Taxation Annexes to the Summary

of 2016

Budget Measures

Taxation Annexes to the Summary

of 2016

Budget Measures

Contents

ANNEX A

The Effect of Budget 2016 Measures On Different Categories of Income Earners

Contents

(i) Examples showing the impact of Budget 2016 Income Tax and USC changes for Different Categories of Married/Civil Partners and Single Income Earners

Examples 1 to 6 show the changes in Income Tax and Universal Social Charge for various categories of income earners. Family Income Supplement payments are included in the calculations, where relevant. The examples are based on specimen incomes with the basic tax credits including the home carer tax credit, where relevant. The examples do not take account of additional tax reliefs such as Mortgage Interest Relief. Variations can arise due to rounding.

(ii) Average Tax Rates

Tables showing average tax rates for the years 2001 to 2016 for various household types are included.

(iii) Distribution of Income Earners

A table showing the distribution of income earners on a 2015 and Post-Budget 2016 basis.

(iv) Illustrative Cases

A number of illustrative cases are included which demonstrate the total tax liability and net pay for 2015 and 2016. Where appropriate, some cases also show changes to Child Benefit announced in this Budget.

(i) Examples showing the effects of Budget changes on different categories of single and married income earners

EXAMPLE 1

Single person, no children, private sector employee taxed under PAYE
Full rate PRSI contributor

Note: Assuming that employees currently earning less than €17,542p.a. earn all their income at the minimum wage and will therefore benefit from an increase of 5.78% (€8.65 to €9.15 per hour) in their gross income.

Gross Income			Income Tax		PRSI		Universal Social Charge		Total Change		Change as % of Net Income
Existing €	Min. Wage Increase	New €	Existing €	Proposed €	Existing €	Proposed €	Existing €	Proposed €	Per Year €	Per Week €	
13,000	751	13,751	0	0	0	0	215	172	794	15	6.2%
15,000	867	15,867	0	0	0	0	285	236	916	18	6.2%
17,542	1,014	18,556	208	411	0	160	374	316	708	14	4.2%
20,000	0	20,000	700	700	800	459	545	393	493	9	2.7%
25,000	0	25,000	1,700	1,700	1,000	1,000	895	668	227	4	1.1%
35,000	0	35,000	3,940	3,940	1,400	1,400	1,595	1,218	377	7	1.3%
45,000	0	45,000	7,940	7,940	1,800	1,800	2,295	1,768	527	10	1.6%
55,000	0	55,000	11,940	11,940	2,200	2,200	2,995	2,318	677	13	1.8%
70,000	0	70,000	17,940	17,940	2,800	2,800	4,045	3,143	902	17	2.0%
100,000	0	100,000	29,940	29,940	4,000	4,000	6,444	5,542	902	17	1.5%
150,000	0	150,000	49,940	49,940	6,000	6,000	10,444	9,542	902	17	1.1%
175,000	0	175,000	59,940	59,940	7,000	7,000	12,444	11,542	902	17	0.9%

Variations can arise due to rounding

EXAMPLE 2

Married couple, one income, no children, private sector employee taxed under PAYE

Full rate PRSI contributor

Note: Assuming that employees currently earning less than €17,542p.a. earn all their income at the minimum wage and will therefore benefit from an increase of 5.78% (€8.65 to €9.15 per hour) in their gross income.

Gross Income			Income Tax		PRSI		Universal Social Charge		Total Change		Change as % of Net Income
Existing €	Min. Wage Increase	New €	Existing €	Proposed €	Existing €	Proposed €	Existing €	Proposed €	Per Year €	Per Week €	
13,000	751	13,751	0	0	0	0	215	172	794	15	6.2%
15,000	867	15,867	0	0	0	0	285	236	916	18	6.2%
17,542	1,014	18,556	0	0	0	160	374	316	911	18	5.3%
20,000	0	20,000	0	0	800	459	545	393	493	9	2.6%
25,000	0	25,000	50	50	1,000	1,000	895	668	227	4	1.0%
35,000	0	35,000	2,050	2,050	1,400	1,400	1,595	1,218	377	7	1.3%
45,000	0	45,000	4,490	4,490	1,800	1,800	2,295	1,768	527	10	1.4%
55,000	0	55,000	8,490	8,490	2,200	2,200	2,995	2,318	677	13	1.6%
70,000	0	70,000	14,490	14,490	2,800	2,800	4,045	3,143	902	17	1.9%
100,000	0	100,000	26,490	26,490	4,000	4,000	6,444	5,542	902	17	1.4%
150,000	0	150,000	46,490	46,490	6,000	6,000	10,444	9,542	902	17	1.0%
175,000	0	175,000	56,490	56,490	7,000	7,000	12,444	11,542	902	17	0.9%

Variations can arise due to rounding

EXAMPLE 3 - Including Family Income Supplement and Child Benefit

Married couple, one income, two children, private sector employee taxed under PAYE
Full rate PRSI contributor

Note: Assuming that employees currently earning less than €17,542p.a. earn all their income at the minimum wage and will therefore benefit from an increase of 5.78% (€8.65 to €9.15 per hour) in their gross income.

Gross Income			Income Tax		PRSI		Universal Social Charge		Family Income Supplement		Child Benefit		Total Change (including FIS and Child Benefit)		Change as % of Net Income
Existing	Min. Wage Increase	New	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Per Year	Per Week	
€		€	€	€	€	€	€	€	€	€	€	€	€	€	
13,000	751	13,751	0	0	0	0	215	172	11,128	10,972	3,240	3,360	758	15	2.7%
15,000	867	15,867	0	0	0	0	285	236	9,984	9,724	3,240	3,360	776	15	2.7%
17,542	1,014	18,556	0	0	0	160	374	316	8,528	8,268	3,240	3,360	771	15	2.5%
20,000	0	20,000	0	0	800	459	545	393	7,592	7,644	3,240	3,360	665	13	2.1%
25,000	0	25,000	0	0	1,000	1,000	895	668	4,940	5,096	3,240	3,360	503	10	1.4%
35,000	0	35,000	1,240	1,050	1,400	1,400	1,595	1,218	1,040	1,040	3,240	3,360	687	13	1.8%
45,000	0	45,000	3,680	3,490	1,800	1,800	2,295	1,768	0	0	3,240	3,360	837	16	1.9%
55,000	0	55,000	7,680	7,490	2,200	2,200	2,995	2,318	0	0	3,240	3,360	987	19	2.1%
70,000	0	70,000	13,680	13,490	2,800	2,800	4,045	3,143	0	0	3,240	3,360	1,212	23	2.2%
100,000	0	100,000	25,680	25,490	4,000	4,000	6,444	5,542	0	0	3,240	3,360	1,212	23	1.7%
150,000	0	150,000	45,680	45,490	6,000	6,000	10,444	9,542	0	0	3,240	3,360	1,212	23	1.2%
175,000	0	175,000	55,680	55,490	7,000	7,000	12,444	11,542	0	0	3,240	3,360	1,212	23	1.1%

Variations can arise due to rounding

EXAMPLE 4

Single person, no children, taxed under Schedule D (self-employed)

Gross Income	Income Tax		PRSI		Universal Social Charge		Total Change		Change as % of Net Income
	Existing	Proposed	Existing	Proposed	Existing	Proposed	Per Year	Per Week	
€	€	€	€	€	€	€	€	€	
13,000	950	400	520	520	215	150	615	12	5.4%
15,000	1,350	800	600	600	285	210	625	12	4.9%
17,542	1,858	1,308	702	702	374	286	638	12	4.4%
20,000	2,350	1,800	800	800	545	393	702	13	4.3%
25,000	3,350	2,800	1,000	1,000	895	668	777	15	3.9%
35,000	5,590	5,040	1,400	1,400	1,595	1,218	927	18	3.5%
45,000	9,590	9,040	1,800	1,800	2,295	1,768	1,077	21	3.4%
55,000	13,590	13,040	2,200	2,200	2,995	2,318	1,227	24	3.4%
70,000	19,590	19,040	2,800	2,800	4,045	3,143	1,452	28	3.3%
100,000	31,590	31,040	4,000	4,000	6,444	5,542	1,452	28	2.5%
150,000	51,590	51,040	6,000	6,000	11,944	11,042	1,452	28	1.8%
175,000	61,590	61,040	7,000	7,000	14,694	13,792	1,452	28	1.6%

Variations can arise due to rounding

EXAMPLE 5

Married couple, one income, no children, taxed under Schedule D (self-employed)

Gross Income	Income Tax		PRSI		Universal Social Charge		Total Change		Change as % of Net Income
	Existing	Proposed	Existing	Proposed	Existing	Proposed	Per Year	Per Week	
€	€	€	€	€	€	€	€	€	
13,000	0	0	520	520	215	150	65	1	0.5%
15,000	0	0	600	600	285	210	75	1	0.5%
17,542	208	0	702	702	374	286	296	6	1.8%
20,000	700	150	800	800	545	393	702	13	3.9%
25,000	1,700	1,150	1,000	1,000	895	668	777	15	3.6%
35,000	3,700	3,150	1,400	1,400	1,595	1,218	927	18	3.3%
45,000	6,140	5,590	1,800	1,800	2,295	1,768	1,077	21	3.1%
55,000	10,140	9,590	2,200	2,200	2,995	2,318	1,227	24	3.1%
70,000	16,140	15,590	2,800	2,800	4,045	3,143	1,452	28	3.1%
100,000	28,140	27,590	4,000	4,000	6,444	5,542	1,452	28	2.4%
150,000	48,140	47,590	6,000	6,000	11,944	11,042	1,452	28	1.7%
175,000	58,140	57,590	7,000	7,000	14,694	13,792	1,452	28	1.5%

Variations can arise due to rounding

EXAMPLE 6

Married couple, one income, two children, taxed under Schedule D (self-employed)

Gross Income	Income Tax		PRSI		Universal Social Charge		Child Benefit		Total Change		Change as % of Net Income
	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Per Year	Per Week	
€	€	€	€	€	€	€	€	€	€	€	
13,000	0	0	520	520	215	150	3,240	3,360	185	4	1.2%
15,000	0	0	600	600	285	210	3,240	3,360	195	4	1.1%
17,542	0	0	702	702	374	286	3,240	3,360	208	4	1.1%
20,000	0	0	800	800	545	393	3,240	3,360	272	5	1.2%
25,000	890	150	1,000	1,000	895	668	3,240	3,360	1,087	21	4.3%
35,000	2,890	2,150	1,400	1,400	1,595	1,218	3,240	3,360	1,237	24	3.8%
45,000	5,330	4,590	1,800	1,800	2,295	1,768	3,240	3,360	1,387	27	3.6%
55,000	9,330	8,590	2,200	2,200	2,995	2,318	3,240	3,360	1,537	30	3.5%
70,000	15,330	14,590	2,800	2,800	4,045	3,143	3,240	3,360	1,762	34	3.4%
100,000	27,330	26,590	4,000	4,000	6,444	5,542	3,240	3,360	1,762	34	2.7%
150,000	47,330	46,590	6,000	6,000	11,944	11,042	3,240	3,360	1,762	34	2.0%
175,000	57,330	56,590	7,000	7,000	14,694	13,792	3,240	3,360	1,762	34	1.8%

Variations can arise due to rounding

(ii) AVERAGE EFFECTIVE TAX RATES ON ANNUAL EARNINGS IN % TERMS*

FULL RATE PRSI

FULL RATE PRSI	SINGLE															
Gross Income €	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009 (s)/2010	2011	2012	2013	2014	2015	2016
15,000	9.5%	7.7%	6.8%	5.2%	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%	2.7%	2.7%	2.7%	1.9%	1.5%
20,000	15.2%	13.8%	13.1%	11.9%	8.4%	7.1%	5.1%	4.4%	5.4%	6.4%	9.8%	9.8%	11.1%	11.1%	10.2%	7.8%
25,000	17.3%	16.2%	15.7%	14.7%	13.5%	12.5%	10.9%	8.3%	9.3%	10.3%	14.0%	14.0%	15.1%	15.1%	14.4%	13.5%
30,000	22.2%	19.3%	18.9%	18.1%	16.0%	14.7%	13.4%	12.9%	13.9%	16.9%	16.8%	16.8%	17.7%	17.7%	17.1%	16.1%
40,000	28.3%	26.4%	26.1%	25.5%	24.0%	21.9%	19.7%	18.6%	19.1%	22.1%	24.2%	24.2%	24.8%	24.8%	23.7%	22.6%
60,000	33.6%	32.4%	32.3%	32.0%	31.1%	29.8%	28.1%	27.5%	28.2%	31.7%	33.4%	33.4%	33.9%	33.9%	32.8%	31.6%
100,000	37.9%	37.1%	37.0%	36.9%	36.3%	35.6%	34.2%	33.8%	34.6%	39.2%	40.9%	40.9%	41.1%	41.1%	40.4%	39.5%
120,000	38.9%	38.3%	38.2%	38.1%	37.6%	37.0%	35.7%	35.4%	36.5%	41.1%	42.7%	42.7%	42.9%	42.9%	42.3%	41.6%

FULL RATE PRSI	MARRIED/CIVIL PARTNER ONE INCOME TWO CHILDREN															
Gross Income €	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2009 (s)/2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
15,000	2.2%	2.2%	2.2%	2.2%	2.2%	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%	2.7%	2.7%	2.7%	1.9%	1.5%
20,000	4.7%	4.7%	4.7%	4.7%	2.7%	2.7%	2.7%	2.7%	3.7%	4.7%	6.3%	6.3%	7.6%	7.6%	6.7%	4.3%
25,000	8.7%	7.1%	6.5%	5.5%	4.9%	4.9%	4.9%	2.9%	3.9%	4.9%	7.2%	7.2%	8.3%	8.3%	7.6%	6.7%
30,000	11.6%	10.2%	9.8%	9.0%	7.8%	6.7%	5.1%	5.1%	6.1%	9.1%	8.6%	8.6%	9.5%	9.5%	8.9%	7.3%
40,000	16.6%	15.7%	15.5%	14.9%	13.2%	11.5%	10.2%	9.4%	10.4%	13.4%	14.2%	14.2%	14.9%	14.9%	14.5%	12.9%
60,000	25.9%	25.3%	25.1%	24.8%	23.9%	22.5%	20.8%	19.8%	20.5%	24.0%	26.2%	26.2%	26.6%	26.6%	25.7%	24.1%
100,000	33.2%	32.8%	32.8%	32.6%	32.0%	31.2%	29.7%	29.2%	30.0%	34.6%	36.5%	36.5%	36.8%	36.8%	36.1%	35.0%
120,000	35.0%	34.7%	34.6%	34.5%	34.0%	33.3%	32.0%	31.6%	32.6%	37.2%	39.1%	39.1%	39.3%	39.3%	38.8%	37.9%

*Average Effective Tax Rates 2001-2010: Total of Income Tax, Levies (Income and Health) and PRSI as a proportion of gross income.
Average Effective Tax Rates 2011-2015: Total of Income Tax, PRSI and Universal Social Charge as a proportion of gross income.
Calculations only account for the standard employee credit, personal income tax credit and home carer credit where relevant.

(s)Supplementary Budget 2009

AVERAGE EFFECTIVE TAX RATES ON ANNUAL EARNINGS IN % TERMS*

SELF EMPLOYED

SELF EMPLOYED	SINGLE															
Gross Income €	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009 (s)/2010	2011	2012	2013	2014	2015	2016
15,000	13.7%	12.9%	12.9%	12.9%	12.5%	12.1%	11.3%	10.8%	10.8%	10.8%	15.7%	15.7%	15.7%	15.7%	14.9%	10.7%
20,000	18.0%	17.4%	17.4%	17.4%	15.1%	14.9%	14.2%	13.9%	14.9%	15.9%	19.3%	19.3%	19.3%	19.3%	18.5%	15.0%
25,000	19.4%	18.9%	18.9%	18.9%	18.7%	18.5%	18.0%	15.7%	16.7%	17.7%	21.7%	21.7%	21.7%	21.7%	21.0%	17.9%
30,000	23.7%	21.4%	21.4%	21.4%	20.2%	19.6%	19.1%	18.9%	19.9%	22.9%	23.2%	23.2%	23.2%	23.2%	22.6%	19.8%
40,000	29.5%	27.8%	27.8%	27.8%	26.9%	25.3%	23.8%	22.8%	23.3%	26.3%	29.0%	29.0%	29.0%	29.0%	27.8%	25.3%
60,000	35.4%	34.2%	34.2%	34.2%	33.6%	32.6%	31.2%	30.6%	31.2%	34.2%	36.6%	36.6%	36.6%	36.6%	35.6%	33.4%
100,000	40.0%	39.3%	39.3%	39.3%	39.0%	38.3%	37.1%	36.7%	37.5%	41.3%	42.8%	42.8%	42.8%	42.8%	42.0%	40.6%
120,000	41.2%	40.6%	40.6%	40.6%	40.3%	39.8%	38.7%	38.4%	39.4%	43.2%	44.8%	44.8%	44.8%	44.8%	44.2%	43.0%

SELF EMPLOYED	MARRIED/CIVIL PARTNER ONE INCOME TWO CHILDREN															
Gross Income €	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009 (s)/2010	2011	2012	2013	2014	2015	2016
15,000	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	6.7%	6.7%	6.7%	6.7%	5.9%	5.4%
20,000	7.2%	6.0%	6.0%	6.0%	3.4%	3.0%	3.0%	3.0%	4.0%	5.0%	7.6%	7.6%	7.6%	7.6%	6.7%	6.0%
25,000	10.8%	9.8%	9.8%	9.8%	9.3%	8.9%	7.8%	4.8%	5.8%	6.8%	11.8%	11.8%	11.8%	11.8%	11.1%	7.3%
30,000	13.2%	12.3%	12.3%	12.3%	11.9%	11.6%	10.7%	9.8%	10.8%	13.8%	15.0%	15.0%	15.0%	15.0%	14.4%	11.0%
40,000	17.9%	17.1%	17.1%	17.1%	16.1%	14.9%	14.3%	13.6%	14.6%	17.6%	19.0%	19.0%	19.0%	19.0%	18.6%	15.6%
60,000	27.6%	27.1%	27.1%	27.1%	26.4%	25.3%	23.8%	22.9%	23.5%	26.5%	29.4%	29.4%	29.4%	29.4%	28.5%	26.0%
100,000	35.3%	35.1%	35.1%	35.1%	34.6%	34.0%	32.7%	32.1%	32.9%	36.7%	38.4%	38.4%	38.4%	38.4%	37.8%	36.1%
120,000	37.3%	37.0%	37.0%	37.0%	36.7%	36.1%	35.0%	34.5%	35.5%	39.4%	41.2%	41.2%	41.2%	41.2%	40.6%	39.3%

*Average Effective Tax Rates 2001-2010: Total of Income Tax, Levies (Income and Health) and PRSI as a proportion of gross income.
Average Effective Tax Rates 2011-2015: Total of Income Tax, PRSI and Universal Social Charge as a proportion of gross income.
Calculations only account for the personal income tax credit and home carer credit, where relevant.
(s)Supplementary Budget 2009

(iii)ESTIMATED DISTRIBUTION OF INCOME EARNERS ON THE INCOME TAX FILE FOR 2015 AND 2016

	Exempt (standard rate liability covered by credits or age exemption limits)	Paying tax at the standard rate* (including those whose liability at the higher rate is fully offset by Credits)	Higher rate liability NOT fully offset by credits	Total
2015	868,785 37%	1,050,760 45%	434,794 18%	2,354,339
2016 on a post budget basis	862,260 36%	1,068,509 44%	474,168 20%	2,404,937

Notes:

1. Distributions for 2016 are estimates from the Revenue tax-forecasting model using actual data for the year 2013, adjusted as necessary for income and employment trends in the interim.
2. Figures are provisional and likely to be revised
3. A jointly assessed married couple/civil partnership is treated as one tax unit.
4. Percentages are rounded to the nearest percentage point

(iv) ILLUSTRATIVE CASES

These cases deal with basic personal tax credits, the employee tax credit, earned income tax credit, the home carer credit, the age credit, the age exemption limits, the standard rate bands, PRSI and the Universal Social Charge (USC). Social welfare payments such as the State Pension and Child Benefit are included, where relevant. Additional tax reliefs such as Mortgage Interest Relief and Rent Relief are not taken into account. Some figures are rounded to the nearest euro.

Example 1

Peter and Clare are married and have three children, Barbara, Elizabeth and Paschal, all aged under 12. Clare has a part-time job and earns €6,500 per annum. Peter is employed as an accountant earning €35,000 per annum.The couple will see a gain of €1,457 in their annual net income due to this Budget.

	2015	**2016**
	€	**€**
Gross Income	41,500	41,500
Income tax liability	1,950	1,050
PRSI liability	1,400	1,400
USC liability	1,595	1,218
Total tax liability	4,945	3,668
Child Benefit	4,860	5,040
Net Income	41,415	42,872
Annual Gain		1,457
Change as a % of net income		3.5%

Example 2

Kevin and Kate are married with two children, Pierce aged 8 and Miriam aged 6. Kate is employed as a beauty therapist earning €33,000. Kevin works in the family home. The family will see a gain of €605 in their annual net income due to this Budget.

	2015	2016
	€	**€**
Gross Income	33,000	33,000
Income tax liability	840	650
PRSI liability	1,320	1,320
USC liability	1,455	1,108
Total tax liability	3,615	3,078
Family Income Supplement	1,196	1,144
Child Benefit	3,240	3,360
Net Income	33,821	34,426
Annual Gain		605
Change as a % of net income		1.8%

Example 3

Brian and Nicola are married with three children, Karen, Fiachra and Ciaran, who are aged 8, 10 and 12 years. Brian is a nurse and Nicola is a Garda. They both joined the Public Sector in 1999. They earn €55,000 and €50,000, respectively. The family will see a gain of €2,351 in their annual net income due to this Budget, including changes to the Pension Related Deduction as part of the Lansdowne Road Agreement.

	2015	2016
	€	**€**
Gross Income	105,000	105,000
Pension contribution	5,148	5,127
Pension Related Deduction	6,750	5,283
Taxable Income	93,102	94,590
Income tax liability	17,121	17,716
PRSI liability	4,200	4,200
USC liability	5,639	4,361
Total tax liability	26,960	26,277
Child Benefit	4,860	5,040
Net Income	71,002	73,353
Annual Gain		2,351
Change as a % of net income		3.3%

Example 4

Marie is a single parent and is the primary carer of her son, Shane aged 2. She is employed full time as retail store manager earning €70,000 per annum. Marie will see a gain of €962 in her annual net income due to this Budget.

	2015	**2016**
	€	**€**
Gross Income	70,000	70,000
Pension contribution	2,800	2,800
Taxable income	67,200	67,200
Income tax liability	14,370	14,370
PRSI liability	2,800	2,800
USC liability	4,045	3,143
Total tax liability	21,215	20,313
Child Benefit	1,620	1,680
Net Income	47,605	48,567
Annual Gain		962
Change as a % of net income		2%

Example 5

Adam is a self-employed technology sector entrepreneur earning €40,000. Adam will see a gain of €1,002 in his annual net income due to this Budget.

	2015	**2016**
	€	**€**
Gross Income	40,000	40,000
Income tax liability	7,590	7,040
PRSI liability	1,600	1,600
USC liability	1,945	1,493
Total tax liability	11,135	10,133
Net Income	28,865	29,867
Annual Gain		1,002
Change as a % of net income		3.5%

Example 6

John is single and working full time on the minimum wage. John will see a gain of €708 in his annual net income due to this Budget.

	2015	2016
	€	**€**
Gross Income	17,542	17,542
Minimum wage increase		1,014
New gross income		18,556
Income tax liability	208	411
PRSI liability	0	160
USC liability	374	317
Total tax liability	582	888
Net Income	16,960	17,668
Annual Gain		708
Change as a % of net income		4.2%

Example 7

Niall and Jill are a married couple, both working in the hospitality sector. Niall earns €40,000 and Jill's salary is €18,460, so she was affected by the PRSI step. The family will see a gain of €1,173 in their annual net income due to this Budget.

	2015	**2016**
	€	**€**
Gross Income	58,460	58,460
Income tax liability	5,092	5,092
PRSI liability	2,339	1,740
USC liability	2,381	1,807
Total tax liability	9,812	8,639
Net Income	48,648	49,821
Annual Gain		1,173
Change as a % of net income		2.4%

Example 8

Sinéad and Denise are civil partners who are now planning a Christmas wedding ceremony. Sinéad is self-employed and earns €60,000 per annum. Denise works in the catering industry and earns €35,000 per annum. The couple will see a gain of €1,678 in their annual net income due to this Budget.

	2015	2016
	€	**€**
Gross Income	95,000	95,000
Pension contributions	4,275	4,275
Taxable income	90,725	90,725
Income tax liability	17,820	17,270
PRSI liability	3,800	3,800
USC liability	4,939	3,811
Total tax liability	26,559	24,881
Net Income	64,166	65,844
Annual Gain		1,678
Change as a % of net income		2.6%

Example 9

Brigid is retired. She is 71 and living alone. She has a Contributory State Pension and is in receipt of the Living Alone Increase and the Fuel Allowance. She will see a gain of €221 in her annual net income due to this Budget.

Brigid will also benefit from the 75% Christmas Bonus of €172.73 in December 2015.

	2015	**2016**
	€	**€**
Gross Income	11,976	12,132
Living Alone Increase	468	468
Fuel allowance	520	585
Net Income	12,964	13,185
Income tax liability	0	0
PRSI liability	0	0
USC liability	0	0
Annual Gain		221
Change as a % of net income		1.7%

ANNEX B

National Payments Plan

Background

The Department has taken a leadership role for the National Payments Plan, and is keen to provide it with a renewed impetus. The National Payments Plan has already delivered on a number of initiatives, including the ending of government to business cheques on in 2014. Later this year Rounding will be introduced to reduce the use of 1 cent and 2 cent coins in the economy.

However Ireland remains a cash intensive economy. Irish people withdraw the second highest amount from ATMs per capita in Europe, while half of social welfare is still paid out over the counter in cash. The Budget speech set out two measures to incentivise consumers and retailers to use more modern forms of payment such as debit cards, and to reduce the use of ATMs. They are both dealt with in turn:

Stamp Duty on Cards

The aim of the first reform is to incentivise consumers to use debit cards instead of withdrawing cash from an ATM by changing the 'per-card' Stamp Duty currently levied into a 'per-ATM withdrawal' levy. The current charges on debit card or cash cards are as follows:

- €2.50 per year per ATM card (also known as cash card)
- €2.50 per year per debit card
- €5 per combined (ATM & debit) card (these constitute a large majority of the affected cards in issuance)

The charge on a combined (ATM & debit) card, and on an ATM card, will be abolished in 2016. A new 12c ATM withdrawal fee is being introduced in its place, which will be capped at €5 per annum per card for combined cards and €2.50 for ATM cards. This will only be levied on consumers who are currently liable for Stamp Duty. The effect of such a charge will be to allow consumers to reduce their Stamp Duty bill by using their debit card more, thereby incentivising electronic payments.

Interchange Fee Cap

Interchange fees are charged by a debit or credit cardholder's bank to a retailer for both debit and credit card transactions. Interchange is not a fee which impacts consumers directly, though it might affect consumers indirectly through higher prices and a lower willingness by retailers such as newsagents or hotels to accept card payments.

A maximum fee limit is now being set on interchange for both debit and credit cards. For debit cards, the maximum for domestic debit card transactions will be set at a weighted average of 0.10% of the transaction value, which is half the current level. This would create greater incentives to retailers to accept cards, by reducing the cost of card acceptance for retailers by €17m p.a. The maximum for domestic credit card transactions is to be set at 0.30% in line with the Multilateral interchange Fee regulation, saving retailers in excess of €19m p.a. Both of these limits will come into force on 9th December 2015. Some smaller schemes will be exempted from these new limits until 9 December 2016, to give them time to restructure their business models as required. This measure will have no direct effect on the exchequer, though will result in cost savings for public bodies which accept card payments.

Conclusion

The two measures announced will help to incentivise consumers and retailers to increase their use of debit cards and reduce Ireland's heavy reliance in cash. In the longer run this is expected to reduce the economy-wide costs of security, reduce shadow economy activity, and also reduce the costs of cash-handling for both retailers and banks.

ANNEX C

MOTOR TAX

REVISED RATES OF DUTY ON GOODS VEHICLES

The below table illustrates the revised annual motor tax rates for goods vehicles with effect from 1 January 2016

Unladen weight (kg)	2015 rate of tax (€)	2016 rate of tax (€)	Reduction (€)
Electrical Goods Vehicles	92	92	-
Not Over 3,000	333	333	-
3,001 to 4,000	420	420	-
4,001 to 5,000	543	500	43
5,001 to 6,000	753	500	253
6,001 to 7,000	1,019	500	519
7,001 to 8,000	1,282	500	782
8,001 to 9,000	1,584	500	1,084
9,001 to 10,000	1,886	500	1,386
10,001 to 11,000	2,188	500	1,688
11,001 to 12,000	2,490	500	1,990
12,001 to 13,000	2,792	900	1,892
13,001 to 14,000	3,094	900	2,194
14,001 to 15,000	3,396	900	2,496
15,001 to 16,000	3,698	900	2,798
16,001 to 17,000	4,000	900	3,100
17,001 to 18,000	4,302	900	3,402
18,001 to 19,000	4,604	900	3,704
19,001 to 20,000	4,906	900	4,006
20,001 or more	5,195	900	4,295

ANNEX D

Future Reviews

A review of and public consultation on the appropriate treatment for tax purposes of trade union subscriptions and professional body fees will be carried out next year.

Tax issues relating to the taxation of trusts and income of trustees will also be reviewed in 2016. It is intended to seek submissions in respect of any technical or policy issues affecting this sector, with a view to addressing any issues which may be identified in Finance Bill 2016.

A review of the artists exemption has been completed this year and is published as part of the Tax Expenditures Report. For the time being, there are no changes to the scheme. An in-depth analysis of the feasibility of introducing income averaging for artists will be carried out next year.

An independent review of the taxation supports for the marine sector, which was announced in last year's Budget has been completed in recent days and is being published today. Officials from the Department of Finance will be examining the proposals in conjunction with other relevant Departments, with a view to establishing the feasibility of their implementation in future Budgets or Finance Bills. However, State Aid rules, as they relate to supports for shipping and fishing are a considerable constraint. In relation to one of the recommendations, it is important to note that the Employment and Investment Incentive is already available to the aquaculture, seafood processing and sea-fishing sectors, and indeed some companies operating in those sectors are already availing of it.

ANNEX E

ENTREPRENEURSHIP ACTION PLAN

In June 2015, the Minister for Finance launched a public consultation seeking the views of the public on the role that the tax system can play in encouraging entrepreneurship. In light of responses to the submission, the Department of Finance conducted a review to examine the effectiveness of the tax system in encouraging entrepreneurship in Ireland, and consequently whether there was scope for changes to the existing tax system and extant tax expenditures, or for the introduction of new tax expenditures.

In light of the constrained fiscal space, the following measures were identified as having the greatest potential to encourage entrepreneurship and support entrepreneurs and small to medium-sized enterprises:

1. Earned Income Credit

An Earned Income Credit of €550 is being introduced for taxpayers earning self-employed trading or professional income and to business owners/managers who are ineligible for a PAYE credit on their salary income. This will support entrepreneurs and small business-owners generating economic activity and contributing to the economic recovery.

2. Revised CGT Entrepreneur's Relief

A revised CGT relief for entrepreneurs is being introduced which will represent a simplified and upfront benefit for individuals who propose to sell their business. A lower CGT rate of 20% will apply to the net chargeable gains arising on disposals of assets comprising the whole or a discrete part of a trade or business, subject to a lifetime limit of €1 million on such gains, with effect from 1 January 2016.

3. Extension of 3 year Corporation Tax Relief for start-up companies

This measure provides relief from corporation tax on trading income (and certain capital gains) of new start-up companies in the first 3 years of trading. Following a tax expenditure review conducted by the Department of Finance in the context of the Tax and Entrepreneurship review, this relief will be extended to 2018.

A number of other targeted measures are being introduced to stimulate key sectors of the economy and ensure that Ireland remains internationally competitive. These measures are:

4. Knowledge Development Box

The Knowledge Development Box ('KDB') is being introduced to encourage companies to develop intellectual property in Ireland and thereby engage in substantive operations that have a high 'value-add' for the Irish economy. The KDB will provide that a corporation tax rate of 6.25% will apply to the profits arising to certain intellectual property assets which are the result of qualifying research and development activity that is carried out in Ireland.

5. **Reduction in Motor Tax rates for larger goods vehicles**

In recognition of the importance of the haulage industry to Ireland as a small, open, exporting economy, the rates of commercial motor tax on larger goods vehicles are being reduced to ensure Ireland remains competitive. The rate of Motor Tax is being reduced for all goods vehicles above 4,000kgs, with a new rate of €500 for vehicle between 4,000kgs and 12,000kgs and €900 for vehicles over 12,000kgs.

6. **Extension of Home Renovation Incentive**

The Home Renovation Incentive (HRI) was introduced in Budget 2014 for homeowners and extended to landlords in Budget 2015. The HRI provides for tax relief by way of an Income Tax credit at 13.5% of qualifying expenditure on repair, renovation or improvement works carried out on a main home or rental property by qualifying contractors. It is intended to boost the construction sector, and will be extended for one more year, until 31 December 2016.

7. **Extension of the Agri-tax reliefs**

Four measures which were due to expire at the end of December 2015 are being extended until the end of 2018:

- general stock relief;
- stock relief for young trained farmers;
- stock relief for registered farm partnerships; and
- stamp duty exemption for young rained farmers.

A new succession transfer partnership model is being introduced to allow two people to enter into a partnership with the aim of transferring the farm to the younger farmer at the end of the specified period. This will facilitate knowledge transfer and a gradual transfer of control between farm partners.

8. **Incentives for Certain Aviation Services Facilities**

The legislation providing for a scheme of accelerated capital allowances for the construction of buildings for use in the maintenance, repair, overhaul or dismantling of aircraft is being amended to comply with State Aid rules. The scheme is also being commenced with effect from Budget night.

9. **Film Tax Credit**

In order to enhance the film tax credit and encourage larger budget productions of film and television shows in Ireland, the cap on eligible expenditure under the film tax credit is increasing from €50m to €70m.

10. **Excise Duty Relief for Microbreweries**

The tax relief reducing the standard rate of Alcohol Products Tax by 50% on beer produced in microbreweries will now be available upfront as well as through a rebate. This will assist microbreweries with their cash flow and cash position.

11. **Employment And Investment Incentive (EII) And Start Up Relief For Entrepreneurs (Sure)**

The EII and SURE are being amended to comply with State Aid rules. In addition, expansion works to existing nursing homes will qualify for the EII and the changes announced to the EII in Budget 2015 are being commenced from Budget night.

12. **Promoting Electronic Payments**

The Budget has two measures to support the National Payments Plan's goal of promoting electronic payments usage in Ireland. Interchange fees charged on retailers when they accept card transactions are to be halved, incentivising the retailer to encourage their customers to pay by card. Further, the current Stamp Duty on ATM/Debit cards will be changed into a duty based on the number of ATM withdrawals a consumer makes, though this new duty will be capped so that no consumer will pay more than they currently do.

ANNEX F

Income Tax and Progressivity Issues

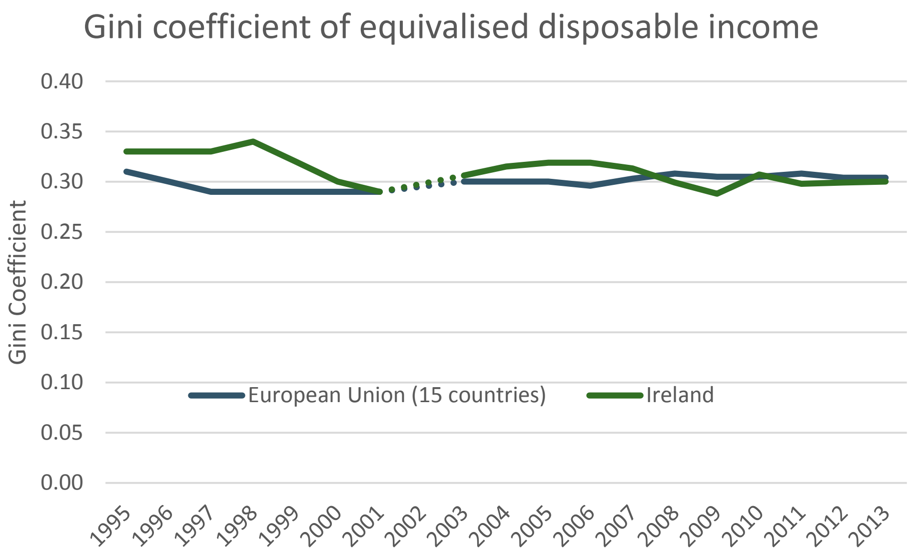
Introduction

A progressive income tax system means that those on higher incomes pay proportionately higher rates of tax on their income than those on lower incomes. This annex considers the role the Irish tax system plays in redistributing income.

Context – Income Distribution in Ireland

The Gini coefficient is a measure of the distribution of income where 0 represents a situation where all households have an equal income and 1 indicates that one household has all national income. The Gini coefficients presented here are on the basis of equivalised household disposable income.[1]

Using Eurostat data, it is possible to compare Ireland's Gini coefficient since 1995 to that for the then EU 15 member states. As shown below, for both Ireland and the EU 15, the Gini coefficient has been remarkably stable, with inequality measured on this basis in Ireland close to that of the EU 15 over the entire period. For the second half of the 1990s, income inequality in Ireland was slightly above the EU-15 figure with the gap narrowing after 2000. For more recent years up until 2013, the Gini coefficient in Ireland has been more or less the same as for the EU-15.



Source: Eurostat [ilc_di12]

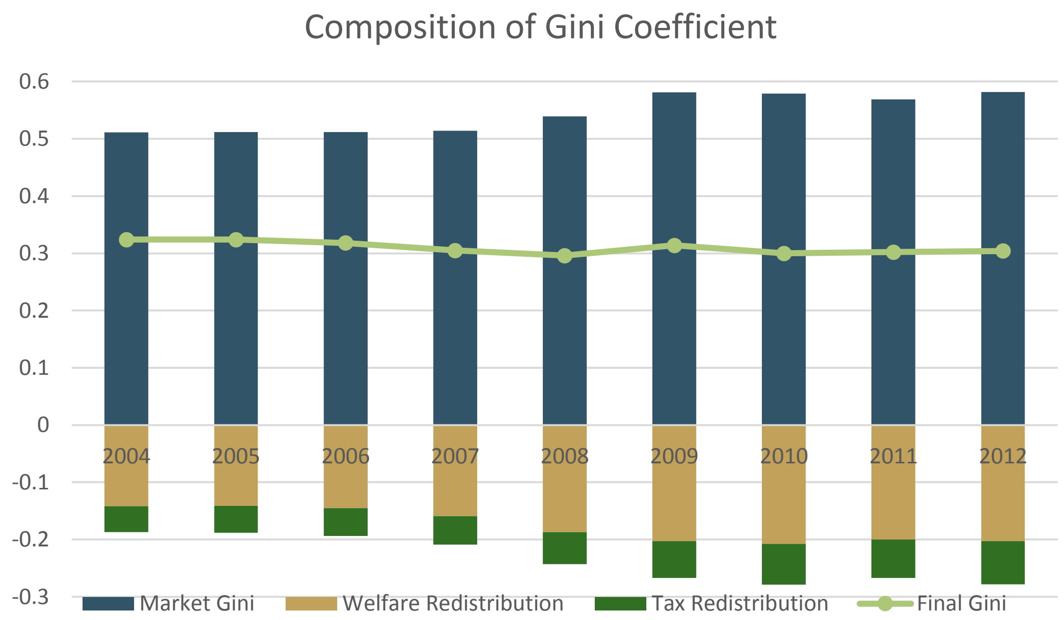
[1] Equivalisation involves adjusting household income on the basis of household size and composition. Eurostat uses a scale of 1 for the first adult, 0.5 for subsequent adults and 0.3 for children (aged under 14). This means that the income of all households is expressed in terms of a single adult household. For instance, a single adult household with an actual income of 100 (100 ÷ 1 = 100) is considered to have the same equivalised income as a two adult household with an income of 150 (150 ÷ {1+0.5} =100). Disposable income refers to household income after taxes and transfers.

It should be noted that the Gini coefficient for market income – household income before taxes and transfers are accounted for – is considerably higher than for disposable income both for the EU-15 and particularly for Ireland. In Ireland, this difference grew substantially when the economy contracted post 2007. The difference between the market and disposable income measure indicates the strong redistributive character of the Irish tax and welfare system.

Redistribution of Income through the Tax and Welfare System

Redistribution of income takes place through the taxation and social welfare systems. Using OECD data, the extent to which each element contributes to the redistribution of income, measured by the reduction in the initial market Gini coefficient, can be examined.[2]

The graph below shows that from 2004 to 2007, the Gini for market income in Ireland was stable. Following a step increase in 2009, the market Gini held steady at a higher level. In a similar pattern, the redistributive impact of tax and welfare system also experienced a step change which counteracted the increase in the market Gini. Reflecting these developments, the Gini for disposable income (after taxes and transfers) held at a slightly lower level more recently. As is evident from the graph the welfare system makes a greater contribution than the tax system in reducing market income inequality. This is also the case across the OECD.



Source: OECD, Income Distribution and Poverty Dataset

The latest data from the OECD (for 2012), shows that Ireland had the largest reduction in the Gini coefficient between market and disposable income for the OECD countries for which data are available. The Irish tax and welfare system reduced the initial market Gini coefficient from 0.58 to a disposable income Gini of 0.30. Over one quarter of the reduction in Ireland in 2012 was attributable to the tax system. This proportion was only larger for Australia (not shown) and the United States.

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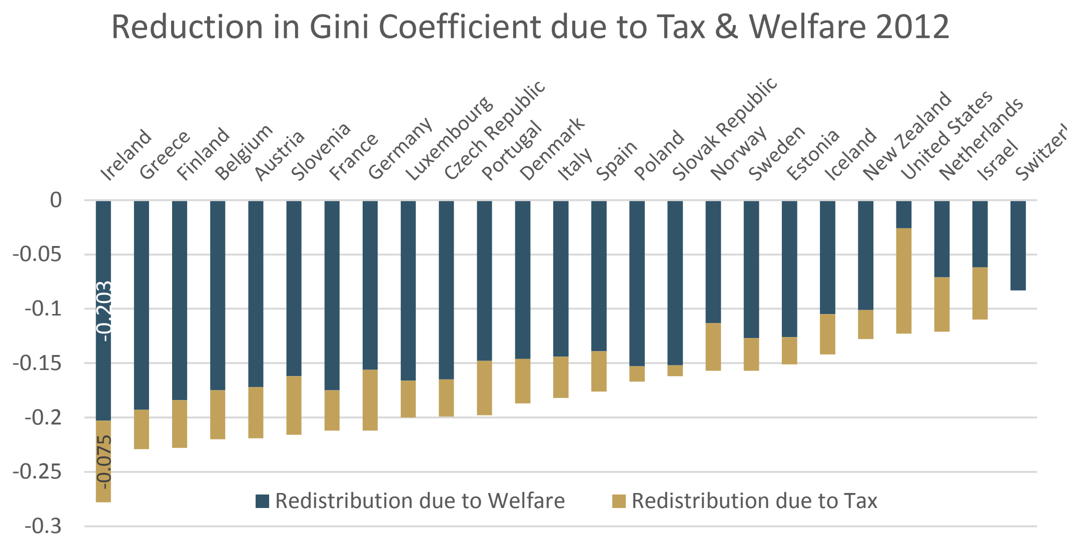
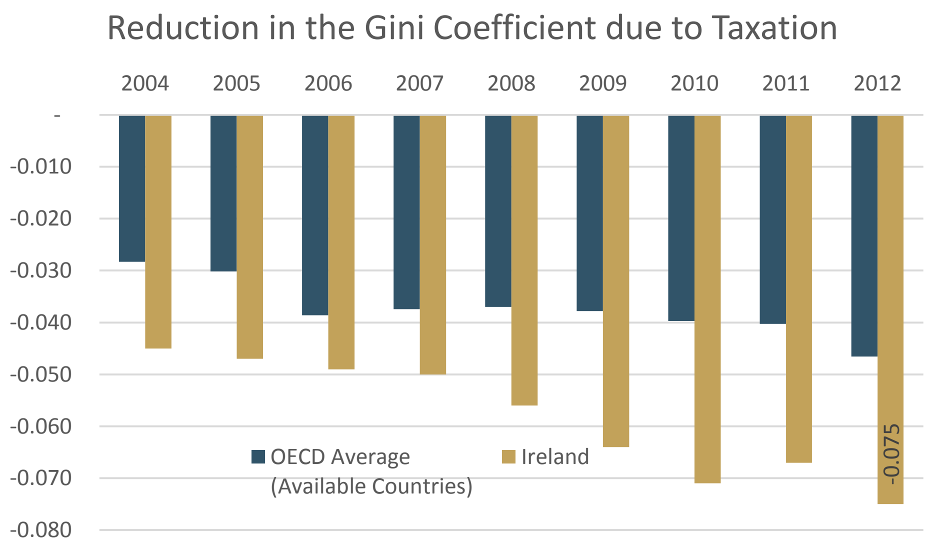
[2] The equivalence scale used by the OECD differs slightly from the one used by Eurostat and the Central Statistics Office.



Source: OECD, Income Distribution and Poverty Dataset

When looked at over a slightly longer time period and taking a more limited sample of countries for which data are available, it is evident that Ireland's tax system has consistently reduced the Gini coefficient to greater extent than is the case with tax systems in other OECD countries (see below). Of interest is the finding that – both for Ireland and the OECD as a whole - the contribution of the tax system to reducing market income inequality has been increasing since 2004.



Source: Department of Finance Analysis of OECD Income Distribution and Poverty Dataset

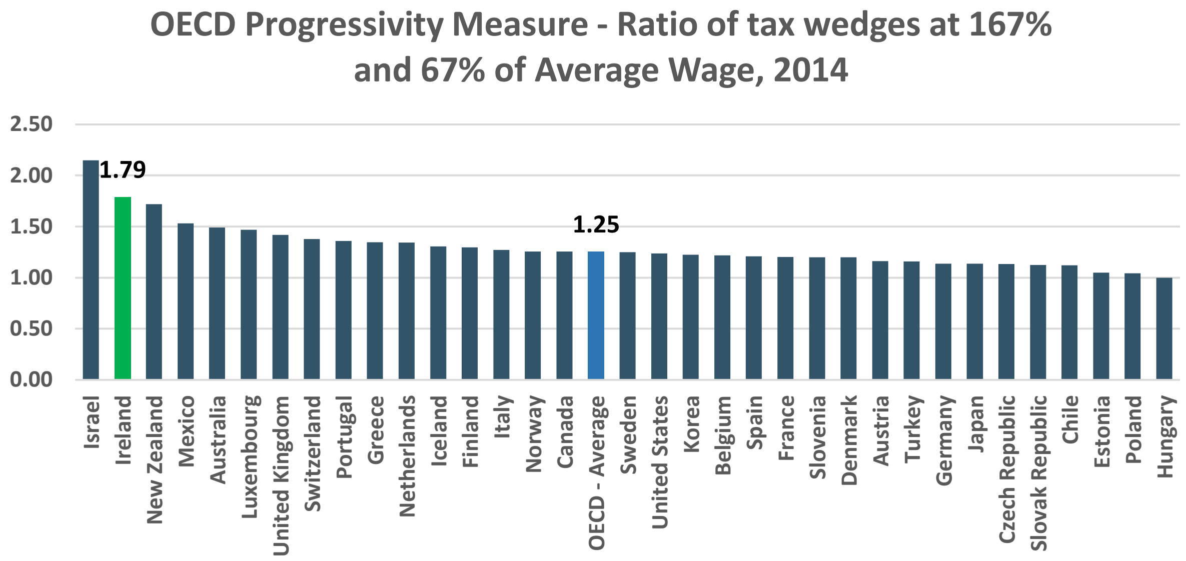
Factors which determine the reduction in the Gini coefficient include the initial distribution of income and the overall rate and progressivity of taxation.

Progressivity of the Income Tax System

The OECD measures the progressivity of income tax systems by comparing the tax wedge at different levels of earnings. [3] One measure commonly used by the OECD is the ratio of the tax

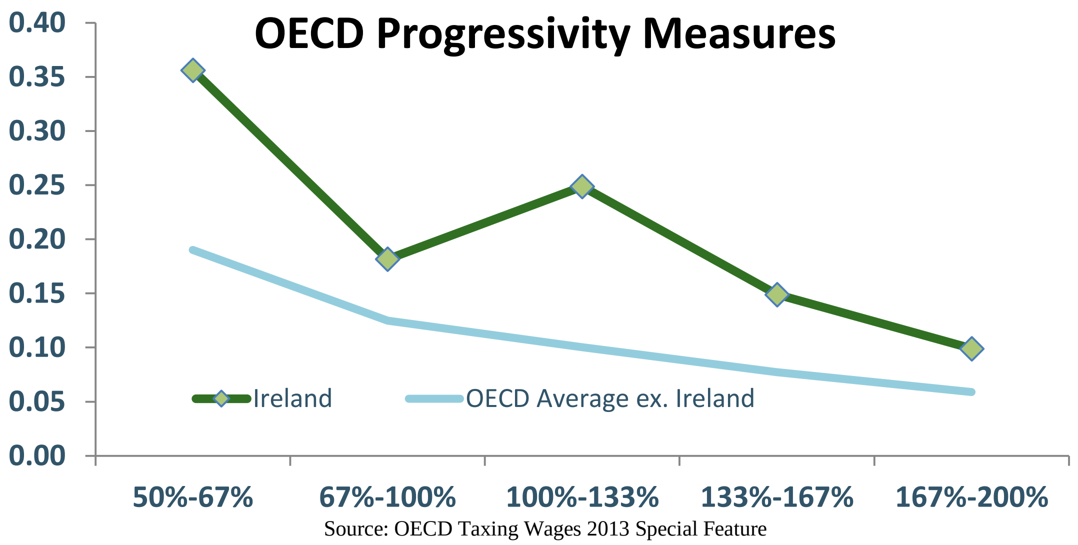
[3] The tax wedge is defined by the OECD as the sum of personal income tax, employee and employer social security contributions plus any payroll tax less cash transfers, expressed as a percentage of labour costs.

wedge of individuals on 167% of the average wage and on 67% of the average wage. [4] On this basis and as shown below, OECD estimates show that with a score of 1.79 Ireland had the second highest progressivity outcome of OECD member countries in 2014 and the highest among EU members.



Source: Department of Finance Analysis of OECD Taxing Wages - Comparative tables

In 2013 the OECD completed a more detailed analysis comparing progressivity at a wider range of earnings levels. The results of that analysis (see below) were that the average tax wedge progression in the Irish system was consistently highly ranked (1st or 2nd in most instances) across each of the earnings ranges considered compared to the 34 OECD countries examined.

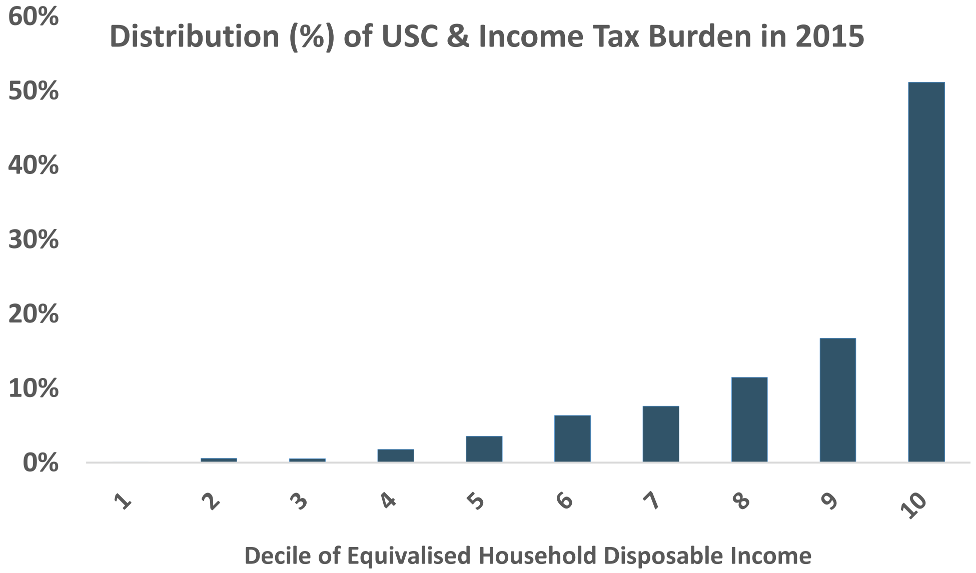


Source: OECD Taxing Wages 2013 Special Feature

[4] Based on an average wage in Ireland of €34,500 the OECD measure compares the ratio of the tax wedges of individuals earning approximately €57,600 to €23,100.

Progressivity of the Income Tax and USC Burden

The progressivity of the tax system can also be seen in the results of simulations using the Economic and Social Research Institute's (ESRI) SWITCH (Simulating Welfare and Income Tax CHanges) micro-simulation tax-benefit model. When considered at a household level, estimates from SWITCH indicate that, the top decile – the top 10% of households by equivalised disposable income – paid 51% of all income tax and universal social charge (USC) in 2015.[5]



Source: Results based on analysis by the Department of Finance using SWITCH, the ESRI tax-benefit model (www.esri.ie/switch)

Summary

While acknowledging the necessarily static nature of the results shown here and the fact that the analyses do not, for example, take into account redistribution and progressivity on a lifetime basis, it is evident that, compared to other countries, the Irish tax and welfare system contributes substantially to the redistribution of income and a reduction in market income inequality. The income tax system is more progressive relative to comparator countries with the tax burden from income tax and USC falling in large part on households with the highest incomes.

[5] Deciles are formed by ranking households based on their disposable income and then dividing them into ten equally sized groups. The equivalence scale used in this analysis is the one used by the Central Statistics Office in their Survey of Income and Living Conditions publication.