

INCOME TAX “READY RECKONER”

Costs to the Exchequer of various proposals for 2009 (base 2005)

Pre - Budget 2009

	<u>2009</u>	<u>Full Year</u>
	€m	€m
A. Exemption Limits		
 <i><u>(i) Aged 65-74 (currently €20,000/€40,000)</u></i>		
1. Increase limits by €100 (AS/AW) and €200 (AM)	0.7	1.1
2. Increase limits by €300 (AS/AW) and €600 (AM)	2.1	3.5
3. Increase limits by €500 (AS/AW) and €1,000 (AM)	3.6	5.8
 <i><u>(ii) Aged 75 and over (currently €20,000/€40,000)</u></i>		
1. Increase limits by €100 (AS/AW) and €200 (AM)	0.3	0.4
2. Increase limits by €300 (AS/AW) and €600 (AM)	0.8	1.3
3. Increase limits by €500 (AS/AW) and €1,000 (AM)	1.3	2.1
 <i><u>(iii) Child addition (currently €575 per child for first two children and €830 for each 3rd and subsequent child)</u></i>		
1. Increase limit by €100 per child (all children)	0.03	0.05
2. Increase limit by €300 per child (all children)	0.08	0.15
3. Increase limit by €500 per child (all children)	0.13	0.24

2009

€m

€m

B. Personal and other Tax Credits**(i) Increasing the personal Tax Credits:**

* Increase single persons credit by €100 from (€1,830) to (€1,930)		61.0	82.8
* Increase married persons credit by €200 from (€3,660) to (€3,860) <u>(all marrieds)</u>		87.1	123.9
* Increase widowed persons personal credit by €100 from (€1,830) to (€1,930)		2.2	3.1
* Increase lone parent credit by €100 from (€1,830) to (€1,930)		6.3	8.7
<i>* These changes should be taken together.....total is:</i>		156.6	218.5
* Increase widowed persons top up credit of €600 by €100		1.8	2.5

(ii) Other Tax Credits:

Increase PAYE credit by €50 from (€1,830) to (€1,880)		55.6	71.3
Restore (general) child credit at €50		26.5	38.1
Increase Home Carer's credit by €50 from (€90) to (€50) (N.96)		2.7	4.1

(iii) Secondary Tax Credits:

Increase Dependent Relative Tax Credit by €20 (N.8)		0.2	0.3
Increase Incapacitated Child Tax Credit by €100 (N.1)		0.7	1.1
Increase Blind Persons Tax Credit (N.52)		0.3	0.4
- by €500 to €2,330 (1Blind)			
- by €1000 to €4,660 (2 Blind)			
Increase Widowed Parent Bereavement Tax Credit by €100 (N.2)		0.17	0.24
Increase age Tax Credit (N.10)		1.8	2.6
- by €50 for S/W -)			
- by €100 for M -).....			

C. **Widening of the Standard Rate Bands**

The cost figures in columns 2 and 3 of the table below are based on applying the increases stated in column 1 to **single & widowed** persons and **double** those increases to the band of €6,400 which is available to **married 2 earning couples** in excess of the maximum band of €44,400 up to which transferability between spouses is currently available.

Costs to the Exchequer arising from various changes:

Increases in bands for single & widowed persons and in the additional band for married 2 earning couples

1	2		3		4	
Amount of band increase	Single & widowed		Married 2 earning couple (existing band of €6,400)		Total cost (cols.2 + 3)	
	2009	Full Year	2009	Full Year	2009	Full Year
€	€m	€m	€m	€m	€m	€m
100	6.6	9.0	3.6	4.9	10.2	13.8
500	32.7	44.1	17.6	24.1	50.3	68.1
1000	64.6	87.0	34.1	46.7	98.7	133.7
1500	95.8	128.8	49.7	68.2	145.4	197.0
2000	126.0	169.7	64.3	88.3	190.4	258.0
3000	184.2	248.1	91.3	125.3	275.5	373.4
5000	291.8	393.2	136.5	187.4	428.3	580.6
6000	341.4	460.1	155.3	213.1	496.7	673.2
9000	474.8	640.3	199.5	273.9	674.3	914.2

The increases in column 1 are applied to **singles, widowed and lone parents** as stated; double the stated increases are applied to **married 2 earning** couples

How the band increases are applied in the table above

The stated increases in column 1 are applied as follows (taking an increase of **€100** as an example):

- the existing standard rate band of €35,400 for **single and widowed** persons and €39,400 for **lone parents** are each increased by **€100** to arrive at the cost figures emerging in col. 2;
- the existing band of €6,400 currently available to **married 2 earning couples** beyond the band limit of €44,400 up to which aggregation between spouses continues to be available, is increased by **€200** to arrive at the cost figures emerging in column 3: on its own this would bring the total band available to **married 2 earning** couples up to **€71,000**, subject to a maximum individual standard rate band of **€44,400** for either spouse.

Note: Any apparent discrepancies in totals are due to rounding of constituent figures.

Band widening - other costings

The cost figures in the following table are provided for illustration.

1 Amount of band increase	2 Married 1 earning couple (existing band of €44,400)		3 Married 2 earning couple (existing band of €44,400)	
	2009	Full Year	2009	Full Year
	€ €m	€ €m	€ €m	€ €m
100	2.2	2.9	4.2	5.8
500	10.6	14.7	21.0	29.1
1000	20.9	29.0	41.6	57.9
1500	31.0	43.2	62.0	86.2
2000	41.0	57.1	82.3	114.2
3000	60.5	84.2	121.7	169.2
5000	97.4	135.6	198.3	275.5
6000	115.0	160.1	235.0	326.7
10000	179.8	250.2	371.9	517.2

(The increases in column 1 are applied to **married 1 earning** and **married 2 earning** couples as stated)

How the band increases are applied

The stated increases in column 1 are applied as follows (taking an increase of **€100** as an example) :

- the existing standard rate band of €44,400 available to **married 1 earning couples** is increased by **€100** to arrive at the cost figures emerging in column 2;
- the existing band of €44,400 currently available to **married 2 earning couples** as the maximum individual standard rate band for either spouse is increased by **€100** to arrive at the cost figures emerging in column 3; on its own this change would bring the total band available to married 2 earning couples up to **€70,900**, subject to a maximum individual standard rate band of **€44,500** for either spouse.

Note: Any apparent discrepancies in totals are due to rounding of constituent figures.

	<u>2009</u>	<u>Full Year</u>
	€m	€m
D. Indexation at 1 per cent of:		
(a) personal tax credits (incl. Home Carer's credit) with rate bands	85.1	117.5
(b) Ex-limits plus a) above	86.9	120.5
(c) PAYE credit plus b) above	106.9	146.2

E. Tax Rates

Cost of 1% point decrease on each tax rate

20% rate

No Change in Personal Tax Credits ¹	449.7	622.8
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[The cost of 1% decrease in the standard rate of tax includes not only adjustments for a similar reduction in DIRT, WHT and Dividend Withholding Tax but also provides for the same effect on tax on Life Assurance policy holders funds part of which is collected as corporation tax but is a form of tax on unrealised gains and is normally linked to the standard rate of income tax.]

41% rate

	193.5	297.3
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F. Health Contribution

1. Increase the exemption threshold by €500.	8.1	11.4
2. Reduce rate of 2.0% to 1% <u>and reduce the 2.5% rate to 1.5%</u>	576.5	838.0
3. Convert the threshold to an allowance of €6,000 and abolish the current levy threshold.	543.3	750.1

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Revenue

¹ With no change to tax credits for the main personal allowances (single/married/lone parent), PAYE and Home Carer. Reducing these pro rata would reduce the cost to €205.4(First year) €292.7 (Full year)