

DÁIL ÉIREANN

AN COISTE UM FHORMHAOIRSIÚ BUISÉID
COMMITTEE ON BUDGETARY OVERSIGHT

Dé Céadaoin, 16 Meán Fómhair 2026

Wednesday, 16 September 2026

Tháinig an Roghchoiste le chéile ag 6.30 p.m.

The Select Committee met at 6.30 p.m.

Comhaltaí a bhí i láthair / Members present:

Richard Boyd Barrett,	
Máire Devine,	
Mairéad Farrell,	
Johnny Guirke,	
Ged Nash,	
Joe Neville,	
Cian O'Callaghan,	
Edward Timmins.	

Teachta / Deputy Richard O'Donoghue sa Chathaoir / in the Chair.

Tháinig an roghchoiste le chéile i seisiún príobháideach go dtí 6.48 p.m.

The select committee met in private session until 6.48 p.m.

Pre-Budget 2026 Engagement

An Cathaoirleach: I ask everyone to turn off all mobile phones and devices or put them on silent mode.

Before we begin, I wish to explain some limitations to parliamentary privilege and the practice of the House as regards references witnesses make to other persons in their evidence. Witnesses are protected by absolute privilege in respect of the presentations they make to the committee. This means they have an absolute defence against any defamatory action for anything they say at the meeting. However, witnesses are expected not to abuse this privilege, and it is my duty as Chair to ensure this privilege is not abused. Therefore, if their statements are potentially defamatory in relation to an identifiable person or entity, they will be directed to discontinue their remarks. It is imperative they comply with any such direction.

I advise members of the constitutional requirement that they must be physically present within the confines of the Leinster House complex to participate in public meetings. In this regard, I ask any members participating via Microsoft Teams that, prior to making their contribution to the meeting, they confirm they are on the grounds of the Leinster House campus.

Members are reminded of the long-standing parliamentary practice that they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable or otherwise engage in speech that might be regarded as damaging to the good name of the person or entity. Therefore, if their statements are potentially defamatory in relation to an identifiable person or entity, I will direct them to discontinue their remarks. It is imperative that they comply with any such direction.

Today's meeting is on our pre-budget 2027 engagement and forms part of the pre-budget 2027 scrutiny. This will lead into publication of the committee's pre-budget 2027 report later this month. From the Irish Fiscal Advisory Council, I welcome Mr. Seamus Coffey, its chair and a lecturer at department of economics in UCC; Mr. Niall Conroy, acting chief economist and head of secretariat; Dr. Karina Doorley, council member and associate research professor; and Professor Stephen Millard, council member and deputy director of macroeconomics at the UK's National Institute of Economic and Social Research, NIESR. From the Central Bank of Ireland, I welcome Dr. Robert Kelly, director of economics and statistics; and Dr. Thomas Conefrey, head of Irish economic analysis.

The committee welcomes the opportunity to engage with the witnesses. I thank them for being here today. I invite Mr. Coffey to make his opening statement.

Mr. Seamus Coffey: The council is grateful to the Chair and the members of the committee for inviting us to appear before it once again. We value our engagements with the Oireachtas highly and consider these opportunities an integral part of our work.

As an official independent body established under the Fiscal Responsibility Act 2012, the council's mandate currently revolves around five elements: first, endorsing and assessing the official macroeconomic forecasts; second, assessing official budgetary forecasts; third,

monitoring compliance with fiscal rules; fourth, assessing the Government's overall fiscal stance; and fifth, assessing if economic conditions have deteriorated. This assessment informs our recommendations to the Government as to whether contributions to the two savings funds should be reduced or paused. Our mandate may be expanded in line with a 2024 EU directive that assigns additional tasks to independent fiscal institutions, such as the fiscal council. This directive was due to be transposed into Irish law by the end of 2025, but this has not yet happened.

The focus of the fiscal council is on the broader fiscal and macroeconomic perspective rather than any individual tax or spending measures. Ahead of each budget, we produce a report setting out our views on the Government's plans. We published our report in late August, and that is what we will discuss today.

The Irish economy remains in a very strong position. Employment continues to grow and is at record levels. However, inflation remains elevated, driven by higher energy prices. Given that the economy is in such a strong position, large increases in Government spending and tax cuts could add further to inflation. This would lead to permanently higher costs for households and businesses. Spending overruns have become routine and have repeatedly pushed spending above budget day plans. Over the past decade, spending overruns have averaged more than €2 billion per year in today's terms. The last time spending was at or below budgeted levels was in 2013.

Current spending is growing at a fast pace this year, having risen by 8% to date, rather than the 6.3% growth rate that was budgeted for. This continues a pattern of fast spending growth in recent years. The Government has already revised up spending forecasts for this year by €700 million. This is due to education overruns, which were already apparent last year, and energy supports that were introduced this year. Overruns are already emerging in other areas such as health, social protection, foreign affairs and housing. We estimate that a further €1.4 billion of overruns are likely this year, on top of the €700 million the Government has already acknowledged.

The Government set out its broad budget plans in the summer economic statement, SES. Taking these at face value, they imply a net spending growth rate for 2027 of 6%. The council's advice is that spending net of tax policy changes should grow no faster than the sustainable growth rate of the economy. In nominal terms, the Irish economy's sustainable growth rate is estimated at 4.5% to 5%. The council's bigger concern is that actual net spending growth is likely to be even higher than these plans suggest. Over the past decade, net spending growth has been routinely higher than budget day plans had suggested.

Introducing a large budget day package would further increase Ireland's reliance on corporation tax. Based on the Government's own figures, from 2027 to 2030 the Government plans on spending €7 out of every €8 collected in corporation tax. Only €1 out of every €8 is planned to be saved.

The Government's medium-term plan is the only framework currently in place. However, it is not an appropriate guide for budgetary policy. It allows net spending to grow faster than the economy's sustainable growth rate. Ireland needs its own domestic budgetary rule. This should be carefully designed and set out in legislation. Such a rule could help protect public investment, which was cut sharply after the financial crisis.

I thank members for their attention and we look forward to their questions.

An Cathaoirleach: I thank Mr. Coffey very much. I invite Dr. Kelly to make his opening statement.

Dr. Robert Kelly: Good afternoon. We thank the committee for the opportunity to engage in advance of October's budget.

Every day, train commuters across Ireland hear a familiar warning, "Mind the gap." This phrase aptly captures the central challenge facing our public finances. This gap is the underlying budget deficit. While the headline fiscal position has been in surplus, the underlying position has deteriorated, with the gap growing from an estimated €800 million in 2019 to €7.2 billion in 2025. To put this in context, the gap in 2019 was equivalent to about a third of public spending on transport. By 2025, it had grown to equal that year's full spend on transport, plus agriculture, environment, climate and communications. The wider gap reflects Government spending growth of 55% in nominal terms since 2020, a third faster than the euro area in real *per capita* terms. While corporation tax receipts bridge this gap today, this creates a dangerous dependence on potentially transitory revenue.

Turning to the outlook, the summer economic statement outlines a more modest expenditure path, but with expenditure growth forecast to exceed revenue growth, our reliance on excess corporation tax is expected to increase further. This would see the underlying deficit reach €20 billion by 2030. In a scenario with higher spending growth, like that of the past five years, this gap would reach €26 billion.

Setting aside the durability of these excess receipts, the biggest near-term implication of this gap is the impact on our ability to build fiscal buffers for the future. The Future Ireland Fund and the Infrastructure, Climate and Nature Fund were created to prepare for long-term spending pressures from an ageing population and to finance critical infrastructure investments. When combined, contributions to these funds are projected to surpass €40 billion by 2030.

Under the current Government projections, the State will need to borrow close to €8 billion between 2028 and 2030 to fulfil its commitments to these funds. This is in an environment where the cost of Government borrowing has increased significantly. The ten-year Government bond yield has averaged at 3% in the first half of 2026, up from an average of 0.5% between 2015 and 2021. However, if expenditure growth was constrained to 5% annually, aligned with maintaining the existing levels of public services and delivering the national development plan, the Government would eliminate the need to borrow to save. On the other hand, a higher spending path than outlined in the SES, for example, at the 9% average of the past five years, would require borrowing of almost €19 billion over the same period.

Overall, the Government's projected expenditure path heightens reliance on corporation tax receipts at a time when the evolving geopolitical landscape raises questions about the sustainability of these revenues. The summer economic statement acknowledges this changing risk landscape, noting that a significant proportion of Ireland's corporation tax receipts are potentially transitory in excess of what may be expected to be sustained in the medium to long term. To give a sense of scale, excess corporation tax receipts now represent 15% of Irish tax revenue. This is a similar share to property-related taxes during the mid-2000s property boom and highly concentrated in a handful of multinational firms. There is, however, a difference worth noting. Excess corporation tax is more disconnected from Irish employment and

domestic activity than property-related revenue. Construction alone accounted for more than 13% of the workforce at the peak. Nevertheless, a loss of this revenue would still have a material impact on the economy. The most immediate effect would be on the public finances. If these receipts declined significantly, the budget balance would deteriorate sharply.

To the extent that this required corrective action, expenditure reductions or tax increases to preserve the sustainability of the public finances, there would be knock-on negative effects on employment and domestic economic activity. This reinforces the need to broaden the tax base to ensure that the public finances could withstand the impact of a decline in corporation tax in the future, if this occurred.

How can fiscal policy respond? In his July letter to the Minister in July, the Governor of the Central Bank outlined the principles for fiscal policy: growth must be sustainable, linked to underlying revenue capacity; smooth the cycle, not amplify it; be simple and clearly defined; and balance flexibility with discipline. Applying these principles to budget 2027 means limiting net expenditure growth to closer to 5% annually. This will be sufficient to maintain services and deliver the national development plan and will be closer to a neutral fiscal stance, which is appropriate, given the capacity constraints across some sectors. It also protects allocations to the two funds without the need for significant borrowing under current projections.

At a minimum, the spending envelope for budget 2027 as presented in the July SES should be maintained without further expansion and with any additional spending measures offset through revenue-raising or reprioritisation, drawing on the Commission on Taxation and Welfare's 2022 recommendations for broadening the tax base. We should maintain the longer term focus as outlined in the Future Forty report through prioritising capital projects with clear productivity benefits that crowd in private investment. Spending to date this year points to current spending outpacing capital investment, which is tracking 9% behind target.

The Irish economy has performed exceptionally well since the start of the decade, and while external risks have grown sharply, a generally favourable fiscal outlook remains. However, beneath these headline surpluses, a gap has opened up and continues to widen. Mind the gap. Individual budgets will always balance competing priorities, but it is our overarching approach to net spending growth that will determine whether we build the fiscal resilience needed for long-term challenges or leave us vulnerable to sudden, painful adjustments.

I thank the committee members for their attention and we welcome their questions.

Deputy Richard Boyd Barrett: Thanks again to my favourite economists in the Irish Fiscal Advisory Council, IFAC, and to the Central Bank for their submission papers. Once again, the witnesses are warning us and the Government that the spending commitments and plans are outstripping the sustainable revenues, as they would see it, because of the over-reliance on corporate tax revenue concentrated primarily among a small number of multinational companies, most significantly the ones in the tech area.

On that point and just as a matter of interest, would the witnesses say that the pharmaceutical sector, which is another big taxpayer, is less vulnerable? The big concern now - I do not know if the witnesses would say the risk is heightened - is because of the possibility we have an enormous AI bubble. I believe it was the *Financial Times* that recently said that the American economy was one big gamble on AI. It is possibly the reason that all of the tech bros are even

themselves now warning about the dangers. When they say AI might destroy humanity, they might actually be talking more about themselves and their companies because they think the two are the same thing. That vulnerability and danger are heightened.

Maybe the witnesses do not want to pass on their opinions on this, but what is the alternative to reining in spending? It is difficult to see where to rein in spending when you look at cost-of-living pressures, poverty and housing needs. The Central Bank recently said that we had to deliver more housing and that we were way short of what we need. When you look at all these demands, it is difficult to see how to rein in spending.

The other option the witnesses propose is raising extra revenue. I want to ask about that because our view has always been that, yes, we need to balance, but that is a balancing of the increased spending required in areas such as dealing with poverty, housing and so on by raising revenues, particularly on wealth. The Central Bank is becoming ever more detailed in its reports on the wealth in this country, such as net household wealth. Does it have any comments on the paper produced by the Nevin Economic Research Institute, NERI, on wealth tax and what it says that could raise? It produced a paper quite recently stating that a 3% wealth tax on just the top 1% could raise more than €3 billion per year, which would go a fair distance in bridging the gap we are looking to bridge.

Do the witnesses think it would be a fair comment to say that, if we look at the €1 billion going out per year in housing assistance payments, HAP, to landlords and if the State dramatically ramped up its housing stock so that it was not so reliant on having to give out that much money in current expenditure every year because it had its own housing stock to fill the gap, it could be another major contributor to bridging the gap? Instead of having €1 billion going out in current expenditure, we could potentially have revenue coming in because the State's own housing stock would be filling the gap currently being filled by massive amounts of housing assistant payments going out each year.

Mr. Seamus Coffey: On the first question about corporation tax and whether there are vulnerabilities, absolutely, and they are across all sectors. Traditionally, we had a view of the ICT or technology sector as potentially being more footloose and that the restructuring that could see the tax payments occurring being possibly more likely in that sector. Equally, there are those risks in the manufacturing sector where some of the payments go beyond just the value of manufacturing that takes place in Ireland. There is no doubt that some things are frontier products being manufactured in Ireland, with the active ingredient being right at the top of the scale, but the value of the exports would suggest that it is not just the manufacturing value that is being linked to Ireland. The intellectual property, IP, value, for example, patents, seems likely linked in some cases. Therefore, there are risks of the success of these products. There are also risks of the companies themselves restructuring and changing location.

When it comes to the manufacturing of pharmaceuticals, you would see the jobs as being more stable. These companies have invested billions of euro in these plants and they are going to at least go to the end of their life cycles. These plants can be adapted and moved on to the next round of drugs. We see that employment being more stable, but I see the risks to the corporation tax payments being as prevalent in that sector just because of the scale of them. We have to understand that these are staggering numbers. To be collecting north of €30 billion in corporation tax is huge. Yes, manufacturing is contributing a large part of that, but it goes beyond just the value of the high-end manufacturing that takes place here. It is clearly linked

to IP. We have seen these changes during the last five, six or seven years. Something has to change. The factories are still here and corporation taxes have surged, so we are making the products but the value of being located in Ireland is clearly linked to the IP, so there is a risk there. I see the concerns being spread across all of the high-paying corporation tax, CT, sectors.

Does Dr. Doorley wish to come in on those taxes?

Dr. Karina Doorley: The Deputy referenced this sort of accounting exercise. If we cannot rein in expenditure and if all of that expenditure and expenditure growth is deemed to be necessary, then we need to raise income elsewhere. The Commission on Taxation and Welfare has a very comprehensive report on this. I do not want to point to any types of tax in particular, but the matters it mentions we should be looking at are: zero-rated or reduced rates of VAT and whether those are still appropriate, if they ever were; wealth tax should certainly be on the table and all of these types of thing should be looked at; and how we can broaden our tax base and make sure we are able to pay for the expenditure we deem is needed for capital and current spending.

Deputy Richard Boyd Barrett: The Central Bank might want to comment. I know we are slightly over time.

Dr. Robert Kelly: Yes, I certainly can. I agree with a lot of what was said about the vulnerabilities of corporation tax receipts. I agree that there are elements that are deeply embedded in terms of the volume of exports, but how the likes of IP is valued and where it is valued are where the vulnerabilities lie. They are things that can be taken.

The second element is, we tend to focus quite a bit on the corporation tax. While it is the big one, if we think there are potentially more structural vulnerabilities were some of these companies to leave, they also pay a lot of VAT and income tax, so it is not just the corporation tax element.

On the Deputy's point about raising revenue versus spending, we have always framed this in the net spending rule, which is exactly to his point. That is really the contrast with having greater spending. That is a Government choice to do more spending if it feels it is needed. We would ask that it be balanced in terms of revenue raising. Some of that is about creating space for capital projects.

If the Government wants to do a larger capital plan, one of the ways in which it can create the space in terms of capacity in the sectors is to take some of the demand out through taxation. It can target that across how it thinks it wants to do that.

In terms of broadening the tax base-----

An Cathaoirleach: I am sorry, we have limited time and everyone has to get in. Our time slot is seven minutes and I have let Dr. Kelly away. I would like to get to the other members as they all have other places to get to. I ask that we get the questions and answers in within seven minutes. I have to hold to that. I call Deputy Timmins.

Deputy Edward Timmins: I agree with almost all of what Dr. Kelly has said and support what the witnesses are doing. I have said so publicly. I have three quick questions for Mr. Coffey and three for Dr. Kelly. The third one overlaps. I will watch the clock. How much does Mr. Coffey think we should be saving of the windfall corporation tax? I do not know

whether this is exactly accurate but he has said we only save one eighth. Would he suggest half, or 80% or does he have a figure?

Mr. Seamus Coffey: I do not necessarily have a direct figure. What we would like to see happen is that the Government actually sticks to its budgetary plans. The figure would then emerge. What has happened in recent years is that budget plans were announced with net spending growth of 5% or 6%. That became 8%, 9% or 10%, which was then covered by the booming corporation tax whereas if we stuck to the 5% or 6% - which would be in line or at least closer to the sustainable growth and underlying ability of the economy to generate fiscal resources - the corporation tax receipts would just be the residual and would be whatever number was left. It is about getting the basics of our budgetary approach correct. We produce the numbers each October and then they just get kind of ignored. I would not necessarily put a figure on it but let us get our budgeting right.

Deputy Edward Timmins: I will ask a related question and I ask Mr. Coffey to stick to a minute in order that we finish within seven minutes. What does he think of the idea - and I will ask the representatives of the Central Bank this also so they should prepare - of bringing in a law that compels the Government to save what are classified as windfall corporation tax taxes? It is very hard to define and I will ask the Central Bank whether there might be a definition of it but I mean the idea of fixing it so the Government does not have a choice. There is something like that in Norway. I ask for a quick answer.

Mr. Seamus Coffey: We would be looking for a fiscal framework to be put in on a statutory and legislative basis in order that there is something the Government must adhere to. At present, we do not have anything. We have an EU approach to fiscal management that is utterly inappropriate for Ireland. It uses an inappropriate indicator in GDP and does not take into account the vulnerabilities of corporation tax, CT. We absolutely would be in favour of putting that on a strong legislative footing to which the Government would be held accountable.

Deputy Edward Timmins: We could stay here all day on this but I ask for a quick point on what improvements Mr. Coffey would suggest in the budget process that operates at present in terms of accuracy, completeness and transparency.

Mr. Seamus Coffey: A big improvement would be to move away from single-year budgets to multi-annual budgets. It would be to tell Departments that over the next three years this is where the budget would be whereby in the following year they could add in this additional service and the year after this other additional service, rather than having these rounds of negotiation and fighting over additional spending every year. We could give Departments the ability to plan over three or four years and move away from the annual set piece of these speeches in the Dáil. Departments could actually have their budgeting put on a multi-year purpose.

Deputy Edward Timmins: Looking around improving the process as it exists in terms of its accuracy, in terms of the assumptions-----

Mr. Seamus Coffey: Absolutely, and if a Department was to overrun in one year, it would cost it the following year. Departments would have a cumulative budget available over four years, and if they want to go through that in the first year, they would then have to claw it back in years two, three, and four. At present, we have a case where Departments overrun. At the

end of last year, we had €4 billion of Supplementary Estimates pass through this place with not one objection.

Deputy Edward Timmins: In the UK, they do things in a more complete manner. I am thinking of ideas that we could copy here.

To the Central Bank, I have a question for Dr. Kelly about the idea of putting a legislative restriction on what the Government could do spending-wise. I am thinking of corporation tax and windfall taxes.

Dr. Robert Kelly: Whether it is put in a legislative basis or not is up for debate. It is about whether it is credible and binding; that is the most important thing. If we feel that legislative basis is the way to create that, fine. I do not know whether I would target so much a certain proportion of revenues into windfall that we claim as windfall into funds as we have that to a degree linked to GDP. It is about the net spending rule and having a rule whereby spending is controlled relative to revenue. What we will then get is these excess receipts will naturally----

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Deputy Edward Timmins: Will that growth take account of population increases and inflation?

Dr. Robert Kelly: Yes, exactly. At roughly 5%, you get the existing level of service, which accounts for demographics, inflation and the national development plan.

Deputy Edward Timmins: Does Dr. Kelly have any magic way of calculating what windfall corporation taxes are?

Dr. Robert Kelly: I do not know about magic, but we certainly have an estimate which roughly runs at 50% of the CT receipts.

Deputy Edward Timmins: That is of the order of €17 billion. It scares me a little bit that bond yields have gone up to 3% from 0.5% a number of years ago. Why is that?

Dr. Robert Kelly: The main reason for that is we have seen the policy cycle, that is, the rate cycle with the ECB, which has increased policy rates and bond yields will naturally follow that. In a European context, Ireland actually has very favourable lending terms. If we look across Europe, our lending terms are very tightly compressed relative to core European countries.

Deputy Edward Timmins: There is then no Irish economy factor there.

Dr. Robert Kelly: No, it is that we have simply seen a change in the cycle. The NTMA has been very effective at having recycled the bonds when we were in the lower rate environment so actually, our lending costs were quite depressed. Any new bond issuance is at a much higher level, however.

Deputy Edward Timmins: Then the quite large spending growth in the past number of years of 9%, albeit dropping to 6%, has no implications for the bond yield.

Dr. Robert Kelly: I cannot say it has no implications. It is within the spread, but when we look at Ireland relative to core European countries, we are as close as we ever were. It is not like it was ten or 15 years ago when there was a considerable spread between Ireland and the likes of Germany and the core areas of Europe.

Deputy Edward Timmins: Is it the case that we cannot argue that the high growth in spending is feeding into bond yield increases?

Dr. Robert Kelly: There is limited evidence for that.

Mr. Seamus Coffey: I have a follow-up point on the corporation tax and its scale and size. The Government's own figures project that by 2030, it is going to increase to approximately €40 billion. If we look at the planned surpluses, the planned surplus for 2029 is €2 billion. In a situation where corporation tax is expected to grow to €40 billion, for 2029 there will be a surplus of €2 billion. That €2 billion will not be available to put into the new savings funds the Government has established because that surplus will actually arise in the Social Insurance Fund. PRSI receipts over recent years have significantly exceeded and the forecast for coming years is that they will significantly exceed payments made out of the Social Insurance Fund for social insurance payments and the contributory pension and other related payments to the tune of €5 billion to €7 billion. That is where the surplus will arise.

On the Exchequer side there is going to be a deficit. There certainly will be a deficit in 2029. The Government has made a commitment to put up to €10 billion into these two funds. It will have to borrow that money. In a scenario where it is forecasting corporation tax to head to €40 billion, we have made commitments to set some of it aside but on current plans, we will be left with no alternative but to borrow it.

Deputy Edward Timmins: In fairness, we did not mention the distinction between capital investment and current, which is important.

Deputy Mairéad Farrell: I am speaking at the next thing so I might have to cut what I have to say short. I thank our witnesses for coming. I always find this a really good and interesting engagement.

I am conscious that the Central Bank is here and I cannot, in good conscience, not ask about Israeli bonds. Many people have tried to find out what exactly the story is as to whether we remain the home state. I hope the witnesses can give some kind of response because the silence we have had has been deafening.

Dr. Robert Kelly: I am afraid I do not have a huge amount of information. This is not my area of expertise within the Central Bank but my understanding is the arrangement that was in place ceased on 31 August. To date, to my knowledge, there has been no further arrangement. I am not close enough within the Central Bank to-----

Deputy Mairéad Farrell: I thank Dr. Kelly. That is more information than we have been able to get to date, so I really appreciate it. I had to ask because it is something we have been looking for.

To go back to why we are here today, I have found both presentations very interesting. One thing that we have dealt with a lot in this committee is cost overruns. We have had the Department of education in. On something that really stood out to me, I tabled parliamentary questions to all Departments on what they expected in terms of overruns this year. This included the Department of Health, obviously, and the witnesses mentioned others as well. In its opening statement, IFAC stated it estimates a further €1.4 billion of overruns this year. On top of the €0.7 billion this Government has already acknowledged, can its representatives give

us a breakdown where they expect this €1.4 billion of overruns to come from? Also, what data did they use to get that estimate?

Mr. Niall Conroy: I can help with that.

The additional overruns we are expecting are across a number of areas, principally the Department of Health, where we expect an overrun of about €600 million. In social protection-

Deputy Mairéad Farrell: On that €600 million, what I have heard to date from parliamentary questions is €400 million. Is that then an estimate that IFAC has done, or is it information the council has also received?

Mr. Niall Conroy: No, it is an estimate we have done. The methodology we are using is we are looking at how spending has evolved so far this year. We have the first eight months of this year and we are basically looking at the rate at which spending has grown this year relative to heretofore last October. When we look at spending in health, it has grown faster than would have been expected at budget time, and when we take the difference between those two, we get that number of about €600 million.

Deputy Mairéad Farrell: That is interesting. I thank Mr. Conroy.

Mr. Niall Conroy: The other areas would include social protection, at about €400 million. That is mainly related to the Christmas bonus, which was not budgeted for last year and tends not to be budgeted for despite being paid almost every year.

Deputy Mairéad Farrell: Every year.

Mr. Niall Conroy: Indeed. In foreign affairs, there is about €300 million. Again, spending is growing faster than would have been set out in the budget, perhaps somewhat related to the EU Presidency. The Department of housing is the other one we have included and there is about €200 million there. Adding those together, it gets us to about €1.4 billion.

Deputy Mairéad Farrell: There are a few other Departments that I have seen pop up in my own parliamentary questions, but that is quite interesting. I only have three and a half minutes remaining. I would love to delve more into that, but I cannot. I might do so afterwards.

A huge topic of conversation constantly in the media and everywhere else at the moment, which forms a clear message from IFAC's pre-budget submission, is the need to reduce the budget package. I heard what the witnesses said about different taxes, etc., but I do not think that is actually what is discussed. It is always that we need to cut spending, and it is seen very much as though we need to reduce whatever supports we are giving to people or whatever else it may be. At the same time, however, IFAC is highlighting the future challenges that will cost the State significant amounts of money, such as climate change, planning, health and social care for an ageing population and so on. In a sense, that is a tension. How do we resolve that tension?

When I was preparing for this meeting, I was thinking that we all want to see the Dublin MetroLink, for example, and the Galway ring road, but today we see that the price we expected in 2022 for the Dublin MetroLink compared with now is potentially double. If we do not spend it here now, how is that going to impact in the future in terms of prices increasing? Is it wiser to spend today to save in the future, especially on those kinds of large infrastructure projects

because they provide a better return on investment than maybenot spending the money? It would be interesting to hear the witnesses' views on that and on the narrative that we always just need to cut what we are spending.

Professor Stephen Millard: I will say three things on this. First, a good start would be to get rid of the overruns, to actually deal with those and to stick within what was originally budgeted for. That is the starting point.

Deputy Mairéad Farrell: When we had the Department of education before the committee, however, it seemed clear that it had not actually “overrun” but that it had been quite clear with the Department of public expenditure in advance of the budget that it would need to spend more. Is it therefore an overrun?

Professor Stephen Millard: I mean that there should be more transparency about the original budgeting.

Deputy Mairéad Farrell: I agree.

Professor Stephen Millard: If you know you are going to spend that much money, you should say you are going to spend that much money.

Second, our thing is about the increase in net spending. Although it is always interpreted as “you must spend less”, that is not what we have said or what the Central Bank was saying. As long as you raise taxes by the same amount as the increased spending, that is fine.

On the infrastructure point, the key here is that, yes, you want to be spending more money on infrastructure. What has tended to happen, though, is that spending increases have been concentrated on current spending, and we would argue very much that where you want to be looking to spend less is on current spending, precisely so you can spend more on infrastructure because, as the Deputy said, that yields returns later on.

Deputy Mairéad Farrell: I am conscious that my speaking time in the Chamber is going to come up next and I need to print a copy of my speech, and I am nearly out of time. I wanted to talk about property, but maybe I will get a second round later. Go raibh míle maith agaibh.

Deputy Cian O'Callaghan: I thank the witnesses for coming in and for their statements. At the end of the Irish Fiscal Advisory Council's statement, Mr. Coffey stated, as he has said before, that we need a domestic budgetary rule. He stated that such a rule could help protect public investment, which was cut sharply after the financial crisis. Does he mean it would protect public investment because there will not have been the overspends before, so we would be in a better position, or does he mean if we are under pressure, in terms of our budgetary situation in a time of recession, that the budgetary rule would actually help protect, in a structural sense, against potential cuts to public investment? Which does he mean, or is it both?

Mr. Seamus Coffey: It would be a bit of both, but the main process through which it would be effective is by trying to reduce procyclical policy, to create the space to absorb any shock or downturn that might arise and negatively impact on the public finances.

We have a long history of in Ireland of spending the resources when they come in, and then if there is a shock and the public finances go into disarray, which has happened on a fairly regular basis over maybe a 30-year cycle, the main area that is cut, at least initially, is capital

spending. That is because, from a political perspective, it is the easiest form of spending to reduce. You just see out the projects you are envisioning-----

Deputy Cian O'Callaghan: I understand that, but does it create any structural safeguard against cuts?

Mr. Seamus Coffey: No, these are political choices. Going back to the discussions on tax versus spending, they are political choices. If you have to reduce spending, current versus capital is a political choice. There is no protecting-----

Deputy Cian O'Callaghan: On capital spending, when IFAC released its documentation a few weeks ago, there was a response from the Tánaiste in the media saying that there is a difference between current expenditure and capital expenditure. A party leader on "Morning Ireland" in the last few weeks then said that IFAC said there is a difference between current and capital expenditure, and they were using that to justify spending extra money on, say, retrofitting houses, which they were saying was capital. They said IFAC is okay with this extra capital expenditure. What is Mr. Coffey's response to that?

Mr. Seamus Coffey: Going back to what my colleague said, it is about the choices. It is not everything. We cannot have all the tax cuts. We cannot have all the current spending increases. We cannot have all the capital spending increases and expect it to work, given the vulnerabilities on the revenue side and the vulnerability or volatility of the Irish economy. Yes, additional capital spending is warranted in certain key areas where there is capacity constraints, and they are pretty visible.

However, while we might say capital spending is different, the Government is not a household. When a household does a capital spend, it is really a one-off, whether they buy a house, do up a house or add an extension. Once that project is done, they probably are not going to do much in the way of capital spending after that. The Government should be doing capital spending all the time, not just when it has money.

What we see in Ireland is that the area where spending is most procyclical is capital spending. It is about trying to take some of that procyclicality out of it. So, yes, capital spending does add to the capital stock. It is different from current spending, where you spend the money and then spend it again next month on public sector pay and social welfare, etc. In capital spending, at the end of the project, you have the infrastructure, you have what you have built, but the Government should be doing that all the time.

It is not hugely different from current spending, but I do understand why it is treated differently and accounted for differently because it is different in that sense. However, from a Government perspective, it should be happening all the time.

Deputy Cian O'Callaghan: I have one question for IFAC and the Central Bank. We are in an extraordinary budgetary situation in Ireland given the amount of corporation tax that is coming in and why it is coming in. Are the witnesses aware of any other country around the world in a similar situation either now or at any point in time?

Mr. Seamus Coffey: Probably not, if we are referring specifically to corporation tax. There are countries that collect significant amounts.

Deputy Cian O'Callaghan: I refer to the volume of it.

Mr. Seamus Coffey: Luxembourg collects significant amounts of corporation tax, but it is tiny. It is size of Limerick. Other countries, such as Singapore, would have very substantial corporation tax receipts, and the third in Europe would probably be the Netherlands. However, it is not on the scale we are seeing in Ireland. In Luxembourg, it is probably linked to the financial sector, but it is a small amount in a very small country. It is not overly significant. In the case of Ireland, the sums are enormous, heading for €40 billion. It is just a huge amount.

Deputy Cian O'Callaghan: Does the Central Bank have any comment to make on the extraordinary situation we are in?

Dr. Thomas Conefrey: This is linked to the question earlier about whether we need some kind of separate rule to save some particular proportion of the corporation tax. The point was already made, but another benefit of the type of rule that was outlined whereby net spending is linked to the sustainable growth of the economy is that it automatically builds in that stabilisation.

Basically, if revenue growth goes above what that sustainable growth is, or what you would get from normal growth in the economy, it is automatically saved. The rule works in the other direction too. It is often said the rule is more constraining today, in good times, but the idea of the rule is that it gives room to operate, to be expansionary, in bad times. It would deliver the saving of a higher proportion of corporation tax automatically because, clearly, the scale of the growth in corporation tax that we have seen is well above a growth rate you would get from the sustainable growth in the economy.

Deputy Cian O'Callaghan: I thank Dr. Conefrey.

Seo í an dara ceist. It is for the Central Bank, and then IFAC. In relation to the other topics spoken about, is borrowing to save into funds, as a way of doing things, justifiable in some circumstances or just a bad idea full stop?

Dr. Robert Kelly: Maybe Dr. Conefrey would like to come in as well. To answer from a purely financial perspective, it depends on the amount of return. If we believe the return we can make would be greater than the cost of borrowing, it could make sense. If you contextualise it against decisions we could make now, potentially avoiding the need to save in the manner referred to by the Deputy, it becomes a lot more obvious that you would avoid it.

Deputy Cian O'Callaghan: Have the delegates considered the current situation in terms of borrowing to save and whether it would make any sense financially considering what we are heading towards?

Dr. Robert Kelly: No. For us to think about that, we would have to think about bond issuance out at 2028 or 2029, when we would be doing the debt raising. If we were to prepare for it today, we would be talking about 3.5% or 4%. That would be the cost of raising it.

Dr. Thomas Conefrey: More broadly, the other reason we advise saving a larger proportion is that if it is built into recurring spending and we are not sure about the revenue into the future, and then if it were to disappear, we would be left with the recurring spending without the revenue stream. If we take the Department's forecasts for corporation tax as they are and the proportion we think is windfall, then, given the projection to get to €40 billion, as Mr. Coffey pointed out, we think we should be saving a larger proportion.

Deputy Cian O'Callaghan: Go raibh maith agaibh.

Deputy Ged Nash: Following on from Deputy O'Callaghan's question about the idea of borrowing to save, or borrowing to put resources into the two funds, the scenario IFAC outlined a couple of months ago was quite alarming. Certainly, laypeople reading it said it does not make sense to do it. A householder or business would not do that. This may be hypothetical and it might be something that IFAC is not necessarily be in a position to answer, but IFAC has a function in law, as I understand it, whereby it can express its view to the Government that it is no longer a good idea to put moneys into those funds. In a situation where IFAC has made this forecast and made this assessment itself – dare I say it, it is almost an IFAC policy, or at least the council owns this and has expressed and articulated it publicly – can it envisage a scenario in which it would tell the Government to stop and say it is irresponsible to borrow money to put into the funds, given Government behaviour and assuming that the same behaviour continues between now and 2028, 2029 or 2030, when the decisions might be made? We do not know where bond yields are going to be at that point. In fact, when IFAC made the initial assessment a couple of months ago, bond yields were not anywhere near where they are now. Can IFAC envisage a situation arising in the next period where it might have to say to the Government that its strong advice is not to put money into the funds because of the situation the Government has created for itself?

Mr. Seamus Coffey: The assessment of the relative returns would be beyond our remit. That would require skills and modelling that a body such as ours would not be able to undertake. It would fall much more under the remit of the NTMA. Maybe the Central Bank would have resources to undertake such an assessment. However, we have discussed where things would stand in terms of our recommendation on whether contributions should be made to the funds. If the Government does not have the money, you would have to wonder why continuing to put-

Deputy Ged Nash: The cash.

Mr. Seamus Coffey: -----money into the funds would be recommended. We are not in that position yet. We are all talking about risks and vulnerability but we are still running very significant surpluses, particularly in light of the fiscal outlook for some of our EU comparator and colleague nations. We are not yet in a position where the Government would be faced with the dilemma of having to borrow money to put into the funds. However, we have discussed it. Because we have not faced the scenario yet, the letters are more about whether economic conditions would merit putting money into the funds because the economy does not need additional fiscal support and because it is in such a strong position, with low unemployment, continued employment growth and positive real-wage growth. Therefore, the case for taking the money and putting it further into the economy is weak. The recommendation as of now is to continue to contribute to the funds. The issue, as the Deputy says, arises if the current plans are adhered to. One of the concerns, as my colleague said, is that they will not even be adhered to, that spending will grow even faster, that the surpluses we have now will continue to be eroded and that the Government will not have the money. What recommendation do you make then? We have referred to the possibility but have not discussed as a council what we would do then. We are certainly watching to see what will happen.

Deputy Ged Nash: I dispute the assertion made earlier that nobody objects to the scale of Supplementary Estimates that have been routinely introduced in the Dáil over the past few

years. I have. The difficulty is that we do not have the structures, the parliamentary independence or, with all due respect to this committee, the functions of this committee, to enable us, as Opposition Members and as people concerned about the public finances, to deal with this. We have been here before, and I have been one of the few people around a serving Government cleaning up the mess. I do not want to go there again. I have seen the destruction it has wrought on the economy and society. It is deeply irresponsible, so people should know better than to go down this road again.

I believe it was Dr. Kelly who said that while we have the resources available now, the difficulty is that corporation tax is the stamp duty of the 2000s. The complexion of it was different and the relationship between stamp duty and the construction sector and so on, and corporation tax and foreign direct investment, is very different, but it is a point well made. We do not have the structures in place as a Parliament to give the Parliament the independence, sovereignty and functions that analogous parliaments might have to hold governments to account on spending.

That leads me to my next point. It was said earlier that it is absolutely bananas and an anachronism to budget on an annual basis. It suits Governments and the media, it is the way it has always been done, and it allows the Government to control an agenda. It is an anachronism and it exists in very few other places. The media have been dominated by budget speculation for months now. It has been going on for longer than ever. It is quite extraordinary.

Can Mr. Coffey point to an analogous peer parliament in a similar-sized economy, with similar challenges to those we have, where the parliamentary functions are different, where there is parliamentary independence in terms of budgetary oversight and where multi-annual budgeting is now a key feature of fiscal planning and budgeting more generally? There simply has to be a move to that kind of scenario because the only people the current system is serving are incumbents and the media. It is not serving the interests of people.

Mr. Seamus Coffey: One country that has a system possibly worth looking at is Sweden, which has a parliamentary committee with an Opposition majority. It meets shortly after an election and it sets out – it has members from the Government side – and agrees the fiscal parameters for a three-, four- or five-year period. The Government is tied to this. You might think that, with an Opposition-dominated committee, a committee such as this would set the parameters as low as possible to squeeze the Government and make life difficult for it. If it does so, however, in four or five years' time, after the next election, its members will be sitting on a different side of the room. What tends to happen is that there is a bit of moderation. The shadow of the future has an impact. The fiscal parameters are set for a three-, four- or five-year period. They are set by a committee in Parliament, and the Government is held accountable to them within Parliament. I am not sure whether this could happen in this country. However, Sweden is certainly a comparator country, with a similar population and maybe a similar-sized overall economy. It has an approach where there is multi-annual budgeting. The parameters are actually thrashed out in a committee and the Government has to stick to them. After the next election, if there is a change of government, people swap sides and thrash it out again. The process or cycle continues. If the Deputy is looking for an example, there is one.

Deputy Máire Devine: It seems that billions have replaced millions. Millions used to be a lot of money to us, and now it is billions. Millions have taken second place.

The 1% are now funding themselves and are fixed into trillions. It is crazy. I have just a few questions.

The graph shows that the last underspend was in 2013. What happened before that? Were there other regular underspends before 2012? The graph shows an increase since then, except for that one anomaly. Why would that be? I also think about corporation tax. Let us take that and put it to one side. Corporations were attracted here by the 12.5% rate. That is when they made a significant impact on our economy, industry and employment and, obviously, in the fiscal space. Let us put that to one side. I am sorry if I am flying around here. The increase in population over the past ten to 15 years has been significant. Does the PRSI intake reflect that increase? Is the increase reflected in the domestic tax take?

Mr. Coffey said something about it being in surplus by €2 billion by 2029, and that this will service all the HSE and public services we will need because. Coming from a health perspective, I am of the view that we need to invest billions in virtual health. Doing so will consequently save billions. Can we invest that surplus in what we need for modern-day virtual medicine and in areas such as transport and AI? If we need a lot more than that, are we more reliant if the corporation tax take continues to go up? Maybe it has been spent already, but where is the €13 billion from Apple? Is that gone? What was the driver behind the increase from €800 million to €7.2 billion in the seven years since 2019? As I said, millions are kind of old-fashioned at this stage and have been devalued.

With regard to multi-annual budgets in the HSE and realistic budgets, I come from the health area. It is the same every year: we are given a few million but the amount is not based on the reality of the year before, which seems to be ignored. It is on the surface and does not consider what was actually spent, what needed to be spent or anomalies like Covid or whatever. I am sorry that I am flying all over the place.

Dr. Karina Doorley: I can start with population expansion. Over the past decade or two, there has been an expansion in population. That means a larger workforce, which means an increased tax take. We also have an ageing population, however. We also have people ageing out of the workforce and we have population upskilling. This means that workers are now more educated than they were two decades ago, which means they tend to have higher wages. All of those things feed into the size of the income tax take, which has been going up. There are a few things going on, so it is not just the case that if the population grows, the tax rate should go grow linearly because we are also dealing with an increase in the size of the cohort of the population who have reached retirement age.

On PRSI, Mr. Coffey said that the projections for 2029 put the Social Insurance Fund into surplus. However, the latest actuarial projection looking a couple of decades into future puts that going into a serious deficit in two or three decades. That is why we have this schedule of PRSI increases, which will not be enough by themselves to cover that deficit. There will be something needed in the future to continue to plug that deficit whether it is further increases in PRSI, a change in the retirement age or a change in the State pension.g

Mr. Seamus Coffey: On the surpluses and the Apple money, the €2 billion should not be used for additional Government spending. In fact, that €2 billion number should be far higher. Money like the €13 billion from the Apple state aid case should not go into Government spending. Government spending is ongoing and happens every year. It should be on the basis

of sustainable, repeatable revenue sources. The concern with the ongoing overall position of the public finances is that they become hugely dependent on corporation tax getting to €40 billion. As we know, over half of it is paid by just three companies. Close to 70% of it is paid by the top ten. It is highly concentrated. It is dependent on companies, it is dependent on sectors and, of course, it is dependent on a country. We know where all these companies come from. If we have things we think we want to do, for example, if we have priorities in areas like health, we should raise additional resources to cover that. Everyone here focuses on net spending. If we want to increase spending beyond the rate at which it is planned to do so, we can absolutely do that. The Government is free to do that. It is a political choice. Just raise the additional resources. Increase taxes or introduce new taxes, as has already been discussed. It is not a case of using the small surpluses that we plan to run over the coming years, or using one-off money. What are we going to do when the one-off money is gone? Current or capital spending should happen all the time and not just when the Government has money. I do not know if any of my colleagues want to pick up any of the final points.

Dr. Robert Kelly: I might just pick up on one point, namely the reference the Deputy made to the increase from €800 million to €7.2 billion. That is the underlying deficit in euro terms. In other words, if the excess corporation tax receipts had suddenly disappeared, we would have had an €800 million negative gap in 2019. That has risen to €7.2 billion this year. The reason for this is that underlying revenue has grown at a much slower rate than spending growth. That is being covered by excess corporation tax. We have simply encroached more and more by having a dependency on the latter when it comes to spending. That is the figure captured. Spending decisions are essentially delinked from the underlying revenue.

Mr. Seamus Coffey: On the underspends, in 2013 there was also closeness to the budget amounts in 2011 and 2013. That period coincides with the oversight that the troika brought. If we go back further than that, we would have had a return to end-of-year Supplementary Estimates in the run-up to 2008. There was discipline when there were regular quarterly checks of where we stood in relation to the fiscal plans. We have not seen it since. We did not see it before.

Deputy Johnny Guirke: I thank all the witnesses for coming in. I have a couple of questions for each of them. When we talk about budget overruns, I am of the view that we have to look at where money is being wasted. We do not need to begin mentioning where money has been wasted over the past number of years and where overspends have occurred because we are familiar with many cases of the public's money being used and abused. Does the Irish Fiscal Advisory Council think it would be a good idea to ensure that there are staff in each section, organisation or Department to ensure that where overruns occur, the costs need to be broken down and studied to see if value for money has been achieved?

A comment in the news now is that public procurement can very often fail to save money and can cost just as much to the public purse. Does the Irish Fiscal Advisory Council agree that public procurement is not saving the public purse money and that it very often leads to budget overruns?

The OECD review states that the Irish Fiscal Advisory Council continues to face delays, incomplete responses, and difficulties accessing granular information relating to certain sectors. Does the Irish Fiscal Advisory Council have all the data it needs to properly assess the sustainability of Ireland's social protection system?

Mr. Seamus Coffey: A couple of the Deputy's initial points, they would not necessarily fall under the remit or mandate of an institution like the fiscal council. For a start, we are extremely small and would not have the resources to undertake the type of value-for-money assessment of public procurement that is proposed here. They would come under the remit of a body like the Office of the Comptroller and Auditor General, which, in its extensive reports every year, looks at details of spending across particular areas and projects on the tax and spending side. I would see it fall more within the remit of that office, which would have a more micro-based approach of looking at individual areas or projects that would not necessarily fall under the remit of a body like the fiscal council.

Mr. Niall Conroy: Where we probably have greatest difficulty in terms of accessing data is on the spending side. We do have a memorandum of understanding with the Department of Finance regarding its macroeconomic forecast, and that works very well. However, we do not have any statutory mandate to get information on public spending in Ireland, so we are largely reliant on goodwill on behalf of various public sector bodies to provide that. That is a very different set-up to what one sees elsewhere. For bodies in the UK like the Office for Budget Responsibility, it is in law that they receive all the spending data they need to make their assessment. Our set-up currently is much weaker than what we see elsewhere. The gold standard would be to have that access enshrined in law. A next-best alternative would be to have a memorandum of understanding with each individual public sector body that we require information from that sets out the terms and how that process evolves.

Deputy Johnny Guirke: I have a couple of questions for the Central Bank. Under current projections, the State will need to borrow nearly €8 billion between 2028 and 2030 just to meet its own commitments to the Future Ireland Fund. How sustainable is a policy of borrowing to put money into a long-term fund while the underlying deficit is projected to hit €20 billion by 2030?

The Central Bank recommends limiting net expenditure growth to closer to 5% annually to protect the Future Ireland Fund and the Infrastructure, Climate and Nature Fund. Without heavy borrowing, is that 5% figure compatible with delivering a genuine cost-of-living package, accelerating housing delivery and meeting the national development plan?

Dr. Robert Kelly: There might be an overriding piece here and then some relativity. We have spent a lot of time in this session talking about the borrowing-to-save piece. However, and I think IFAC colleagues covered this to some degree, ultimately the reality is right now that the economy does not need the level of spending we are currently doing. The first question to tackle is whether we could reduce the current level of spending and achieve fiscal neutrality close to 5% and avoid the need to borrow. It is a secondary question, if we cannot do that or revenues fall, whether the borrowing-to-save decision makes sense. The first juncture where we have an opportunity to address this now is that we actually have the capacity to avoid that.

When we talk about the 5% figure, there are two important pieces. The first, and what we have looked at in our analysis to think about the 5% figure, is existing level of service. That controls for inflation, demographic change and the national development plan. However, as we have discussed quite a bit, it is a net rule. If Government ascertains that there are vulnerable households that need cost-of-living supports, there is no reason the 5% rule cannot accommodate that. It can have spending that is much greater than that as long as it is matched

by revenue raising. It is not a constraint on how much Government spending we do; it is more a balance between sustainable spending relative to the revenue base.

Deputy Johnny Guirke: I have a question for the Irish Fiscal Advisory Council. Looking at the Department and sectors where overruns are currently occurring, does the council see any evidence that the underlying cost drivers are being adequately addressed in multi-annual planning or is the pattern simply one of repeated underestimation followed by in-year catch up? I know the council has been asked that before.

Mr. Niall Conroy: There is a combination of factors here. One is that when the budget is being set in October for the following year, the first part of that process is estimating how much will be spent this year. We have seen repeatedly in areas like health where the amount to be spent in the current year has been underestimated. So then the starting point for the next year is too low. The next part of the process is to estimate how much additional demand there is going to be for those services the following year. That is largely going to come from an increased population and an ageing population. That is another factor. Underestimating what is being spent in the current year is going to set the base too low, but also if there is underestimation of the demand pressures to be faced the following year or overestimation of any efficiency savings it is thought will be made, that can also contribute to some of the overruns, as we have seen in recent years.

Deputy Johnny Guirke: I thank the witnesses.

An Cathaoirleach: I will take the next slot. I have listened to the witnesses' evidence and what Mr. Coffey said about going back to 2011 and 2013 when there were quarterly reviews and reports, which to me is a business model. I am in business myself, as I have explained on many occasions. I would love to have a business like the Government's, where you can overspend and have overruns and start again the next year and have overspend and overruns. In any sector in Ireland, regardless of whether you are self-employed or employed, if you have an overrun, you cannot go back the next year and say, "I have an overrun; I need to go back in again." That is logic. It is normality.

I have been on about fuel taxes and the cost of tax on fuel and the inflationary costs it is causing different people. Everyone in this room is either on 20% tax or 40% tax. It is capped. I am asking a question to the witnesses. I have put this out there and other economists have looked at this. What if there was a cap on taxation on fuel? I have used this before. What if up to €1.70 per litre of fuel is taxable on the rates they have and after that there is no tax but we will pay the increased cost? The prices at the pumps today are ranging from €2.10 to €2.15. Over 50% of that is taxes. If we had a cap on the taxes, it would actually stop inflation on transport, food products and all sectors across the country, including bus transport where contracts are locked into for three years. If we had a cap on fuel taxes at €1.70 on white diesel and petrol, I could use a business model to forecast a business for 12 months and allow in a percentage rate of where it could fluctuate above the €1.70.

Last year we were at €1.56 and the Government was happy with the fuel tax it was taking per litre. It is now going to €2.15 shortly. It is at €2.10. I looked at different rates coming up today and they were €2.10 or €2.15. One filling station told me today he paid €2.12 for it yesterday. He is afraid to put it on the pumps and he is at 3 cent per litre. He said nobody will pull in.

From the witnesses' expertise, if we put a cap on fuel taxes, the same as we have a cap on income taxes at 20% or 40%, put in from budget to budget, would that allow businesses to forecast? Would it curtail some of the inflation we are fearing at the moment because of the inflation costs on fuel?

Dr. Karina Doorley: I will start with the positives from the Chair's proposal. If the tax is capped rather than capping the consumer price, that ends up with a scenario where the incentive to switch away is maintained because there are still price changes going on. The downside is that the tax cut is broad-based. It is universal. The person with a big car that consumes a lot of fuel would benefit more than the person with a small car. Typically, that is a high-income household versus a low-income one. The tax cut would be regressive. That would make it very costly. A lot of the cost of the measure would be going to high-income houses that do not really need it as much. We can see that savings are very stable or increasing in Ireland. High-income households have the capacity to absorb tax increases and they also have the capacity to engage in switching behaviour to switch away from these things.

An Cathaoirleach: Can I ask Dr. Doorley one question on her theory? High-income families usually have newer cars which are either electric or hybrid, which this would not interfere with one bit whatsoever. Low-income families are more likely to have a vehicle from between 2010 and 2018, which all have bigger engines and are older cars. It would benefit a person who cannot afford to change their vehicle. The high-end earner can buy a new car but the low earner cannot. The benefits Dr. Doorley is talking about on paper are one thing but, realistically, many of the cars on the road today are from between 2010 and 2018.

We have 2.8 million people working today. There are 2.6 million vehicles on the road today. Calculate how many new vehicles and electric vehicles are on the road today and then look at the rate of cars that are between 2010 and 2018. It will take up about 80% of the vehicles I am talking about. That means these are low-income people, so 80% of the vehicles are not high-earning people in high-earning jobs.

This was on "The Claire Byrne Show" recently. Two economists were on. One of them was saying exactly what Dr. Doorley has said. The other economist actually said the exact same thing as I am saying. If we use the vehicle models there today and look at the truck models and bus models, they are not in that category.

On paper it looks like people who are high earning but practically, looking at the evidence that is in front of me, it will mainly benefit the people on low earnings who cannot afford to buy a car. People who are working on low-income salaries are going to work. Front-line workers, fire service, gardaí are all working and having to drive to work. All them would benefit from this. Teacher and people employed in the construction industry would benefit from this. The officials are using a margin of high earners. They are not all there. They are a small proportion of people who are there. In 2024 the cost of building a house was €367,000 plus €50,000 VAT. In 2025, the same house cost €392,000 plus VAT and in 2026, it is €440,000 plus VAT. All these are increases on people who are trying to get on the ladder. Our age group is fine because we have gone before this and have got our base done. I am looking around the table and there are a lot of people who are trying to get on the ladder. They are paying double the cost of what we did to get on the ladder even for an income and having a house. The cap I am looking for is of €1.70 a litre, taxable. If it goes below it, it comes back down. If it goes to that €1.70, is it taxable, that can happen. On €2.10 today, we are paying €1.15 tax. That

cost is on people who are going to work or caring for the elderly. If the officials had put in my model in there, €1.87 today, including the increased cost of fuel, that would go back to everyone who is working today, not the tiny group of high earners they are talking about. Most of the high earners they are talking about can afford to change a car. The ones I am talking about are the ones who are out driving cars bought between 2010 and 2018. That is the majority of the vehicles on the road today. When we are looking at the process, I want to know can it work and will benefit everyone, regardless of whether they are high earners or not.

Dr. Karina Doorley: My answer remains the same. The available evidence shows us that fuel tax cuts are regressive. They benefit high-income households more than low-income households and more could be achieved to protect those vulnerable households with the same money if it was used elsewhere than fuel tax cuts.

An Cathaoirleach: If the tax rate was using a percentage model whereby 40% was the maximum tax and if the same rate was used on Dr. Doorley's income today as things go up, she would be okay with a percentage rate on fuel of all the different percentages. The higher it goes, the more tax the Government gets and the more it costs people who are working in this country. She would be okay with that, rather than having a cap so we can actually find a level playing field for businesses across the world, for transport, getting food to the table, getting bus transport for kids going to school - a level playing field that I can forecast. Last Monday I ordered stuff on a building site. I was told on Friday if I did not collect the stuff by Friday, the cost would go up 10%. How can I forecast the business if I am building a house or an extension or whatever we are doing unless I have a cap on it? I have to take transport costs into account on every single job. I can only price jobs a month at a time. I cannot forecast. If a person comes to me and they want to get a mortgage tomorrow morning for a house, I can give them a price for one month and in the costing I will be saying that if the materials cost changes within the time that they signed the contract, they pay the additional cost on the materials on the job. If I was able to forecast it, I could lock in transport costs for my company. If I have three or four vans on the road, I can forecast the labour content and the auto-enrolment. All that goes on to the client if they are paying for me to do a job. It all goes on top. Now the witnesses want to put a fuel tax on top of that. We need to find a level playing field.

The older trucks and buses on the road are paid for. Those older companies can sustain a lot more than the people who want to do better for the environment and buy new vehicles. They have repayments. They now have increased fuel costs. They have an AdBlue cost. Everything is going this way so the people who are in trouble at the moment are actually in the newer vehicles. They have repayments on vehicles that are overpriced at the moment. They have to put an AdBlue system into their vehicles. It is nearly heavier on AdBlue now than it is on fuel going into them. They have to pay all the different wage increase costs now on top of it. It is coming back around now that the companies with the older vehicles are able to sustain better than newer companies. They are trying to do better for the environment. How do we find something to help people across the board, regardless of who benefits, so that we find a level playing field?

Mr. Seamus Coffey: We are in favour of help. If we go back 12 months, the Cathaoirleach said the price was close to €1.60 under the taxes that were in place at the time and there was no issue or giving out about the tax on fuel. There might have been talk about the Government putting this and that tax on diesel but people were paying it and there was no disquiet, shall we

say, in relation to those taxes. The price has shot up in recent months and pretty much none of that is due to the Government. There had been some modest changes in tax. The carbon tax would have increased but as a share of the increase we have seen; none of it is the responsibility of the Government. The Cathaoirleach's proposal would put the full burden of covering that increase on the State. As my colleague Dr. Doorley said, some of that benefit would go to people who do not necessarily need it. There are companies that can pass that price on. Yes, there are some price takers. We could look at sector-specific packages for those who are price-takers but some sectors can pass the additional cost on. When it comes to households, we are clearly in a position where universal benefits go to households that do not need them. Data from the Central Bank shows that on average, every month, the amount that households have on deposit in this country with the banks increases by €700 million or €800 million. If we introduce universal measures, the benefits go to those households and they do not even notice it. Why are we using scarce resources to give benefits to households that do not even see it? These benefits are huge. The cost of the excise reductions we have seen since the middle of this year is going to exceed €1 billion. We had figures earlier of the scale and size of things; €1 billion is a huge amount of money.

An Cathaoirleach: Mr. Coffey just answered my question. It was €1.60 last year and nobody had a problem with it. I am allowing for inflation and I am saying €1.70. For the additional cost over €1.70, we pay the cost, the State does not. The State loses nothing by capping it at €1.70. It has 10 cent more per litre than it had last year in tax. The consumer will pay the extra increased cost, so there is no subsidy. It is a part of the Government's problem because fuel costs have risen. The Government is taking excessive taxes. With the percentage rate now on the €1.60, with 50 cent more at the pumps, 26 cent of that is actually an extra tax. The 26 cent extra could be in the pocket of the person who does not actually have to pay for it and will allow the increased cost on the fuel. I will pay the increased cost on the fuel but over one thing. I understand that we all need taxes and we all need to make sure that there is benefit for people who are unable to work and all the different benefits we have to do. That was okay at €1.60 last year. I have allowed 10 cent more at €1.70 this year, and cap it at that to allow people to breathe and go to work. They are going to the pumps today and it is at €2.10. If it goes to €3, €1.53 per litre will be taken in taxation. It is going into the Government purse but the person who is going to work is not getting anything extra. They are paying an extra cost. I agree with taxing fuel. I am agreeing with it. What I am not agreeing with is when the price of fuel goes mad because something happens in the Strait of Hormuz. If we capped it, we will pay the increased cost----

Mr. Seamus Coffey: We cannot cap the price of energy. We import it. The price is going up on international markets. There is more money leaving the country to pay for fuel because the price of it has shot up.

An Cathaoirleach: Why can the cost not be frozen?

Mr. Seamus Coffey: That cost has to go somewhere. If you cap the cost that consumers and businesses pay for fuel, you are saying to the Government that it is covering all that cost. That does not make sense.

An Cathaoirleach: It is not. I have said that we are paying the increased cost of the fuel. The taxation system is done on NORA taxes and all the different VAT rates and all the things that it is brought up to €1.70 a litre. We are paying the increased cost above €1.70. We will

pay it and the more money we are paying for the fuel that is coming into this country. I am asking the Government to hold all the different energy cost taxing that is on fuel, and cap it at €1.70 and let us forecast within our businesses that we can actually forecast for something on our transport network.

Look at any bus transport. How many companies with more than a three-year contract pulled out of bus transport this year? How many pulled out?

Dr. Robert Kelly: I do not know the answer to that question, but I was going to come in with a broader point that we need not to lose sight of. I completely agree with Professor Doorley that any broad based measures will not end up targeted. We would be much better off targeting households and businesses. The reality is that we have two other things to consider. Some of what is driving the increase is demand. The reality is that if price goes up, demand will lower. If we are going to manage our way through this shock, because we import this energy, we cannot take steps to increase the usage of and demand for fuel. We need to protect households, but those people and firms that can absorb the shock, because it is external, will have to absorb the shock. We did not create the shock but that is the reality of the situation.

The other dimension that we cannot lose sight of is that if we are too short-termist and provide a lot of current expenditure support, it will ebb away at how much we can build resilience. Ultimately, what we want is for this to matter less five years from now. If we have a new shock at that time, we want to have a lower dependence on energy. We need to lower the sensitivity of Ireland. That is not achieved through capping the use of energy but through incentivising the switching of energy usage in households and firms, and we must do that. We are not going to be able to spend our way out of an energy shock that is imported externally. We cannot do that. For those who do not like spending, we can reduce the revenue-raising measures. We are narrowing the tax base further. It is imperative that we take a cautious approach to this. There are vulnerable people and firms that need to be protected, but if it becomes a broad support, that will be very expensive and will have an additional cost in how we manage that resilience.

An Cathaoirleach: Dr. Kelly is suggesting that we go to more green energy. Say I move to an electric vehicle. It would take me three and a quarter or three and a half years to do 200,000 km. At that stage, I would have to replace the battery for €20,000. In a fossil fuel vehicle, I can do up to 500,000 km and still have the same engine in the vehicle. Look at the cobalt coming into different countries. Look at all the resources that go into green energy. Is it actually green energy when it has to be replaced after 200,000 km?

Dr. Robert Kelly: I am not an expert in car technology.

An Cathaoirleach: How many electric buses are parked in depots in this country because they are no longer viable? I am talking about a budget-to-budget approach. I am not talking about the long term. I am suggesting that we should look at the situation from budget to budget, try something different and give people a breather. We could, as Mr. Coffey said, go to quarterly results and see could that help people to stay afloat. We could bring back the same system that we had previously. As I said, many people in this country cannot afford to change their vehicles. They cannot afford to put food on the table. There are energy costs in their electricity bills from the ESB. Others argue that these people would benefit more because they are higher income earners but you cannot budget for everyone. You must have a line, similar

to the line that exists for those who are on 20% tax and those who are on 40% tax. Those are two different lines and we allow for that.

Some 2.8 million people are going to work in 2.6 million vehicles. Look at the statistics. Those people need to have something. They cannot afford to spend an extra €50 per week on going to work, camogie training, hurling training or other things that they may be doing, including soccer training, gymnastics or whatever else. Those are all costs that may be associated with people's children. We do not have a transport network in this country outside of Dublin. People have to drive. People who live in Dublin are telling me the same thing. If they are going to work and have a young dependant, they cannot go to work on the bus. What would happen if that child were to get sick? They cannot get a bus to the school to pick up a sick child. There must be common sense. People in this country need vehicles. I applaud anyone who can afford an electric vehicle or a new vehicle. I say "Well done" if they can. However, the majority of people cannot. A minority of people may benefit, but we need to take a quarterly or half-yearly approach to see can we change something. I am not talking about the long term because it cannot be sustained in the long term. However, we can do something on a quarterly or half-yearly term to see if we can budget to give people breathing space. That could help. That is what I am trying to do for everyone.

I want the experience of the witnesses. I look at age groups. I say to people that I will be okay, as will others in my age group. My children will have some benefits. If I am okay, they will benefit. My grandchildren are in big trouble. Those are the generations I am looking at if something is not done for the person who is trying to get on the ladder. As I said, there are people here who will pay €500,000 for a house that would have cost €250,000 five years ago. There is no way that wage increases and all the rest of it are going to help them to pay that money, no matter their earnings over their lifetimes. Every different age group has a different opinion about where we are. When you go down the generations and down the years, those people are in big trouble if we do not put in something to try to steady things for three months or six months of the year. Does Deputy Devine wish to come in?

Deputy Máire Devine: I do, but not on what the Cathaoirleach has been talking about.

An Cathaoirleach: That is grand. That is okay.

Deputy Máire Devine: I will make an observation and a request. I sometimes think that this committee and IFAC sometimes seem to be viewed as an inconvenience to the Government. I am being mild when I say that. The witnesses talked about the Swedish model of budgetary oversight. I am interested in that. Would that rein in the giveaways prior to elections? Does it help with that sort of stuff? It is pretty cynical. I would like further information. Perhaps we could have a presentation or some information on that system and how it works because it would seem that the Swedish model might provide more accountability, which we need for budgetary oversight. As I said, it sometimes feels as if we are a fly buzzing in the ear of the Government and it goes on anyhow and does what it needs to do, which is not always in the interest of good fiscal policy.

Mr. Niall Conroy: On the specifics of pre-election budgeting, if we have a set ceiling of money that is going to be allocated over a four-year or five-year parliamentary term, it is up to the government how it chooses to do that. If it decides that it wants to have big increases in spending in the latter years, closer to elections, that means it has to show more restraint in the

earlier years of the parliamentary cycle. That would be one option available. All else being equal, that should reduce that potential problem.

On the broader point about the Scandinavian model, we can definitely send some details to the committee if it would be helpful.

Deputy Máire Devine: That would be great.

Mr. Seamus Coffey: The fiscal council views our audience as being three-pronged. There is the Government to which we send the reports. The second part of our audience is the Oireachtas. That is why we value these engagements. The third part of our audience is the general public. We view all of those as being important. We try to get out the message about the sustainability of the public finances. It can sometimes be a difficult message to get out there. Perhaps at times people argue that the Government is not listening. However, if the Oireachtas is listening and the general public are listening, we are achieving key parts of our remit, rather than just being dependent on the ear of the Government.

Dr. Thomas Conefrey: Sometimes when we look for solutions to how to better manage public expenditure and the budgetary process, we reach quickly for a new model or consider what can be taken from somewhere else. A point worth making is that within Ireland's existing budgetary infrastructure there are supposed to be three-year expenditure ceilings. Some of the framework exists but is not implemented. Before reaching to import elements of a whole new model, we could make a lot of progress if we were to implement parts of the budgetary architecture that already exist. They were strengthened and improved after the financial crisis to learn some of the lessons.

Deputy Máire Devine: I am not aware of that. I would say that many people might not be aware of that. If we have it there, it is a matter of digging it up and making it work.

An Cathaoirleach: I have another question about the income tax in this country. Four companies pay approximately 70% of the income tax in this country.

Mr. Seamus Coffey: Is the Cathaoirleach talking about income tax or corporation tax?

An Cathaoirleach: Corporation tax.

Mr. Seamus Coffey: Corporation tax is very concentrated. The top three contributors are close to 60% of the total. The top ten contributors are just north of 70% of the total.

An Cathaoirleach: We look at the corporation tax and the different funds. I look at the people I represent in my area.

In Limerick, we are very lucky. We got a few companies in there recently, which is brilliant. I welcome the international business. I look at the sector we are talking about from the point of view of supports. We look at the recent fuel crisis, where we had protests. People come out in this country and they protested. I saw people on these protests of 70 and 80 years of age who worked all their lives and never come out to protest for anything before. These are farmers, shopkeepers, nurses, doctors, all the way across the board. When we are looking at the budget, we see that the Government is actually looking at the 60% of these companies that give in this corporation tax. That is why they do not look. That is why we are calling on the Government to get the low fruit.

When I look at food production here and what is being exported and imported, I am afraid about which might happen in years to come if there is another world war. We saw in 2008 when ships started turning, coming to this country with materials. After 2008 and up until to 2011, they started to turn. Then they said, "The boom is back" and all the materials went to the highest bidder in different countries. We could not get stuff in here. There was a shortage of steel and everything coming into this country. Can we imagine a shortage of food here if there is a world war? We see wars happening - just look at the television. Every year for the past five years, it has gone to a different place and there are different things happening. The people in Ireland - the food producers and the people who are working in low-income jobs - cannot sustain much more with the fluctuations that are there and all the different things that have been made by the Government.

I welcome all international business - I really do - but it is a big wheel that has to be turned around. Everyone has to put their shoulder to it, regardless of what they are earning. If I see somebody coming in here and they make a million, if they are employing people and paying for other people's households, I do not mind that they have made a million because they are supporting other families and the economy, they are paying taxes and they are making the wheel go around. Equally, the person who is earning small money and employing one person is also helping that same wheel for those international businesses to come in here to survive. The people in construction who are employing people in their communities - whether it is a town, a village or the cities - are all people who actually make this one wheel turn. Other people will benefit at the top end of this. I do not care if they benefit as long as everyone gets an equal shot at turning the wheel around.

I wish to look at the budget we are doing here at the moment. These budgets are all based around the ones that are actually giving the most taxes. Leo Varadkar said it the last time. He said Dublin is paying for the rest of Ireland. Then he retracted it. He was a leader of a country. The people outside of Dublin are suffering the most because the mindset of the Government is that this is it, all because three or four firms are giving the most taxes in this country. It is all being dealt with from Dublin. To me, there are 32 counties in Ireland. There are 26 in the Republic, but I still call Ireland Ireland. Other counties outside Dublin need fair play to make sure the wheel turns around to support all the international businesses that we want to encourage in here. We need a business plan. I will take any advice that I can from you. I need a business plan for the low earners in this country. It does not matter whether the higher earners benefit as long as the lower earners benefit as well and the households that are trying to get on the ladder benefit. It should not be one against the other. The wheel has to go around, and everyone should benefit. That is what I am hoping to get.

I will comment on the agriculture sector. Green diesel at the moment is €1.60. The witnesses are talking about doing fiscal for the budget and the overspends on budget. Those farmers cannot go back to the Government and say they are in trouble after taking a 60 cent increase in fuel in one year. Fine, they say it is supply and demand. The amount of fuel that came into this country last year is the same as what came into the country the year before. There is very little change in the fuel that comes into this country. The dependency on it is the same each year. If anything, the vehicles are getting more efficient on what they are burning, so the same amount of fuel is coming in.

Something is wrong if we do not put something in place to help the people on the lower earnings. As I said, 2.8 million people are working here. How many of them are high earners? I am trying to find a balance. I know we have to have a massive amount of money in here. We have to have a massive amount of tax coming in to pay for everything, but the people that built this great country are also low earners. They built Dublin, Limerick and Cork. Those families are feeling it now. You are right on one thing: every time there is an election, they throw out something to see if they can get re-elected. There are different promises in different budgets. It makes your job of forecasting very hard, if we do not get something very right, come the next election. Some 70% of people in the counties in Ireland vote, while 44% to 45% in the cities vote. The next time round, it could change completely and there might be a completely different Government here. Things could be turned upside down. We need to forecast not only for one budget, but for five. I agree with that. We need to put in something for everyone up along the line, high or low earner, to make sure they can all survive. Whether it is caps in certain areas on tiers, I am looking for the advice from you but we need something for everyone. I really thank you for coming in today.

Mr. Seamus Coffey: Can I just respond to that?

An Cathaoirleach: Of course you can.

Mr. Seamus Coffey: I will be brief. In our earlier discussions, my colleague, Professor Doorley, said that we should be looking for targeted measures for sectors that are price takers, such as agriculture. This is a sector where we should see whether sector-specific measures should be introduced because they cannot pass on the additional cost. They are dependent on global food prices. That is what they receive. If their costs go up, they get squeezed in the middle. Where sectors are price takers, we can look at introducing targeted measures.

On the concentration of corporation tax and the distribution around the country, the Cathaoirleach says that the top three contribute close to 60%. I would note that two of the top three are in Cork, so it is certainly spread around the country.

An Cathaoirleach: One of them has come to Limerick now, I think. They saw the light.

Mr. Seamus Coffey: Multiple locations.

When we introduce income tax changes in Ireland, a frequent complaint is that those changes do not benefit those on low income. However, that follows from the type and nature of income tax system we have, where those on low income - say below €20,000 - do not pay any income tax.

An Cathaoirleach: No, they do not.

Mr. Seamus Coffey: Between the 20% rate and the individual and employee credit, any income tax liability is fully offset, so we are already doing a lot for those on low income. Through the income tax system, it would be difficult to do more. We could perhaps look at the design and structure of it. By its very nature, if we have significant income tax changes they are likely to possibly be regressive in nature because more of the benefits would go towards higher earners.

An Cathaoirleach: Among low-income people working at the moment, there are two people working in the household on low incomes. When two people are working in a household, they

qualify for nothing. Someone on a lower income is probably better off. Some people say you are better off not working in this country because you are entitled to more. If you work in this country, you will be penalised on every different angle and that is where the squeezed middle is.

I have one last point on the farming and agriculture sector. When we look at the world markets, we see that the likes of Brazil were to be allowed to bring inferior products into this country. This was going to be accepted by Europe. Irish meat and milk and everything are held at the highest standards here. That is why they are wanted worldwide. We cannot compete with a low-quality product. It has been stopped now because there was a pushback. We can imagine what it could have done to the good-quality food infrastructure we have here and the highest quality. We are known worldwide for the quality that this country gives and we need to protect that. It is not all just down to cost. It is down to protecting people and food quality, going forward.

That concludes this session. I would like to thank you all for attending this meeting today. The next time, I want answers for everything.

Cuireadh an roghchoiste ar athló ar 8.30 p.m go dtí 2.30 p.m. Dé Máirt, an 22 Meán Fómhair 2026.

The select committee adjourned at 8.30 p.m. until 2.30 p.m. on Tuesday, 22 September 2026.