Budgetary Assessment

Spending forecasts are unrealistic

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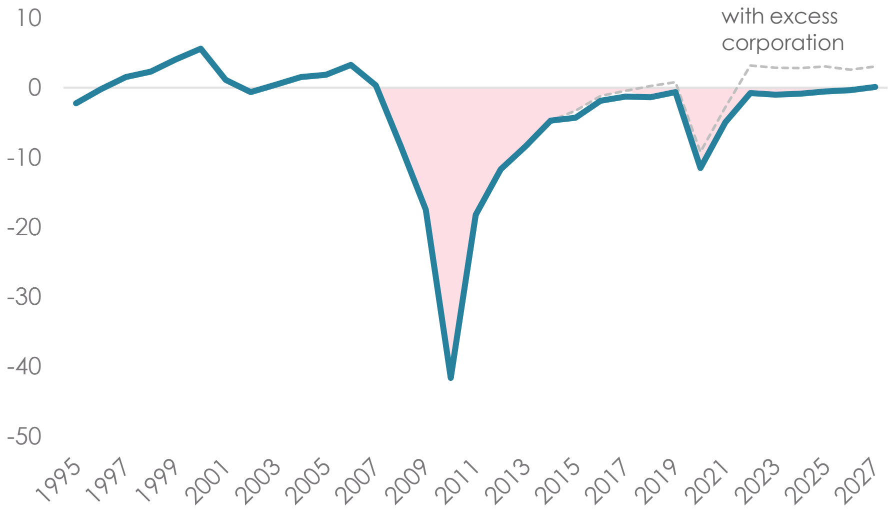
The Council is required to assess the fiscal forecasts produced by the Department of Finance for the *Stability Programme Update (SPU) 2024*. This section outlines the Council's thinking on some of the key budgetary issues arising from *SPU 2024*.

N°19 Government plans mean 19 years in deficit without excess corporation tax

General government balance excluding excess CT receipts, % GNI*



Sources: Department of Finance and Fiscal Council workings.
Notes: For excess corporation tax, *SPU 2024* figures are used for 2021-2027. For 2014-2020, Fiscal Council estimates are used. [Get the data.]

Despite favourable economic conditions, the Government is planning to run an underlying deficit out to 2026 (N°19). A key aspect of the budgetary figures considered by the Council is the quality of expenditure forecasts in *SPU 2024*. Large health spending overruns seem likely this year. These overruns are predictable, due to poor budgeting.

Budgetary figures are forecast to only 3 years ahead (N°20). This short forecast horizon does not aid strategic planning. It means the impacts of medium-term fiscal risks, like an ageing population and climate change, are not evident in *SPU 2024* projections. Other aspects explored in the section include shortcomings in general government forecasting and the continued use of fiscal gimmickry.

N°20 *SPU 2024* fiscal forecasts

€ billions

	2023	2024	2025	2026	2027
General Government Revenue	123.7	130.2	137.3	141.9	148.7
Income tax	32.9	34.8	36.9	39.0	41.0
VAT	20.3	21.3	22.8	23.9	25.1
Corporation tax	23.8	24.5	25.6	24.7	25.8
of which excess	11.2	11.2	11.5	9.9	10.3
PRSI	15.5	16.8	18.1	19.5	21.0
Excise	5.6	6.2	6.7	7.1	7.4
Stamp duties	1.8	1.7	1.7	1.8	1.9
Other general government revenue	12.5	13.7	13.9	15.9	16.1
General Government Expenditure	115.4	121.6	127.5	133.1	137.9
Social payments	39.8	42.0	44.2	45.8	47.6
Compensation of employees	31.1	33.0	34.6	36.3	38.1
Intermediate consumption	19.0	19.2	19.4	19.7	20.0
Capital expenditure	11.8	13.2	15.0	16.6	17.0
Interest expenditure	3.5	3.4	3.3	3.5	4.0
Subsidies	2.5	2.6	2.6	2.6	2.6
Capital transfers	2.2	2.5	2.5	2.5	2.4
Other	5.5	5.8	5.9	6.1	6.4
Primary expenditure	111.9	118.2	124.2	129.6	133.9
Current primary expenditure	100.1	105.1	109.3	113.1	117.0
General Government Balance excl. windfall corporation tax	-2.9	-2.6	-1.8	-1.2	0.4
General Government Balance	8.3	8.6	9.7	8.7	10.7

Sources: CSO; Department of Finance, and Fiscal Council workings.
Notes: Estimates of windfall corporation tax receipts are the Department of Finance's estimates published in *SPU 2024*. Other general government revenue includes accrual adjustments. Get the data.

2.1 Forecasts for 2024 — overruns likely and fiscal gimmickry persists

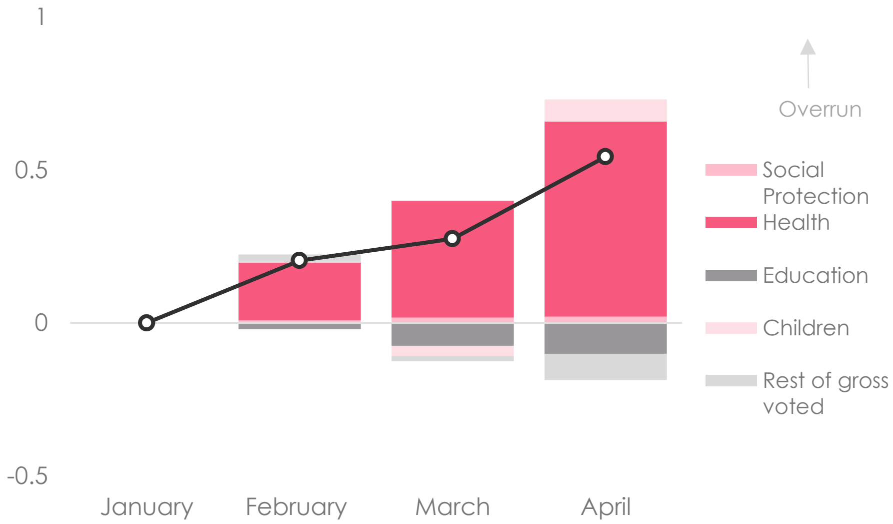
Stability Programme Update 2024 core spending forecasts for 2024 are €0.5 billion higher than forecast at budget time. This reflects costs associated with the new public sector pay deal, over and above what was already included in *Budget 2024*. The Department is now forecasting an underlying deficit (excluding windfall corporation tax receipts) of €2.6 billion, or 0.9% of GNI* for 2024. However, this is before likely overruns in health spending are accounted for.

Health overruns likely again in 2024

SPU 2024 forecasts for spending in 2024 underestimate spending and look unrealistic. After just four months of the year, overruns are mounting. Gross voted current expenditure at the end of April was already €0.5 billion, or 2% ahead of forecast (N°21).

N°21 Current spending vs original profile (*Budget 2024* forecast)

€ billion, gross voted current spending



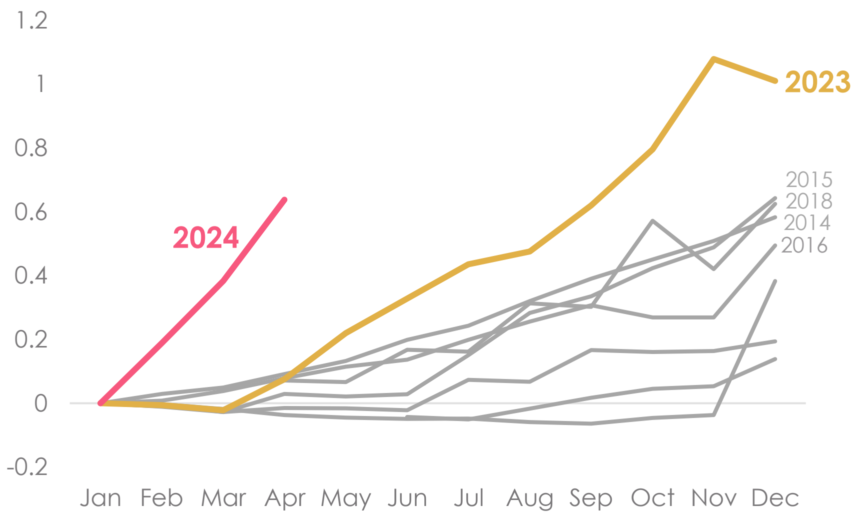
Sources: Department of Finance and Fiscal Council workings.
Note: Education includes higher and further education. Get the data.

This overspend is mainly driven by overruns in health, which is €0.6 billion or 9.2% ahead of forecast at the end of April. Health overruns are materialising much sooner this year than in the past (N°22). The overrun at the end of April was already on par with the worst pre-pandemic end-of year overrun. Were the rest of the year to see overruns grow at a similar rate as last year, the total overrun would be €1.6 billion. However, if the overrun continues at a rate of 9.4% above forecast for the rest of the year, the overrun would be €2 billion – more than the entire annual budget for the Department of Agriculture in 2024.

These overruns in health were well flagged. As the Council outlined in its December 2023 Fiscal Assessment Report (Fiscal Council, 2023b), the budgetary allocation to the Department of Health was insufficient to cover stand-still costs. This inappropriate budgeting all but guaranteed overruns in 2024. As an illustration of this, the *Revised Estimates for 2024* published by the Department in December, which fully incorporated 2023 overruns, detail a bizarre situation in which the pay bill in health is expected to fall in 2024. This is despite an expected increase in staffing and an improved public sector pay deal.[13]

Nº22 Health overruns are larger and materialising sooner this year

€ billion, cumulative monthly health spending overruns in years 2014–2023



Sources: Department of Finance and Fiscal Council workings.
Note: Figures exclude Covid-19 years 2020-2022. Figures for July to December 2023 reflect the transfer of the Disability function from the Department of Health to the Department of Children. Figures for the previous months do not reflect this transfer. Get the data.

As highlighted by Casey and Carroll (2021), overruns have been a regular occurrence in health budgeting in Ireland. Part of the problem seems to be that hospital and primary care budgets are often set very tight, maybe with the expectation that efficiencies will be generated. This might be credible if it had a record of producing savings or preventing overruns. Instead, this seems to have led to what economists call a 'soft budget constraint' (Kornai, 1979), where

[13] The revised estimates incorporated €0.7 billion for a new pay deal in 2024. The actual cost of the pay deal in 2024 is €1.1 billion. The only other Department with a falling pay bill in 2024 is the Department of Defence. The pension bill in health is also expected to fall in 2024 by 2%, despite an increase in pensioners of 3%. In 2023, the pension bill was also expected to fall by €50 million relative to 2022. The pension bill in 2023 ended up increasing by €20 million, €70 million more than forecast.

managers know that overruns will be financed and so there is little incentive to stick to ceilings and create efficiencies. As a result, there is limited/no incentive to produce savings or prevent overruns. Instead, providing limited budget increases in big spending areas appears to have set the scene for spending overruns. This points to a failure of planning.

That is not to say that healthcare spending cannot be made more efficient. Ireland ranks as a high spender on health internationally, even with a relatively young population today. This is particularly evident for outpatient services — daily hospital services excluding overnight or longer-term hospitalisations. Shine and Hennessy (2024) found that between 2016 and 2022 complexity-adjusted activity in acute hospitals increased by 3.8%, whereas real expenditure increased by 45% over the same period.[14] There is also a large variance across hospitals in the increased expenditure and the increased complexity-adjusted activity over this period. Shine and Hennessy (2024) put forward several recommendations to improve productivity and expenditure management in acute hospitals.

Budget 2025 needs to appropriately factor in overruns

As the Council discussed in its December 2023 Fiscal Assessment Report, in-year health overruns were not adequately accounted for in *Budget 2024*. This led to poor forecasts for spending in 2023, with a knock-on impact into 2024.

This approach should not be repeated in *Budget 2025* (or the *Summer Economic Statement*). Health spending overruns in 2024 should be adequately built into the base for 2025 and not repeat the mistakes of *Budget 2024*. In particular, it is not credible that the pay bill would be falling in a situation where there is an expected increase in staff numbers and an increase in pay scales.

Fiscal gimmickry should end

Fiscal gimmickry – a term used in the literature to describe creative accounting techniques aimed at making the government's fiscal numbers look more favourable – is continuing in *SPU 2024*.

[14] Complexity-adjusted activity is a measure of activity which accounts for variations in the complexity of care delivered across hospitals and inpatient and day care in each hospital.

The Government has classified several expenditure measures as non-core and therefore falling outside what is to be assessed under the Government's National Spending Rule. This has flattered the Government's spending figures. As highlighted by the Council in Box D of the its December 2023 Fiscal Assessment Report (Fiscal Council, 2023b), there is limited rationale for classifying these measures as non-core in 2024. These measures include health spending to deal with the post-pandemic escalation of health sector costs from increased activity and demand across acute hospitals, funding to continue reduced public transport fees, and spending on International Protection Accommodation Services.[15]

All of these spending items are likely to be permanent in nature and should be treated like other core areas of spending. There is no rationale for treating these as non-core in 2025, and *Budget 2025* should stop this fiscal gimmickry. These measures should be treated alongside other expenditure and fall within the scope of the Government's National Spending Rule.

Tax and PRSI revenue remains buoyant

Revenue has shown a strong performance at the start of the year, with tax and PRSI revenue (excluding corporation tax) at the end of April up 7.2% on last year. In real terms (HICP deflated), this represents revenue growth of 5.5%.

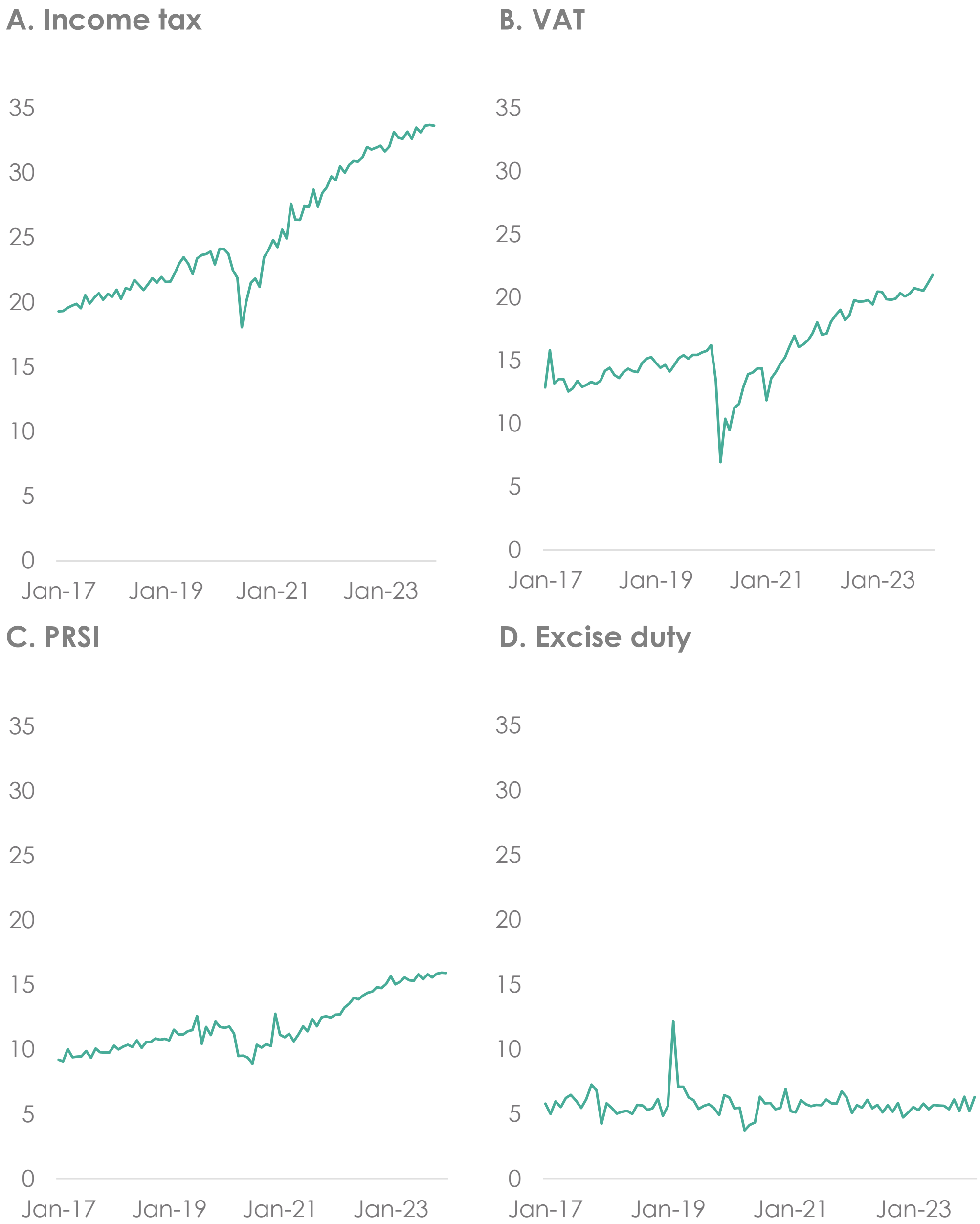
However, corporation tax has shown continued volatility, with receipts at the end of April down 24%. This may be related to the timing of payments, with higher offsetting payments expected in August.

Looking at individual revenue sources, both income tax and PRSI at the end of April were up over 7% year on year (N°23). VAT was also up by 6.3%, while excise duty was up by 14%, in part reflecting the reversal of the rate cuts on petrol and diesel. In all, receipts are broadly on track with Budget forecasts.

[15] This spending is unrelated to the war in Ukraine and is used to fund accommodation for non-Ukrainian refugees.

Nº23 Tax and PRSI revenue performing well

€ billion, annualised seasonally adjusted receipts



Sources: Department of Finance; and Fiscal Council workings.
Notes: Monthly tax data are seasonally adjusted and annualised (× 12). [Get the data.]

2.2 Outturns for 2023 and issues in forecasting general government figures

Budget balance €0.5 billion lower than forecast

As the Council outlined in its December 2023 Fiscal Assessment Report (Fiscal Council, 2023b), it was clear that *Budget 2024* forecasts for government gross voted spending in 2023 were too low. Anticipated overruns, particularly in the Department of Health, had not been adequately factored into the budgetary figures.

Gross voted spending in 2023 was €94.7 billion, €1.3 billion higher than forecast in *Budget 2024*. This was made up by higher-than-expected current spending of €670 million and higher-than-expected capital spending of €650 million.

Tax revenue of €88.1 billion was broadly in line with Budget forecasts, with higher than anticipated corporation tax receipts broadly offsetting lower than expected capital gains tax.

However, in general government terms, things are different. Despite the €1.3 billion higher than expected Exchequer spending, general government spending was €0.8 billion lower than anticipated. And while tax revenue was broadly in line with forecasts, general government revenue was €1.2 billion lower than forecast. These different forecast errors for Exchequer figures relative to general government figures point to some issues with the current forecasting approach. These are discussed in further detail below.

General government figures should be given priority

General government revenue and expenditure are broader and more comprehensive measures of revenue and spending than Exchequer revenue and spending. General government figures provide a more wholistic measure of government revenue and spending as they incorporate not only Exchequer figures but also PRSI revenue and social insurance fund spending, revenue and spending of local governments, non-commercial semi-state bodies and other extra-budgetary funds. General government figures are compiled to an internationally agreed accounting standard, thus allowing cross-country comparisons. These figures are also consistent with other macroeconomic data compiled by the CSO. In addition, it is the general government revenue and expenditure figures that are used for assessing legal compliance with both the EU's fiscal rules and Ireland's domestic budgetary rule.

Given their breath, consistency, comparability across countries and requirements under the fiscal rules, general government figures are among the most important budgetary figures. Despite the importance of these figures, the Department's current approach to forecasting general government figures is inadequate.

White paper spending estimates should be on a departmental basis

On the Friday before Budget day, the white paper is published which details estimates of revenue and expenditure on a 'no policy change' basis for the current year and the year ahead. These white paper estimates are the baseline for the Budget forecasts.

White paper expenditure estimates are produced on a top-down basis – taking into account aggregate spending dynamics within a year – and not based on estimates for each individual department. The top-down approach can potentially conceal some key dynamics in underlying expenditure. For instance, were estimates produced on a departmental basis, it would have been clear that the forecasts for spending in 2023 and 2024 were too low as anticipated overruns in health were not adequately factored in.

The underestimated spending from the white paper feeds into errors in forecasting the Exchequer balance and the general government balance. Errors in the white paper estimates are a particular cause for concern; if there are obvious errors in the starting point, these are likely to be compounded in the forecasts for later years.

The approach to forecasting the general government figures is inadequate and lacks transparency

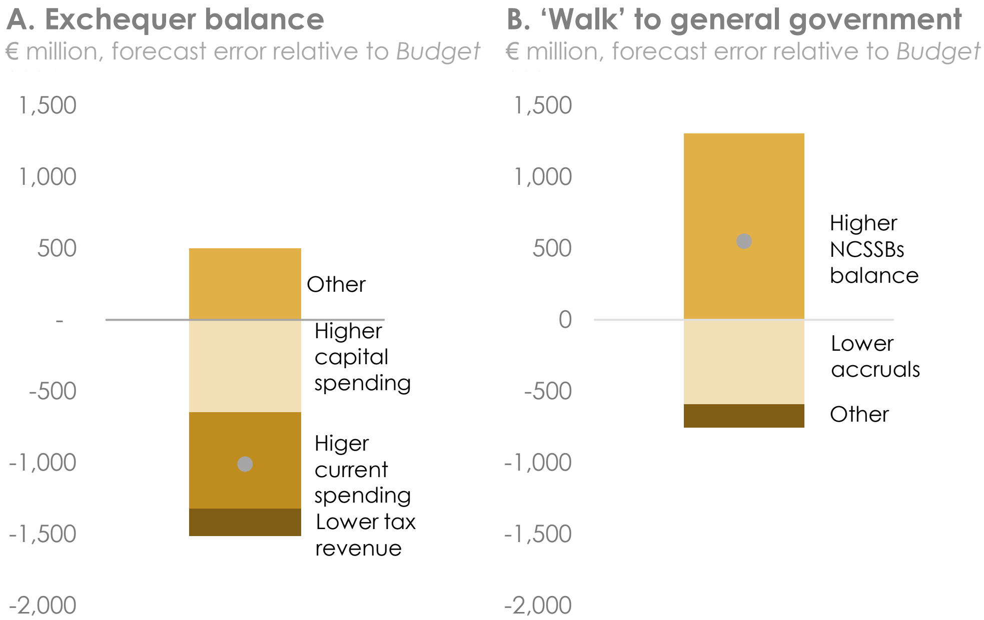
The Department's approach to forecasting the general government balance is to first forecast the Exchequer balance using the white paper estimates taking into account policy changes. Then the Department estimates the 'walk' from Exchequer balance to general government balance.[16] From there, forecasts of general government expenditure and general government revenue are backed out so that they are consistent with the derived balance using the 'walk' approach.

This approach has several shortcomings. First, it does not give accurate forecasts of general government expenditure and revenue, as well as their subcomponents. Despite efforts to make reasonable forecasts, these forecasts are essentially a residual with the components adjusted so that the resultant budget balance is the same as in the 'walk' approach. Second, this approach can potentially lead to inconsistencies and violations of national accounting identities. This has been the case in the past (see Box C of the June 2023 Fiscal Assessment Report, Fiscal Council, 2023a). It can also lead to inconsistencies in the forecasts of general government spending and Exchequer spending (see Nº26 below). Third, the Department publishes limited information on the 'walk' to general government, publishing only net figures for several items, not the gross flows.[17] This lack of information makes it difficult to assess whether the Department is underestimating or overestimating expenditure or revenue items. However, large forecast errors in a short space of time indicate that there are significant underestimates of revenue or overestimates of expenditure for some 'walk' items in recent years.

[16] See Table A3 of the *Stability Programme Update* 2024 for details of the forecasts for the "walk". The "walk" includes accrual adjustments, adjustments for equity and loan transactions (including the impact of the Future Ireland Fund (FIF) and the Infrastructure, Climate and Nature Fund (ICNF)), net lending of non-commercial semi-state bodies, net lending of the Social Insurance Fund, net lending of local government, net lending of other extra-budgetary funds and the impact of the Irish Strategic Investment Fund.

[17] For instance, the Department only publishes information on the net balance of extra-budgetary funds, of non-commercial semi-state bodies, of local government, and of the social insurance fund. It does not publish the gross expenditure and revenue flows that are used to arrive at these net positions.

N°24 *Budget 2024* forecast errors for 2023 for components of the general government balance



Sources: Department of Finance and Fiscal Council workings.
Notes: NCSSBs are non-commercial semi-state bodies. Get the data.

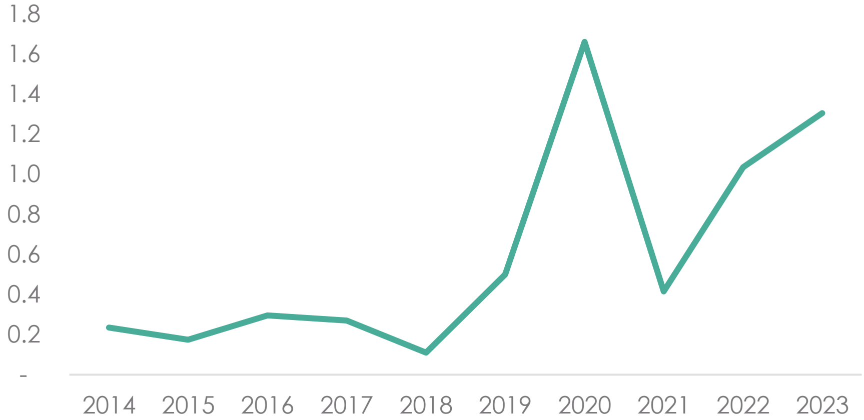
As an example of the shortcomings, in 2023 there were large forecast errors in some of the 'walk' measures, despite two quarters of general government data and nine months of other cash data being available.

The *Budget 2024* forecast of net lending of non-commercial semi-state bodies (NCSSBs) in 2023 was €1.3 billion too low. Given the corresponding revenue and expenditure flows of non-commercial semi-state bodies were in the region of €14 billion, this is a very large forecast error given that only three months of the year were remaining.

This issue is not new. In recent years, there have been large in-year forecast errors for the net lending of non-commercial semi-state bodies (N°25). The in-year forecast (essentially a three-month-ahead forecast) for net lending of non-commercial semi-state bodies has an average absolute forecast error of €1 billion a year since 2019. While part of this period covers an extremely volatile period, these are large forecast errors given the forecast is essentially for three months ahead.

N°25 Large forecast errors for non-commercial semi-state bodies in recent years

€ billion, absolute forecast error for year t = | SPU in year t+1 – Budget for year t +1 |



Sources: CSO, Department of Finance, and Fiscal Council workings.
Notes: Figures show the absolute forecast error for the in-year forecast between the outturn in an SPU and the previous Budget. For instance, the figure for 2022 shows the forecast error between the *Budget 2023* forecast for the year 2022 and the outturn in *SPU 2023*. Get the data.

Despite Exchequer spending being higher than forecast in Budget 2024 (+€1.3 billion), general government spending was much lower (–€2.3 billion) than forecast (N°26). Given that Exchequer spending makes up most of the general government spending, the disconnect between the two forecast errors illustrates the inappropriateness of the current approach to forecasting general government figures.

The largest forecast errors for general government spending were for capital transfers (€1.1 billion, or 52% of the outturn) and subsidies (€0.7 billion, or 27%) (N°27).[18]

On the revenue side, the bulk of the revision comes from the 'other' category (€1.2 billion). The majority of this is made up of the sale of goods and services by government, which is made up of revenue from items like hospital fees, tuition fees and admission fees to public museums or parks.[19] The forecast error for this component was almost 18%, with only two quarters to forecast.[20]

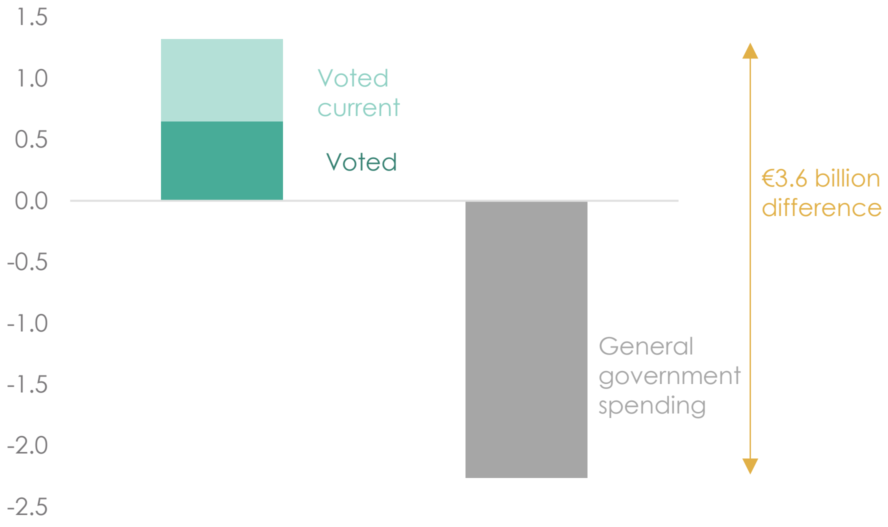
[18] Percentage forecast errors here are expressed as a percent of the full-year outturn. The percent forecast errors are larger when compared to only the last two quarters of the year, at 102% for capital transfers and 51% for subsidies.

[19] In 2023, approximately 70% of the 'other' category was made up of the sale of goods and services by government.

[20] Again, the percentage forecast error here is expressed as a percent of the full-year outturn. The percent forecast errors are larger when compared to only the last two quarters of the year, at 35%.

N°26 *Budget 2024* forecast errors for government spending in 2023

€ billion, 2023 outturn – *Budget 2024* forecast. Positive value = forecast too low. Negative value = forecast too high.



Sources: Department of Finance and Fiscal Council workings.
Note: The general government spending figure is adjusted for revisions by the CSO for data for Q1 and Q2 2023. See Table N°27 for details. These revisions revised up government spending data for Q1 and Q2 by a total of €1.5 billion. The unadjusted forecast error for general government spending is –€0.7 billion. On an unadjusted basis, the difference between the Exchequer and general government forecast errors would be €2.1 billion. Get the data.

N°27 *Budget 2024* forecast errors for 2023

General government, outturn – *Budget 2024 forecast*. Positive value = forecast too low. Negative value = forecast too high.

	Error	Error	CSO revisions to Q1 and Q2 data	Error adjusted for revisions	Error adjusted for revisions	Error adjusted for revisions,
	€ million	**% of full-year outturn**	**€ million**	**€ million**	**% of full-year outturn**	**% of outturn of last two quarters**
General government revenue	–1,185	**–1.0**	**151**	**–1,336**	**–1.1**	**–2.0**
Taxes on production and imports	90	0.3	2	88	0.3	0.5
Current taxes on income, wealth	–200	–0.3	89	-289	–0.5	–0.9
Capital taxes	10	1.6	0	10	1.6	1.9
Social contributions	–170	–0.8	5	–175	–0.8	–1.6
Property Income	195	9.7	0	195	9.7	14.9
Other	–1,115	–16.8	55	–1,170	–17.6	–34.5
General government expenditure	–735	**–0.6**	**1,531**	**–2,266**	**–2.0**	**–3.7**
Compensation of employees	765	2.5	513	252	0.8	1.6
Intermediate consumption	–480	–2.5	218	–698	–3.7	–6.8
Social payments	760	1.9	477	283	0.7	1.3
Interest expenditure	125	3.6	–119	244	7.0	14.0
Subsidies	–665	–26.2	11	–676	–26.6	–50.8
Gross fixed capital formation	165	1.4	250	–85	-0.7	–1.2
Capital transfers	–1,145	–51.7	–3	–1,142	–51.6	–102.1
Other	–260	–4.7	184	–444	–8.1	–18.9

Sources: CSO, Department of Finance, and Fiscal Council workings.
Notes: Positive values indicate the forecast was too low. Negative values indicate the forecast was too high. Data for two quarters, Q1 and Q2 of 2023 were available at the time of Budget 2024. These data were subsequently revised by the CSO. In nearly all cases, these data were revised upwards. This would mean, all else equal, forecast errors would be positive (i.e. forecasts would be too low, as the forecasts would not have reflected the upward revision to the historical data). In the last column the percentage forecast error is calculated based on the outturns for the last two quarters. Given that the Department was forecasting only two quarters of data, it may be more appropriate to scale the forecast errors on this basis. Get the data.

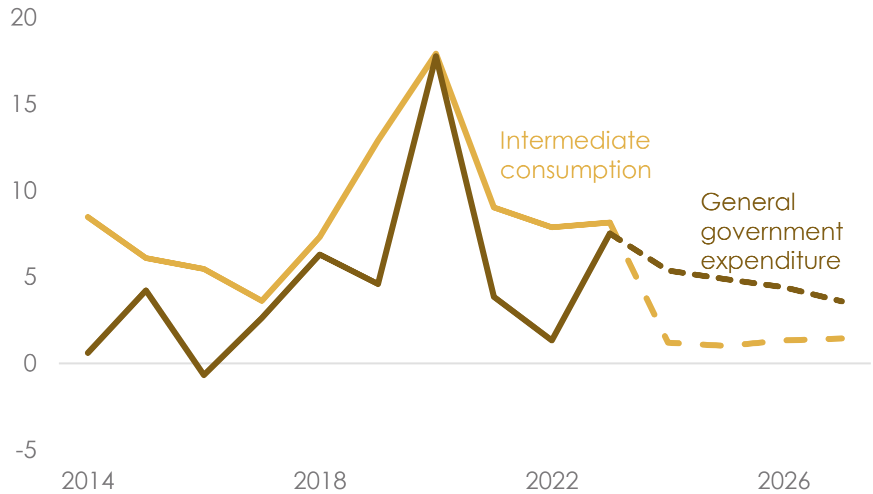
Looking further ahead, the *SPU 2024* forecasts for spending on intermediate consumption, which was €19 billion or 16% of general government spending in 2023, look too low (N°28). While total general government expenditure is forecast to grow by an average of 4.6% per year over 2024-2027, intermediate consumption is forecast to grow by an average of only 1.3% over the same period.[21] Between 2014 and 2023, total general government expenditure grew by an average of 4.8% per year, while intermediate consumption grew by an average of 8.7% per year. Absent significant policy changes, it is unclear why government expenditure patterns would change

[21] Between 2014 and 2023, general government expenditure growth averaged 4.8% per year. Over the same period, intermediate consumption growth averaged 8.7%.

dramatically over the forecast horizon, resulting in this low forecast for intermediate consumption.

Nº28 Intermediate consumption forecasts unrealistically low

% change y/y



Sources: CSO, Department of Finance, and Fiscal Council workings. [Get the data.]

2.3 The costs of maintaining existing services are high

To gauge the cost of current policy decisions into the future, the Council estimates the costs of maintaining the existing level of services, or 'Stand-Still' costs. These 'Stand-Still' estimates factor in the expected costs of demographic changes and inflationary pressures on the public services, as well as the costs of maintaining welfare rates relative to wages. It is also ultimately a policy choice whether to maintain welfare rates relative to economy-wide wages. This approach assumes that there are no efficiency gains in the provision of public services.

To assess the potential medium-term 'Stand-Still' costs, the Covid-19 and Ukrainian spending are included in the baseline costs for 2024. As there is likely to be an overrun in health this year, this needs to be factored in, to accurately gauge the costs of maintaining existing services into next year. If the overrun grows at the same pace as last year, this would result in a total overrun of €1.6 billion for this year.[22] This is the baseline assumed here for the 'Stand-Still'.[23]

Over 2025-2027, 'Stand-Still' costs are set to average €4.7 billion (N°29). This is €0.7 billion a year more than what the Government currently plans to increase current spending by. Demographic costs are set to average €1.5 billion over 2025-2027, while the impact of price, wage and welfare increases is set to cost €3.1 billion per year over the same period.

Looking at the key areas, the biggest 'Stand-Still' costs are from health and the state pension, averaging €1.6 billion and €1.2 billion.

[22] As mentioned in Section 2.2, at the end of April the overrun was 9.4%. If this rate was maintained for the rest of the year, the overrun could be as large as €2 billion.

[23] The total assumed overrun in health in 2024 is €1.6 billion. Some of this overrun is already incorporated in *SPU 2024* figures to deal with the extra cost from the public sector pay deal. We assume that health's share of these extra funds is €150 million, meaning that €1.45 billion is the amount added to the total spending for 2024.

Nº29 Stand-still costs over the medium term

€ billion

	2024	2025	2026	2027	2028	2029	2030
Government's core current increases		**3.6**	**4.1**	**4.3**			
Stand-still costs	**1.4**	**5.0**	**4.6**	**4.4**	**4.6**	**4.4**	**4.6**
Of which							
Demographics		1.5	1.6	1.5	1.6	1.6	1.6
Prices (and wages)		3.5	3.0	2.9	3.0	2.8	3.0
Increases by key area (increases in €bn)							
Education		0.6	0.4	0.3	0.4	0.3	0.3
Health	1.4	1.7	1.5	1.6	1.6	1.6	1.7
State pensions		1.2	1.2	1.2	1.3	1.2	1.3
Public sector pensions		0.2	0.3	0.2	0.3	0.2	0.3
Social welfare (excl. pensions incl. SIF)		0.5	0.5	0.4	0.4	0.4	0.4
Other spending		0.8	0.6	0.6	0.6	0.6	0.6
Increases due to demographics by key area (€bn)							
Education		0.0	0.0	-0.1	0.0	0.0	0.0
Health		0.8	0.9	0.9	0.9	0.9	0.9
State pensions		0.5	0.5	0.5	0.5	0.6	0.6
Public sector pensions		0.1	0.1	0.1	0.1	0.1	0.1
Social welfare (excl. pensions)		0.1	0.1	0.1	0.1	0.1	0.1
Increases due to prices by key area (€bn)							
Education wages		0.6	0.4	0.3	0.4	0.3	0.3
Education prices		0.1	0.1	0.1	0.1	0.1	0.1
Health wages		0.6	0.4	0.4	0.4	0.3	0.4
Health prices		0.3	0.3	0.3	0.3	0.3	0.4
State pension		0.8	0.7	0.7	0.7	0.7	0.7
Public sector pension		0.2	0.2	0.1	0.2	0.1	0.2
Social welfare (excl. pensions)		0.3	0.4	0.4	0.4	0.3	0.4
Other wages		0.4	0.3	0.3	0.3	0.3	0.3
Other prices		0.3	0.3	0.3	0.3	0.3	0.3

Sources: Fiscal Council workings.

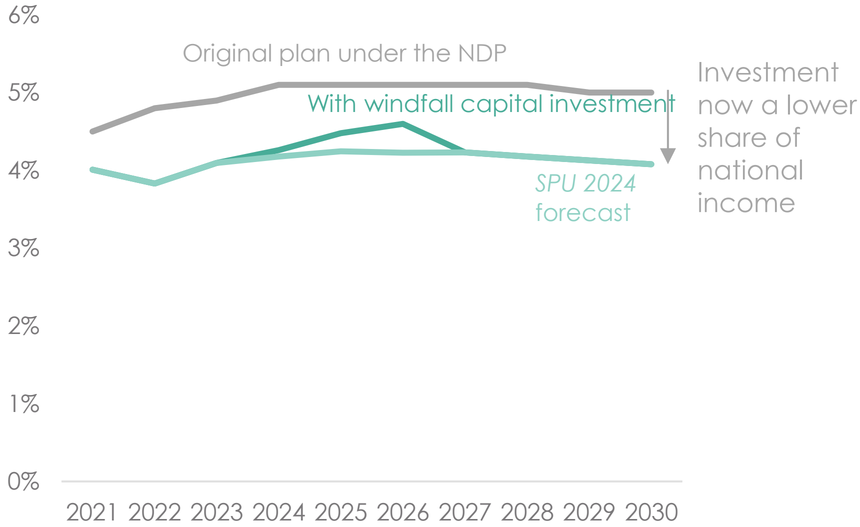
Notes: The total assumed overrun in health in 2024 is €1.6 billion. Some of this overrun is already incorporated in *SPU 2024* figures to deal with the extra cost from the public sector pay deal. We assume that health's share of these extra funds is €150 million. Wages are set to grow in line with the new public sector pay deal for 2025-2026. As this expires in the middle of 2027, from there, public sector wages grow in line with forecasts of private sector pay growth. Get the data.

2.4 Capital spending eroded by inflation

Despite additional planned spending on capital, through 'windfall capital investment', under the Government's latest plans capital spending is forecast to be a smaller share of national income than originally planned (N°30). Investment spending over 2024-2030 is now forecast to average 0.8 percentage points of GNI* lower than originally planned under the National Development Plan (NDP). As Section 1 outlines, this is at a time of substantial infrastructural deficits.

N°30 Investment spending is now almost 1% of national income lower than previously planned

Gross voted core capital spending, % of GNI*



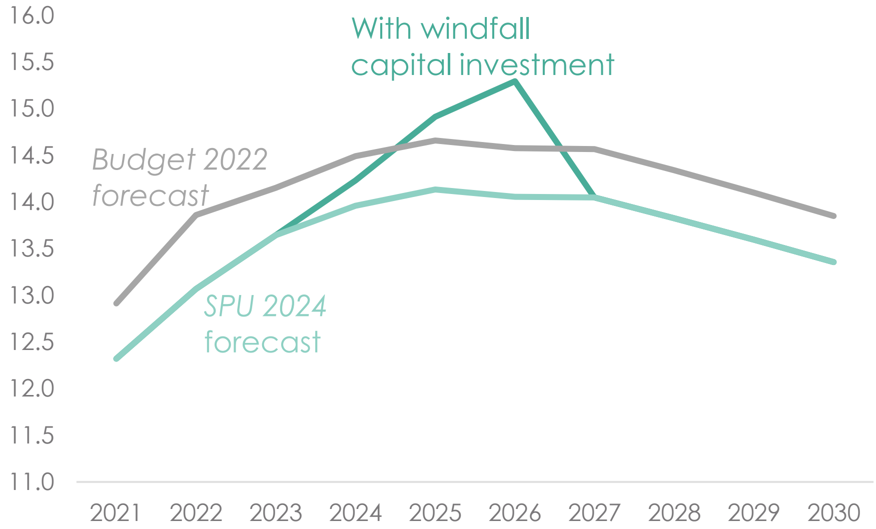
Sources: NDP, Department of Finance, and Fiscal Council workings. [Get the data.]

Since the 2022 inflation shock, core capital spending has not been revised up by as much in response to inflation, meaning the share of total spending on capital has fallen (N°31). In contrast, core current spending has been revised up significantly. At the same time, planned tax reductions more than doubled, from €0.5 billion, to €1.1 billion per year. With the addition of windfall capital investment – which is not considered core spending by the Government – the share of capital spending rises above the original plans for only two years, 2025 and 2026.

The Council has been heavily critical of the classification of this spending as 'windfall capital investment' and outside of core spending. The Council does not have an issue with more capital spending, particularly at a time of large infrastructural deficits, provided that the overall package of tax and spending is sustainable and value for money can be achieved.

N°31 The ratio of capital spending to current spending is lower than originally planned

Gross voted core capital as a share of core total gross voted spending

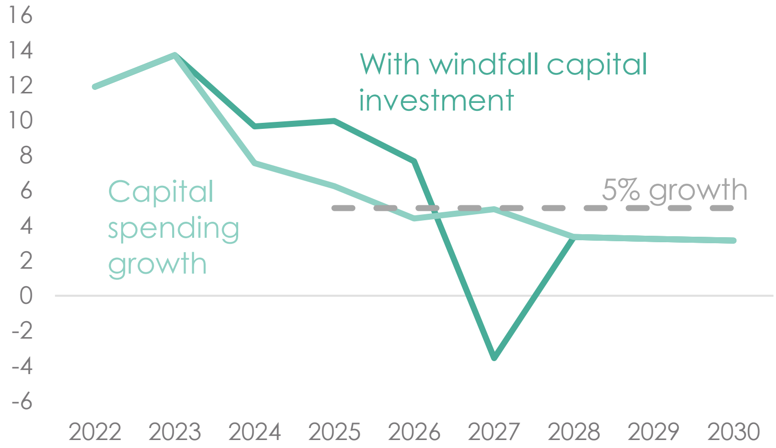


Sources: NDP, Department of Finance and Fiscal Council workings.
Note: Core total gross voted spending is assumed to grow at a 5% rate for 2028-2030.
Get the data.

Capital spending's share of total spending is forecast to fall from 2027 onwards. This is due to low growth rates forecast under the NDP for 2028-2030. Capital spending under the NDP for 2028-2030 is forecast to grow by only 3.2% per year (N°32). This suggests that not only is there no catch-up to previous NDP plans, but also that the share of investment to national income will fall (N°30). Under a 5% net spending rule, this means capital spending would grow by less than current spending (unless there were additional tax cuts), at a time in which there are large infrastructural deficits.

N°32 Growth in capital spending forecast to fall below 5%

% change y/y

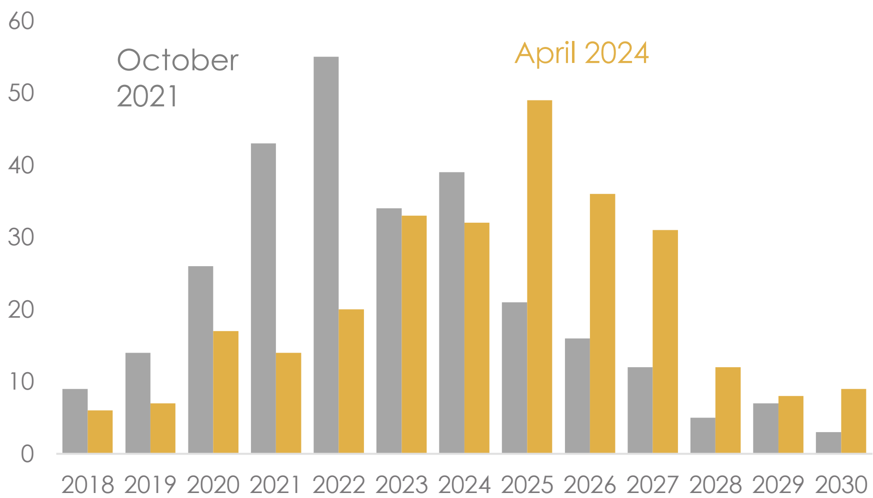


Sources: NDP, Department of Finance and Fiscal Council workings. Get the data.

Looking at the delivery of NDP projects, it is clear that significant delays have occurred relative to original plans. There was a substantial rightward shift in the distribution of estimated (or actual) completion times of large NDP projects (N°33) between October 2021 and April 2024.

N°33 Significant delays evident in NDP delivery

Number of projects by estimated (or actual) completion date

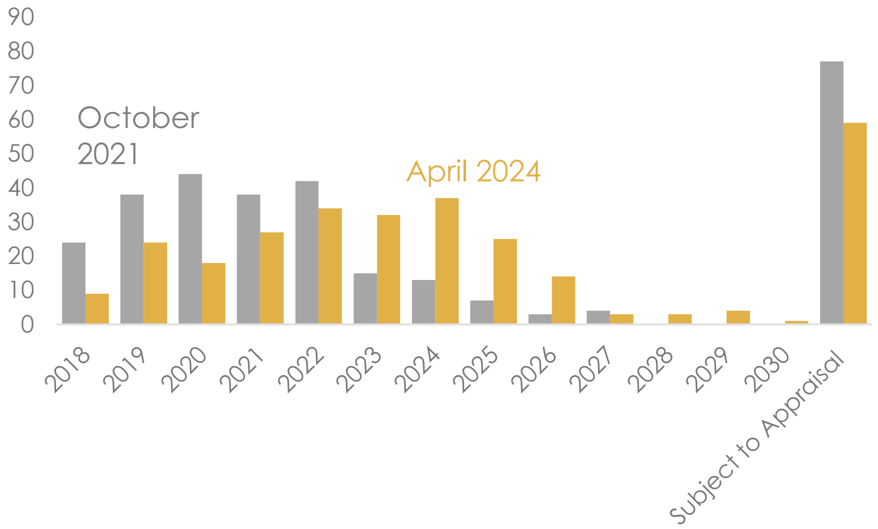


Sources: NDP, Department of Public Expenditure, and Fiscal Council workings.
Notes: Figures show estimated (or actual) completion dates from the Investment projects and programmes tracker from October 2021 and from April 2024. The Investment projects and programmes tracker reflects projects with a cost exceeding €20 million. Get the data.

While part of these delays in delivery may be due to construction being behind schedule, there appear to be significant delays in the planning phase of the projects. Figure N°34 shows another rightward shift in the distribution of the estimated (or actual) commencement dates between October 2021 and April 2024 which is indicates significant delays in the planning phase of projects.

N°34 Planning delays are evident

Number of projects by estimated (or actual) commencement date

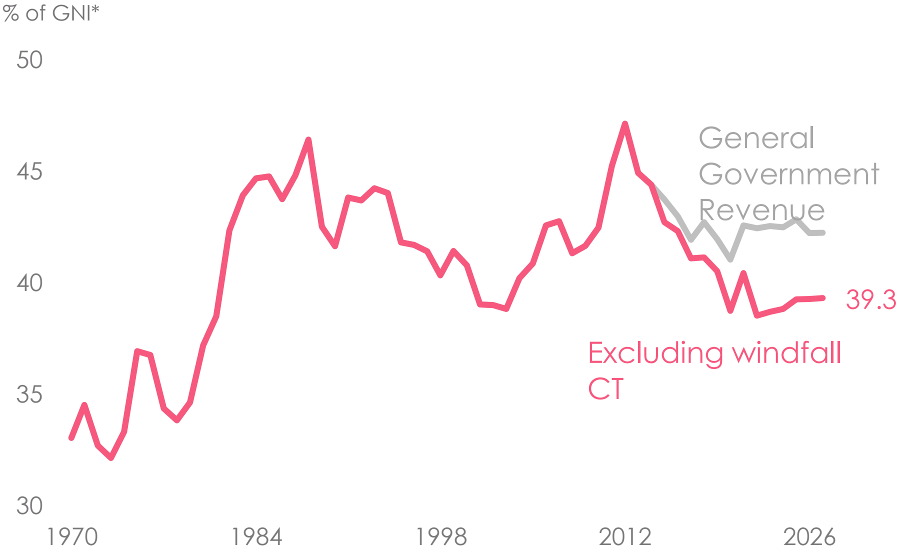


Sources: NDP, Department of Public Expenditure, and Fiscal Council workings.
Notes: Figures show estimated (or actual) commencement dates from the Investment projects and programmes tracker from October 2021 and from April 2024. The Investment projects and programmes tracker reflects projects with a cost exceeding €20 million. Projects subject to appraisal do not have a timeline for commencement yet. Get the data.

2.5 Government revenue is concentrated

Excluding windfall corporation tax receipts, tax revenue is forecast to grow by an average of 5.4% per year over 2024-2027. Over the same period, nominal modified gross national income (GNI*) is forecast to grow by an average of 4.9% per year. Taken together, this means the tax share of national income is forecast to rise slightly to 39.3% by 2027 (N°35).

N°35 Revenue to rise slightly but to remain low as a share of national income



Sources: Department of Finance and Fiscal Council workings.
Notes: Fiscal Council estimates of windfall corporation tax are used for 2015-2021. *SPU 2024* estimates are used for 2022-2027. Prior to 1995, current and capital receipts (excluding borrowing) are used to extend the general government series back (from the historical Annual National Accounts, 1970-1995). Get the data.

This current tax burden is at a relatively low share by post-1990 historical standards, with the average share between 1995-2019 being 41.8% of GNI*.[24] This lower share of revenue to GNI* is mainly driven by a declining share of taxes on production and imports. Taxes on production and imports are forecast to be 11.3% of GNI* in 2027, a fall of 3.2 percentage points relative to the 1995-2019 average (N°36).

Taxes on production and imports are made up mainly of VAT, excise, customs and stamp duty. The fall relative to the long-term average is across the three main items, with excise in 2027 falling by 1.8 percentage points, relative to its 1995-2019 average, and both VAT

[24] Excluding the crisis period of 2009-2014, this average would be 41.1% of GNI*.

and stamp duty falling by 0.6 percentage points. The fall in the excise receipts to GNI* share is due to declines in both revenue from fuel duty, and alcohol and tobacco duty.[25] The decline in taxes on production and imports is offset by a rise in the share of income taxes and social contributions (PRSI), both increasing by 1.4 percentage points.

The 'other' revenue category has also seen a large decline relative to its long-run average. The largest component of this category is the sale of goods and services, making up 70% of the category in 2023. This constitutes revenue items such as hospital fees, tuition fees and admission fees to public museums and parks. By 2023, the sale of goods and services had fallen by 0.8% of GNI*, relative to its long-run average.

Nº36 Changes in revenue composition over time

% of GNI*

General government revenue	2027	1995-2019 average	Change
Taxes on production and imports	11.3	14.5	–3.2
Taxes on income, wealth (excl. windfall corporation tax)	17.0	15.6	1.4
Capital taxes	0.2	0.2	0.0
Social contributions	8.2	6.8	1.4
Property income	0.5	1.2	–0.6
Other	2.0	3.6	–1.6
Total revenue (excluding windfall corporation tax)	39.3	41.8	–2.5
Exchequer revenue	**2027**	**1995-2019 average**	**Change**
VAT	7.1	7.7	–0.6
Stamp duty	0.5	1.1	–0.6
Excise duty	2.1	3.9	–1.8
Corporation tax	4.4	3.6	0.8
Income tax	11.6	9.8	1.9
General government	**2022**	**1995-2019 average**	**Change**
Excise duty on alcohol and tobacco products	0.9	1.7	–0.8
Excise duty on hydrocarbon oil products (ex. carbon tax)	0.6	1.5	–0.9

Sources: CSO; Department of Finance, and Fiscal Council workings.
Notes: Estimates of windfall corporation tax receipts are the Department of Finance's estimates published in *SPU 2024*. VAT, excise and stamp duty are all components of 'Taxes on production and imports'. Get the data.

Overall, there has been a marked shift over time from indirect taxation towards direct taxation. This shift has occurred mainly through implicit

[25] Fuel duty revenue in 2022 was 0.9 percentage points below its 1995-2019 average and alcohol and tobacco duty revenue in 2022 was 0.8 percentage points below its 1995-2019 average.

rather than explicit tax changes.[26] On the direct taxation side, fiscal drag – a tax increase, that arises when tax bands and credits do not rise in line with inflation, which sees the tax burden on individuals rise – has been responsible for this increase. Figure N°37 shows the explicit (i.e. announced) policy changes for income tax and PRSI announced on Budget day since 1995. Cumulatively, tax reductions of 5.4% of GNI* have been announced. Given that the income and PRSI tax burden has increased over this period, it is clear that the announced tax cuts were not sufficient to offset this fiscal drag.

On the indirect tax side, the reverse is true. Changing consumption patterns – for instance a shift from goods to services – also represent an implicit tax cut as a significant proportion of services are VAT exempt, with other services being taxed at a lower rate (13.5%) relative to goods (typically 23%). Likewise, not increasing excise duty rates results in the tax content of these products falling over time as prices rise—an implicit tax cut. On the indirect taxation side, explicit tax increases have cumulatively raised 3.1% of GNI* between 1995-2019. Given that the ratio of indirect tax to GNI* has fallen over the same period, it is clear that implicit tax reductions have substantially offset these explicit tax increases.

N°37 Explicit income and PRSI policy changes impact on revenue

% of GNI*

Sources: Conroy (2020), Department of Finance and Fiscal Council workings.
Notes: Figures show the discretionary tax policy changes for PRSI and income tax as a share of GNI* from 1995-2023. Get the data.

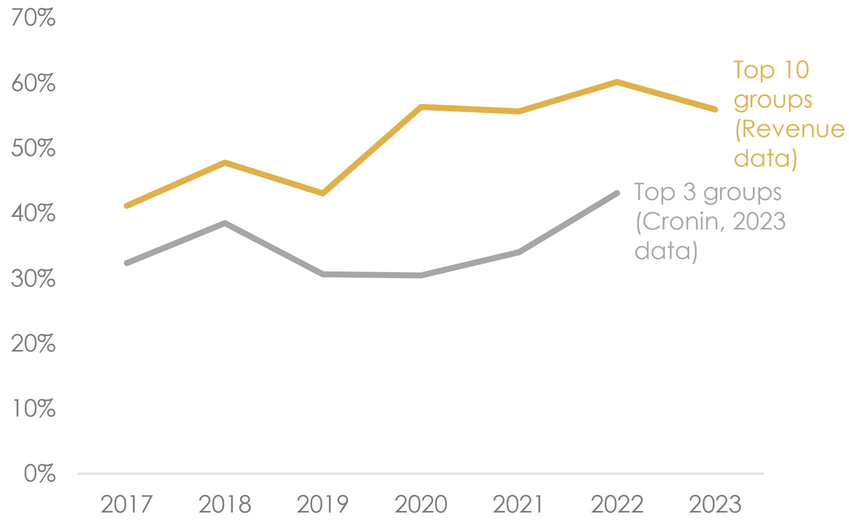
[26] Explicit tax changes are deliberate and announced policy changes. Implicit tax changes are the changes in composition of taxation due to inaction. For instance, more workers moving into higher tax brackets as wages increase, or not increasing excise rates in line with inflation resulting in the tax share in the price of these goods falling.

Corporation tax remains highly concentrated

The sustainability of corporation tax is a key fiscal risk as it is both a large share of total taxation and it is highly concentrated. New figures from the Revenue Commissioners show that the top 10 corporate groups accounted for 56% of corporation tax receipts in 2023 (N°38). Figures from Cronin (2023) show that this is even further concentrated with the top three groups accounting for 43% of corporation tax receipts in 2022. As Box B discusses, this is not the only source of concentration in the tax system.

N°38 The concentration of corporation tax has increased over time

% of total corporation tax



Sources: Revenue Commissioners, Cronin (2023), and Fiscal Council workings. Get the data.

SPU 2024 incorporates the potential impact of Base Erosion and Profit Shifting (BEPS) reforms into the fiscal forecasts. There are two pillars to these reforms. Pillar I will see corporation tax paid based more on the location of sales rather than where profits are ordinarily booked. This would likely see a fall in corporation tax receipts in Ireland. However, it is unclear when there will be full agreement on Pillar I and its implementation timeline is unclear.

Pillar II sees a minimum effective rate of 15% applied to corporate groups with a global turnover of €750 million or more. Given that Ireland's headline corporation tax rate is 12.5%, large firms paying corporation tax here would have to top up their payments to reach a 15% rate. This could lead to significant additional revenue. Unlike Pillar I, these reforms have already been agreed and implemented. As a result, Ireland is likely to see additional revenue from this source as soon as 2026, with the full impact being seen in 2027. Since Pillar II has already been fully implemented and the implementation of Pillar I is unclear, and since the Department assume the overall impact of BEPS reforms will be negative for Ireland, there may be a significant upside risk to *SPU 2024* forecasts of corporation tax for 2026 and 2027.

Box B: How narrow is Ireland's tax base?

As a small open economy, Ireland is highly vulnerable to external shocks. Having a narrow tax base exacerbates the vulnerability of the public finances to these potential shocks.

In the run-up to the financial crisis Ireland's tax revenue became highly dependent on receipts from property which were boosted by the bubble. In turn, these receipts were used to reduce the tax rates in other areas, such as income tax, or to increase government spending. These policies further exacerbated the property bubble while weakening Ireland's tax base resulting in an amplified boom-bust cycle (O'Rian, 2017).

The concentration of taxation can be assessed across several dimensions: concentration of taxes within sectors; concentration of tax revenue among certain taxes; concentration of tax revenue within certain taxes (i.e. concentration of taxpayers); concentration of tax revenue from the same tax base; and concentration of tax revenue from a certain location. Some dimensions of concentration, like concentration of taxpayers or concentration among certain taxes, poses greater fiscal risks than others. This box looks at some high-level measures of Ireland's tax base across these key dimensions.

Measuring how concentrated Ireland's taxes are

One summary measure commonly used to assess concentration is the Herfindahl-Hirschman Index (HHI).[27] Figure N°39 shows this concentration measure from 2007 to 2022 based on the concentration among all tax heads (income tax, VAT, excise duty, etc), among the tax base on which taxes are levied on (income, consumption, capital, etc), among the sectors (manufacturing, construction etc.), and among locations (Dublin, Donegal, etc.) from which the taxes come from.[28] The higher the value, the higher the level of concentration. Typically, values above 2,500 indicate high levels of concentration.

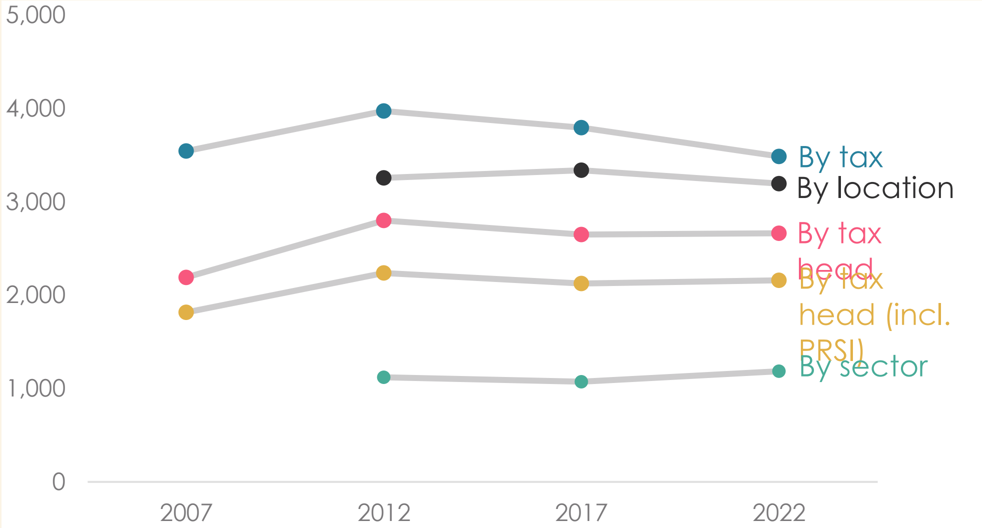
When looking across sectors of the economy, Ireland's overall tax receipts have tended to be spread relatively well. That is, they have not shown a high degree of concentration in any one particular sector. The concentration is slightly higher when focusing on tax heads (including PRSI). Approximately 32% of tax and PRSI revenue in 2022 came from income tax, with a further 23% from corporation tax.

[27] The HHI index is constructed as the sum of the squares of the share of tax revenue: $HHI = s_1^2 + s_2^2 + \cdots + s_n^2$, where s_n is the share of tax revenue from a sector, a base, or a tax head.

[28] For the base on which taxes are levied, Exchequer tax and PRSI are grouped into five categories: household income, consumption, business income, capital, and taxes on production. Household income includes income tax, PRSI and capital gains tax. Consumption includes customs duty, excise duty and VAT. Business income includes corporation tax. Capital includes capital acquisitions tax and local property tax. Production includes motor tax and stamp duty. These categories are ad hoc and do not necessarily align with national accounts groupings for taxes. Sectors aare based on NACE Rev 2 classifications. For tax heads, the typical Exchequer classifications are used.

N°39 The tax base is highly concentrated

Herfindahl-Hirschman Index (HHI) measure of concentration



Sources: Revenue Commissioners; Department of Finance; and Fiscal Council workings.
Notes: For the base on which taxes are levied, Exchequer tax and PRSI are grouped into five categories: household income, consumption, business income, capital, and taxes on production. Household income includes income tax, PRSI and capital gains tax. Consumption includes customs duty, excise duty and VAT. Business income includes corporation tax. Capital includes capital acquisitions tax and local property tax. For tax heads, the typical Exchequer classifications are used. Sectors are based on NACE Rev 2 classifications. Get the data.

While Ireland's tax heads do not show high levels of concentration, the tax base does. This is due to the fact that two main tax heads, PRSI and income tax, have broadly the same base — household income. More than 47% of tax and PRSI revenue comes from this base. A further 25% comes from consumption taxes, while only 0.6% comes from taxes on capital.[29] Similarly, there is high concentration of taxes from certain locations, with over 50% of taxes attributed to Dublin and 19% to Cork.[30]

Income tax

As mentioned above, in the run-up to the financial crisis Ireland's tax base was narrowed on the back of transitory windfall receipts from the property bubble. This can be seen in Figure N°40.A as the distribution of income tax paid shifted downwards and to the right between 1994 and 2006.

Today, Ireland's income tax revenue is relatively concentrated across the income distribution (N°40.B). In 2021, the bottom 50% of taxpaying units paid 3% of all income tax. The distribution of income tax paid in 2021 was broadly similar to that in 2006, pre-financial crisis.

However, once USC revenue is included, the base becomes noticeably broader. The bottom 50% of units paid approximately 36% of income and USC revenue.

That being said, the USC base has also become narrower over time. In 2012, 27.2% of tax units were exempt from USC. This rose to 35.7% by 2021. Estimates by the Revenue Commissioners suggest that, after *Budget 2024* measures, this distribution has shifted rightwards, towards a narrow tax base, with 37% of

[29] Excluding windfall corporation tax receipts, household income would account for 54% of tax revenue in 2022. Consumption taxes would account for 29% of tax revenue, and capital accounts for 0.7%.

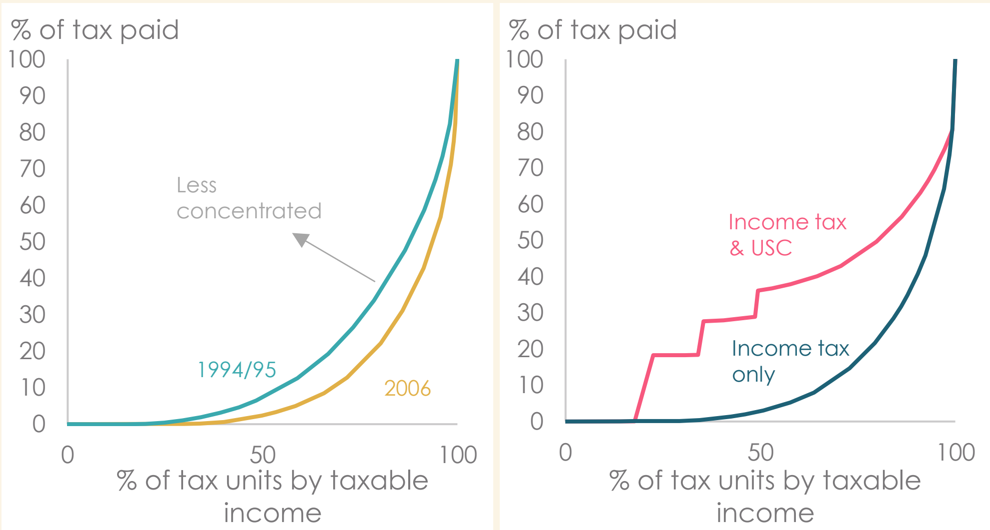
[30] This high concentration holds even if corporation tax is excluded. Dublin accounts for over 50% of tax revenue, and Cork remains the next highest payer, but at only 10% in this case.

taxpayers now exempt from USC.[31] Further estimates from the Revenue Commissioners suggest that in 2024, almost 80% of income tax will come from under 20% of taxpayers (Revenue Commissioners, 2023).

N°40 Excluding USC, Ireland's income tax base is narrow

A. Pre-financial crisis **B. 2021**

Tax paid vs income distribution



Sources: Revenue Commissioners and Fiscal Council workings.
Notes: Figures relate to the 2021 income tax year. Get the data.

Corporation tax

Corporation tax receipts are highly concentrated, and this concentration has increased over time (N°41). In 2022, the top 3 corporate groups accounted for 43% of corporation tax receipts while only 0.02% of companies accounted for 80% of corporation tax receipts (N°41A).

Excise duty

Excise duty is also highly concentrated, with several fossil-fuel related duties accounting for the bulk of revenue. In 2022, approximately 55% of all excise duty receipts were from climate-related taxes (Figure N°41B). By 2030, if Ireland meets its climate targets, this climate-related excise duty is likely to fall as a share of national income by almost 40%.

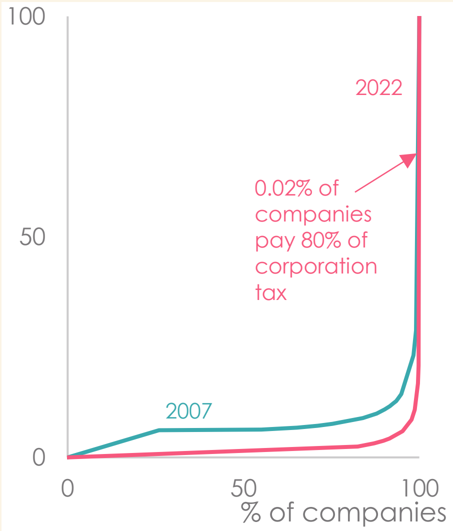
Outside of excise duty, further losses of revenue will occur from meeting Ireland's climate objectives through lower VAT receipts on energy and motor taxes. This would see tax revenue as a share of national income fall by 0.9 percentage points by 2030 (Casey & Carroll, 2023).

[31] Revenue Commissioner estimates for 2024 are based on 2021 data projected forward to 2024 and factoring in policy changes. See Revenue Commissioners (2023) for details.

N°41 Corporation tax and excise also have highly concentrated tax bases

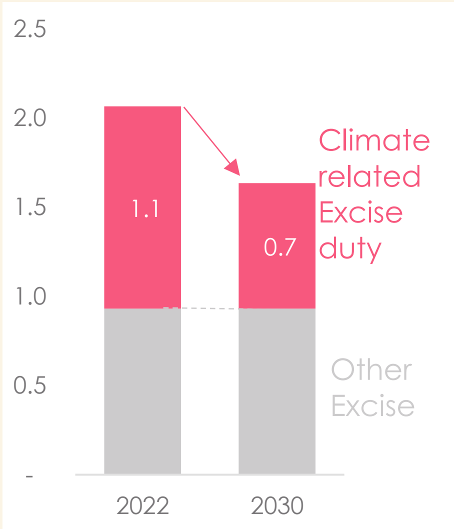
A. Corporation tax is highly concentrated

% of tax paid



B. The base for excise duty will fall

Excise receipts, % GNI*



Sources: Revenue Commissioners; Casey & Carroll (2023) and Fiscal Council workings.
Notes: For illustration purposes, 'other excise' is assumed to be unchanged as a share of GNI*. However, this may require policy changes to ensure this is unchanged as a share of GNI*. Get the data.

Several approaches to broadening the tax base have been recommended

Ireland has a narrow tax base across some dimensions. In particular, the reliance on income and corporation tax receipts has increased fiscal vulnerabilities (International Monetary Fund, 2022). In addition, future expenditure needs will require more taxation.

With those considerations in mind, the Commission on Taxation and Welfare has argued that it is necessary to broaden the tax base to ensure the sustainability of tax revenue as the population ages (Commission on Taxation and Welfare, 2022). The Commission argued that this would entail widening the tax base within tax heads and increasing the tax take from less distortionary taxes that would promote other governmental goals, such as environmental and health goals. Similar base-broadening recommendations were advocated by the Commission on Pensions.

2.6 Debt and interest trajectory remain favourable

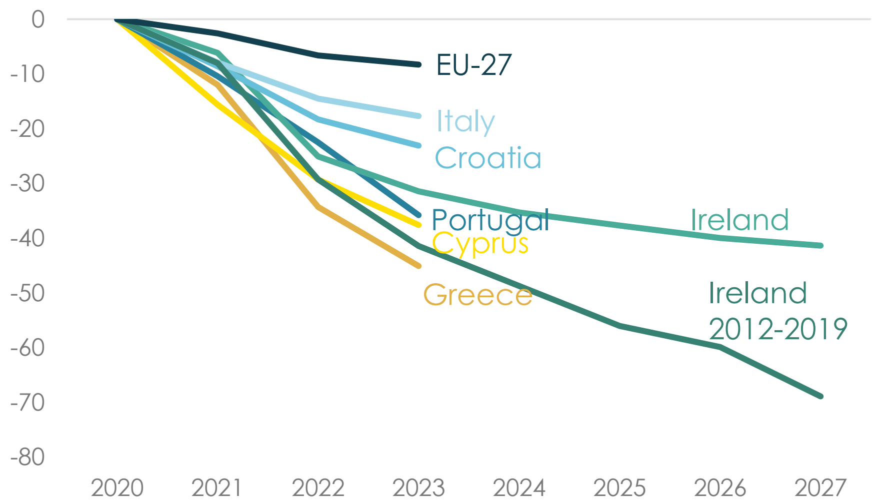
Since the gross debt-to-GNI* ratio peaked in 2020 at 107% of GNI*, Ireland has had a remarkable pace of debt reduction, mainly driven by a strong real growth since the pandemic, coupled with higher inflation.

The reduction in the debt ratio is the fourth fastest in the EU, behind only that of Greece, Cyprus and Portugal (N°42). While rapid, the pace of debt reduction is slightly slower than after the financial crisis.

However, the pace of debt reduction is forecast to slow. Between 2020 and 2023, the debt ratio fell by 32 percentage points (N°42). Over the same length of time, 2023-2027, the gross debt ratio is forecast to fall by only 10 percentage points.

N°42 The recent pace of debt reduction has been fast relative to other EU countries

Reduction in gross debt ratio since peak, pp of GDP (GNI* for Ireland)

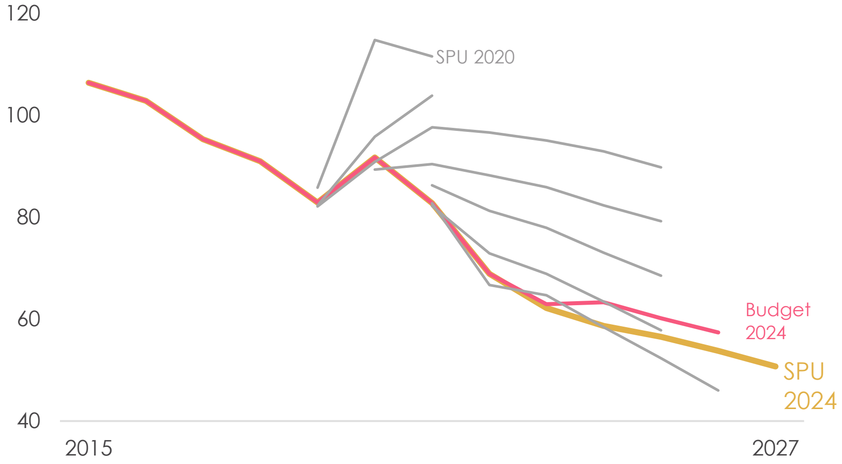


Sources: CSO; Eurostat; Department of Finance and Fiscal Council workings.
Notes: Figures show the six countries with the fastest pace of debt reduction in the EU from 2020 alongside the pace of debt reduction in Ireland from 2012 to 2019. In 2020, Irish debt-to-GNI* ratio peaked at 107%. In 2012, Irish debt-to-GNI* ratio peaked at 166% of GNI*. Get the data.

The forecast for the net debt ratio – gross debt ratio adjusted for liquid assets – has been revised down relative to *Budget 2024* forecasts (N°43). The net debt to GNI* ratio in 2026 is now forecast to be 53.8%, a fall of 3.6 percentage points relative to *Budget 2024* forecasts.

N°43 Net debt continues to fall rapidly

% of GNI*, net debt

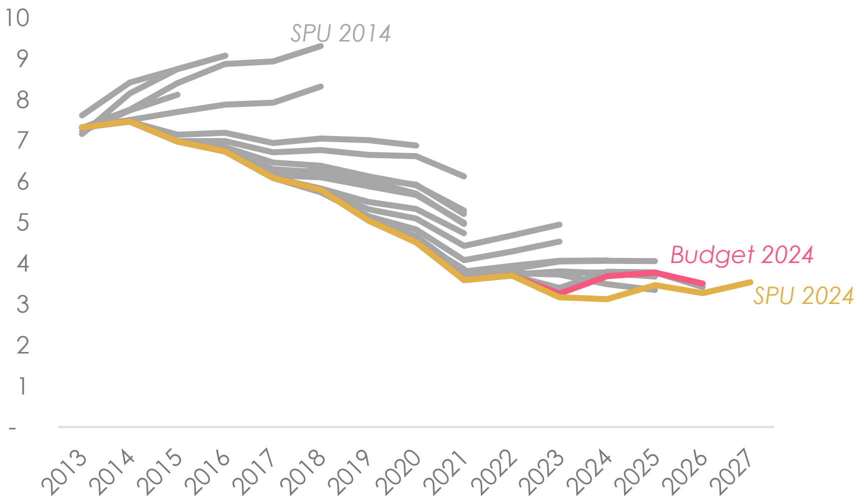


Sources: CSO, Department of Finance, and Fiscal Council workings. [Get the data.]

Interest payments also continue to be revised downwards (N°44). This is largely due to lower gross debt forecasts. The impact of which is slightly offset by higher interest rates. The interest forecast to be paid in 2027 is roughly equal to that paid in 2021 (€3.6 billion), while the gross debt in 2027 is forecast to be €3.7 billion lower than in 2021.

N°44 Interest payment continuing to come in under forecast

€ billion, cash interest



Sources: Department of Finance and Fiscal Council workings. [Get the data.]

2.7 Upside and downside fiscal risks are apparent

The fiscal projections have a number of upside and downside risks.

The most apparent near-term downside risk is the overspending in health. *SPU forecasts* are based on the *Budget 2024* allocation for health spending (adjusted upward for the pay deal). In the first 4 months of the year, current health spending is 9.4% (€638 million) above budgeted levels. This risk relates not just to 2024 forecasts but could apply to the full forecast horizon. Health spending overruns tend to carry through to the following year, so higher health spending in 2024 would likely feed into 2025 and beyond. Overspends in health have been a persistent issue for several years. Unless health is, first, properly funded, and secondly, appropriate expenditure management is put in place, these overspends will continue.

Given the short forecast horizon in *SPU 2024*, some of the medium-term challenges to the public finances are not fully felt within the forecast horizon. This is most acute for the ageing population.

Another budgetary risk relative to *SPU 2024* relates to climate change. Casey and Carroll (2023) estimate how transitioning to a zero-carbon society will imply lower government revenue and higher spending. *SPU 2024* does not incorporate these types of effects on revenue or spending. Indeed, the Department of Finance's own work (Department of Finance, 2023) points to falling revenue from excise duty in the latter part of this decade, yet there is little evidence of this in their forecasts for excise duty.

Contingency funding of €4.5 billion has been set aside for every year out to 2027. This incorporates health spending related to Covid-19 and supports for Ukrainian refugees, as well as EU-funded expenditure. Spending on supports for Ukrainian refugees may be expected to fall by 2027. As more of these migrants integrate into society, spending on accommodation may fall. The supporting information section, S3, assesses the fiscal risks outlined in *SPU 2024* as well as additional risks identified by the Council.

On the upside, there are potentially large upside risks related to the proceeds of fines issued by the Data Protection Commission. This is discussed in more detail in Box C. These proceeds are currently subject to litigation, but, should they arise, they would be one-off and windfall in nature and so should be treated like other windfalls.

As discussed in the tax section, there is potentially significant upside to the corporation tax receipts given the implementation of Pillar I of the OECD BEPS reforms and the as yet unclear implementation of Pillar II of the reforms.

Box C: Potential windfall revenues from Data Protection fines

On 25th May 2018, the General Data Protection Regulation (GDPR) came into effect across the EU. It regulates the use of private personal information. In Ireland, the Data Protection Commission (the Commission) is the supervising agency responsible for ensuring that the GDPR is adhered to. If an organisation has been found to be non-compliant with GDPR, the Commission may issue fines. This box looks at the potential revenue that may arise as a result of some of the recent fines issued by the Commission.

Ireland is the European headquarters for several large ICT and social media firms that collect and hold a lot of personal information. As a result, the Commission plays a key role in ensuring that these companies comply with GDPR.

In May 2020, the Commission issued its first fines for non-compliance with GDPR. Since then, it has issued several fines in excess of €5 million, with the fines amounting to almost €3 billion (N°45). Several of the fines exceed €100 million, and one fine exceeds €1.2 billion. However, many of the large fines issued to date are subject to appeals process.

N°45 Fines totalling close to €3 billion have been issued under GDPR

Fines in excess of €5 million

Company	€ million	Date Issued	Status
TikTok	345	Sept-23	Appeal ongoing
Meta	1,200	May-23	Appeal ongoing
WhatsApp	5.5	Jan-23	Appeal ongoing
Meta	17	Mar-22	Confirmed by court and collected
Instagram	405	Sep-22	Appeal ongoing
Facebook	265	Nov-22	Appeal ongoing
Meta (Facebook)	210	Dec-22	Appeal ongoing
Meta (Instagram)	180	Dec-22	Appeal ongoing
WhatsApp	225	Aug-21	Appeal ongoing
Total	2,852.5		

Sources: Data Protection Commission's annual reports and Fiscal Council workings.
Notes: Figures relate to fines in excess of €5 million, issued by the Data Protection Commission since 25 May 2018. Get the data.

The proceeds of fines issued by the Commission are required to be transferred to the Exchequer. However, as the cases involving the largest fines are undergoing appeals processes, the amounts transferred to the Exchequer have been relatively low so far. Approximately €17.5 million and €1.8 million was transferred to the Exchequer in 2022 and 2023 respectively (N°46).

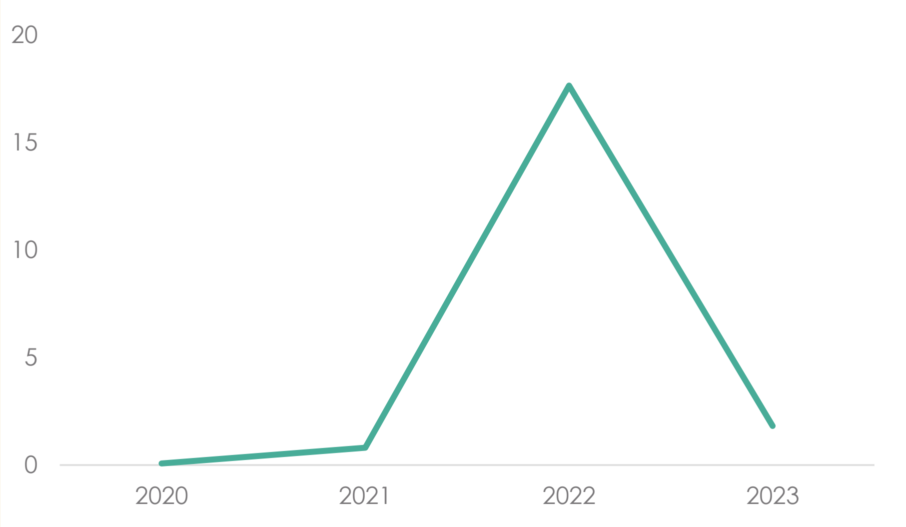
Conclusion

Given there are appeals processes ongoing, it is prudent not to incorporate the potential revenues from these fines in the budgetary figures until the appeals processes have concluded.

However, given the number and size of fines issued, it is possible that there will be substantial windfalls arising from these fines. As these receipts would be inherently one-off in nature, the receipts from these fines should be treated in a similar fashion to other windfall receipts – not used to fund permanent spending increases or tax cuts.

N°46 So far, the benefit to the Exchequer from fines has been low

€ million, fines remitted to the Exchequer



Sources: Data Protection Commission Annual reports, and Fiscal Council workings. Get the data.