Tithe an Oireachtais
Houses of the Oireachtas

An Oifig Buiséid Pharlaiminteach
Parliamentary Budget Office

Preliminary Review of Budget 2024

Originally published: 10 October 2023.

Updated: 11 October 2023.

PBO Publication 36 of 2023

Key Messages

Budgetary Overview

- Budget 2024 consists of a core expenditure package of just under €5.3 billion and a tax package of over €1.1 billion – a total Core Budget Package of €6.4 billion.
- There is also a package of once-off cost of living measures of €2.7 billion, net of windfall revenues from the energy sector.
- There is non-core expenditure of €4.75 billion including an additional €250m for the public capital programme funded by windfall corporation tax (CT) receipts.
- Overall, the Budget package is a large fiscal stimulus by historical norms, estimated at 4.6% of GNI* for 2024. In the current economic context this represents a pro-cylical fiscal policy and can contribute to further inflation.

Distributional Analysis of Budget 2024

- Overall, direct/indirect tax and welfare measures in Budget 2024 are very progressive from a distributional impact perspective, with lower income households gaining more proportionately than middle and upper-income households. The increase in core welfare rates and qualified child increases are key drivers of this.
- In nominal terms, households gained an average of 3.8% from Budget 2024. The lowest decile of households gained 10.1%, while the highest decile gained 2.0%. Budget 2024 also outperformed a price and wage indexed baseline, with gains of 2.5% and 1.7% relative to a price and wage indexed scenario, respectively.
- However, lump-sum payments account for a substantial proportion of this redistribution. With lump sums excluded, nominal gains were on average 2.2% and Budget 2024 gave similar redistribution to a price or wage indexed counterfactual. Lump sum payments can help provide immediate financial support to households but come at the risk of ignoring the adequacy of core rates of welfare payments in the medium-term.

Key Spending Measures

- Several measures announced in Budget 2024 relate to spending in 2023. These will require Supplementary Estimates before the end of 2023.
- Budget 2024 provides for a 2024 allocation of €3,391 million more than the present allocation for 2023. This includes rising allocations of €4,256 million for all but 2 Vote Groups (Agriculture, Food and the Marine, and Enterprise Trade and Employment) whose allocations are declining by €865 million.
- Sunset clauses for tax and spending measures should be stated where a measure is identified as once-off or short term.

- In nominal terms, projected Gross Voted Expenditure in 2024 is over €25 billion greater than had been projected for 2020 (this would have been prior to the COVID-19 pandemic).

Key Tax Measures

- The standard rate income tax bands have been widened by €2,000 to help alleviate the risk of bracket creep, where earners fall into the higher tax bracket as a result of wage growth. Combined with the reduction in USC from 4.5% to 4%, and an increase in the ceiling of the 2% USC rate of €2,840, this element of the tax package predominantly benefits middle- and high-income households.
- The tax system was utilised to address issues prominent in the rental market. As an affordability measure, the rent credit increased to €750, with criteria expanded for parents paying for students in certain types of accomodation. If this credit is readily taken-up and if it doesn't lead to rental inflation, it will help many middle-income renters.
- A supply-side measure in the form of a rental income relief for landlords was also introduced. At the moment, it is unclear how effective this policy will be at increasing the supply of rental accomodation.

GGB and Debt Developments

- Ireland’s public finances are in a relatively strong position but the growth in tax receipts has been more modest than in recent years.
- A General Government Surplus of €8.8 billion or 3 per cent of national income is forecast for 2023 and €8.4 billion or 2.7 per cent for next year. However removing ‘windfall’ corporation tax receipts implies an underlying General Government deficit of €2 billion in 2023, which highlights a broader underlying fiscal vulnerability.

Economic Forecasts

- Incoming data are sending mixed signals. Despite a resilient labour market, domestic output is not growing as strongly as it was. The forecast 2¼% growth for 2023 modified domestic demand will depend on a resumption of investment and household spending overcoming cost-of-living and financing challenges.
- Inflation is having a negative impact on many households and businesses but has eased. Still, it is not expected to get back to target before 2025.
- The economy is at full-employment with a record high of over 2.6 million people at work and is facing other capacity constraints related to housing and infrastructure.

Risks and Uncertainties

- While the Budget 2024 Economic and Fiscal Outlook outlines several risk factors, the PBO summarises some of them into three key points: the effect of a rising ECB interest rate on (re-) financing, high exposure to the global economy, and the escalation or realisation of geopolitical risks.
- The PBO also emphasises that it is insufficient to be prepared only for the known risks; it is important to recognise that there are also unknown risks and understand how a severe economic and fiscal shock, whatever its origin is, can be managed.
- Developments in certain high value-added sectors in Ireland could highlight the risks of their concentration for the Irish economy.
- There is a backdrop of global uncertainty – both economic and geopolitical – which has immediate repercussions for Ireland's open economy.
- The effects of monetary policy decisions taken could yet prove more severe than projected with more persistent inflation in the euro area prompting further interest rate increases and financial tightening.

Spending and Taxation Review

- Only four Spending Review papers have been published as of Budget 2024. As part of the role of the Spending Review is to inform the resourcing decisions made in the Budget, this represents a diminution of the potential role and impact of the Spending Review process.

Distributional Analysis of Budget 2024

Budget 2024 was comprised of a core spending package worth €6.4 billion, with an additional €2.7 billion being made available as a cost-of-living package. As a result, this marked a continuation of the strategy undertaken in Budget 2023, where a substantial package was dedicated to universal energy credits and one-off lump-sum welfare payments. The particulars of the tax and expenditure package are discussed in dedicated sections of this document.

The distributive impact of the Budget is always in focus post-Budget. This monitoring is important, as Irish fiscal policy operates on a discretionary basis, with no automatic indexation of tax and welfare parameters in line with market aggregates such as inflation. In this section, we analyze the distributional impact of Budget 2024. We use the ESRI's SWITCH (**S**imulating **W**elfare **I**ncome **T**ax **C**hildcare and **H**ealth) model and the PBO's EVE (**E**xpenditure **V**AT and **E**xcise) model to analyze the impact across the household income distribution.[1]

In analysing the distributional impact of the Budget, we also include a price and a wage indexed benchmark as a baseline. This allows us to assess how discretionary policy changes perform relative to simple, transparent indexation of the tax-benefit system. We use a forecast of 3.2 per cent for price growth in 2024 as outlined in the ESRI's Quarterly Economic Commentary (Autumn 2023)[2] and an estimate of 5.0 per cent for earnings growth in 2024 taken from the Central Bank's Quarterly Bulletin (Q3 2023).[3]

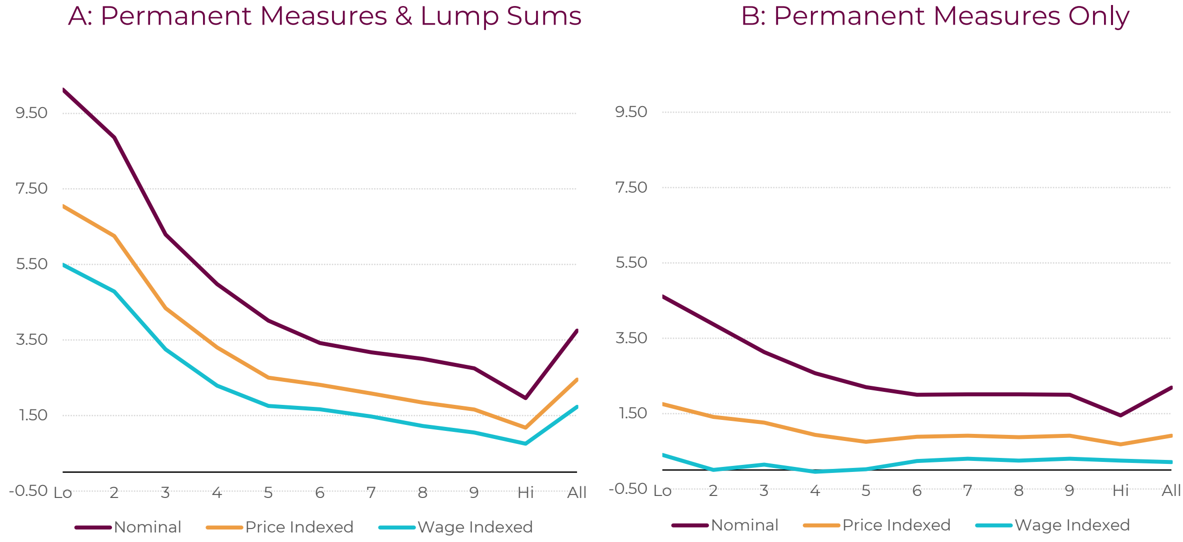
As was the case in Budget 2023, Budget 2024 had a strong cost-of-living theme with a number of measures aimed at easing affordability concerns. The scheduled increase to the non-carbon component of the mineral tax (applicable to petrol, diesel and marked gas oil) was postponed until 1st August 2024, while the temporary VAT rate of 9% will continue to apply to gas and electricty through to end of October 2024. There were also a significant number of one-off lump sum payments- with three €150 euro energy credits payable to all households, a €200 payment to those in-receipt of the Living Alone Allowance, a €400 payment to those in receipt of Carer's Support Grant, Working Family Payment, Invalidity Pension, Blind Pension, Domicilliary Care Allowance and Disability Allowance

[1] SWITCH models direct taxes and benefits using the 2019 Survey of Income and Living Conditions data, with uprating and reweighting of the data to better reflect current income, welfare receipt and demographics. EVE models indirect taxes- excises, VAT and carbon taxes- using the 2015/2016 Household Budget Survey, with incomes, prices and expenditure patterns uprated to current levels.
[2] ESRI, Quarterly Economic Commentary, Autumn 2023 (October 2023).
[3] Central Bank, Quarterly Bulletin 3 of 2023 (September 2023).

alongside double welfare payments and a double Child Benefit payment in Q4 2023. The welfare of children was also a strong theme surrounding the language of Budget 2024. This manifested with an extension of Child Benefit eligibility to all those in secondary education, an increase of €4 per week in the rate of payment of increases for qualified children (IQCs) in core welfare schemes, a one-off €100 payment for every child qualifying for an IQC and an extension of the Free School Books scheme to all children in Junior Cycle.

Now, we turn to our quantitaive assessment of Budget 2024. In Figure 1(A) we sort the population into income deciles, ranging from the lowest income ten percent of households to the highest income ten percent of households, after adjusting for household size and composition. Our estimates highlight the overall progressivity of Budget 2024. The progressivity is most pronounced in a nominal context, where changes are compared relative to pre-existing policies only, and do not factor in expected price or wage growth. Households will experience nominal gains of 3.8% on average, with the lowest decile of households gaining by 10.1%, compared to 2.0% for top decile households. Gains are smaller, but still progressive when compared to price or wage indexed baselines. Compared to a price (wage) indexed baseline, Budget 2024 will yield average income gains of 2.5% (1.7%) for households- with bottom decile households gaining by 7.0% (5.5%) compared to 1.2% (0.8%) for those in the top decile.

Figure 1: Distributional Impact of Budget 2024, % Change in Weekly Disposable Income by Household Income Decile



Source: PBO analysis using SWITCH v7.0 and the PBO's EVE model

Notes: Chart A - "Full Package" (permanent measures and lump sums combined) includes the following core welfare changes: €12 increases to welfare rates, €4 increase to IQCs, Working Family Payment thresholds +€54, child benefit extension, increase to the Carer's Allowance income disregards, extension of free school books to Junior Cycle students and an increase in the universal element of the National Childcare Scheme to €2.14 per hour. The core tax package modelled includes the income tax package[4], USC package, rent tax credit increase, VAT reduction on gas and electricity, carbon tax increase of €7.50 per tonne, an increase of €0.75 in excises duties per packet of 20 cigarettes and extension of reduced non-carbon excise on petrol and diesel until 1st August 2024. Lump-sum payments included are a double week of welfare payments, double Child Benefit, Fuel Allowance lump sum (€300), lump sum of €400 for selected welfare payments[5], qualified child increase lump sum of €100 and energy credits of €450. Chart B excludes these lump-sums.

A large portion of the redistribution in Budget 2024 was achieved via lump sum measures, namely a series of one-off welfare payments and universal household energy credits. In Chart B above, we remove the effect of lump sums, and instead focus on how policy changes to permanent elements of the tax and welfare system affected households. From this exercise, income increases are noticeably smaller, with nominal gains ranging from 4.6% for the lowest decile of households to 1.5% for highest income decile of households. Even still, these core parameters outperformed a price indexed counterfactual, indicating that increases to core welfare payments and income tax thresholds, approximately matched the level of redistribution that would have been achieved by indexing to forecast wage growth. Given high price inflation seen in recent 2022 and 2023, further analysis around the income adequacy of core welfare rates would be worthwhile, as it is unclear how a reliance on lump sum redistribution may have skewed the adequacy of welfare rates over the medium-term. In Nominal and Real Changes to Net Income for Select Household Types overleaf, we explore this issue in more detail with reference to a set of hypothetical households.

[4] The increase to the incapacitated child tax credit is not modelled.
[5] These apply to those eligible for the Carer's Support Grant, Disability Allowance, Invalidity Pension, Blind Pension, Working Family Payment and Domiciliary Care Allowance. Our modelling was unable to model this lump-sum to Blind Pension and Domiciliary Care Allowance recipients.

Nominal and Real Changes to Net Income for Select Household Types[6]

Table 1 below shows net take home pay for three household types between 2021 and 2024, at three different income levels - National Minimum Wage (NMW), average weekly earnings (AWE), taking into account wage growth over the period, and at a fixed income of €51,000 across the period 2021 – 2024. In nominal terms, there have been substantial increases in net income for these family types between 2021 and 2024, particularly for NMW earners as a result of the significant increase in Budget 2024 of the NMW to €12.70 per hour. However, given the period of high inflation from 2021, take home pay is up substantially less in real terms. For example, although a one earner household on average weekly earnings has experienced a nominal increase of over 15% between 2021 and 2024, in real terms their net income has decreased 2.4%. So, even though, a household of this composition has over €5,600 more money in their pockets in 2024 than in 2021, their purchasing power is less in 2024 than it was in 2021.

Table 1: Nominal and Real Employment Earnings 2021 – 2024

Employment Earnings by Household Type	2021 Net Income	2022 Net Income	2023 Net Income	2024 Net Income	2023 - 2024 % Nominal Change	2021 - 2024 % Nominal Change	2023 - 2024 % Real Change	2021 - 2024 % Real Change
NMW Single	€19,015	€19,464	€20,688	€22,964	11.0%	20.8%	7.6%	2.5%
NMW Couple, 1 earner	€19,852	€20,322	€21,722	€24,365	12.2%	22.7%	8.7%	4.1%
NMW Single, child carer	€19,852	€20,322	€21,722	€24,365	12.2%	22.7%	8.7%	4.1%
AWE Single	€33,903	€35,089	€37,313	€39,309	5.4%	15.9%	2.1%	-1.6%
AWE Couple, 1 earner	€37,353	€38,589	€40,800	€42,983	5.3%	15.1%	2.1%	-2.4%
AWE Single, child carer	€36,353	€37,539	€39,763	€41,859	5.3%	15.1%	2.0%	-2.3%
Fixed (€51,000) Single	€37,322	€37,738	€38,568	€39,314	1.9%	5.3%	-1.2%	-10.6%
Fixed (€51,000) Couple, 1 earner	€40,772	€41,238	€42,143	€42,989	2.0%	5.4%	-1.1%	-10.5%
Fixed (€51,000) Single, child carer	€39,772	€40,188	€41,018	€41,864	2.1%	5.3%	-1.1%	-10.7%

Source: PBO calculations using CSO earnings data, Central Bank wage growth projections and CSO CPI data.

Table 2 overleaf shows the nominal and real change of selected welfare rates between 2021 and 2024. The Contributory State Pension will increase 4.5% in nominal terms in 2024 (1.3% in real terms, based on forecast inflation of 3.2%). However, in real terms, the Contributory State Pension has decreased 5.2% between 2021 and 2024, as a result of the period of exceptionally high inflation from 2021. Working-age welfare rates will increase 5.5%, in nominal terms in 2024, compared to 2023 – again highlighting the inconsistency in welfare rate changes and the disadvantage of not having a system of indexation in place.

[6] This analysis includes Class A PRSI increasing to 4.1% from October 2024. One-Parent Family Payment is not included in the calculations for single, child carer family types.

Table 2: Selected Welfare Rate Changes 2021 - 2024

Select Welfare Payments	2021 Rate	2022 Rate	2023 Rate	2024 Rate	2023 - 2024 % Nominal Change	2021 - 2024 % Nominal Change	2023 - 2024 % Real Change	2021 - 2024 % Real Change
State Pension (Contributory)	€248.30	€253.30	€265.30	€277.30	4.5%	11.7%	1.3%	-5.2%
Working Age Core Rates	€203.00	€208.00	€220.00	€232.00	5.5%	14.3%	2.2%	-3.0%
Fuel Allowance	€28.00	€33.00	€33.00	€33.00	0.0%	17.9%	-3.1%	0.0%
Living Alone Allowance	€19.00	€22.00	€22.00	€22.00	0.0%	15.8%	-3.1%	-1.7%
Qualified Child Increase - Under 12	€38.00	€40.00	€42.00	€46.00	9.5%	21.1%	6.1%	2.7%
Qualified Child Increase - 12+	€45.00	€48.00	€50.00	€54.00	8.0%	20.0%	4.7%	1.8%

Source: PBO calculations using CSO CPI data.

Key Spending Measures

Budget 2024 provides for an expenditure package of €12.3 billion. This expenditure package is primarily broken down between core and non-core spending. Core (ongoing committed spending) and non-Core (once-off or temporary spending) are relatively new terms in a Budgetary Context. While non-Core spending is declining, it is forecast to remain as part of the Budget process until at least 2026.

- Budget 2024 provides for **a core expenditure package of €5.3 billion**. This includes €0.9 billion in capital spending, €1.8 billion to maintain Existing Levels of Service (ELS), and €2.6 billion for new measures.[7]
- A further **€2.3 billion of cost of living measures** (non-Core) are included in the Budget package.[8] This cost rises to ~€2.65 billion if the Christmas Bonus for 2023 is included.
- **€4.5 billion in non-core spending** is also provided for. This is highly concentrated in Children, Equality, Disability, Integration and Youth (€1,923 million), Health (€1,045 million) and Social Protection (€600 million).
- Windfall capital spending of €0.25 billion also features in the Expenditure Package.
- Overall, gross expenditure is set to reach ~€96.6 billion in 2024, although only about €94.4 has currently been allocated to specific Votes (with ~€2.2 billion yet to be allocated).

Taking the non-core spending allocations and the cost of living package together, **Budget 2024 describes some €6.8 billion of temporary / once-off measures across 2023 and 2024. This figure would likely rise to ~€7.5 billion if the payment of the Christmas Bonus was included for both years**. It is importatnt that these measures not become recurring spending without being properly accounted for within core spending. The Christmas Bonus is one such example of a once-off measure which forms regular part of Social Protection spending, but is not properly incorporated within Budgetary plans.

Explicit statements of 'sunsets' should be used where possible to define the lifetime of multi-year 'temporary' measures. These can be reviewed and updated if required. For example, temporary protection measures to Ukrainian refugees of the War in Ukraine have recently been extended for an additional year at EU level.[9]

---

[7] Department of Public Expenditure, NDP Delivery and Reform, *Budget 2024: Expenditure Report* (10 October 2023) p.23.
[8] Ibid. pp.6-7.
[9] Council of the EU, 'Ukrainian refugees: EU member states agree to extend temporary protection' (28 September 2023).

Table 3 includes a summary overview of "Selected Measures enabled by additional funding for 2024" as set out in *Budget 2024: Expenditure Report*. While the Expenditure Report (p.23) provides for a Budget Package of €5.3 billion for core expenditure, the Expenditure Report describes ~€5.1 billion of these measures. Table 3 sets out the additional funding (by Vote Group) as well as providing a snapshot of some of the measures (and their costs) contained within the Expenditure Report.

Table 3: Selected Measures enabled by additional funding

Vote Group (page number in Expenditure Report) ***Selected Measures enabled by additional funding***	**2024 Additional Allocation**
Agriculture, Food and the Marine (p.55)	**€385 million**
Children Equality, Disability, Integration & Youth (pp.62-3)	**€137.1 million**
Defence (p.67)	**€55 million**
Education (p.71)	**€162 million**
Additional Special Needs Assistants (1,216)	*€13 million*[10]
Additional Special Education Needs Teachers (744)	*€14 million*
Free School Books for Junior Cycle Students	*€39 million*
Enterprise, Trade & Employment (p.76)	**€58.65 million**
Environment, Climate & Communications (p.81)	**€776 million**
Energy Transformation	*€380 million*
Connectivity and Communications Delivery	*€348 million*
Finance (pp.87-8)	**€28 million**
Foreign Affairs (pp.92-3)	**€69.1 million**
Further and Higher Education, Research, Innovation & Science (p.99)	**€173 million**
Craft Apprenticeship places to increase to 16,000 in 2024	*€67 million*
Health (pp.104-5)	**€99.9 million**
Delivery of additional capacity	*€38.9 million*
Housing, Local Government & Heritage (pp.115-16)	**€482.2 million**
Increased provision for Social Housing Current Expenditure Programme	*€75 million*
Increased capital funding for local authorities and Approved Housing Bodies to build additional social housing	*€155 million*
Justice (pp.121-22)	**€145.45 million**

[10] A cost of €48.7 million is generated using the PBO, 'Additional Public Servants Cost Calculator' (2023). The costing provided in the Expenditure Report is unlikely to be full year.

Garda members (+1,000 Garda recruits) and civilian staff (+250)	*€21.5 million*[11]
Public Expenditure, NDP Delivery & Reform (pp.133-34)	**€4.2 million**
Rural & Community Development (pp.138-39)	**€34 million**
Social Protection (pp.142-44)	**€1090.3 million**
Increase weekly rates of payment to all working age recipients by €12 per week, with proportionate increases for qualified adults and those on reduced rates of payment	*€448.6 million*
Increase the weekly rate of all pension payments (for those aged 66 and over) by €12 per week, with proportionate increases for qualified adults and those on reduced rates of payment	*€461.4 million*
Taoiseach's (p.149)	**€10.654 million**
Tourism (p.154)	**€1171 million**
Transport (p.160)	**€188.8 million**
Variety of discounts on public transportation fares	*€150 million*
Additional funding for public transport services	*€27 million*
Total	**€5,070.4 million**

Source: PBO based on Department of Public Expenditure, NDP Delivery and Reform, *Budget 2024: Expenditure Report* (10 October 2023) pp.8-14.

Cost of Living Package

Table 4 and Table 5 breakdown the Cost of Living Package described in Budget 2024 on the basis of when the costs of the measures proposed will be incurred. The PBO is treating these measures as once-off (non-core); however, for a more realistic costing the cost of the 2023 Christmas Bonus is also included.

- The 2023 cost of the Cost of Living Package is ~€1,094 million, with the Christmas Bonus costing an estimated additional €342 million.
- The 2023 costs incurred by these measures will require that either in-year savings be used, or additional funding be allocated, before the end of 2023.
- The 2024 costs of the Cost of Living Package are ~€1,212 million; however, this will rise further in the event that the Christmas Bonus is retained in 2024.

[11] The cost of 1,000 Gardaí would be approx. €58 million in full-year terms for post-attestation Gardaí. The cost of Garda recruits would likely be considerably lower. Based on PBO, 'Additional Public Servants Cost Calculator' (2023).

Table 4: Cost of Living Package (2023 Costs)

Measure	Value	Cost
Environment, Climate and Communications		
Household energy credits	€150 per household	€300 million[12]
Social Protection		
Christmas Bonus		<€342 million*
Child benefit – double month	€280 per child**	€179 million
Fuel allowance lump sum	€300	€123 million
Living Alone Allowance	€200	€47 million
One-off payment to various schemes	€400	€138 million
Qualified Child Increment lump sum	€100	€37 million
Working Family Payment lump sum	€400	€18 million
Other Measures		€252 million
Total Cost		**€1,094 million <€1,436 million (including Christmas Bonus)***

Source: PBO based on Department of Public Expenditure, NDP Delivery and Reform, *Budget 2024: Expenditure Report* (10 October 2023) p.33.
 * Assumed to cost the same as the double week. However, it will cost somewhat less given that the Christmas Bonus, if paid, would arise prior to increases to rates of payment.
** Child Benefit rates of payment are higher for twins (Once and a half times the standard rate) and triplets (or greater) (double the standard rate).

Table 5: Cost of Living Package (2024 Costs)

Measure	Value	Cost
Environment, Climate and Communications		
Household energy credits	€150 per household x 2	€600 million
Social Protection		
Double Week		€342 million
Other Measures		€270 million
Total Cost		**€1,212 million**

Source: PBO based on Department of Public Expenditure, NDP Delivery and Reform, *Budget 2024: Expenditure Report* (10 October 2023) p.33.

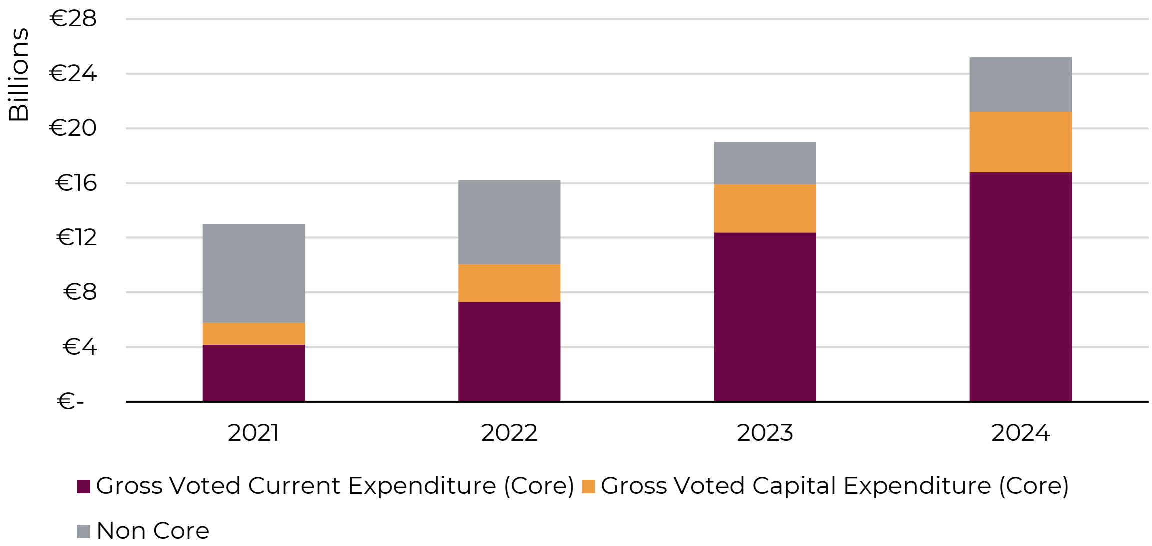
[12] Department of Public Expenditure, NDP Delivery and Reform, *Budget 2024: Expenditure Report* (10 October 2023) p.33.

Budget 2024 in Context

Figure 2 shows the projected gross voted expenditure for each year (as of the Budget for that year) when compared to the projected gross voted expenditure for 2020. Nominally, compared to 2020, Budget 2024 provides for increased:

- Gross Voted Current expenditure (Core) of 27.1% (+€16,797 million),
- Gross Voted Capital expenditure (Core) of 54.4% (+€4,422 million), and
- Gross Non-Core expenditure (current and capital) of 285.5% (+€3,966 million).

Figure 2: Gross Voted Expenditure Projections (Compared to 2020)



Source: PBO based on Department of Public Expenditure, NDP Delivery and Reform, Expenditure Reports 2020 to 2024.

Over the period 2020 to 2024, projected Gross Voted Expenditure has risen from €71,393 million to €96,578 million (+€25.2 billion / +35.3%). Some of this increase is associated with non-core spending (which was not a feature of Budgets prior to Budget 2020).[13] However, **there has been significant growth in underlying core spending of €21.2 billion (30.3%) between Budget 2020 and Budget 2024**.

[13] It was introduced to categorise spending on measures responding to a disorderly Brexit.

Vote Group Overview

Comparing resourcing year-on-year can show where resourcing is being concentrated, suggesting the priority areas being addressed in a Budget. Importantly, 2023 allocations are subject to change, with further Supplementary Estimates possible (likely to increase the overall level of resourcing for 2023). However, **resources being allocated is not a guarantee that they will be used**. In 2022, almost €2.8 billion of allocated resources were not used.[14] €687 million of this was instead carried over for use on capital projects in 2023,[15] with the balance (~€2,106 million) being returned to the Exchequer.[16]

Figure 3 and Figure 4 show these year-on-year changes in resources being allocated. These figures compare the Budget 2024 allocation with the most recent figures for allocations in 2023 (including a Supplementary Estimate of €1,090 million to Children, Equality, Disability, Integration and Youth).

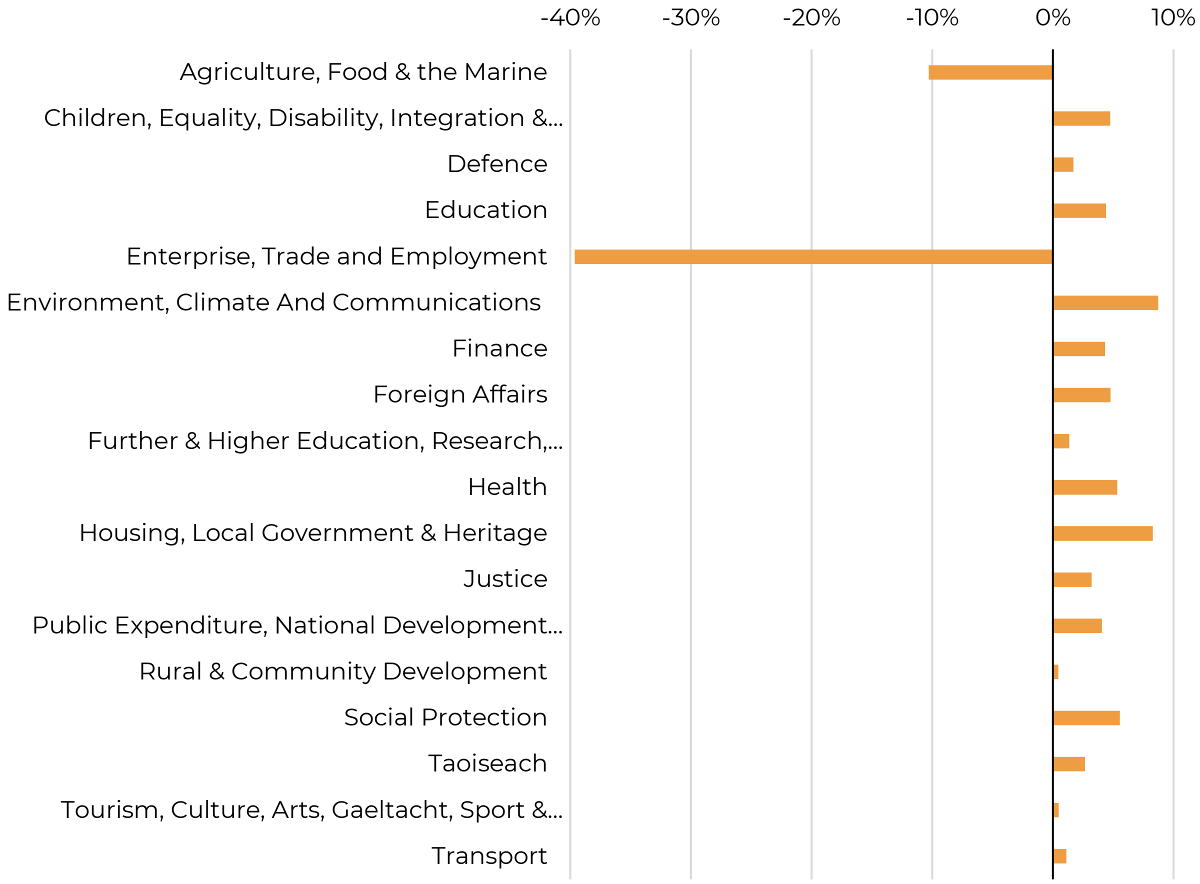
Figure 3: Year-on-Year Change in Gross Allocation (€ billions)

Source: PBO based on Department of Public Expenditure, NDP Delivery and Reform,

[14] PBO calculation based on Comptroller and Auditor General, *Appropriation Accounts 2022* (September 2023).
[15] Parliamentary Budget Office, Capital Carryover (Deferred Surrender) 2022 (March 2022).
[16] Parliamentary Budget Office, *An Overview of the Central Fund: What it is & how it operates* (July 2023).

'Databank' (Accessed 09 October 2023), Department of Public Expenditure, NDP Delivery and Reform, *Supplementary Estimates for Public Services 2023* (02 October 2023), Department of Public Expenditure, NDP Delivery and Reform, *Budget 2024: Expenditure Report* (10 October 2023).

Figure 4: Year-on-Year Change in Gross Allocation (€)



Source: PBO based on Department of Public Expenditure, NDP Delivery and Reform, 'Databank' (Accessed 09 October 2023), Department of Public Expenditure, NDP Delivery and Reform, *Supplementary Estimates for Public Services 2023* (02 October 2023), Department of Public Expenditure, NDP Delivery and Reform, *Budget 2024: Expenditure Report* (10 October 2023).

Key Tax Measures

This section provides a summary of the key taxes, credits and allowances included in Budget 2024. These measures are presented across several categories. This includes personal taxation, housing, climate, energy and agriculture, as well as business and enterprise related tax measures.

Table 6: Personal Tax Measures

Category	Details
Income tax Thresholds	▪ Increase Standard Rate Cut off point by €2,000, to a new thresholds of €42,000.
Income tax Credits	▪ €100 increase to Personal Tax Credit to €1,875. ▪ €100 increase to Employee tax Credit to €1,875. ▪ €100 increase to Earned Income Tax Credits to €1,875. ▪ €100 increase to Home Carer Tax Credit to €1,800. ▪ €100 increase to Single Person Child Carer Tax Credit to €1,750. ▪ €200 increase to Incapacitated Child Tax Credit to €3,500.
Universal Social Charge (USC) Reductions	▪ Reduce USC levy on incomes over €25,760 from 4.5% to 4%. ▪ Increase 2% USC rate by €2,840, to incomes up to €25,760. ▪ Extend reduced USC concession for medical card holders and those earning less than €60,000 to end December 2025. ▪ Expected cost is €350 million in 2024 and €400 million in full year.
Employers PRSI	▪ Increase to employers PRSI by 0.1% from Oct 2024.

Table 7: Housing Related Tax Measures

Category	Details
Rent Credit	▪ Increase rent credit from €500 to €750 per year for 2024. ▪ Amended criteria to allow parents who pay for student children in 'Rent a Room' or 'Digs' to claim credit, backdated to 2022 and 2023.
Mortgage Interest Relief	▪ 12 months Mortgage Interest Tax Relief for homeowners with outstanding balance on primary dwelling of between €80,000 and €500,000. ▪ Available in respect of interest paid on mortgages in 2023, at standard rate of 20% income tax. ▪ Relief capped at €1,250 per property, with estimated cost of €125 million .

Vacant Home Tax	▪ Increase Vacant Home Tax to 5 times the value of the property's Local Property Tax (LPT) Rate from November 2023.
Landlord Tax Relief	▪ Temporary relief for small landlords, subject to conditions being met, allows rental income be taxed at standard rate. ▪ Key condition requires properties used to avail of relief must be in rental market for 4 years, or relief is reclaimed by State. ▪ Provides for €3,000 in 2024, €4,000 in 2025 and €6,000 in 2026 and 2027.
Residential Zoned Land Tax (RZLT)	▪ 12 month extension to the liability date of tax to allow for planned 2024 review of maps.
Help to Buy Scheme	▪ Help to Buy scheme, extended to end 2025. ▪ Amending Local Authority Affordable Purchase Scheme to help applicants avail of Help to Buy Scheme, running to 2025.
Defective Concrete Products levy	▪ Amended to exclude precast concrete used in the manufacture of precast concrete products. ▪ Refund scheme to be set up to allow those who paid levy between Sept. and Dec. 2023 to reclaim it.

Table 8: Climate, Energy and Agriculture Related Tax Measures

Category	Details
Carbon Tax	▪ Carbon Tax increases of €7.50 per tonne of carbon (CO_2) emitted from €48.50 to €56. Intended to increase cost by €7.50 per tonne annually until 2030. ▪ Apply new rate to auto fuels from October 2023 and all other fuels from May 2024. ▪ Income raised from tax will help most vulnerable, support farmers in green transition and fund retrofitting programmes.
Climate Measures	▪ 2-year extension to Accelerated Capital Allowances scheme for energy efficiency equipment until end 2025. ▪ Increase of €400 per year for profits arising from a qualifying person micro-generation of electricity which is disregarded for PAYE, PRSI and USC. ▪ 2 year extension of VRT relief for battery electric vehicles value up to €50,000 to end 2025.
Agricultural Reliefs	▪ Extended Consanguinity relief for 5 years to support transfer of farms between generations. ▪ Extended Accelerated Capital Allowances for farm safety equipment to end 2026.

	▪ Increasing maximum aggregate lifetime limit of farm related reliefs to €100,000. The maximum allowed under EU regulations. ▪ Increase stock relief for farmers who are partners in a Registered Farm partnership from €15,000 to €20,000. ▪ Increase limit for Young Trained Farmers and Succession Farm partnerships from €70,000 to €100,000. ▪ Land lease income tax relief will be amended so it is only available after land is owned for 7 years to target active farmers.
Infrastructure, Climate and Nature Fund	▪ Invest portion of windfall taxes in fund to provide resources for capital investment in counter cyclical fashion. ▪ Fund will grow by €2 billion annually for 7 years, to total of €14 billion, plus interest. ▪ In 2024, €2 billion invested from dissolution of National Reserve Fund. ▪ €3 billion climate and nature component to assist meeting carbon budgets, through capital projects where climate targets will not be met.

Table 9: Business and Enterprise Related Tax Related Measures

Category	Details
Excise Duties	▪ Increase to price of 20 cigarettes by 75 cents to €16.75 with a pro-rata increase on other tobacco products from midnight. ▪ New tax on e-cigarette and vapes due in Budget 2025. ▪ Delayed increases to petrol (8 cent), diesel (6 cent) and marked oil (3.4 cent) which will be restored in two instalments in April and August 2024.
VAT	▪ Extend 9% VAT reduction on gas for 12 months. ▪ Apply zero% VAT on audiobooks and eBooks. ▪ Apply zero% VAT for solar panels for schools. ▪ Reduce flat-rate VAT compensation for farmers to 4.8%. ▪ Increase business VAT registration thresholds from €37,500 to €40,000 for services and from €75,000 to €80,000 for goods.
Corporation Tax	▪ Increase Corporation Tax to the 15% minimum effective tax rate for firms with turnover above €750 million, under OECD agreement. ▪ Firms below turnover of €750 million will retain the 12.5% rate.
Motor Insurers Insolvency Compensation Fund	▪ New 1% reduction in motor insurers insolvency compensation levy from 2024.

Territoriality / Participation Exemption	▪ Participation for foreign sourced dividends will be legislated for in Finance Bill 2024 to reduce administrative burden.
Benefit in Kind Motor Vehicles	▪ 12 month extension of temporary universal relief of €10,000 to the Original Market Value. ▪ Temporarily suspending the tapering of relief and maintaining existing €35,000 Original Market Value reduction for 2024 and 2025 to encourage electric vehicles for company car purposes.
Research & Development Tax Credit	▪ Increasing R&D credit from 25% to 30%. ▪ Doubling first year payment threshold from €25,000 to €50,000 engaged in smaller R&D projects.
Capital Gains Tax Reduction	▪ New targeted Capital Gains Tax reduction for Angel Investors to support SME's receiving investment. ▪ Allow investors to benefit from reduced CGT when disposing of qualifying investment for gains up to twice the value of investment.
Retirement Reliefs	▪ Extending upper age of Retirement Relief limit from 65 to 70 starting January 2025, and introduce new limit of €10 million on relief available for disposals. ▪ New limit on disposal to a child up to the age of 70.
Employment Incentive Scheme	▪ Provides start ups and SMEs with sources of funding. ▪ Standardise investment period to 4 years for all investments. ▪ Double amount an investor can claim relief of for 4 years investment to €500,000.
Employee Engagement Programme	▪ Extend scheme to end 2025 and double limit for the total market value of issues but unexercised qualifying share options from €3 million to €6 million.
Film Tax Credit	▪ Increase to project cap on qualifying expenditure from €70 million to €125 million subject to state aid approval.
Capital Acquisitions Tax	▪ Introduce amendments to allow foster children avail of Group B Capital Acquisitions Tax, for the purposes of inheritance and gift taxes.

Table 10: Other Tax Related Measures

Category	Details
Naval Service Tax Credit	▪ Extend sea going naval personnel tax credit, worth €1,500, to end December 2024.
Bank Levy	▪ New bank levy in 2024 to raise €200 million, which will be revised next year. This is an increase on the current €150 million.

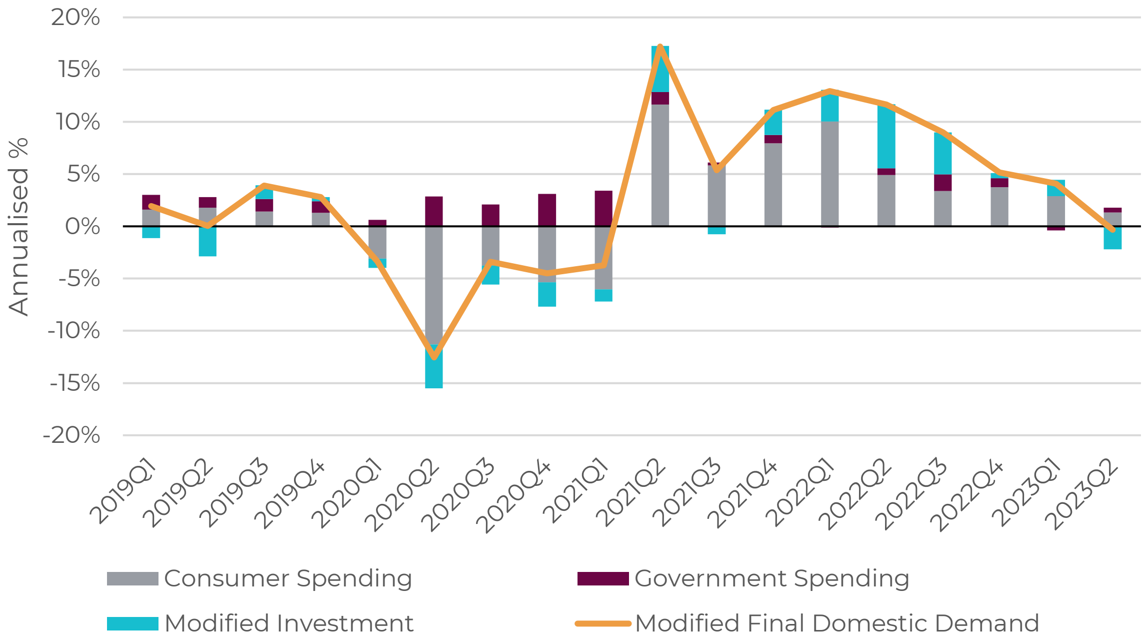
Charity VAT Scheme	▪ Increase to Charity VAT Compensation Scheme from €5 million to €10 million to retain more of the VAT that they pay. ▪ Increasing threshold for tax relief on donation of heritage items from €6 million to €8 million.
Sports and Philanthropic Relief	▪ Intend to examine how tax relief system can be used to support sporting organisations and charities with upgrading facilities. ▪ Examine tax treatment of long-term strategic development funds to promote capital investment in sports facilities.
Future Ireland Savings Fund	▪ Using windfall tax receipts to address future costs (e.g. pensions, healthcare, etc) to assist running the state. ▪ Will invest 0.8% of GDP into fund from 2024 to 2035, with around €3.4 billion in 2024. ▪ Will provide seed funding of €4 billion in 2024 following the dissolution of the National Reserve Fund. ▪ Expected the fund could reach €100 billion by 2035.

Economic Forecasts

The Irish economy continues to be resilient, especially in labour market terms, against external shocks including global uncertainty following the pandemic, persistent high inflation, and the necessary monetary policy response. The post-pandemic recovery has been restrained by supply side shortages of workers, housing supply and energy infrastructure.

Figure 5 below shows that consumer spending and investment in the domestic economy had been on a downward trajectory in 2023.[17] Current government spending had moderated compared to when some elements of pandemic-related spending were still in place. Large savings accumulated during and after the pandemic, rapidly rising employment, and government support to address the cost-of-living crisis has continued to support household spending, but domestic investment declined significantly in Q2. Assuming a resumption of investment growth, the Department of Finance has projected that the Modified Domestic Demand (MDD) outturn for 2023 will be a moderate growth of 2.2%, also reflecting in large part, the 2023 effects of today's €14 billion *Budget 2024*.

Figure 5: Contribution to Modified Final Domestic Demand (Annualised)



Source: CSO Quarterly National Accounts Q2 2023.

[17] CSO (2023) Quarterly National Accounts, Quarter 2 2023 Final.

Economic and Fiscal Overview

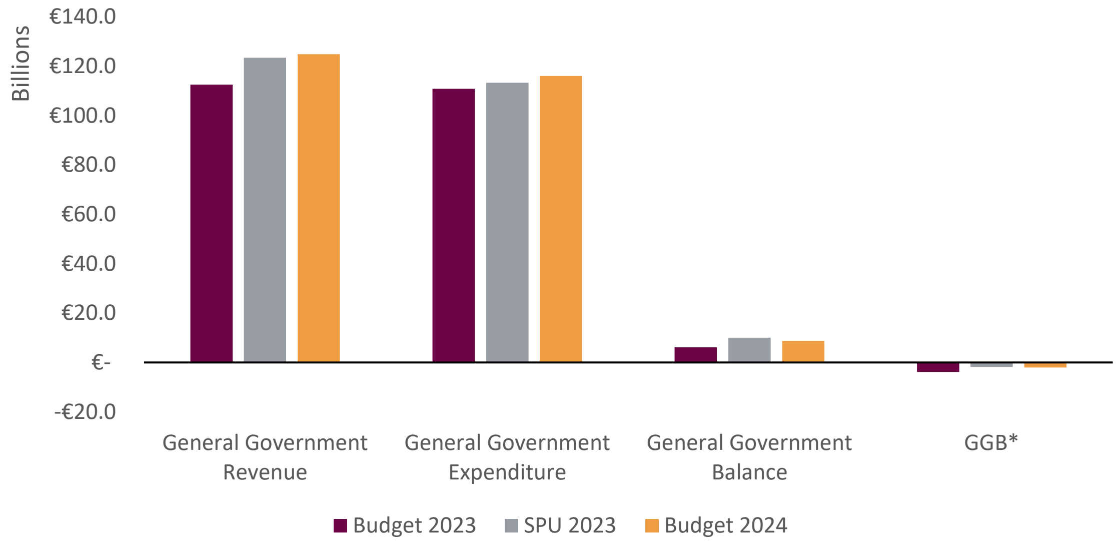
The Department of Finance is forecasting real GNI* growth of 2% for 2023 down from 6.7% last year. This growth can largely be attributed to the increase in domestic demand and strong employment prospects. With a moderation in the rate of consumer price inflation through 2023 and an average rate of 2.9% inflation forecast for next year, consumer spending is also facing headwinds from 'higher-for-longer' interest rates. Higher interest rates will also dampen investment spending by small- and medium-sized enterprises still reliant on bank funding.

Government revenue have performed better than expected (see Figure 6). At Budget 2023 in September last year, general government revenue was forecast to be €112.5 billion[18] in 2023, this was revised upwards to €123.4 billion in the Stability Programme Update (SPU 2023)[19] in April and again to €124.9 billion today.[20] Conversely expenditure projections were revised upwards. In last year's Budget, general government expenditure was expected to reach €110.9 billion this year, this was revised up to €113.4 billion in the SPU 2023 and then up to €116.1 billion today. Last year, the government expected to run a budget surplus of €6.2 billion in 2023. This projection was revised upwards to a surplus of €10.0 billion in the SPU of April 2023. Today it was announced that there is expected to be a budget surplus of just under €8.8 billion in 2023.[21]

Last year's Budget introduced a new measure of the underlying General Government Balance (GGB) which excludes estimated windfall corporation tax receipts. By this metric, the fiscal situation is less positive, with the government projected to run a deficit of -€2.0 billion in 2023 (Figure 6).

[18] Department of Finance (2022) Budget 2023, p.32.
[19] Department of Finance (2023) Stability Programme Update, April 2023.
[20] Department of Finance (2023) Budget 2024, Economic and Fiscal Outlook, Table 13.
[21] Department of Finance (2023) Budget 2024.

Figure 6: Forecast for key fiscal variables for 2023



Source: Budget 2023; Stability Programme Update; Budget 2024
Note: GGB* is the general government balance without windfall corporation tax receipts.

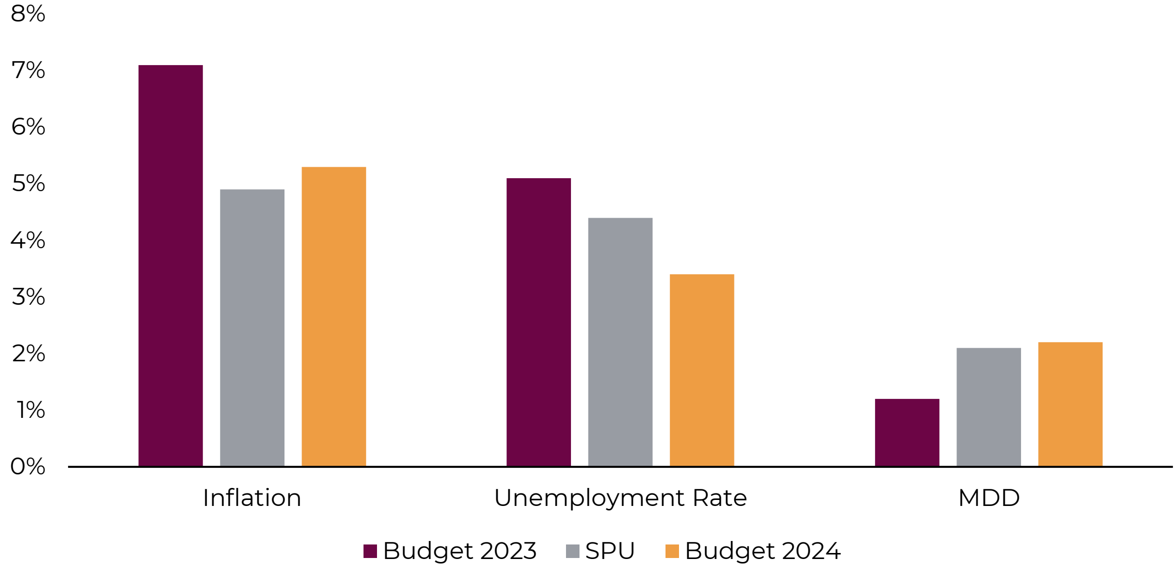
Figure 7 shows the revisions for some of the key economic variables, that is, for Modified Domestic Demand (MDD), inflation, and unemployment, compared to previous government publications. Budget 2023 forecasted MDD (a proxy for the domestic economy) of 1.2% for this year, this was revised upwards to 2.1% in the SPU 2023 and is expected now at 2.2% for 2023. However, this growth in MDD contrasts with more volatile growth in the multinational sector which is set to see GDP fall dramatically from 9.4% last year to a more modest 2.0% in 2023. Domestic growth is expected to remain steady for the next three years not dipping below its current levels.

In terms of the contributions to growth, the incoming data are giving mixed signals. Personal consumption is easing since a run-down in accumulated savings and higher debt servicing costs for households may now be causing them to hold back on discretionary expenditure. On the other hand, transfers from the government sector, as part of Budget 2024 today are expected to provide support to consumer spending in the final quarter and consumer spending may level out at an inflation-adjusted growth of 3.3% for 2023, considerably lower than this time last year. The Department of Finance forecast modified investment contracting slightly by 0.2% in the present year. In the past, GDP has generally tended to overstate the degree of growth in the domestic economy, at present it may underplay the degree of activity in the domestic economy. Against weaker external demand, net exports are assumed to remain at a relatively modest levels, which is a very changed story from previous years.

Today it was announced that inflation is forecast to be 5.3% this year, a 1.8 percentage point-decrease on last year's forecast for 2023. Consumer price inflation is set to continue to moderate though it is now expected to be

2025 before inflation returns to a rate consistent with central bank targets. The inflation issue is now one of the persistence due to a switch in demand driven inflation rather than supply side causes. Core HICP inflation (which excludes energy products) is expected to be 5.1% in 2023, 3.4% in 2024 and will still be above the 2% ECB inflation target in 2025 at 2.5%. Despite this, the labour market has performed better than expected as the forecast for the unemployment rate has been revised from 4.5% last year to 4.1% today.

Figure 7: Forecast for economic variables (% change)



Source: Budget 2023; Stability Programme Update; Budget 2024

The forecasts included in today's Budget documentation only extend to 2026. A return to five-year forecasts would be welcomed as it would be conducive to more a strategic planning of the public finances. From forecasts covering the 2023-2030 horizon in the Spring, the Department confirms that the potential growth rate of the Irish economy is slowing with the average annual potential GNI* estimated at 2.1 per cent in 2026-2030 compared with 2.6% in 2016-2020 and 5.3% in 2021-2025. These point to a positive 'output gap' indicating capacity constraints in the economy which is projected to narrow over time but depends mainly on increasing the housing stock as well as other supply-side increases in the productive capacity of the economy.

The near-term economic outlook will remain muted with the Department of Finance forecasting that real GNI* growth will be back to 2.0% in 2023 from 6.7% in 2022 and holding steady for the projection period to 2026.[22]

There has been a global slowdown and trade fragmentation affecting Irish exports. This has led to uncertainty around the contribution of net exports

[22] Department of Finance (2023) Budget 2024, Table 4.

and foreign-owned multi-national enterprises to Irish GDP and future corporation tax receipts. Industrial output is therefore likely to be held down by weaker external demand reducing from an export growth of 13.9% in 2022 to a more moderate 2.1% in 2023.

Table 11: Latest Government Projections

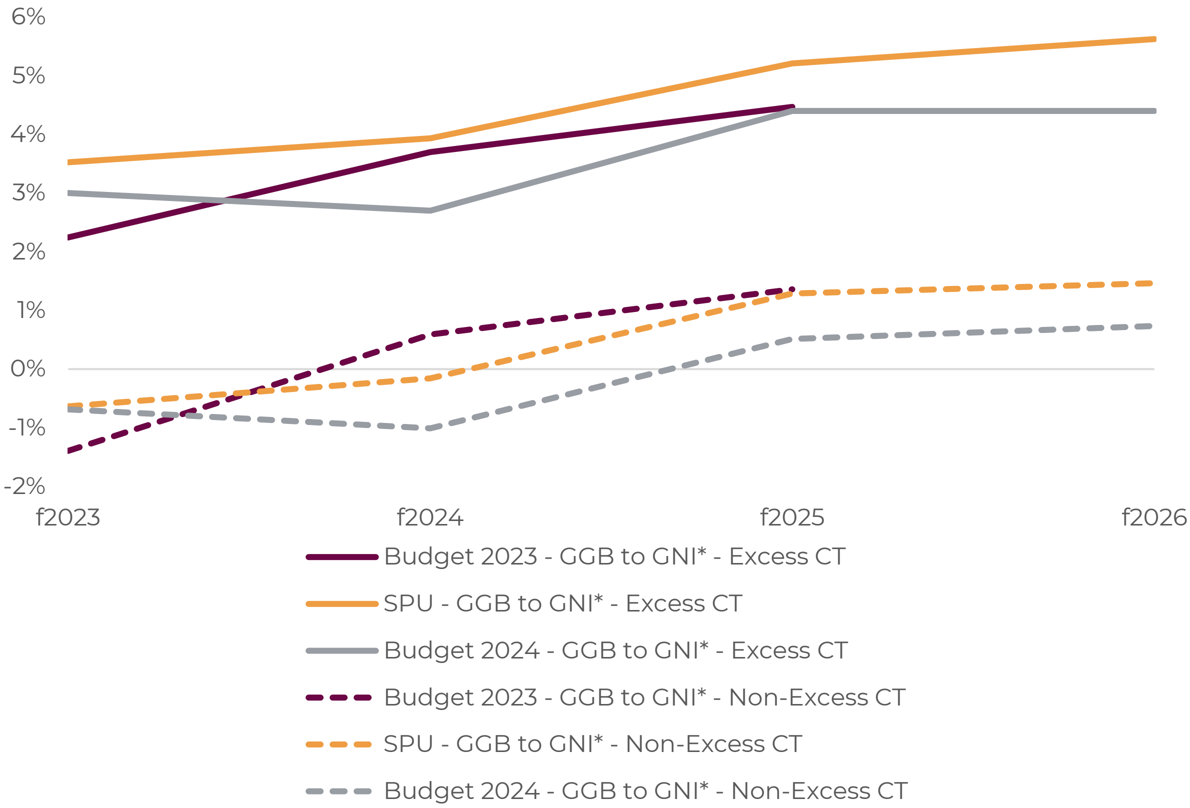
	2022	2023	2024	2025	2026
Department of Finance Budget 2024					
Real GNI* growth (%)	6.7	2.0	2.0	2.1	2.2
HICP	8.1	5.3	2.9	2.4	1.9
Public Finances Forecasts					
€ billion					
General Government Balance (GGB)	8.5	8.8	8.4	14.2	14.6
*% GNI**					
GGB	3.1	3.0	2.7	4.4	4.4
GGB excl. One offs and windfall CT	-0.8	-0.7	-0.9	0.4	0.8
Net debt ratio (% GNI*)	68.9	63.0	63.3	60.1	57.4

Source: CSO, Department of Finance forecasts.

Government Balance and Debt Developments

Government revenue and expenditure projections have been revised in *Budget 2024*. The headline general government surplus as a share of GNI* is projected to flatten to 3% for 2023 and to 2.7% for 2024. Voted spending for 2025 is presumed to return to the Government's spending rule which grounds (net) spending to the trend growth rate of the economy which is estimated at 5% per annum.[23] With that constraint, the GGB will increase to above 4% of projected GNI* for 2025 onwards (Figure 8). Adjusting for "excess" or windfall corporation tax (CT) from multinational enterprises (MNEs), on the basis that these revenue flows are uncertain, Ireland is forecasted to run an underlying General Government budget deficit of -0.7% and -1.0% of GNI* (modified gross national income) for 2023 and 2024 respectively.

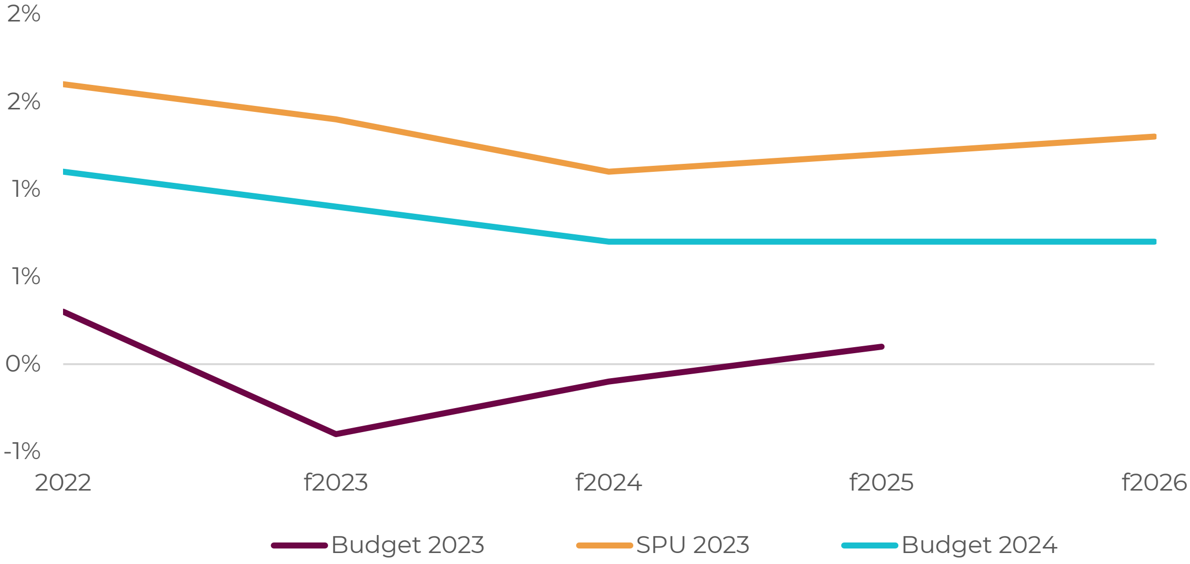
Figure 8: General Government Balance – Effect of Excluding Excess CT



Source: PBO DSA Calculator SPU 2023 using data from Budget 2023, SPU 2023, and Budget 2024.
The non-excess CT scenario also assumes modelled interest implications, as changes to the General Government Balance affect debt levels and hence interest costs.
The non-excess CT scenario forecast is calculated by feeding in the Department of Finance parameters and the revenue forecast stripped of the excess CT into the PBO Debt Sustainability Analysis model to deterministically calculate year by year the forecasted debt and interest values.

[23] Fiscal Council, Inflation and the Government's 5% Spending Rule (2022).

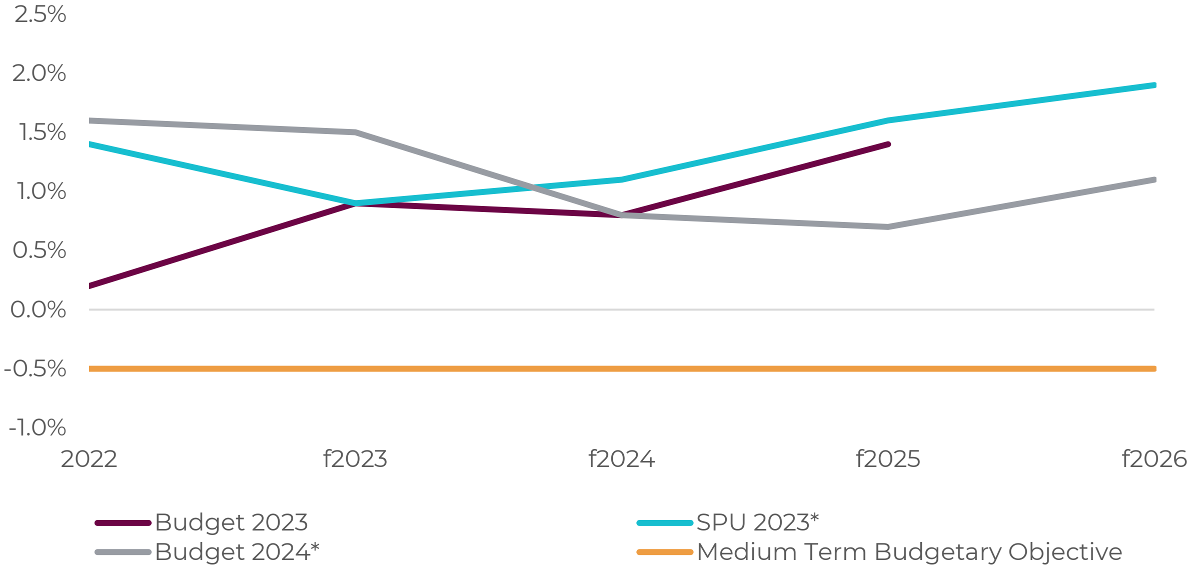
Figure 9: Output Gap per cent GNI*



Source: Budget 2023, SPU 2023, Budget 2024.

The output gap is an economic measure of difference between the actual output of an economy and its potential output. The Department of Finance have calculated a positive gap at present and for the projection period ahead to 2026 confirming there are capacity constraints in the economy (see Figure 9). This pro-cyclical Budget will not achieve a balanced output gap and may serve to add to over-heating and associated inflationary pressures in the economy.

Figure 10: Structural Budget Balance per cent GNI*



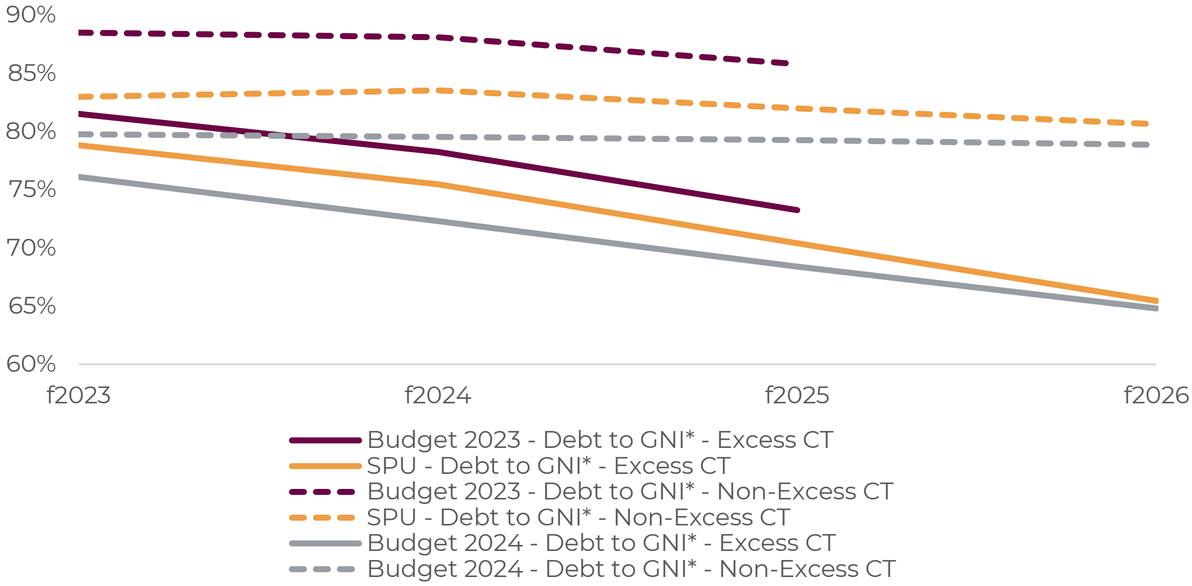
Source: Budget 2023, SPU 2023, Budget 2024.
*Note: *For the SPU 2023 and Budget 2024, windfall CT is excluded. The EU medium-term budgetary benchmark recommends that the structural budget balance be above -0.5% as shown with the red line.*

The structural budget balance adjusts for the impact of the economic cycle and certain temporary factors. It has been revised lower in *Budget 2024* to be 1.5% and 0.8% of GNI* for 2023 and 2024 respectively (see Figure 10).

Debt and Fiscal Rules

High and increasing debt levels can be harmful to a government's fiscal position and can cause a problematic cycle of growing debt decreasing the potential for economic growth, by limiting fiscal space. Inflation can help to decrease the real value of a country's debts, as it will increase nominal GDP and General Government balances.

Figure 11: Debt to GDP/GNI* - Effect of Excluding Excess CT



Source: PBO DSA Calculator SPU 2023 using data from Budget 2023, SPU 2023, and Budget 2024.

The non-excess CT scenario also assumes modelled interest implications, as changes to the General Government balance affect debt levels and hence interest costs. The non-excess CT scenario forecast is calculated by feeding in the Department of Finance parameters and the revenue forecast stripped of the excess CT into the PBO Debt Sustainability Analysis model to deterministically calculate year by year the forecasted debt and interest values.

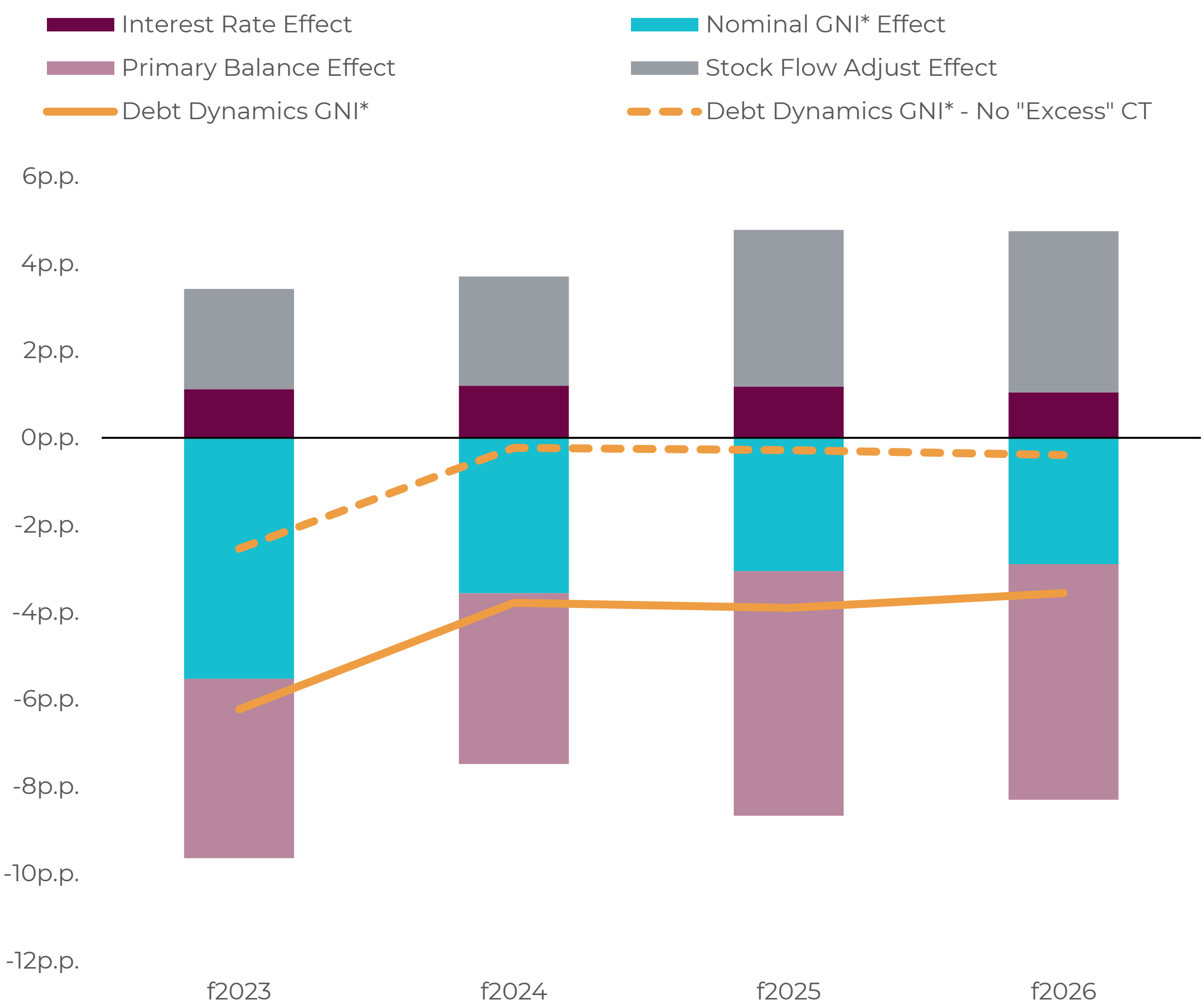
The application of the formal EU Fiscal Rules has been suspended for a number of years now: first due to COVID-19 emergency conditions and currently to account for the extraordinary economic conditions related to the ongoing situation in Ukraine. Notwithstanding, the PBO finds that *Budget 2024* spending plans would still be within the core EU Fiscal Rules[24] of -3% GGB to GDP. The revised Budget 2024 leaves the debt

[24] PBO, PBO Note on Proposed new EU Fiscal Rules (EU Economic Governance Framework) (2022).

situation within the core EU Fiscal Rules[25] of 60% ratio of debt to GDP; both with and without excess corporation tax (CT), though in terms of the ratio to GNI*, the picture would not look as favourable (Figure 11). Note that the European Commission have proposed a new system for Fiscal Rules, with a greater focus on national medium-term fiscal-structural plans.[26]

Debt dynamics determine the debt-to-GNI* (or GDP) ratio change in a given year and these movements can be shown by subcomponent, i.e., the primary balance, the interest and the nominal GNI* growth effects. As shown in Figure 12, Ireland's debt ratio in 2023 and 2024 is reducing by the running of a primary balance surplus, and by inflation, which is increasing the size of the Irish economy in nominal terms.

Figure 12: Debt Dynamics Effect on the Debt to GNI* Ratio, Percentage Points



Source: PBO DSA Calculator SPU 2023 using data from Budget 2024.

[25] PBO, PBO Note on Proposed new EU Fiscal Rules (EU Economic Governance Framework)(2022).
[26] European Commission, Commission proposes new economic governance rules fit for the future(2023).

Note the "No Excess CT" excludes the additional interest implications of a reduction in revenue due to the additional borrowing required. Interest is on a gross rather than an ESA2010 basis.

Related to the monetary policy rate, the long-weighted maturity on Ireland's sovereign debt continues to insulate the economy from increases in Ireland's bond yields in the medium-term.[27] The debt service bill should stay stable for the coming 3 to 4 years, but costs are likely to rise later in the decade as low coupon debt matures and needs to be refinanced at likely much higher rates. The debt sustainability assessment of the PBO still implies that Ireland's debt is not going to an unsustainable trajectory. However, aging demographics and the climate transition are major long-term risks.[28]

[27] See the PBO Debt Infographic SPU 2023. For an interactive simulation on how changes to Ireland's borrowing interest rate will affect the cost of servicing Ireland's debt, see the PBO Interest Rate Risk DSA SPU 2023. For an interactive calculator to test the debt effects and implications of alternative Budgetary plans, see the PBO, DSA Calculator SPU 2023.
[28] Fiscal Council, Fiscal Assessment Report (June 2023).

Risks and Uncertainties

The Budget 2024 Economic and Fiscal Outlook outlines several risk factors.[29] The PBO summarises some of them into three key points: the effect of a rising ECB interest rate on (re-)financing, high exposure to the global economy, and the escalation or realisation of geopolitical risks. Yet, the PBO also emphasises that it is insufficient to be prepared only for the known risks; it is important to recognise that there are also unknown risks and understand how a severe economic and fiscal shock, whatever its origin is, can be managed.

First, a rising ECB interest rate has made, and will make, (re-)financing more costly. The health of the Irish financial market, and its impact on the entire economy, hinges upon the degree of the resilience among lenders and borrowers to absorb greater costs. If a higher interest rate resulted in a larger default rate, which in turn created a greater pressure on the entire financial system, the Irish economy could experience a significant downturn.

Second, as Ireland is a small open economy (e.g., its trade-to-GDP ratio in 2022 was 237%, compared to 103% in the entire eurozone or 69% in the UK[30]), it can be highly sensitive to the situation of the global economy. For example, a major source of the tax revenue is multinational enterprises, directly through the corporation tax receipt and indirectly through the income tax receipt from their employees; therefore, the performance of these multinationals can significantly affect the Irish fiscal conditions. More generally, it remains uncertain how much rising interest rates across many major economies will affect the global economy negatively. In addition, while it seems that the collapse of some financial institutes early in this year has not escalated to global financial instability so far, there is uncertainty whether the situation will remain under control.[31]

Finally, the escalation or realisation of geopolitical risks would pose further challenges to Ireland. Trade restrictions between rival states would create inefficiency in the global economy[32]; the perceived risks of geopolitical incidents could have an adverse economic effect[33]; or foreign wars could destabilise the supply of goods and exacerbate inflation; all of which could

[29] Department of Finance, *Budget 2024: Economic and Fiscal Outlook*, 10 October 2024, pp.41-46.
[30] World Development Indicators using the World Bank national accounts data and OECD National Accounts data files.
[31] Colby Smith and Sam Fleming, "IMF warns of 'heightened risk' from bond market turmoil," *Financial Times*, 10 October 2023.
[32] International Monetary Fund, "Chapter 3: Fragmentation and Commodity Markets: Vulnerabilities and Risks," World Economic Outlook, October 2023: Analytical Chapters.
[33] D. Caldara and M. Iacoviello, "Measuring Geopolitical Risk," *American Economic Review*, vol.112 no.4 (2022): pp.1194-1225.

significantly affect the small open economy Ireland. Furthermore, the possibility cannot be precluded that geopolitical imperatives could force Ireland to adopt a policy that is economically suboptimal but necessary from a national-security perspective.

Spending and Tax Review 2023

Introduction

The Spending Review was introduced after the financial crisis to improve the management of public spending.[34] To date, in 2023, just four Spending Review papers have been published.[35] There are fewer Spending Review papers available than desirable as, *inter alia*, the Spending Review process is intended to "feed policy insights into all stages of the policy process, including at Budget time".[36]

- As previously noted by the PBO, an indicative list of forthcoming Spending Review papers should be published early each year. This would help to enable Parliament in its scrutiny role.[37]
- In addition to facilitating Parliamentary scrutiny, publication of forthcoming Spending Review papers would enable oversight of papers that are ultimately not published. This would facilitate Parliament to engage on 'missing' papers and to determine the reason for non-publication.
- The PBO have previously highlighted that clearer links to the budget process could improve the effectiveness of the Spending Review process, with each paper ideally setting out the amount of spending encompassed by each review paper, whether policies under review have been found to be an effective or efficient use of resources, policy recommendations if relevant, and whether resources should be re-allocated.[38]

[34] PBO, The Irish Spending Review: Suggestions from International Experiences (2019) p.2.
[35] Department of Public Expenditure, NDP Delivery and Reform, 'Minister Donohoe publishes the first tranche of papers developed for the 2023 Spending Review' (Accessed 10 October 2023).
[36] Department of Public Expenditure, NDP Delivery and Reform, *Mid-Year Expenditure Report* (July 2023) p.52.
[37] Parliamentary Budget Office, *The future of the Government's Spending Review: A parliamentary scrutiny perspective* (September 2019) p.3.
[38] Parliamentary Budget Office, *The Irish Spending Review: Suggestions from International Experiences* (July 2019) p.2.

Summary of Spending Review Papers (Tranche 1, 2023)

Funding Innovation and Review of the Public Service Innovation Fund (September 2023) examines how the fund operated between 2019 and 2021, analyses Public Service Innovation Fund (PSIF) outputs and trends and considers potential future funding options for the initiative.

An Assessment of the Disability Allowance Scheme Trends and Characteristics (September 2023) aims to build on the scheme's already established evidence base by using the latest available data to analyse the underlying causes of the growth encountered by the Disability Allowance (DA) which grew by 55% in the last decade to 2022. As well as this, the paper aimed to develop insights from an in-depth examination of DA recipients' that may be used to shape future policy direction and discussion in this area.

The Structure and Usage of the Public Employment Service (September 2023) sets out the structure of the Public Employment Service (PES) as it is currently organised, using the latest available data to present a snapshot of PES users across the services and schemes at December 2022/January 2023, and considers available evidence from the literature on the effectiveness of employment supports.

Unscheduled Care: An Analysis of National and Hospital Level Trends (September 2023) provides an analysis of patient level unscheduled care data recorded in the patient experience time dataset over the period 2017-2022. It provides numerous insights into patient characteristics and outcomes in unscheduled care environments, including in relation to their age, admission probability, clinical need, mode of arrival and whether they have a referral. The findings of the paper either have overt or indirect implications for strategic policy development for unscheduled care in Ireland. From the findings the paper recommends a number of factors to account for when planning future policies.

Taxation Reviews 2023

Tax expenditures relate to foregone revenue that would otherwise be taxable. While a comprehensive cost of tax expenditures is not available, for the tax expenditures where data is available (although imperfect) indicates these tax expenditures effectively cost the Exchequer more than €7.1 billion.[39] As part of Budget 2024 some €2,260 million of foregone revenue was subject to review (approximately 32% of foregone revenue).

Table 12: Tax Expenditure and Tax Related Reviews

Title	Revenue Foregone in most recent year for which information is available
Personal Tax Review	€1,754.7 million
Review of Consanguinity Relief	€52.5 million
A Cost Benefit Analysis of the revised entrepreneur relief	€143 million
Review of Existing Fossil tax Subsidies in the Transport Sector*	€309.5 million
Annual Revenue SARP Report 2021**	€37 million
Total	**€2,259.7 million**

Source: PBO based on Department of Finance, *Budget 2024: Report on Tax Expenditures 2023* (October 2023), and Department of Finance, *Budget 2024: Review of Existing Fossil Tax Subsidies in the Transport Sector* (October 2023).
* The revenue foregone from existing fossil tax subsidies is artificially low due to temporary reductions in excise rates from March 2022 and limitations of tax records precludes "an estimate of the cost to the Exchequer of allowing a VAT reclaim on petrol for businesses."[40]
** SARP is included within the Personal Tax Review and is therefore not double counted within the total figure above.

[39] Department of Finance, *Budget 2024: Report on Tax Expenditures 2023* (10 October 2023).
[40] Department of Finance, *Review of Existing Fossil Tax Subsidies in the Transport Sector* (10 October 2023).