

(V) ILLUSTRATIVE CASES

These cases deal only with the basic personal tax credit, the employee tax credit and the standard rate band. *Discretionary tax reliefs such as mortgage interest relief, or relief on rent paid, or charges such as benefits in kind are not taken into account.* For illustrative purposes, some of the figures in the following examples are rounded to the nearest euro.

Sinead

Sinead is single and employed at the minimum wage and is earning €14,200 per annum. She will gain €280 from the Budget.

	2004	2005
	€	€
Gross Income	14,200	14,200
Standard Rate Band	28,000	29,400
Income Tax liability	2,840	2,840
Less Tax Credits	2,560	2,850
Total Income Tax Due	280	0
PRSI	0	0
Levies	0	0
Total Liability	280	0
Net Cash Income	13,920	14,200
Deductions as a % of Gross Income	1.97%	0%

Joe

Joe is single and employed as a factory worker, earning €20,000 per annum. The increase in the Health levy threshold, along with the increase in credits, means that he will gain €690 from the Budget.

	2004	2005
	€	€
Gross Income	20,000	20,000
Standard Rate Band	28,000	29,400
Income Tax liability	4,000	4,000
Less Tax Credits	2,560	2,850
Total Income Tax Due	1,440	1,150
PRSI	536	536
Levies	400	0
Total Liability	2,376	1,686
Net Cash Income	17,624	18,314
Deductions as a % of Gross Income	11.88%	8.43 %

Liam and Anne Marie

Liam and Anne Marie are a retired couple. Anne Marie is aged 68 and Liam is aged 72. Liam has an occupational pension of €33,000. After the Budget they will be outside the tax net. They will gain €800 from the Budget as a result of the tax changes.

	2004	2005
	€	€
Gross Income	33,000	33,000
Exemption Limits	31,000	33,000
Income Tax (€2,000@40%*)	800	0
Net Cash Income	32,200	33,000
Deductions as a % of Gross Income	2.4%	0%

*marginal relief rate of 40% payable on income in excess of the exemption limits

Note: like the majority of those over 65 it is assumed that there is no liability for PRSI

Elaine and Stephen

Elaine and Stephen are married with two children. Elaine works in the home and Stephen is employed as a software engineer earning €40,000. They will gain €658 from the Budget.

	2004	2005
	€	€
Gross Income	40,000	40,000
Standard Rate Band	37,000	38,400
Income Tax liability	8,660	8,352
Less Tax Credits	4,850	5,200
Total Income Tax Due	3,810	3,152
PRSI	1,336	1,336
Levies	800	800
Total Liability	5,946	5,288
Net Cash Income	34,054	34,712
Deductions as a % of Gross Income	14.9%	13.2%

Rachel and Luke

Rachel and Luke are a married couple with two children. Rachel is a Garda earning €37,000 and Luke is employed as a civil servant and earning €43,000. They will gain €1,188 from the Budget.

	2004	2005
	€	€
Gross Income	80,000	80,000
Standard Rate Band	56,000†	58,800‡
Income Tax liability	21,280	20,664
Less Tax Credits	5,120	5,700
Total Income Tax Due	16,160	14,964
PRSI	688	696
Levies	1,600	1,600
Total Liability	18,448	17,260
Net Cash Income	61,552	62,740
Deductions as a % of Gross Income	23.1%	21.6%

† With maximum transferability between spouses of €37,000 in 2004.

‡ With maximum transferability between spouses of €38,400 in 2005.

Donal and Frances

Donal and Frances are a married couple with three children. Donal is self employed and runs his own business and earns €35,000 and Frances is employed as a pharmacist earning €65,000. They will gain €895 from the Budget.

	2004	2005
	€	€
Gross Income	100,000	100,000
Standard Rate Band	56,000†	58,800‡
Income Tax liability	29,680	29,064
Less Tax Credits	4,080	4,430
Total Income Tax Due	25,600	24,634
PRSI	2,564	2,635
Levies	2,000	2,000
Total Liability	30,164	29,269
Net Cash Income	69,836	70,731
Deductions as a % of Gross Income	30.2%	29.3%

† With maximum transferability between spouses of €37,000 in 2004

‡ With maximum transferability between spouses of €38,400 in 2005

Eimear

Eimear is a widow aged 68, with a pension from her late husband's employment of €14,770. She is also in receipt of a widow's contributory pension of €8,700 which will increase to €9,324 in the Budget. She will gain €889 as a result of the tax and social welfare changes in the Budget.

	2004	2005
	€	€
Gross Income	23,470	24,094
Standard Rate Band	28,000	29,400
Income Tax liability	4,694	4,819
Less Tax Credits	3,065	3,455
Total Income Tax Due	1,629	1,364
PRSI	0	0
Levies	0	0
Total Liability	1,629	1,364
Net Cash Income	21,841	22,730
Deductions as a % of Gross Income	6.9%	5.7%

Aidan

Aidan is single and has a daughter. Aidan works as a mechanic and earns €24,000. He will gain €350 from the Budget.

	2004	2005
	€	€
Gross Income	24,000	24,000
Standard Rate Band	32,000	33,400
Income Tax liability	4,800	4,800
Less Tax Credits	4,080	4,430
Total Income Tax Due	720	370
PRSI	696	696
Levies	480	480
Total Liability	1,896	1,546
Net Cash Income	22,104	22,454
Deductions as a % of Gross Income	7.9%	6.4%