

Committee on Budgetary Oversight

D/ Finance - Opening Remarks

26th October 2022

Introduction

Chair, on behalf of my colleagues from the tax and economic sides of the Department of Finance, I would just like to say thank you for the opportunity to attend the Committee today to discuss *Budget 2023*, which was laid before the Oireachtas on September 27th.

Budgetary Process

I will begin by briefly outlining the budgetary process for 2022.

This process began in earnest with the *National Economic Dialogue* on the 20th of June in Dublin Castle where participants debated a wide range of challenges facing the economy at this time.

This was followed by the publication of the *Summer Economic Statement*, which set out the Government's fiscal strategy and the parameters for the subsequent Budget.

As the Committee will recall, the Government set out a medium-term budgetary strategy in last year's *SES*, outlining a plan for keeping the public finances on a

sustainable trajectory while allowing for reductions in personal taxation and continuing to invest in public services.

For this year, in the context of the changed economic environment, Government departed, temporarily, from the parameters set out in the medium-term plan. To deliver a ‘Cost of Living Budget’, Government doubled the size of the planned tax package and increased public expenditure. The intention is that this will be a one-time departure in recognition of the exceptional circumstances which we find ourselves in.

The process for *Budget 2023* took place in a uniquely abbreviated timeframe. In response to the pressing challenges facing the economy arising from the cost of living issue, Government decided that it was appropriate to bring forward the Budget by two weeks from its usual date in early October.

Following the *SES*, the Tax Strategy Group set out policy options for consideration by Government across a range of tax policy areas as well as PRSI. The Tax Strategy Group met on 12th July and the TSG papers were published on August 10th.

The next staging post in the Budget documentation was the publication of the ‘*White Paper*’ on receipts and expenditure, which sets out a no-policy-change baseline estimate of the fiscal position for this year and next. In line with standard practice, this is published the Friday immediately preceding the Budget in order to take account of the latest economic and fiscal data and to provide figures that

are as accurate as possible. Accordingly, the *White Paper* this year was published on Friday, 23rd of September.

The documentation published as part of *Budget 2023* is comprehensive and aims to provide as much information as possible to the Oireachtas and the public. The core documentation published by the Department of Finance includes:

- the *Tax Policy Changes* document, which sets out the detail on budget tax changes across all tax heads,
- the *Economic and Fiscal Outlook*, which contains revised macroeconomic and fiscal projections out to 2025, and
- this year the Department also published a new document, *Beyond GDP – quality of life assessment*. This included a distributional analysis of the impact of the tax and welfare changes that were announced, as well as further analysis from a wellbeing, equality and green budgeting perspective to complement the more traditional macro-fiscal analysis.

Budget 2023 metrics

I will now turn to the key headline points of *Budget 2023*.

The total Budget package for next year is €6.9 billion, consisting of around €1.1 billion in new taxation measures and €5.8 billion in public expenditure. In addition to this, there was a once-off package of cost of living supports to be introduced this year at a cost of €4.1 billion. This brings the total budgetary package, across the two years, to €11 billion.

This is consistent with a general government surplus this year of €1 billion, or 0.4 per cent of modified national income, GNI*. For next year, the surplus is projected to increase to €6.2 billion or 2.2 per cent of GNI*.

However, as the Committee will be aware, the very positive headline figures are heavily skewed by windfall corporate tax receipts. The Government has frequently warned that this windfall revenue, while in many respects welcome, cannot be relied upon and must not be used to fund permanent expenditure commitments.

That being the case, *Budget 2023* incorporates a new metric, the underlying GGB, or GGB*, which sets out the fiscal position if these windfall receipts were excluded. This metric suggests that removing excess corporate tax would lead to a very significant deficit this year in the region of €8 billion. For next year we would face a deficit of €3.8 billion.

In recognition of this vulnerability, the Government has decided to commit part of this excess to the National Reserve Fund. A transfer of €2 billion will be made this year, rising to €4 billion next year.

This will enable the Government to take advantage of windfall corporation tax receipts by rebuilding fiscal buffers and providing resources which can be drawn down to meet future challenges, while ensuring that we do not allow unreliable tax revenue to fund ongoing permanent spending measures.

Conclusion

In conclusion, Chair, *Budget 2023* was framed in recognition of the urgent challenges that the economy faces, both through an expanded Budget package and an accelerated timeline. It takes action to address the cost of living issue while outlining a credible pathway for rebuilding our fiscal buffers for the future.

My colleagues and I are happy to try and address any issues which the Committee would like to raise.

As you will appreciate, the Budget material covers a very wide range of areas within the Department and it would not have been practical to bring the lead officials to cover all of them today. As such, if there are specific issues outside our respective remits, we would be happy to arrange for follow-up with the relevant teams afterwards.