

Annex B

Examination of income related levies and other measures using the poverty impact assessment guidelines of the Department of Social and Family Affairs

Considerations and context:

- unprecedented deterioration in the economy and the public finances
- continued increases in unemployment
- the need to restore confidence in the public finances and maintain them on a sustainable track
- falling prices, particularly in staple goods and household services
- the need to protect the most vulnerable and to be fair and equitable in any changes brought forward

What is the primary objective of this policy/programme/expenditure proposal?

- to raise revenue in a fair and progressive way so as to enable the Government to fund services, including those which protect those most in need and tackle disadvantage

Who is the proposal aimed at and how will the proposal affect those persons or groups?

- the proposal is aimed at all income earners
- it is highly progressive

What are the differences within the target group/between the target groups which might lead to them benefiting from the policy/programme in different ways and how could these be addressed?

- differences may be identified by reference to income and personal circumstances
- the differences are addressed in the progressivity of the measures e.g. higher rates of income levy/health levy at higher incomes and the adjustments to ceilings which affects only those on higher incomes

Consider what data is available within own organisation, other departments or agencies or from alternative sources. Identify data or indicators against which progress can be measured.

- information from Revenue tax forecasting model regarding costs/yields
- Department of Finance computer system showing impact by income level and family circumstances
- ESRI switch model to show combined impact of tax/levies and social welfare changes (post Supplementary Budget)
- information derived from the Parliamentary process, representations and pre-Budget submissions from individuals and interest groups

What type of impact on poverty (either in terms of numbers in poverty or level of poverty) would the proposal have, in particular for the vulnerable groups identified?

- the proposals are highly progressive
- they provide the necessary revenue to protect those most vulnerable

If the proposals would have no effect on poverty what options might be identified to produce a positive effect?

- changes in levies affect some more than others
- it is necessary to take into account measures being taken the Supplementary Budget and those already taken in Budget 2009 in particular those on social inclusion spending being implemented in 2009

If the proposal would have a positive effect on poverty would it help to prevent people falling into poverty; reduce the level (in terms of number a depth) of poverty and/or ameliorate the effects of poverty?

- large numbers of the population continue to remain outside the tax/levy net and Ireland continues to have one of the lowest tax wedges within the OECD for workers on average wages
- as the prices of household goods and services fall, the impact of increased taxation (including levies) should be minimised
- increased revenue will be used to maintain services for the vulnerable, including in particular the increasing numbers of unemployed

If the proposal would have a negative effect (by increasing the numbers in poverty or the level of poverty experienced) what options could be considered to ameliorate this effect?

- the changes proposed are highly progressive and for the reasons given above should have a minimal effect on poverty

Would the policy/programme proposed contribute to the achievement of the NAPinclusion targets (including the subsidiary targets)?

- As indicated above, the proposal is highly progressive, with those on higher incomes paying most and is considered to be essential if services and social welfare payments are to be maintained at appropriate levels

Would the policy/programme proposal address inequalities that might lead to poverty?

- Generous exemptions are retained in income tax, the health levy and PRSI
- While the entry point to the income levy is lowered, this should not have any significant impact on poverty for those in employment for the reasons outlined above

Will this proposal be adopted?

- Yes. It is intended that the Supplementary Budget will be adopted subject to legislation approved by the Oireachtas

If the proposal is to be adopted, how will it be monitored?

- the impact of the annual Budget and Supplementary Budget on the lower paid is monitored on a continuous basis as part of the annual Budget and Finance Bill cycle.

The measures taken in the Supplementary Budget are balanced. The distributional impact of the measures on income of various family types are shown elsewhere on the website. The figures below also illustrate the net income changes arising from the measures proposed.

