

(V) ILLUSTRATIVE CASES

These cases deal 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.* However, the gain from child benefit and the new Early Childcare Supplement are also included. Some of the figures in the following examples are rounded to the nearest euro.

David

David is single and employed at the minimum wage and is earning €15,515 per annum. He will gain €609 from the Budget.

	2005	2006
	€	€
Gross Income	15,515	15,515
Standard Rate Band	29,400	32,000
Income Tax liability	3,103	3,103
Less Tax Credits	2,850	3,120
Total Income Tax Due	253	0
PRSI	356	0
Levies	0	0
Total Liability	609	0
Net Cash Income	14,906	15,515
Deductions as a % of Gross Income	3.9%	0%

Elena

Elena is single and employed as a hairdresser, earning €22,000 per annum. The increase in the Health levy threshold, along with the increase in credits, means that she will gain €710 from the Budget.

	2005	2006
	€	€
Gross Income	22,000	22,000
Standard Rate Band	29,400	32,000
Income Tax liability	4,400	4,400
Less Tax Credits	2,850	3,120
Total Income Tax Due	1,550	1,280
PRSI	616	616
Levies	440	0
Total Liability	2,606	1,896
Net Cash Income	19,394	20,104
Deductions as a % of Gross Income	11.8%	8.6%

Ruth and Ian

Ruth and Ian are a retired couple. Ruth is aged 71 and Ian is aged 72. Ian has an occupational pension of €34,000. After the Budget they will be outside the tax net. They will gain €400 from the Budget as a result of the tax changes.

	2005	2006
	€	€
Gross Income	34,000	34,000
Exemption Limits	33,000	34,000
Income Tax (€1,000@40%*)	400	0
Net Cash Income	33,600	34,000
Deductions as a % of Gross Income	1.2%	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

Liam and Sharon

Liam and Sharon are married with two children. Matteo is 3 years old and Jack is six months. Sharon works in the home and Liam is employed as a credit controller earning €41,000. They will gain €892 from the Budget in income tax and PRSI/levy changes. As well as gaining €151 from child benefit increases, they also will receive the new early childcare supplement for Matteo and Jack of €250 per quarter per child. The universal payment is effective from the second quarter of 2006.

	2005	2006
	€	€
Gross Income	41,000	41,000
Standard Rate Band	38,400	41,000
Income Tax liability	8,772	8,200
Less Tax Credits	5,200	5,520
Total Income Tax Due	3,572	2,680
PRSI	1,376	1,376
Levies	820	820
Total Liability	5,768	4,876
Net Cash Income	35,232	36,124
Deductions as a % of Gross Income	14.1%	11.9%
Gain from Child Benefit Increases (9 months of increase)		€151
Early Childcare Supplement effective from second quarter; €250 per quarter per child up to the child's sixth birthday		€1,500
Total Gain		€2,543

Annemarie and Donal

Annemarie and Donal are a married couple with two children. Sean is 3 years old and Ciara is 7 years old. Annemarie is an engineer earning €50,000 and Donal is employed as a civil servant earning €30,000. They will gain €1,603 from the Budget in income tax and PRSI/levy changes. As well as gaining €151 from child benefit increases, they also will receive the new early childcare supplement for Sean which is €250 per quarter per child. The universal payment is effective from the second quarter of 2006.

	2005	2006
	€	€
Gross Income	80,000	80,000
Standard Rate Band	58,800*	64,000**
Income Tax liability	20,664	19,520
Less Tax Credits	5,700	6,240
Total Income Tax Due	14,964	13,280
PRSI	1,792	1,873
Levies	1,600	1,600
Total Liability	18,356	16,753
Net Cash Income	61,644	63,247
Deductions as a % of Gross Income	22.9%	20.9%
Gain from Child Benefit Increases (9 months of increase)		151
Early Childcare Supplement effective from second quarter; €250 per quarter per child up to the child's sixth birthday		€750
Total Gain		2,504

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

** With maximum transferability between spouses of €41,000 in 2006.

Aoife and Gerry

Aoife and Gerry are a married couple with three children. Louise is 6 months, Sile is 2 years and Laura is 4 years old. Gerry is self employed, runs his own business and earns €35,000. Aoife is employed as a solicitor earning €65,000. They will gain €1,378 from the Budget in income tax and PRSI/levy changes. As well as gaining €221 from child benefit increases, they also will receive the new early childcare supplement for Louise, Sile and Laura which is €250 per quarter per child. The universal payment is effective from the second quarter of 2006.

	2005	2006
	€	€
Gross Income	100,000	100,000
Standard Rate Band	58,800*	64,000**
Income Tax liability	29,064	27,920
Less Tax Credits	4,430	4,750
Total Income Tax Due	24,634	23,170
PRSI	2,635	2,721
Levies	2,000	2,000
Total Liability	29,269	27,891
Net Cash Income	70,731	72,109
Deductions as a % of Gross Income	29.3%	27.9%
Gain from Child Benefit Increases (9 months of increase)		221
Early Childcare Supplement effective from second quarter; €250 per quarter per child up to the child's sixth birthday		2,250
Total Gain		3,849

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

** With maximum transferability between spouses of €41,000 in 2006

Sinead

Sinead is a widow aged 68, with a pension from her late husband's employment of €15,000. She is also in receipt of a widow's contributory pension of €9,324 which will increase to €10,052 in the Budget. She will gain €997 as a result of the tax and social welfare changes in the Budget.

	2005	2006
	€	€
Gross Income	24,324	25,052
Standard Rate Band	29,400	32,000
Income Tax liability	4,865	5,011
Less Tax Credits	3,455	3,870
Total Income Tax Due	1,410	1,141
PRSI	0	0
Levies	0	0
Total Liability	1,410	1,141
Net Cash Income	22,914	23,911
Deductions as a % of Gross Income	5.8%	4.6%

Joe

Joe is single and has a son, Conor who is 3 years old. Joe works as a chef and earns €30,000. He will gain €320 from the Budget in income tax and PRSI/levy changes. As well as gaining €76 from child benefit increases, he also will receive the new early childcare supplement for Conor which is €250 per quarter per child. The universal payment is effective from the second quarter of 2006.

	2005	2006
	€	€
Gross Income	30,000	30,000
Standard Rate Band	33,400	36,000
Income Tax liability	6,000	6,000
Less Tax Credits	4,430	4,750
Total Income Tax Due	1,570	1,250
PRSI	936	936
Levies	600	600
Total Liability	3,106	2,786
Net Cash Income	26,894	27,214
Deductions as a % of Gross Income	10.4%	9.3%
Gain from Child Benefit Increases (9 months of increase)		76
Early Childcare Supplement effective from second quarter; €250 per quarter per child up to the child's sixth birthday		750
Total Gain		1,146