CONSTRUCTION INDUSTRY FEDERATION

BUDGET 2027 SUBMISSION

BUDGET SUBMISSION

Ireland faces a critical 10-year delivery window to address structural deficits in housing, infrastructure, and climate transition before demographic pressures constrain fiscal capacity.

While the construction sector is performing strongly (GVA +9.7% in 2025; 36,300 housing completions), delivery rather than funding is now the binding constraint.

Persistent pressures such as evolving workforce capacity, planning and procurement inefficiencies, viability challenges, and infrastructure gaps are continuing to shape delivery outcomes.

Ireland also faces a 32% infrastructure gap and 27% quality deficit relative to peers, underscoring the importance of accelerating delivery.

Budget 2027 must focus on expanding capacity, stabilising delivery, and improving system efficiency to unlock housing, infrastructure and climate outcomes.

32% INFRASTRUCTURE GAP

27% QUALITY DEFICIT RELATIVE TO PEERS

Construction Industry Federation
Budget Submission 2027

Submitted to: Department of Finance and Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation.

BUDGET SUBMISSION 2027

THE CONSTRUCTION ECOSYSTEM

Each pillar reinforces the others in a continuous loop: a strong workforce (skills) enables effective project delivery, which increases housing and infrastructure output; this, in turn, supports the green and digital transition, improving productivity and competitiveness, which feeds back into investment in people, systems, and delivery capacity.

PILLAR 1

Skills and Workforce Development

KEY ISSUE:

Evolving workforce capacity is an important factor influencing delivery, requiring both immediate and longer term responses.

PRIORITY RECOMMENDATIONS:

1. **Scale the skills pipeline**
   - Universal access to technical subjects in schools
   - Multi-annual funding for STEM and construction careers pathways
2. **Reform and strengthen apprenticeships**
   - Maintain full State funding of off-the-job training
   - Ensure funding parity across apprenticeship models
   - Reintroduce employer incentives, especially for SMEs
3. **Unlock labour supply in the short term**
   - Streamline visa and work permit processing
   - Expand targeted recruitment and careers campaigns
4. **Use the National Training Fund strategically**
   - Redirect surplus funding toward construction skills
   - Support shared apprenticeships and SME training
5. **Invest in upskilling and productivity**
   - Support digital skills (BIM, MMC)
   - Expand specialist training (e.g. timber construction)

PILLAR 2

Strategic Infrastructure Delivery

KEY ISSUE:

Ireland has funding but lacks delivery, certainty, and system capacity to execute major infrastructure projects.

PRIORITY RECOMMENDATIONS:

1. **Publish a rolling multi-annual capital pipeline**
   - Provide visibility on project sequencing and timelines
   - Enable industry investment in capacity and skills
2. **Reform procurement for productivity**
   - Shift away from lowest-cost models
   - Improve risk allocation and collaboration
   - Accelerate the adoption of early contractor involvement
3. **Address energy infrastructure constraints**
   - Publish a national roadmap for electricity capacity
   - Remove energy supply as a barrier to FDI and development
4. **Stabilise construction costs**
   - Temporary VAT reductions on key inputs
   - Multi-annual budgeting to support MMC investment
5. **Invest in MMC and innovation infrastructure**
   - Fund off-site manufacturing and regional facilities
   - Establish a national construction testing facility

PILLAR 3

Unlocking Housing Supply

KEY ISSUE:

Housing output remains below demand, highlighting ongoing viability challenges and the need for targeted measures to restore delivery across the residential pipeline.

PRIORITY RECOMMENDATIONS:

1. **Restore viability through targeted cost measures**
   - Pause further carbon tax increases on construction
   - Offset short-term cost pressures with targeted supports
2. **Reintroduce and extend key activation supports**
   - Development contribution waivers
   - Water connection refunds
   - Pause indexation of levies
3. **Application of the reduced VAT to all apartment types**
   - Apply 9% VAT to all duplex apartments
   - Remove restrictive definitions (e.g. common entrance rules)
4. **Strengthen Help-to-Buy (HTB)**
   - Make permanent and index thresholds to inflation
   - Increase thresholds in high-cost regions
5. **Reform Residential Zoned Land Tax (RZLT)**
   - Exempt active and constrained development
   - Target only inactive/speculative land
   - Align land taxation measures with 10-year, plan-led development frameworks by avoiding uniform short-term activation pressures that conflict with coordinated, phased infrastructure and housing delivery

PILLAR 4

Green and Digital Transition

KEY ISSUE:

Construction decarbonisation presents a significant opportunity, supported by a suite of targeted recommendations to address current cost, technology, and energy system challenges and enable a practical, scalable transition.

PRIORITY RECOMMENDATIONS:

1. **Introduce a Green Construction Plant Scheme**
   - 30–50% grants for low/zero-emission plant
   - Support site electrification and battery systems
2. **Target transitional fuels and realistic pathways**
   - Prioritise HVO for hard-to-abate uses
   - Support hybrid and phased transition technologies
3. **Support SMEs in transition**
   - Establish a Construction SME Sustainability Fund
   - Fund ESG reporting, digital tools, and compliance
4. **Invest in circular construction infrastructure**
   - Develop soil hubs and material recovery systems
   - Incentivise recycled material use through procurement
5. **Address systemic energy constraints**
   - Develop a long-term, technology-neutral energy strategy
   - Develop a technology-neutral strategy for scalable low-carbon power that safeguards supply, affordability and delivery of housing and infrastructure

PILLAR 5

Competitiveness and Productivity

KEY ISSUE:

Productivity is constrained by system inefficiencies, regulatory burden, and underinvestment in innovation.

PRIORITY RECOMMENDATIONS:

1. **Ensure cashflow-neutral tax reform**
   - Protect 0% RCT rate
   - Avoid excessive withholding under eWithholding reforms
2. **Improve sector data and benchmarking**
   - Develop sub-sector productivity metrics
   - Publish national performance benchmarks
3. **Reduce regulatory and insurance costs**
   - Streamline compliance and approvals
   - Lower barriers for SMEs
4. **Invest in innovation and digitalisation**
   - Expand funding for MMC standardisation
   - Support R&D and digital adoption
5. **Enable strategic infrastructure sites**
   - Progress 'Next Generation' industrial sites
   - Align infrastructure with regional growth

CONCLUSION: IMMEDIATE BUDGET PRIORITIES

Across all pillars, five cross-cutting priorities emerge:

1. Address evolving workforce capacity (skills, apprenticeships, migration)
2. Provide pipeline certainty (capital plan, energy roadmap)
3. Restore housing viability (targeted cost measures, VAT, HTB reform)
4. Enable climate transition without undermining delivery (targeted green supports)
5. Improve system efficiencies (procurement, tax, regulation)

Ireland's challenge is no longer planning ambition or funding availability – it is execution capacity.

Targeted measures in Budget 2027 can:

- Unlock housing supply
- Accelerate infrastructure delivery
- Protect competitiveness
- Ensure climate progress without reducing output

Failure to act risks entrenching shortages and delaying national priorities during a narrow window for action.

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