



Services Industrial Professional & Technical Union

An Abridged Analysis of Budget 2027

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The Budget Explained in a Single Announcement

- Sometimes, a single announcement can sum up a budget – and it doesn't necessarily have to be announced on budget day.
- The day after the budget, buried in a Departmental press briefing, the government announced it was abandoning its living wage pledge. It wasn't mentioned in the budget speeches or in the budget papers.
- The last government pledged to increase the minimum wage to 60% of the median wage by 2026. Almost immediately upon taking office, this government postponed that target date to 2029. And now the Government has removed the target date altogether.
- Last year over €1 billion in VAT cuts delivered to the hospitality sector and property developers. This year: €500 million in tax breaks for capital, business and high-end investments with a new savings scheme subsidising people who can already afford to save. **Compare and Contrast.**

We are Not Spending Enough

We are Not Taxed Enough

The budget debate was dominated by claims that *public spending was out of control* and that we have one of the *highest tax burdens in the EU*.

Not true. We remain a low-tax, low-spend economy.

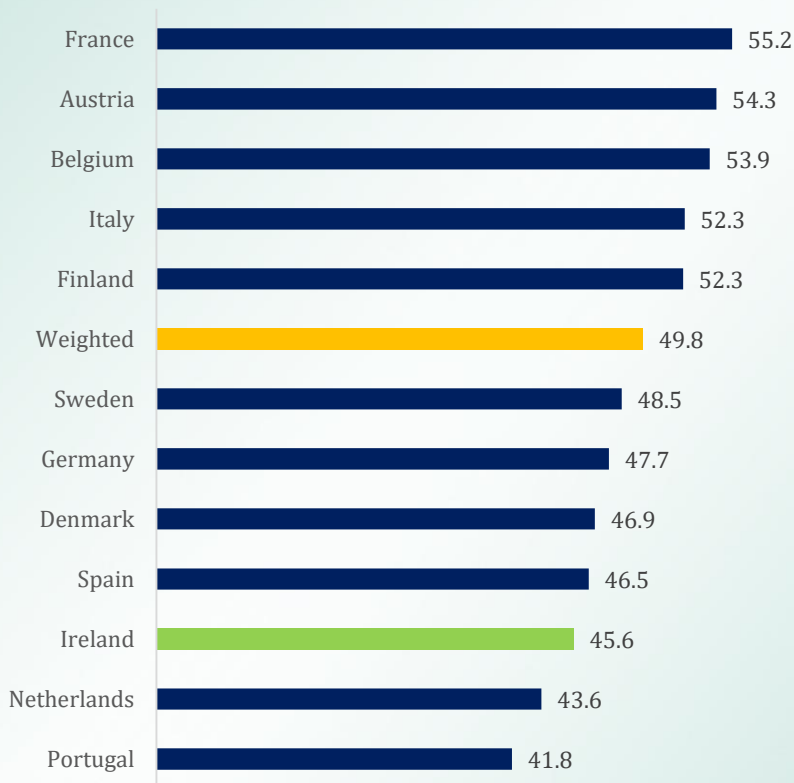
Average Spending Increase

- It is claimed that public spending is out of control. However, public spending increased by less than the EU average over the last decade.
- Public spending has fallen from 45.5% to 40.1% of GNI* in that same period.
- This occurred during a period of rising demographic costs.
- But we continue to hollow out our tax base: tax cuts in the last four budgets have cost nearly €10 billion.



A Long Ways to Go

Adjusted Public Spending in IFAC High-Income Economies: 2023

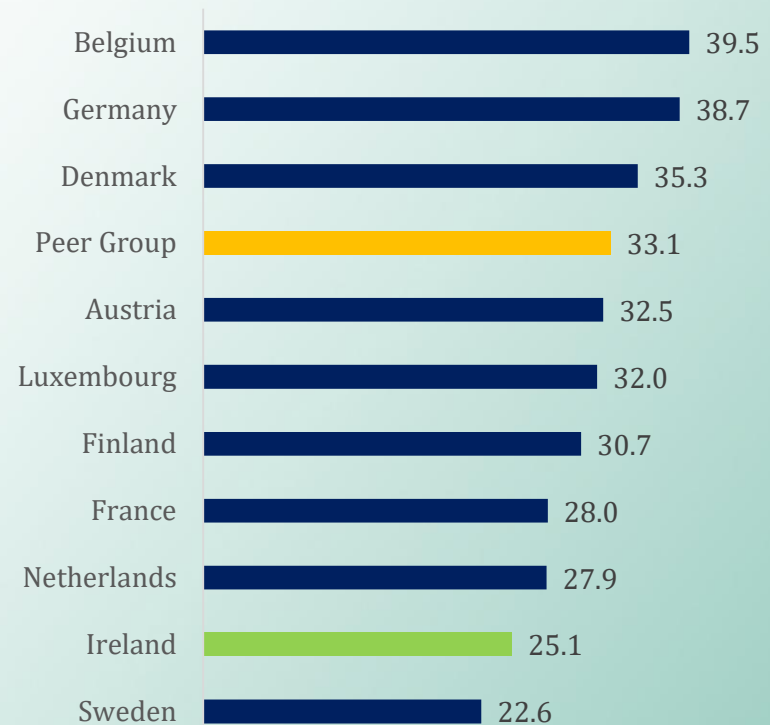


- The Fiscal Council has estimated we would need to **spend an extra €12.3 billion to reach the average** of other high-income EU countries in 2023.
- This is a useful estimate as it factors in demographics (we don't need to spend as much because of lower age).

A Low-Tax Economy

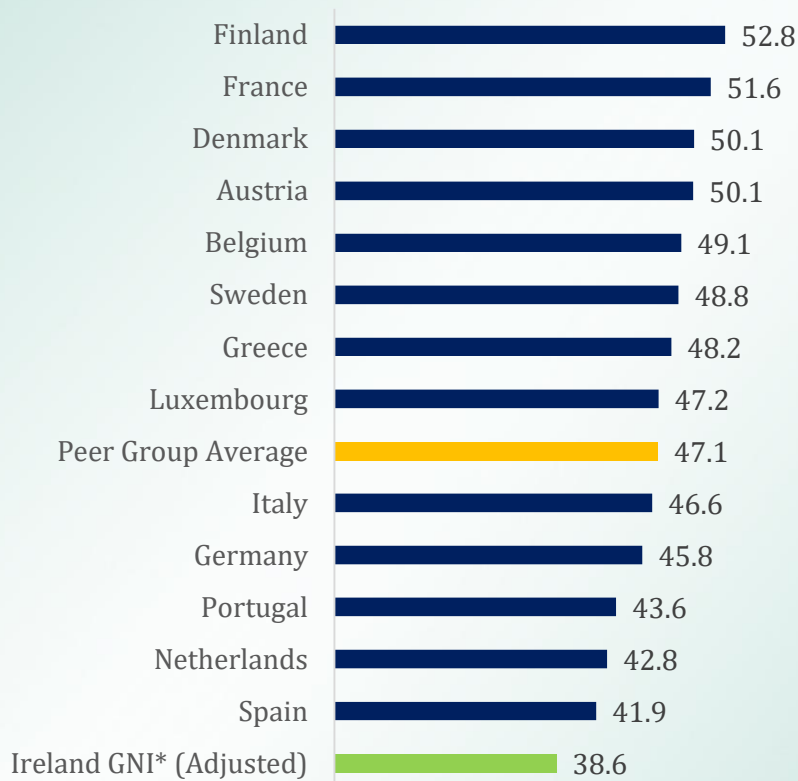
- Another claim is that average income earners are ‘over-taxed’ compared to other countries. Data bears out just the opposite.
- The tax on average-income earners is 25% of earnings. In Ireland. In our peer group, that figure is much higher – at 33%.
- Data on marginal tax rates shows that Ireland is mid-table at 47% compared to an average in our peer group of 44%

**OECD Income Tax Plus Employee PRSI
as a % of Average Full-Time Earnings:
2025 (%)**



At the Bottom

IFAC Government Revenue as a % of GDP: 2023



- The Fiscal Council also estimates tax revenue. It shows Irish Government revenue (adjusted to exclude windfall corporate tax receipts) to be substantially below the average of other high-income economies.
- This calculation does not factor in demographics. Still it shows our low tax and revenue base compared to IFAC's EU peer group.

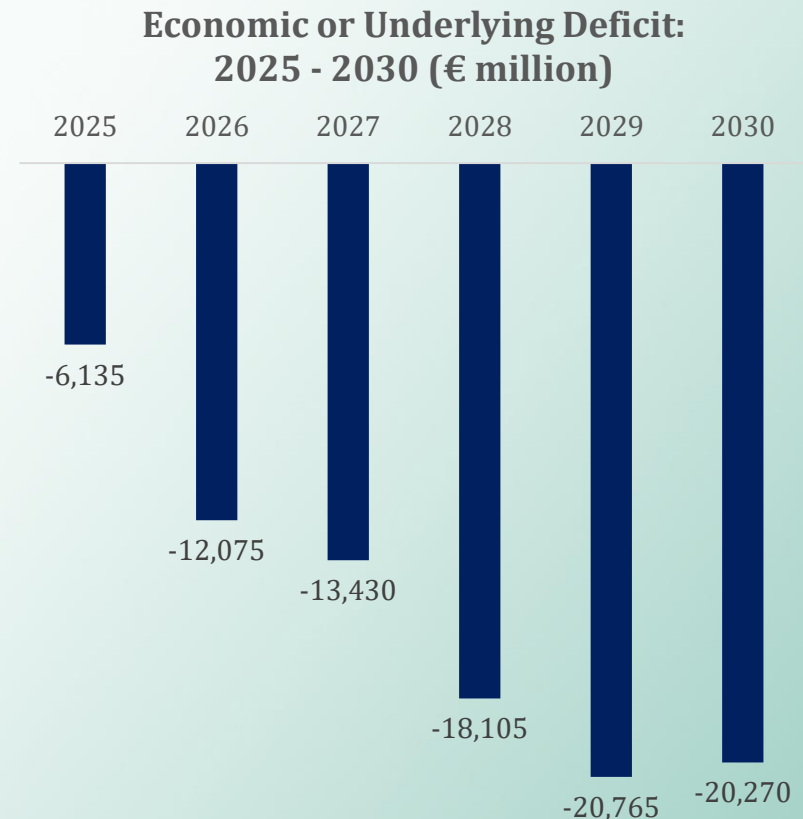
Fiscally Reckless Fiscally Unbalanced

Like 2006, our public finances are becoming ever more dependent on an unstable source of revenue. Back then it was property-related revenue.

Now it's a handful of multinationals.

Increasing Economic (Underlying) Deficits

- The economy is running at, or near, full capacity. A **resilient** and common sense fiscal policy would balance our budget or even generate a surplus.
- We are doing just the opposite. The economy is generating growing deficits. Budget papers show that the **underlying deficit** will increase - from €6.1 billion in 2025 to over €20 billion by 2030.



The Magic Beans

Windfall Corporate Tax Revenue:
2025 - 2030 (€ million)



- In any other country this rising deficit would result in higher borrowing, reduced spending and higher taxes (like 2009); that is, an austerity programme. Any other country – except Ireland.
- We benefit from ‘magic beans’ - *windfall corporate tax revenue* which ‘magically’ transforms deficits into surpluses.
- Windfall (temporary, transient, excess) tax revenue is rising by nearly €10 billion between 2025 and 2030.

2006 All Over Again

- This windfall corporate tax revenue is not generated by our economic activity. We are taxing profits generated in other countries. You may not want to call this 'tax-haven-type' activity, but it certainly means that multinational profits find a safe haven in Ireland.
- Prior to the crash, the Government increased public spending and cut taxes, relying on tax revenue from property speculation. We are doing the same thing today – this time relying on windfall corporate tax revenue. The Fiscal Council estimates that 85% of all corporate tax revenue will be spent – most of it in current spending.
- It is fiscal irresponsible to outsource a significant part of our public finances to a handful of multinationals. The last time public finances crashed, it was workers who paid the price.

Cost of Living

Taxes on Living Standards

The Government is not tackling '*taxes on living standards*' (with one exception).

We need to use public services and interventions into price markets to sustainably reduce living costs.

Taxes on Living Standards

- ‘*Taxes*’ are treated as something levied by government (income tax, VAT, etc.). However, there are taxes levied on our living standards. These can take the form of imposing costs on accessing public services –services that would be free or at below market rates in other EU countries.
- **Example: GP care is free** in most EU countries (Austria, Czechia, Denmark, Estonia, Germany, Greece, Hungary, Italy, Lithuania, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia and Spain). In Croatia, Bulgaria, France and Latvia GP visits cost €2 or less. In Ireland, a GP visit can cost between €50 and €90. This is **a tax on living standards**.

A High 'Tax' Burden: Rents

- Not only are rents the most expensive in our peer group capitals, Irish rents have increased by 70% in the last decade, compare to a peer group average of 40%.
- However, instead of rent-reduction policies, increasing rents is a government strategy to increase 'investment' into the sector.
- The only compensation: a tax relief amounting to a couple of weeks rent.

Eurostat Rents for 2-Bed Apartment in EU Capitals: 2025 (€ month)



A High 'Tax' Burden: Back-to-School Costs

Back-to-School Costs in Primary School: 2019 - 2025 (€)

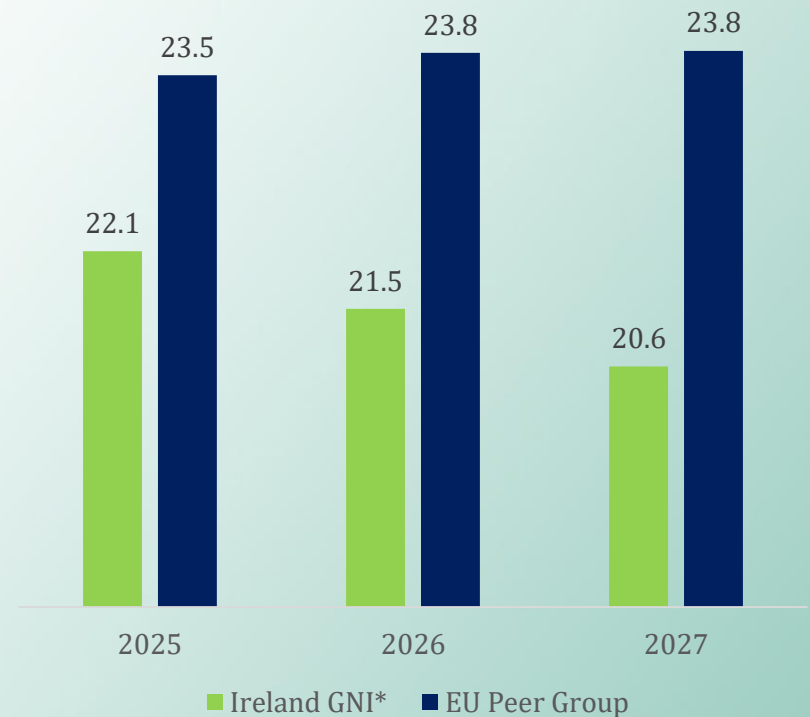


- At primary level, back-to-school costs can exceed €1,600. This has doubled since pre-covid period.
- For students at secondary level back-to-school costs can reach €3,000 which helps explain why 24% of households have to borrow money to send their children to school.

A Weak Social State

- Reducing taxes on living costs requires a strong social state – so that public services can be provided for free or at-below market costs.
- Budget 2027 is going in the wrong direction. Spending on public services is falling further behind our peer group average. In 2027, Irish spending on public services would have to increase by €12 billion.
- Instead, the baseline real spending per capita will grow by ½% annually out to 2030.

Spending on Public Services: 2025 - 2027 (% of GDP)

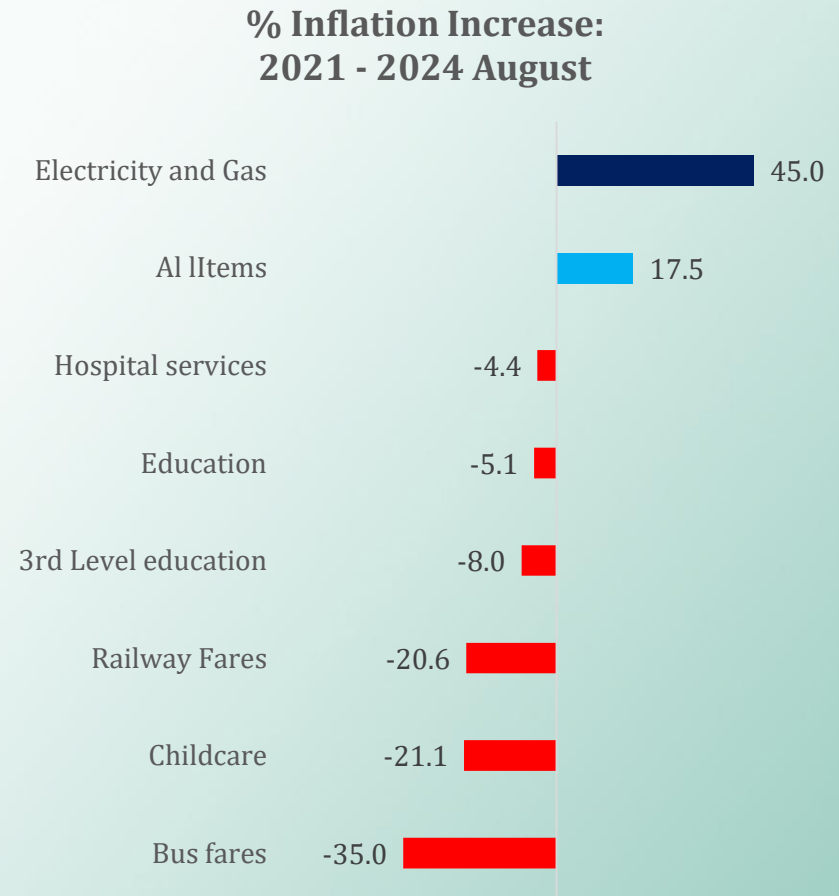


One Exception: Childcare

- The Government is rightly reducing the cost of childcare. They are doing this through a combination of household subsidies, providers' grants and reducing fees – essentially price control.
- While there is evidence that the particular means the Government is using is not cost-efficient, the principle is sound: intervening in the 'market' and forcing down prices.
- The Minister, however, oversold the benefits – and post-budget analysis shows a reality gap: fees are not falling as fast as officially claimed. Nonetheless, the logic of Government strategy is leading us (or should lead us) to a subsidised service provided by the state – like primary education.

Universal Basic Services

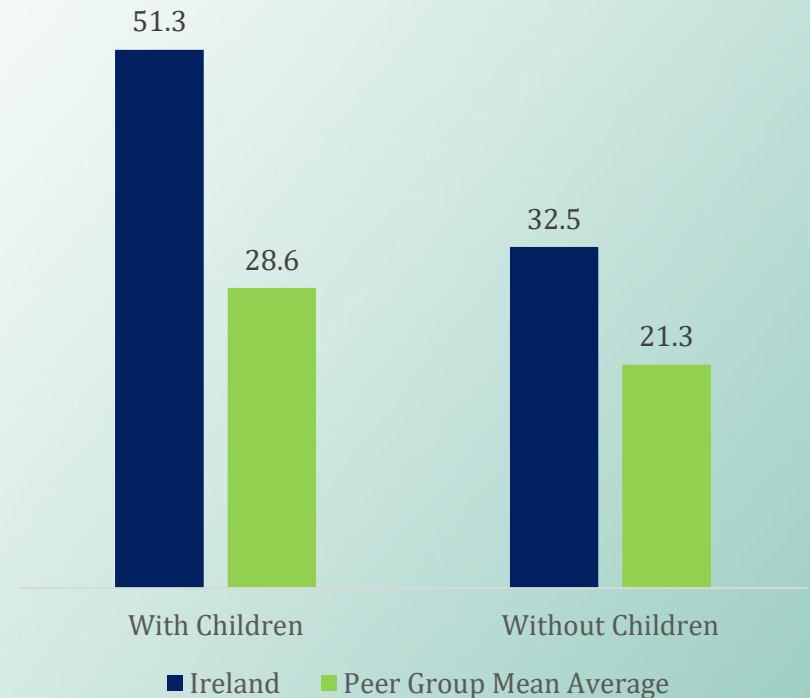
- If we want to inflation-proof goods or services, we need to provide them for free, or under 'administration prices' (i.e. determined by public policy).
- **Universal Basic Services** does just this. It proposes to provide many services for free: health, education, public transport, etc.
- This is what we did during the post-covid inflation surge. This would do more to 'un-squeeze' the middle than any tax cut.



Starting Point

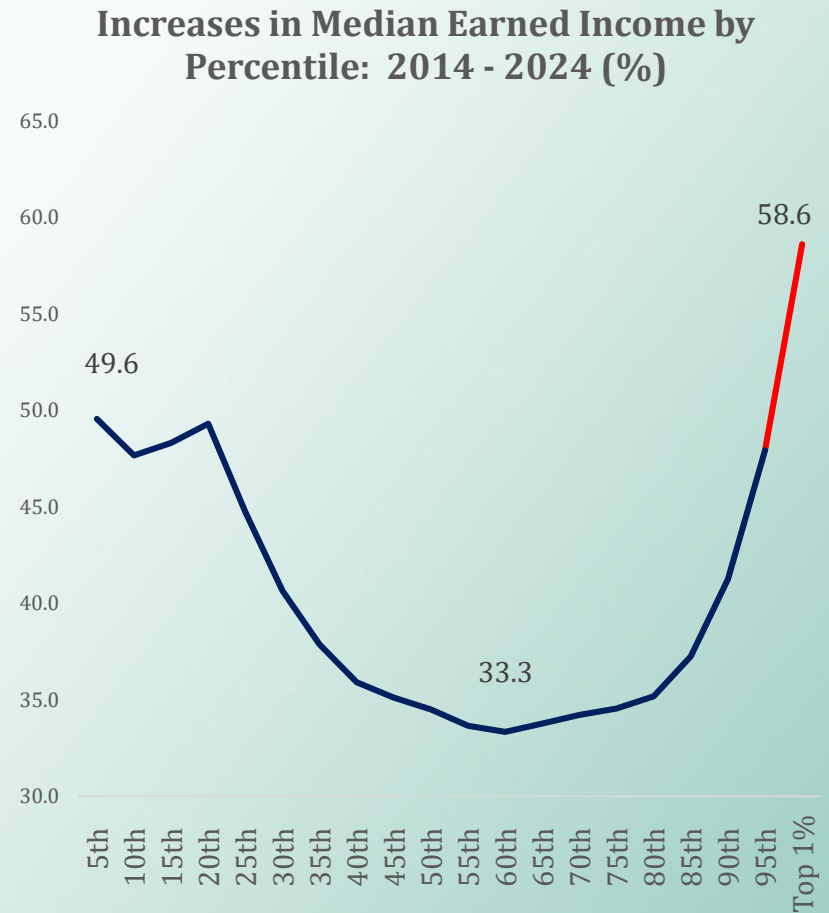
- A weak social state, combined with an emphasis on tax cuts relying on windfall profits, has resulted in a lot of households struggling to make ends meet.
- Particularly in households with dependent children.
- This is where a radical expansion of the social state should begin.

In Work Households Experiencing Difficulties Making Ends Meet: 2025 (%)



Coda: The Squeezed Middle Needs a Pay Rise

- The squeezed middle needs a stronger social (welfare) state. They also need a pay rise. Between 2014 and 2024:
 - a) Average income earners had the lowest wage increases.
 - b) Low-income earners have been assisted by increases in the minimum wage.
 - c) The top 1% saw their income rise by 59%. Average earners: 33%.
- The squeezed middle needs collective bargaining rights.



Concluding Budget 2027

- The Government is maintaining a low-tax, low-spend economy.
- Instead of facing up to its fiscal responsibilities, Fianna Fail and Fine Gael are raiding windfall tax revenue.
- It is privileging capital over labour – both in fiscal and industrial relations policy.
- Because it is restraining expenditure, it cannot generate resources to create a strong social state – including both public services and social protection. It cannot substantially or sustainably reduce living costs.
- We really do need a new Government.



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