Ireland

IMF Recommends Broadening Revenue Base as Key Policy Objective

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The International Monetary Fund (the IMF) has released a concluding statement highlighting the resistance of the Irish fiscal system to the recent consecutive shocks in the market and warning about the upcoming risks due to volatility in the multinational corporate sector.

According to the IMF, a prudent fiscal policy to build adequate buffers is warranted, given Ireland's large exposure to external shocks and future spending pressures from aging and climate change. Therefore, the IMF urged Ireland not to devote excess corporate income tax (CIT) revenue to permanent spending because of high volatility in the multinational corporate sector. This statement is particularly relevant in light of the recently reported third consequent month of falling CIT receipts (for previous reporting, *see* Ireland Confirms Increase in Income Tax, VAT Receipts, Decline in Corporate Tax Receipts (8 November 2023)).

In addition, the IMF notes that with a relatively low, narrow, and concentrated revenue base, there is scope to expand and diversify tax revenues, including by improving the personal income tax system, reducing its administrative cost, and simplifying the VAT system.

The full text of the update, dated 3 November 2023, is available here.

Ireland - IMF Recommends Broadening Revenue Base as Key Policy Objective (09 Nov. 2023), News IBFD.