Priorities for Budget 2027

Oireachtas Committee on Budgetary Oversight

Introduction

Social Justice Ireland welcomes the opportunity to discuss priorities for Budget 2027 with the Committee on Budgetary Oversight. This submission should be considered in conjunction with our budget papers and policy briefings: Budget Choices 2027, Fairness and Changing Income Taxes, Tracking Distributive Impact of Budget Policy and Social Welfare Rates and Budget 2027.

Social Justice Ireland recommends that Government prioritise four areas in Budget 2027:

- This Budget must protect the most vulnerable and enhance resilience in the face of cost of living pressures, poverty and deprivation;
- It must promote a more equitable distribution of the economic resources;
- It must invest in our social infrastructure and services;
- And it must future proof the public finances.

Protecting the most vulnerable

In terms of **protecting of the most vulnerable**, key priorities for Budget 2027 are to:

- Benchmark core social welfare rates to 27.5 per cent of average earnings and commit to achieving this over two budgets.
- Increase core social welfare rates by €15 in Budget 2027 and a further €10 in Budget 2028.
- Introduce a cost of disability allowance at an initial rate of €20 a week which must be built upon in subsequent Budgets.
- Increase child benefit by €20 and increase Child Support Payments for those under 12 by €10 a week and €18 for those aged 12 and over.
- Extend the fuel allowance by a further four weeks.

Social Justice Ireland welcomes the statement by An Taoiseach that Budget 2027 will focus on the cost of living. Any fair cost of living budget must focus on long-term, targeted measures that prioritises the lowest income households.

Based on CSO data, we estimate that almost 690,000 people were living below the poverty line in 2025. Of this number, more than 210,000 are children. Over 120,000 are aged over 65. And those experiencing poverty who are in work number almost 150,000.

Poverty, deprivation and homelessness are a reality in this prosperous country.

To this we must add rising cost of living pressures. The Central Bank forecasts an inflation rate of 3.4 per cent for 2026 and 3.1 per cent for 2027, well above the usual 2 per cent target.

The impact of inflation is greatest for those households in the bottom twenty percent of the income distribution. Vulnerable households are already fully stretched financially and have endured almost four years of increased costs in the basics – food, energy and housing. These households must be the focus of targeted, long-term measures that address income adequacy and build resilience.

If we are to protect those most exposed to price shocks and enhance resilience, then we must tackle poverty and invest in adequate incomes. Ad hoc increases to welfare payments, unrelated to other movements in the economy, fail to address income inadequacy in a strategic and sustained manner.

Budget 2027 is an opportunity to commit to benchmarking and chart a pathway to index social welfare rates to average weekly earnings. We encourage the Minister for Social Protection to commit to benchmarking social welfare rates to 27.5 per cent of average weekly earnings. This would allow Government to take a long-term approach to the persistent problem of households who are unable to make ends meet. Mindful that inequality between earnings and social welfare rates increases risk of poverty and damages social cohesion, linking social welfare rates to average earning would also prevent the gap between the two from widening excessively. Indexation of the welfare systems would also provide greater fiscal certainty for Government.

Directing resources to lower income households would support Government to fulfil the Programme for Government commitment to deliver progressive budgets and address the persistent challenge of income adequacy.

A more equitable distribution of economic resources

In terms of **promoting a more equitable distribution of economic resources,** key priorities for Budget 2027 are to:

- Increase the PAYE and Earned Income tax credits by €5 per week
- Make the PAYE and Earned Income tax credits refundable.

Government should use Budget 2027 to pursue employment friendly tax policies that reward work, support labour market participation, and ease the transition from welfare to work.

In Budget 2027, Government should increase both the Employee and Earned Income Tax credits by €5 per week providing additional support for workers. Increasing the tax credits alongside making them refundable would make Ireland's tax system fairer, address part of the working poor problem, and improve the living standards of a substantial number of people.

In the context of any potential tax package, Government must remain vigilant with regard to the distributive impact taxation policy choices can have and the potential for policy to pursue both fair and unfair outcomes.

In terms of fairness, concentrating any budget income tax package on increases to tax credits delivers gains to almost all working households and avoids a situation where many low-to-middle income earners are excluded from budgetary gains.

The rise of precarious work has created a structural crisis where 5.8 per cent of employed people in Ireland are still experiencing poverty.

Introducing a system of Refundable Tax Credits, at a cost of €210 million in 2027, would allow low income workers who do not earn enough to use their full credits directly to have the unused portion of these credits paid to them as a cash refund. Such a reform would mean that the full value of tax credits goes to everybody who has an earned income. The main beneficiaries would be low-paid employees (full-time and part-time). This option would improve the net income of workers whose incomes are lowest.

Once adopted, a system of refundable tax credits would result in all future changes in tax credits being experienced equally by all employees in Irish society. Such a reform would mark a significant step in the direction of building a fairer taxation system and represent a fairer way for Irish society to allocate its resources. Coupled with Budget decisions to adequately increase welfare payments this would help deliver a notably fair and progressive Budget in 2027.

Investment in social infrastructure

In terms of **investment in our social infrastructure and services** key priorities for Budget 2027 are to:

- Increase planned social housing construction to 20,000.
- Expand Housing First to families.

Social Justice Ireland supports the Housing Commission's recommendation for a targeted increase in the share of social and cost rental housing, and we propose that Government set a target for 20 per cent of all housing stock to be social housing by 2040. This would equate to around 390,000 units to be delivered in the next 14 years.

This requires scaling up delivery, beginning with an annual target of 20,000 units for the next five years, up from the current 12,000 as committed in the Programme for Government. Government should utilise €2.2bn from windfall corporate tax receipt for investment in social housing construction and to reach an annual target of 20,000 units.

The number of people who have had to resort to emergency homelessness accommodation now exceed 17,500, including 5,659 children in the last week of July. These figures do not include the many people experiencing homelessness who are not staying in emergency accommodation – hidden homelessness.

Homelessness is becoming normalised. Family homelessness has increased by 140 per cent over the past decade, and by almost 170 per cent since the introduction of Housing for All in September 2021.

The continued over-reliance on emergency accommodation as opposed to prevention supports and long-term solutions raises concerns about the sustainability and effectiveness of current spending, emphasising the urgent need for a shift toward prevention-focused policies and housing-first approaches.

Social Justice Ireland calls on Government to prioritise policies to address family homelessness. In Budget 2027, a key priority should be the extension of the housing first approach to homeless families accessing emergency accommodation, at a cost of €130m.

Future proofing public finances

In terms of **future proofing our public finances,** the key priority for Budget 2027 should be to:

- Set a tax-take target on a per capita basis.

The profile of Ireland's population is changing and is projected to reach between 5.7 and 7 million by 2057. The proportion of the population aged over 65 years is also set to increase significantly. We must be realistic about how much will need to be spent on our social infrastructure and services both in future and to address existing deficits. Government decisions to raise or reduce overall taxation revenue ought to be linked to the demands on its resources.

At present, while the public finances are in surplus, the underlying fiscal position is in deficit when windfall corporate revenues are excluded, leaving Ireland exposed. The Summer Economic Statement suggests Government is planning a tax reduction package of €1.5bn. It is of concern that, whilst noting the precariousness of Ireland's tax base in the document, no detail is provided as to how Government plans to broaden Ireland's tax base or increase the overall tax take.

Government should use Budget 2027 to outline a clear plan for broadening the tax base and increasing sustainable revenue. We therefore recommend that Government set tax-take target on a per capita basis. This would link Ireland's overall level of taxation to population size and the related demand on resources. We propose that Budget 2027 begins the process of moving towards a per capita target of €29,247 over the coming years.

In our Budget Choices briefing paper we lay out the full range of costed Budget proposals to make Ireland fairer and enhance the lives of the most vulnerable. In doing so, we address both sides of the ledger and provide a balanced Budget picture. Moreover, we do so within a smaller budgetary package of tax and spend that that outlined in the summer economic statement. Our recommendations are eminently achievable.

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Social Justice Ireland is an independent think-tank and justice advocacy organisation of that advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole.

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