Fiscal Monitor for April 2020

PBO Publication 22 of 2020

Introduction
This note incorporates the latest fiscal returns data from the Department of Finance’s Fiscal Monitor for April (published May 5th). It should be read in the context of PBO Publication 13 of 2020, which examines the early revenue impact of the COVID-19 pandemic and sets out the wider economic and fiscal context of the crisis.

This latest Fiscal Monitor shows the continued impact of COVID-19 related restrictions on the public finances, and contains updated tax profiles (first published in the Stability Programme Update 2020) reflecting the potential full-year impact of the crisis.1 However, given the lag between the impact of administrative restrictions and the payment of tax revenues (e.g. VAT and Corporation Tax are due on certain months; Income Tax is paid in the current month in respect of earnings in the previous month etc.), the full scale of the COVID-19 impact has yet to manifest in tax receipts. Next month’s Fiscal Monitor will provide a clearer picture of the impact of the pandemic period on tax revenues, as May is generally the second largest month for tax collection.2

The updated profiles included in the Fiscal Monitor indicate a loss of €13.9 billion (or 22%) in tax revenue for 2020 relative to the pre-COVID-19 baseline provided in the Medium-Term Fiscal Strategy (published in January). Tax receipts for 2020 are expected to fall to €49.6 billion (their lowest level since 2016). This decline is driven by a broad-based reduction across all tax categories, most notably for Income Tax (-10.2% or €6.4 billion) and VAT (-5.7% or €3.6 billion), reflecting the implications of COVID-19 restrictions for employment, wages and personal consumption through 2020. The Department’s forecast of employment growth for 2020 has been revised down, from 1.8% (MTFS, January 2020) to -9.3% (SPU, April 2020). This also marks a reduction of 12.2 percentage points

---

1 Monthly tax profiles (based on tax revenue forecasts produced as part of the budget) are usually published in Q1. However, receipts were re-profiled and published as part of the Stability Programme Update 2020 given the onset of the COVID-19 pandemic. The monthly pre-pandemic profiles have not been published by the Department.

2 See PBO Publication 14 of 2019.
relative to 2019. Likewise, wages and consumption are expected to fall by 13.7% and 14.2% respectively (a reduction of 21.3 and 17 percentage points relative to 2019).

Monthly tax profiles for April were not published in this Fiscal Monitor. Revenue outturns for April were provided alongside monthly profiles for May through December.

Key revenue developments, April 2020

- Tax revenue collected in April was 8% (or €223 million) lower than last year;
- €86 million in VAT receipts were collected in April. However, April is not a VAT due month, and the significant level of VAT repayments made in April 2019 (with just €6 million in net receipts collected in the month) complicate an annual comparison. A more complete picture of the implications of COVID-19 for VAT will be provided in May’s Fiscal Monitor (as May is a VAT due month);
- Income Tax receipts were €1.88 billion in April, 5.8% (or €115 million) less than in 2019. As April’s receipts are generated by income earned in March, much of the employment impact of COVID-19 has not yet manifested in Income Tax receipts;
- €33 million in Corporation Tax receipts were collected in April (typically a small month for Corporation Tax revenue). This is 158.5% (or €88 million) higher than in 2019, but the Department has emphasised that this reflects the high level of repayments made last year (with a net outflow in Corporation Tax revenue of €-56 million in April 2019);
- Excise receipts of €309 million were 47.9% (or €284 million) lower than in April 2019. The Department has indicated that this underperformance is largely a result of a shortfall in receipts from excise paid on oils as well as VRT (Vehicle Registration Tax);
- Of the smaller taxes, Stamp Duty, Capital Gains Tax and Customs are all higher than in April 2019 (by 14.7%, 3.1% and 36.4% respectively), while Capital Acquisitions Tax and Motor Tax are both behind April 2019 (by 4.2% and 15.8% respectively);
- In cumulative terms, total tax revenue is just 0.6% (or €86 million) lower than last year (as a result of the strong performance in January and February of this year);
- The Exchequer deficit was €7.5 billion as of end-April (compared to €3.2 billion last year). Projections made as part of the scenario analysis included in the SPU suggest that this could rise to €23.1 billion by the end of the year.
Chart Pack 1: Cumulative performance against profile, largest taxes (€millions)

Figure 1a. Income Tax

Figure 1b. VAT

Figure 1c. Corporation Tax

Figure 1d. Excise
Chart Pack 2: Year-on-year performance (€millions)

Figure 2a. Monthly year-on-year performance, April 2019 versus April 2020 (€millions)

Note: VAT and Corporation Tax have been excluded, given the significant level of repayments made for these taxes in April 2019, which distorts the annual comparison.

Figure 2b. Cumulative year-on-year performance: largest taxes, Jan. – April 2019 versus Jan. – April 2020 (€millions)
Figure 2c. Cumulative year-on-year performance: remaining taxes, Jan. – April 2019 versus Jan. – April 2020 (€millions)