

Ireland

Ireland	2004				
	The tax/benefit position of single persons				
	Wage level (per cent of APW)	67	100	167	67
	Number of children	none	none	none	2
1. Gross wage earnings		18194	27291	45485	18194
2. Standard tax allowances		0	0	0	0
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		18194	27291	45485	18194
5. Central government income tax liability (exclusive of tax credits)		3639	5458	12944	3639
6. Tax credits					
Basic credit		1520	1520	1520	1520
Single, head of family		0	0	0	1520
Children					
Other		1040	1040	1040	1040
	Total	2560	2560	2560	4080
7. Central government income tax finally paid (5-6)		1079	2898	10384	0
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		464	1373	2351	464
Taxable income					
	Total	464	1373	2351	464
10. Total payments to general government (7 + 8 + 9)		1542	4272	12735	464
11. Cash transfers from general government					
For head of family		0	0	0	2871
For two children		0	0	0	3122
	Total	0	0	0	5994
12. Take-home pay (1-10+11)		16652	23020	32750	23724
13. Employer's compulsory social security contributions		1546	2934	4890	1546
14. Average rates					
Income tax		5.9%	10.6%	22.8%	0.0%
Employees' social security contributions		2.5%	5.0%	5.2%	2.5%
Total payments less cash transfers		8.5%	15.7%	28.0%	-30.4%
Total tax wedge including employer's social security contributions		15.6%	23.8%	35.0%	-20.2%
15. Marginal rates					
Total payments less cash transfers: Principal earner		24.0%	26.0%	44.5%	61.6%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		30.0%	33.2%	49.9%	64.6%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Ireland	2004				
	The tax/benefit position of married couples				
	Wage level (per cent of APW)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1. Gross wage earnings		27291	36388	45485	36388
2. Standard tax allowances		0	0	0	0
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		27291	36388	45485	36388
5. Central government income tax liability (exclusive of tax credits)		5458	7278	9097	7278
6. Tax credits					
Basic credit		3040	3040	3040	3040
Single, head of family		0	0	0	0
Children					
Other		1810	2080	2080	2080
	Total	4850	5120	5120	5120
7. Central government income tax finally paid (5-6)		608	2158	3977	2158
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		1373	1373	1837	1373
Taxable income					
	Total	1373	1373	1837	1373
10. Total payments to general government (7 + 8 + 9)		1982	3531	5814	3531
11. Cash transfers from general government					
For head of family		0	0	0	0
For two children		3122	3122	3122	0
	Total	3122	3122	3122	0
12. Take-home pay (1-10+11)		28432	35980	42794	32857
13. Employer's compulsory social security contributions		2934	3707	4480	3707
14. Average rates					
Income tax		2.2%	5.9%	8.7%	5.9%
Employees' social security contributions		5.0%	3.8%	4.0%	3.8%
Total payments less cash transfers		-4.2%	1.1%	5.9%	9.7%
Total tax wedge including employer's social security contributions		5.9%	10.3%	14.4%	18.1%
15. Marginal rates					
Total payments less cash transfers: Principal earner		26.0%	26.0%	26.0%	26.0%
Total payments less cash transfers: Spouse		17.0%	20.0%	24.0%	20.0%
Total tax wedge: Principal earner		33.2%	33.2%	33.2%	33.2%
Total tax wedge: Spouse		23.5%	26.3%	30.0%	26.3%

The national currency is the euro (EUR). In 2004, EUR 0.8103 was equal to USD 1 (average of eleven months daily exchange rates). In that year, the average production worker earned EUR 27 291 (Secretariat estimate).

1. Personal income tax systems

1.1. Central/federal government income taxes

1.11. Tax unit

Tax is levied on the combined income of both spouses. Either spouse may, however, opt for separate assessment, in which case the tax payable by both spouses must be the same as would be payable under joint taxation. A further option allows either spouse to opt for assessment as single persons in which case they are treated as separate units. The calculations presented in this Report are based on family taxation.

1.12. Tax credits

1.121. Standard reliefs

- *Basic reliefs*: The single person's credit is € 1 520 per year.
- *Standard marital status reliefs*: The married person's credit is € 3 040 per year (i.e. twice the basic credit of € 1 520).
- *Employee credit*: With the exception of certain company directors and their spouses and the spouses of partners in partnership cases, all employees, including (subject to certain conditions) children who are full-time employees in the business of their parents, are entitled to an employee credit of € 1 040.
- *Single-parent family relief*: The single parent family credit is € 1 520.

1.122. Main non-standard tax reliefs applicable to an APW

- *Interest on qualifying loans*: A qualifying loan in respect of the purchase, repair or improvement of the principal private residence. This relief is subject to the following overall limits in 2004:

	First time mortgage holders	Other mortgage holders
Married couple	€ 8 000	€ 5 079
Widowed person	€ 8 000	€ 5 079
Single person	€ 4 000	€ 2 539

- *Medical insurance*: Relief at the taxpayer's standard rate of tax is available for taxpayers who make a payment to an authorised insurer under a contract which provides for the payment of medical expenses resulting from sickness of the person, his wife, child or other dependants. This relief is now granted at source and is paid to the insurance provider.

- *Mortgage interest relief*: This relief is now granted at source and is paid to the mortgage provider.
- *Work-related expenses*: These are relieved to the extent that they are wholly, exclusively and necessarily incurred in the performance of the duties of an employment.
- *Home carers allowance*: This is a tax credit of € 770 for families where one spouse works at home to care for children, the aged or incapacitated persons, where the carer spouse's income does not exceed € 5 079. A reduced measure of relief is granted for income between € 5 080 and € 6 620. This credit and the increased standard rate tax band for two income couples (see tax schedule below) are mutually exclusive but the person may opt for whichever is the more beneficial. The calculations within this Report take into consideration the New Carers Allowance.

1.13. Tax schedule

Band of taxable Income (€)				Rate (%)
Single/widow(er)	Married couple (one income)	Married couple (two incomes)	One-parent families	
Up to 28 00	Up to 37 00	Up to minimum of 37 00 to a maximum of 56 000 (threshold is increased by the amount of the lowest income to a maximum of 19 000)	32 000	20
Balance	Balance	Balance	Balance	42

1.14. Low income exemption and marginal relief tax

Where total income is less than or equal to the income exemption limit that income is exempt from tax.

Exemption limits

	€
Single/widowed	
Under 65	5 210
65 and over	15 500
Married	
Under 65	10 420
65 and over	31 000
Children	
One or two children (each)	575
Subsequent children	830

The marginal relief rate of tax applies where liability to tax at the marginal relief rate is less than that which would be chargeable under the normal tax schedule and where total income is less than twice the relevant exemption limit, otherwise tax is charged under the normal tax schedule.

Marginal relief tax is charged, where applicable, at a rate of 40% on the difference between total income and the relevant exemption limit.

1.2. State and local income taxes

No. State or local income taxes exist in Ireland.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employees' contributions

Contributions are payable as a percentage of an employee's gross earnings less allowable superannuation contributions. No distinction is made by marital status or sex. The first € 356 of weekly earnings are exempt from the health levy and the first € 287 of weekly earnings are exempt from social insurance. If the employee is not exempt, then an allowance of € 127 per week is applicable for social insurance contribution purposes. The first € 127 of weekly earnings are exempt from the social insurance contribution. This weekly exemption is non-cumulative in that the earner is no longer entitled to the weekly exemption when their cumulative annual earnings exceed the social insurance ceiling. The following is a breakdown of the 2003 rate of contribution together with ceilings where applicable:

Description	Rate	Ceiling (€)
Health contribution	2.00	No ceiling
Pension and social insurance	4.00	42 160
Total	6.00	

2.2. Employers' contributions

Like employees' contributions, employers' contributions are payable as a percentage of gross employee earnings less allowable superannuation contributions. The following is a breakdown of the 2003 rate of contribution:

Description	Rate (%)	Ceiling (€)
Occupational injuries	0.50	
Redundancy contribution	0.40	
Pension and social insurance	9.85	
Total	10.75	No ceiling

The employers' contribution is reduced from 12% to 8.5% in respect of employees earning less than € 356 per week.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

These are payable to all children under the age of 16 (or under 19 years, if the child is undergoing full-time education by day or is incapacitated and likely to remain so for a

prolonged period). These payments do not depend on any insurance or on the means of the claimant. The amounts payable are as follows:

Period	Monthly rate per child	
April 2003 to March 2004	First to third child € 125.60	Subsequent children € 157.30
April 2004 to December 2004	First to second child € 131.60	Subsequent children € 165.30

3.3. Transfers for low income families

A non taxable family income supplement is payable to low income families where either the principal earner and/or the spouse are in full-time employment. Full-time employment is defined as working nineteen hours per week or more. The hours worked by the principal and the spouse can be aggregated for the purposes of this definition. When calculating income for the purposes of the relief superannuation payments, social welfare payments, tax payments, health and employment and training levies are all subtracted to arrive at disposable income.

The level of payment is dependent on the amount of family income and the number of children. The supplement payable is 60% of the difference between the family income and the income limit applicable to the family. A minimum of €20 per week is payable to eligible families. No supplement is payable to families with income in excess of the relevant income limit.

The income limit for a family with two children in 2004 is € 433 per week.

One parent family payment: This new non taxable payment is available for men and women who for a variety of reasons are bringing up a child or children without the support of a partner. The payment which is means tested is payable in full where the persons earnings does not exceed € 7 618. Where earnings are between € 7 618 and € 15 236 a reduced payment is received. The amount of the full payment for 2003 is € 6 490 plus € 1 004 for each child. Because of the complex means testing system this type of person is excluded from the APW examples.

4. Other main changes in tax/benefit system since 2003

5. Memorandum items

5.1. Method used to identify an APW and to calculate the APW's gross earnings

Identification of an APW: To be determined by the Secretariat.

5.2. Employer contributions to private social security arrangements

Information not available, although such schemes do exist.

2004 Parameter values

	Ave_earn	27 291	Secretariat estimate
Tax allowances			
Tax Credits	Basic_al_at_standardrate	1 520	
	Married_al_at_standardrate	1 520	
	Empl_al_at_standardrate	1 040	
	Singleparent_at_standardrate	1 520	
	Carers_allow	770	
	Carers_thrsh1	5 080	
	Carers_thrsh2	6 620	
	Carers_taper_rt	0.5	
Exemption amount	Single_ex	5 210	
	Married_ex	5 210	
	Child_ex	575	
	Child_ex_3	830	
Marginal relief limit	Single_MR	10 420	
	Married_MR	10 420	
	Child_MR	1 150	
	Child_MR_3	1 660	
Marginal relief	marg_rel_rate	0.4	
Income tax	Single_sch	0.2	28 000
		0.42	
	Single_sch_child	0.2	32 000
		0.42	
	Married_sch_oneinc	0.2	37 000
		0.42	
	Married_sch_twoinc	0.2	56 000
		0.42	
Maximum increase in first band	Band_increase_lim	19 000	
Social security contributions	SSC_thresh	14 924	
Employees	pension_rate	0.04	
	pension_ceil	42 160	
	Emp_hlth_lower	18 512	
	Health_rate	0.02	
	Non_cum_Allc	6 604	
Employers	Empr_rate	0.1075	
	Empr_lower_rate	0.085	
	Empr_thrsh	18 512	
Child benefit	Ch_ben	1 561.2	
	Ch_ben_3	1 959.6	
Family income supplement	FIS_pay_limit	22 516	
	FIS_min	1 040	
	FIS_rate	0.6	
Medical card	single_med_card	7 410	
	married_med_card	10 738	
	child_add_med_card	1 352	

2004 Tax equations

The equations for the Irish system in 2003 are mostly on a family basis using mainly a tax credit system for the first time. But social security contributions are calculated separately for each spouse. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:			(provided at standard rate (tax credit equivalent))
3. Credits in taxable income	taxbl_cr	J	0
4. taxable income	tax_inc	J	earn
New carers allowance (provided as a tax credit)	career_allow		IF((Married*Children)>0, IF(earn_spouse<=Carers_thrsh1, Carers_allow, IF(earn_spouse>Carers_thrsh2, 0, Positive(Carers_allow-Carers_taper_rt*(earn_spouse-Carers_thrsh1))))), 0)
Preliminary Tax Liabie (including carers allowance)	tax_prel	J	IF(Married=0, IF(Children=0, Tax(tax_inc, Single_sch), Tax(tax_inc, Single_sch_child)), IF(AB7=0, Tax(tax_inc, Married_sch_oneinc)-AG7, Tax(earn_principal+Positive(earn_spouse-Band_increase_lim), Married_sch_oneinc)+Tax(MIN(earn_spouse, Band_increase_lim), Married_sch_oneinc)))
5. Tax before credits (but including carers allowance)	_tax_excl	J	IF((Married*earn_spouse)>0, MINA(tax_prel, (Tax(tax_inc, Married_sch_oneinc)-career_allow)), tax_prel)
6. Tax credits	basic_cr	J	Basic_al_at_standardrate+(Married*Married_al_at_standardrate)
	single_par_cr		IF(Married=0, IF(Children>0, Singleparent_at_standardrate, 0), 0)
	other_cr		Empl_al_at_standardrate+ (IF(earn_spouse>0, Empl_al_at_standardrate, 0))
Exemption amount	tax_cr		basic_cr+single_par_cr+other_cr
	exemp_amt	J	Single_ex+Married*Married_ex+Child_ex*MIN(2, Children)+(Children>2)*(Children-2)*Child_ex_3
Marginal relief limit	MRL	J	Single_MR+Married*Married_MR+Child_MR*MIN(2, Children)+(Children>2)*(Children-2)*Child_MR_3
7. Net tax	CG_tax	J	If(earn_total<=MRL, MIN(marg_rel_rate*positive(earn_total-exem_amt), positive(_tax_excl-tax_cr)), positive(_tax_excl-tax_cr))
8. State and local taxes	local_tax	J	0
9. Employees' soc security			
weekly allowance	weekly_allce	B	IF(earn=0, 0, MINA(IF(earn<pension_ceil, Non_cum_Allc*pension_ceil/earn, Non_cum_Allc), earn))
employees' soc security	SSC	B	Health_rate*earn*(earn>Emp_hlth_lower)+IF(earn>SSC_thresh, pension_rate*Positive(MINA(earn, pension_ceil)-weekly_allce), 0)
11. Cash transfers			
	Child_benefit	J	Children*Ch_ben+(Children>2)*(Children-2)*(Ch_ben_3-Ch_ben)
	FIS	J	(Children>0)*IF((earn-tax-SSC)<=FIS_pay_limit, MAXA((FIS_pay_limit-(earn-tax-SSC))*FIS_rate, FIS_min), 0)
Total cash transfers	cash_trans		Child_benefit+FIS
13. Employer's soc security	SSC_empr	B	IF(earn<=Empr_thrsh, Empr_lower_rate, Empr_rate)* MIN(earn, Empr_ceil)

Key to range of equation:

B calculated separately for both principal earner and spouse.

P calculated for principal only (value taken as 0 for spouse calculation).

J calculated once only on a joint basis.

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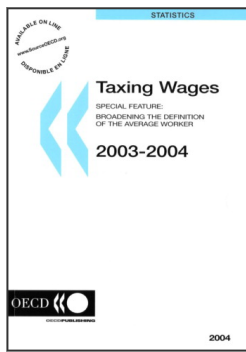
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