

## Press release

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# Exchequer returns to end-May remain robust but decline in corporation tax receipts highlights underlying vulnerabilities

From [Department of Finance \(/en/organisation/departments-of-finance/\)](/en/organisation/departments-of-finance/); Department of Public Expenditure, NDP Delivery and Reform

Published on 2 June 2023

Last updated on 2 June 2023

**Exchequer returns to end-May remain robust but decline in corporation tax receipts highlights underlying vulnerabilities - Ministers McGrath and Donohoe**

• today's Exchequer figures show that tax revenues to end-May were €33.1 billion. up by

### €3.1 billion or over 10 per cent on the same period last year

- income tax receipts amounted to €13 billion to end-May, up by 9½ per cent on last year
- VAT receipts to end-May were up almost 12 per cent compared to the same period last year. However, growth slowed in the month of May
- corporation tax receipts to end-May are up €1.1 billion compared to the same period last year but fell on an annual basis in the month of May
- total gross voted expenditure to end-May amounted to €33.8 billion, €2 billion or 6.3 per cent above the same period in 2022
- an Exchequer deficit of €0.6 billion was recorded to end-May
- on a 12-month rolling basis, the Exchequer recorded a surplus of €3 billion. However, excluding one-offs, an underlying deficit of almost €4 billion was recorded on a 12-month rolling sum basis

Tax receipts were €33.1 billion to end-May, up €3.1 billion or over 10 per cent on an annual basis, driven by strong income tax, VAT, and corporation tax receipts. However, growth in some key revenue streams in May were notably lower than in the rest of the year to date.

At €13 billion to end-May, income tax receipts remain solid, up 9½ per cent on an annual basis consistent with the strong labour market data published earlier this week.

VAT receipts in the month of May amounted to €3 billion, growing by 2.7 per cent year-on-year. This is a more muted performance than in recent months and is likely due, in part, to timing issues. However, on a cumulative basis VAT remains strongly ahead of the same period last year, up by €1 billion or almost 12 per cent broadly consistent with the quarterly national accounts data published earlier today. After adjusting for a technical factor which inflated headline VAT receipts in the first quarter, underlying growth was 9½ per cent<sup>^</sup>.

Corporation tax to end-May was €6.3 billion, up by €1.1 billion on last year. However, the performance in May was down on the same month last year by €0.2 billion (6 per cent), reflecting higher repayments and weaker profitability, highlighting the volatility of this revenue stream.

Total gross voted expenditure to end-May amounted to €33.8 billion, €2 billion or 6.3 per cent above the same period in 2022 and €0.1 billion or 0.4 per cent below profile.

An Exchequer deficit of €0.6 billion was recorded to end-May. This compares to a surplus of €1.4 billion in the same period last year. The deterioration is driven by the transfer earlier this year of €4 billion in windfall receipts to the National Reserve Fund (NRF).

On a 12-month rolling basis, the Exchequer recorded a surplus of €3 billion. Excluding one-offs i.e. transfers to the NRF, proceeds from the disposal of bank equity and estimated windfall corporation tax receipts, an underlying Exchequer deficit of almost €4 billion was recorded on a 12-month rolling sum basis.

Commenting on the figures, the Minister for Finance Michael McGrath said:

"Today's Exchequer returns present a mixed picture of our public finances. Income tax receipts remain encouraging, reflecting an economy where the unemployment rate is now at its lowest level on record, but growth in VAT receipts slowed compared to previous months.

"While still elevated, corporation tax receipts in the month fell on an annual basis. I have said on many occasions, this is a volatile and potentially unreliable revenue stream. This decline highlights that, while headline figures may appear positive, there are real underlying vulnerabilities in our public finances.

"Government is taking action to address the risks around corporation tax: €6 billion in windfall receipts have been transferred to the National Reserve Fund to reinforce our fiscal buffers. Furthermore, last month my department published a scoping paper outlining a number of options for a longer-term investment fund that will enable us to use these receipts to prepare for the structural challenges our economy will face in the coming years. Proposals for the establishment of this fund are being developed and I intend to bring legislative proposals to Cabinet over the coming weeks.

"Ultimately, the best way to mitigate fiscal vulnerabilities is by pursuing a careful budgetary policy that balances continued investment in our public services and the long-term sustainability of the public finances. That is what this government will continue to do."

The Minister for Public Expenditure, NDP Delivery and Reform Paschal Donohoe said:

"Today's figures show an increase in public expenditure of €2 billion in comparison to the same period last year, with a total spend of almost €34 billion. This level of investment demonstrates the government's continued commitment to improving public services as we support our growing population. In particular, these figures reflect the progress in enhancing our infrastructure as part of the National Development Plan. This is delivering more homes, primary care centres, walking and cycling infrastructure and other projects that are important to people across the country."

"Throughout the first five months of the year, Government is rolling out measures in recognition of the ongoing cost of living challenges. This includes permanent increases in social welfare payments introduced as part of Budget 2023 alongside the Spring Bonus payment. We also continue to provide funding to support those arriving on our shores from Ukraine across a range of vital services including accommodation."

[Fiscal Monitor May 2023 \(/en/publication/e51b0-fiscal-monitor-may-2023/\)](/en/publication/e51b0-fiscal-monitor-may-2023/)

[May 2023 Analytical Statement \(/en/publication/f1ccc-may-2023-analytical-statement/\)](/en/publication/f1ccc-may-2023-analytical-statement/)

[Fiscal Monitor Summary May 2023 \(/en/publication/6695d-fiscal-monitor-summary-may-2023/\)](/en/publication/6695d-fiscal-monitor-summary-may-2023/)

# Notes

^ The Revenue Commissioners withheld €0.2 billion of receipts from December's figures in order to fund potential repayments in January; these funds were returned to the Exchequer in January this year.

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