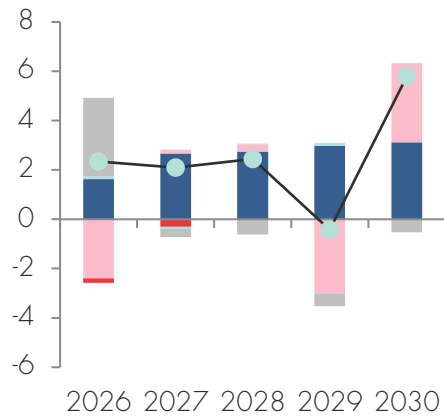
The annual changes in taxes are broken down into:

- 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.

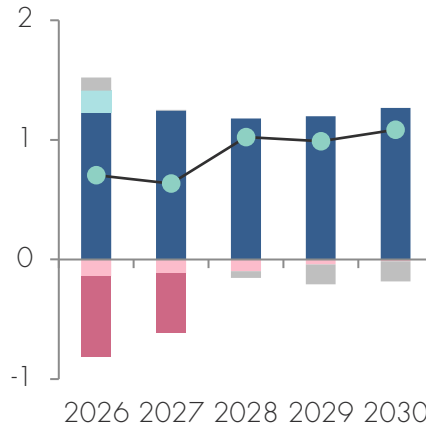
How the official tax forecasts are constructed

€ billion, year to year changes

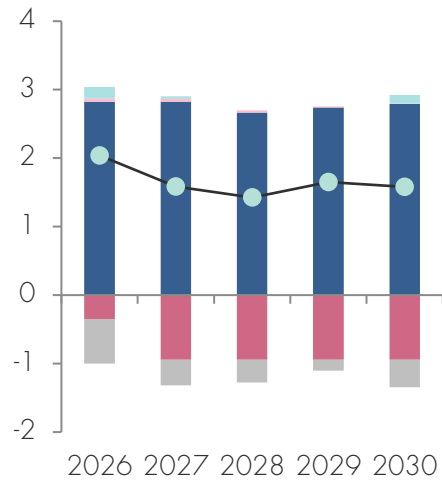
Corporation tax



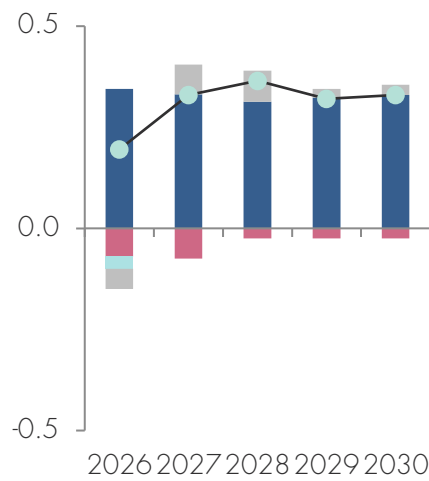
Value Added Tax



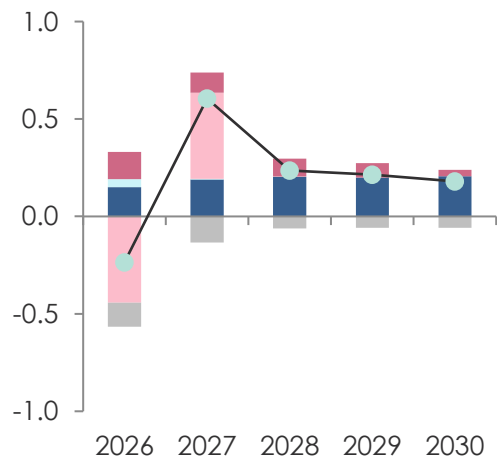
Pay-as-you-earn income tax



Universal social charge



Excise duties



- Macro driver
- One-offs
- Policy
- Carry-over
- Other / judgement

Item 4 —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.² 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.³ 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.⁴

We estimate that about 1,000 corporate groups are likely to be impacted by the reforms in Ireland.⁵ 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 €19.7 billion in corporation tax in Ireland from July 2023 to June 2024.

² 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.

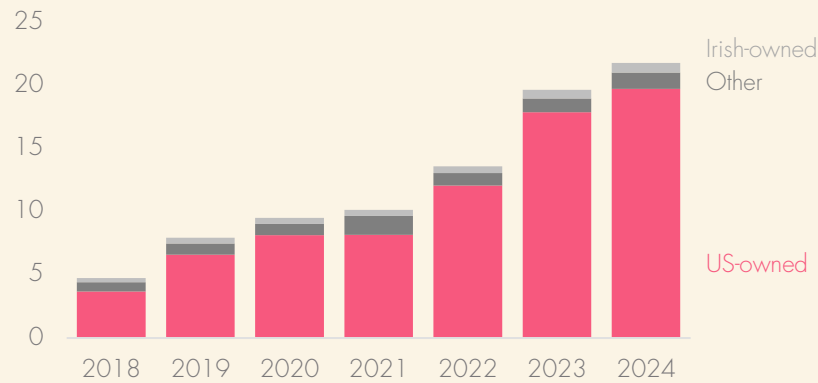
³ Discretionary tax measures are policy changes that raise or lower tax revenues. Accurate estimates of their impact are important for calculating net spending growth under the new EU fiscal rules. Revenue-raising measures (such as BEPS Pillar II) can be used to offset bigger spending increases.

⁴ The OECD publishes a partial database with this information for multiple countries [here](#) although it only goes up to 2022. In the US, the Internal Revenue Service publishes the relevant data [here](#) and it goes until June 2024.

⁵ A corporate group consists of “individual companies or affiliates that are members of the same corporate entity grouped together” (Gannon et al, 2026). 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.

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

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



Sources: OECD, the 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 '2024' refers to the 12-month period from July 2023 to June 2024. To ensure consistency, we apply the average annual USD to EUR exchange rate for the same period. June 2024 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 2024.

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 2024. These years best reflect the expected revenue increase, as pharma—and especially tech—profits rose sharply after COVID-19.

Table 1: Almost two-thirds of additional revenues likely to be excess

€ billion, unless stated

	2021	2022	2023	2024
Excess corporation tax	5.9	9.3	11.6	12.9
Estimated CT paid by impacted groups	10.1	13.6	19.7	21.8
% share	58%	68%	59%	59%

Sources: Department of Finance, OECD 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 July-June calendar year that US multinationals tax payments are reported. The estimates of excess corporation tax are Fiscal Council estimates.

On average, about 61% of the additional corporation tax appears to be excess, leaving 39% as non-excess. Applying this 39% to the forecasted €3.2 billion yield gives an estimated €1.3 billion in non-excess additional revenue. 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.

Item 5 – Calculating Net Spending Growth Rates

Under the new European Fiscal rules, the key metric assessed is the growth of net nationally financed primary expenditure. Here we explain how this is calculated, and how Fiscal Council estimates may differ from those published in the Government's Medium term Fiscal Plan.

Net nationally financed primary expenditure is calculated by taking general government expenditure and then making a series of adjustments.

Net nationally financed primary expenditure =

General government expenditure – expenditure funded by transfers from the EU – national co-financing of programmes funded by the European Union – cyclical unemployment spending – one-off spending – interest spending – discretionary revenue measures.

General government expenditure is the broadest measure of government spending and extends just the exchequer to all general government bodies.

Cyclical unemployment spending captures unemployment spending that does/does not occur because the unemployment rate is above or below the equilibrium rate. For example, in a severe recession, unemployment would be much higher than normal. That would result in much higher spending on unemployment supports. This form of spending is (correctly) disregarded from assessments.

Interest spending here refers to the interest costs from the national debt. This is calculated on a general government basis.

Discretionary revenue measures capture policy changes regarding government revenue. If a government decides to introduce revenue raising measures, this offsets increases in spending.

There are five key aspects that result in differences in net spending assessed by the Council and what was shown in the medium-term plan.

1. No revenue raising or reducing measures were assumed beyond 2026 in the medium-term plan. This is despite two revenue raising measures having already been legislated for. There are annual increases in the carbon tax (until 2030) and PRSI (the last increase is scheduled for October 2028).

When the Fiscal Council produces estimates of net spending, it includes these revenue raising measures. This reduces the rate of net spending growth in the later forecast years. In addition, for 2026, the Department of Finance did not include any impact from the introduction of a 15% minimum effective rate of corporation tax. By contrast, the Fiscal Council estimates include a revenue raising impact of €1.3 billion (Box A above explains how this is arrived at).

2. The estimates of cyclical unemployment spending for the medium-term plan are based on EU measures of long-run unemployment rates. The macroeconomic forecasts underpinning the plan show an unemployment rate of 5% for 2028-2030. The medium-term plan suggests that this unemployment rate is lower than its equilibrium level. As a result, the public finances are deemed to be benefiting from unusually low levels of unemployment. By contrast, when the Fiscal Council is calculating net spending growth, it assumes that 5% is the long-run rate of unemployment. This contributes to estimates of net spending growth which are lower than those shown in the Government's medium-term plan.

3. Forecasts in the Annual Progress Report show lower levels of government spending than in the medium-term plan. This is mainly because spending was lower than forecast for 2025, which then carries into later years. However, there is much slower spending growth forecast for 2030 than was the case in the medium-term plan.⁶

4. When the Council assess spending forecasts in the Annual Progress Report, we assume €0.5 billion of additional overruns in 2026. We also assume that this remains in the spending base in later years. As a result, this raises the rate of net spending growth in 2026, but has no impact on growth rates in later years.

⁶ This revision is very impactful. If the original spending forecasts from the medium-term plan were used, Fiscal Council estimates of net spending growth in 2030 would be 6.4%, rather than the 4.1% shown here.

5. Council assumes that €290 million of spending in 2026 is once-off in nature. These are a number of time limited measures like extending fuel allowance and supports for hauliers and farmers.

Four factors explain differing estimates of net spending growth

€ million unless otherwise stated

Medium-term plan

	2026	2027	2028	2029	2030
Y/Y spending increase (€ m)	9,739	8,661	11,680	11,205	11,605
Revenue measures	663	0	0	0	0
Cyclical unemployment	38	-72	-270	-529	-831
Net nationally financed primary expenditure (growth rate)	6.6	6.0	7.6	6.7	6.4

Fiscal Council estimates

	2026	2027	2028	2029	2030
Y/Y spending increase	9,969	8,440	11,590	11,005	7,695
Additional spending overrun assumed	500	500	500	500	500
Revenue measures	1,800	166	475	-28	2
Cyclical unemployment	-229	-150	-104	-65	-33
One-off spending	290	0	0	0	0
Net nationally financed primary expenditure (growth rate)	6.2	5.8	7.2	6.5	4.1

Sources: Medium-term plan, Annual Progress Report and Fiscal Council workings.

Notes: Fiscal Council estimates are based on forecasts from the Annual Progress Report 2026.

The largest revenue measures are the increased minimum effective tax rate of 15%. Due to (1) lower spending growth, (2) larger assumed revenue raising measures and (3) smaller estimates of cyclical unemployment spending, Fiscal Council estimates of net spending growth are slower than those presented in the medium-term plan submitted to the European Commission.