Taxation Annexes to the Summary

of 2014

Budget Measures

Taxation Annexes to the Summary of 2014 Budget Measures

Contents

ANNEX A

The Effect of Budget 2014 Measures On Different Categories of Income Earners

Contents

(i) Examples showing that there have been no Changes for Different Categories of Married/Civil Partners and Single Income Earners

Examples 1 to 6 show that there will be no changes in Income Tax, Universal Social Charge and PRSI for various categories of income earners. Family Income Supplement payments are included in the calculations, where relevant. The examples are based on specimen incomes with the basic tax credits including the home carer tax credit, where relevant. The examples do not take account of additional tax reliefs such as Mortgage Interest Relief. Variations can arise due to rounding.

(ii) Average Effective Tax Rates

Tables showing average effective tax rates for the years 2001 to 2014 for various household types are included.

(iii) Distribution of Income Earners

A table showing the distribution of income earners on a Post Budget 2013 and Pre-Budget 2014 basis.

(iv) Illustrative Cases

A number of illustrative cases are included which demonstrate the total tax liability and net pay for 2013 and 2014. In addition, some of cases also show changes to tax relief in respect of medical insurance premiums announced in this Budget.

(i) Examples showing that there have been no changes for different categories of single and married/civil partner income earners

EXAMPLE 1

Single person, no children, private sector employee taxed under PAYE
Full rate PRSI contributor

Gross Income	**Income Tax**		**PRSI**		**Universal Social Charge**		**Net Income**		**Total Change**		**Change as % of Net Income**
	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Per Year	Per Week	
€	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	
10,000	0	0	0	0	0	0	10,000	10,000	0	0	0.0%
15,000	0	0	0	0	399	399	14,601	14,601	0	0	0.0%
25,000	1,700	1,700	1,000	1,000	1,069	1,069	21,231	21,231	0	0	0.0%
35,000	4,162	4,162	1,400	1,400	1,769	1,769	27,669	27,669	0	0	0.0%
45,000	8,262	8,262	1,800	1,800	2,469	2,469	32,469	32,469	0	0	0.0%
55,000	12,362	12,362	2,200	2,200	3,169	3,169	37,269	37,269	0	0	0.0%
75,000	20,562	20,562	3,000	3,000	4,569	4,569	46,869	46,869	0	0	0.0%
100,000	30,812	30,812	4,000	4,000	6,319	6,319	58,869	58,869	0	0	0.0%
125,000	41,062	41,062	5,000	5,000	8,069	8,069	70,869	70,869	0	0	0.0%
150,000	51,312	51,312	6,000	6,000	9,819	9,819	82,869	82,869	0	0	0.0%
175,000	61,562	61,562	7,000	7,000	11,569	11,569	94,869	94,869	0	0	0.0%

EXAMPLE 2

Married couple/civil partner, one income, no children, private sector employee taxed under PAYE
Full rate PRSI contributor

Gross Income	**Income Tax**		**PRSI**		**Universal Social Charge**		**Net Income**		**Total Change**		**Change as % of Net Income**
	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Per Year	Per Week	
€	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	
10,000	0	0	0	0	0	0	10,000	10,000	0	0	0.0%
15,000	0	0	0	0	399	399	14,601	14,601	0	0	0.0%
25,000	50	50	1,000	1,000	1,069	1,069	22,881	22,881	0	0	0.0%
35,000	2,050	2,050	1,400	1,400	1,769	1,769	29,781	29,781	0	0	0.0%
45,000	4,722	4,722	1,800	1,800	2,469	2,469	36,009	36,009	0	0	0.0%
55,000	8,822	8,822	2,200	2,200	3,169	3,169	40,809	40,809	0	0	0.0%
75,000	17,022	17,022	3,000	3,000	4,569	4,569	50,409	50,409	0	0	0.0%
100,000	27,272	27,272	4,000	4,000	6,319	6,319	62,409	62,409	0	0	0.0%
125,000	37,522	37,522	5,000	5,000	8,069	8,069	74,409	74,409	0	0	0.0%
150,000	47,772	47,772	6,000	6,000	9,819	9,819	86,409	86,409	0	0	0.0%
175,000	58,022	58,022	7,000	7,000	11,569	11,569	98,409	98,409	0	0	0.0%

EXAMPLE 3

Married couple/civil partner, one income, two children, private sector employee taxed under PAYE

Full rate PRSI contributor

Gross Income	Income Tax		PRSI		Universal Social Charge		Family Income Supplement		Net Income		Total Change		Change as % of Net Income
	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Proposed	Existing	Per Year	Per Week	
€	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	
10,000	0	0	0	0	0	0	12,792	12,792	22,792	22,792	0	0	0.0%
15,000	0	0	0	0	399	399	10,036	10,036	24,637	24,637	0	0	0.0%
25,000	0	0	1,000	1,000	1,069	1,069	5,044	5,044	27,975	27,975	0	0	0.0%
35,000	1,240	1,240	1,400	1,400	1,769	1,769	1,040	1,040	31,631	31,631	0	0	0.0%
45,000	3,912	3,912	1,800	1,800	2,469	2,469	0	0	36,819	36,819	0	0	0.0%
55,000	8,012	8,012	2,200	2,200	3,169	3,169	0	0	41,619	41,619	0	0	0.0%
75,000	16,212	16,212	3,000	3,000	4,569	4,569	0	0	51,219	51,219	0	0	0.0%
100,000	26,462	26,462	4,000	4,000	6,319	6,319	0	0	63,219	63,219	0	0	0.0%
125,000	36,712	36,712	5,000	5,000	8,069	8,069	0	0	75,219	75,219	0	0	0.0%
150,000	46,962	46,962	6,000	6,000	9,819	9,819	0	0	87,219	87,219	0	0	0.0%
175,000	57,212	57,212	7,000	7,000	11,569	11,569	0	0	99,219	99,219	0	0	0.0%

EXAMPLE 4

Single person, no children, taxed under Schedule D

Gross Income	Income Tax		PRSI		Universal Social Charge		Net Income		Total Change		Change as % of Net Income
	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Per Year	Per Week	
€	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	
10,000	350	350	500	500	0	0	9,150	9,150	0	0	0.0%
15,000	1,350	1,350	600	600	399	399	12,651	12,651	0	0	0.0%
25,000	3,350	3,350	1000	1,000	1,069	1,069	19,581	19,581	0	0	0.0%
35,000	5,812	5,812	1400	1,400	1,769	1,769	26,019	26,019	0	0	0.0%
45,000	9,912	9,912	1800	1,800	2,469	2,469	30,819	30,819	0	0	0.0%
55,000	14,012	14,012	2200	2,200	3,169	3,169	35,619	35,619	0	0	0.0%
75,000	22,212	22,212	3000	3,000	4,569	4,569	45,219	45,219	0	0	0.0%
100,000	32,462	32,462	4000	4,000	6,319	6,319	57,219	57,219	0	0	0.0%
125,000	42,712	42,712	5000	5,000	8,819	8,819	68,469	68,469	0	0	0.0%
150,000	52,962	52,962	6000	6,000	11,319	11,319	79,719	79,719	0	0	0.0%
175,000	63,212	63,212	7000	7,000	13,819	13,819	90,969	90,969	0	0	0.0%

EXAMPLE 5

Married couple/civil partner, one income, no children, taxed under Schedule D

Gross Income	Income Tax		PRSI		Universal Social Charge		Net Income		Total Change		Change as % of Net Income
	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Per Year	Per Week	
€	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	
10,000	0	0	500	500	0	0	9,500	9,500	0	0	0.0%
15,000	0	0	600	600	399	399	14,001	14,001	0	0	0.0%
25,000	1,700	1,700	1,000	1,000	1,069	1,069	21,231	21,231	0	0	0.0%
35,000	3,700	3,700	1,400	1,400	1,769	1,769	28,131	28,131	0	0	0.0%
45,000	6,372	6,372	1,800	1,800	2,469	2,469	34,359	34,359	0	0	0.0%
55,000	10,472	10,472	2,200	2,200	3,169	3,169	39,159	39,159	0	0	0.0%
75,000	18,672	18,672	3,000	3,000	4,569	4,569	48,759	48,759	0	0	0.0%
100,000	28,922	28,922	4,000	4,000	6,319	6,319	60,759	60,759	0	0	0.0%
125,000	39,172	39,172	5,000	5,000	8,819	8,819	72,009	72,009	0	0	0.0%
150,000	49,422	49,422	6,000	6,000	11,319	11,319	83,259	83,259	0	0	0.0%
175,000	59,672	59,672	7,000	7,000	13,819	13,819	94,509	94,509	0	0	0.0%

EXAMPLE 6

Married couple/civil partner, one income, two children, taxed under Schedule D

Gross Income	Income Tax		PRSI		Universal Social Charge		Net Income		Total Change		Change as % of Net Income
	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Per Year	Per Week	
€	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	
10,000	0	0	500	500	0	0	9,500	9,500	0	0	0.0%
15,000	0	0	600	600	399	399	14,001	14,001	0	0	0.0%
25,000	890	890	1,000	1,000	1,069	1,069	22,041	22,041	0	0	0.0%
35,000	2,890	2,890	1,400	1,400	1,769	1,769	28,941	28,941	0	0	0.0%
45,000	5,562	5,562	1,800	1,800	2,469	2,469	35,169	35,169	0	0	0.0%
55,000	9,662	9,662	2,200	2,200	3,169	3,169	39,969	39,969	0	0	0.0%
75,000	17,862	17,862	3,000	3,000	4,569	4,569	49,569	49,569	0	0	0.0%
100,000	28,112	28,112	4,000	4,000	6,319	6,319	61,569	61,569	0	0	0.0%
125,000	38,362	38,362	5,000	5,000	8,819	8,819	72,819	72,819	0	0	0.0%
150,000	48,612	48,612	6,000	6,000	11,319	11,319	84,069	84,069	0	0	0.0%
175,000	58,862	58,862	7,000	7,000	13,819	13,819	95,319	95,319	0	0	0.0%

(ii) AVERAGE EFFECTIVE TAX RATES ON ANNUAL EARNINGS IN % TERMS*
FULL RATE PRSI

FULL RATE PRSI	SINGLE													
Gross Income €	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2009 (s)/2010**	**2011**	**2012**	**2013**	**2014**
15,000	9.5%	7.7%	6.8%	5.2%	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%	2.7%	2.7%	2.7%
20,000	15.2%	13.8%	13.1%	11.9%	8.4%	7.1%	5.1%	4.4%	5.4%	6.4%	9.8%	9.8%	11.1%	11.1%
25,000	17.3%	16.2%	15.7%	14.7%	13.5%	12.5%	10.9%	8.3%	9.3%	10.3%	14.0%	14.0%	15.1%	15.1%
30,000	22.2%	19.3%	18.9%	18.1%	16.0%	14.7%	13.4%	12.9%	13.9%	16.9%	16.8%	16.8%	17.7%	17.7%
40,000	28.3%	26.4%	26.1%	25.5%	24.0%	21.9%	19.7%	18.6%	19.1%	22.1%	24.2%	24.2%	24.8%	24.8%
60,000	33.6%	32.4%	32.3%	32.0%	31.1%	29.8%	28.1%	27.5%	28.2%	31.7%	33.4%	33.4%	33.9%	33.9%
100,000	37.9%	37.1%	37.0%	36.9%	36.3%	35.6%	34.2%	33.8%	34.6%	39.2%	40.9%	40.9%	41.1%	41.1%
120,000	38.9%	38.3%	38.2%	38.1%	37.6%	37.0%	35.7%	35.4%	36.5%	41.1%	42.7%	42.7%	42.9%	42.9%

FULL RATE PRSI	MARRIED/CIVIL PARTNER ONE INCOME TWO CHILDREN													
Gross Income €	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2009 (s)/2010**	**2011**	**2012**	**2013**	**2014**
15,000	2.2%	2.2%	2.2%	2.2%	2.2%	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%	2.7%	2.7%	2.7%
20,000	4.7%	4.7%	4.7%	4.7%	2.7%	2.7%	2.7%	2.7%	3.7%	4.7%	6.3%	6.3%	7.6%	7.6%
25,000	8.7%	7.1%	6.5%	5.5%	4.9%	4.9%	4.9%	2.9%	3.9%	4.9%	7.2%	7.2%	8.3%	8.3%
30,000	11.6%	10.2%	9.8%	9.0%	7.8%	6.7%	5.1%	5.1%	6.1%	9.1%	8.6%	8.6%	9.5%	9.5%
40,000	16.6%	15.7%	15.5%	14.9%	13.2%	11.5%	10.2%	9.4%	10.4%	13.4%	14.2%	14.2%	14.9%	14.9%
60,000	25.9%	25.3%	25.1%	24.8%	23.9%	22.5%	20.8%	19.8%	20.5%	24.0%	26.2%	26.2%	26.6%	26.6%
100,000	33.2%	32.8%	32.8%	32.6%	32.0%	31.2%	29.7%	29.2%	30.0%	34.6%	36.5%	36.5%	36.8%	36.8%
120,000	35.0%	34.7%	34.6%	34.5%	34.0%	33.3%	32.0%	31.6%	32.6%	37.2%	39.1%	39.1%	39.3%	39.3%

Average Effective Tax Rates 2001-2010: Total of Income Tax, Levies (Income and Health) and PRSI as a proportion of gross income.
Average Effective Tax Rates 2011-2014: Total of Income Tax, PRSI and Universal Social Charge as a proportion of gross income.
Calculations only account for the standard employee credit, personal income tax credit and home carer credit, where relevant.
Supplementary Budget 2009

AVERAGE EFFECTIVE TAX RATES ON ANNUAL EARNINGS IN % TERMS*

MODIFIED RATE PRSI

MODIFIED RATE PRSI	SINGLE													
Gross Income €	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2009 (s)/2010**	**2011**	**2012**	**2013**	**2014**
15,000	8.1%	6.3%	5.4%	3.8%	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%	2.7%	2.7%	2.7%
20,000	13.3%	11.9%	11.2%	10.0%	6.6%	5.2%	3.2%	2.5%	3.5%	4.5%	7.9%	7.9%	8.0%	8.0%
25,000	15.2%	14.1%	13.6%	12.6%	11.5%	10.4%	8.8%	6.2%	7.2%	8.2%	11.9%	11.9%	12.0%	12.0%
30,000	19.9%	17.1%	16.6%	15.8%	13.8%	12.5%	11.1%	10.7%	11.7%	14.7%	14.6%	14.6%	14.6%	14.6%
40,000	26.1%	24.0%	23.7%	23.0%	21.6%	19.5%	17.2%	16.1%	16.6%	19.6%	21.7%	21.7%	21.7%	21.7%
60,000	32.0%	30.7%	30.5%	30.1%	29.1%	27.8%	25.9%	25.3%	25.9%	29.0%	30.8%	30.8%	30.8%	30.8%
100,000	36.8%	36.0%	35.9%	35.7%	35.1%	34.3%	32.8%	32.4%	33.2%	37.1%	38.8%	38.8%	38.8%	38.8%
120,000	38.0%	37.3%	37.2%	37.0%	36.6%	35.9%	34.6%	34.2%	35.2%	39.3%	41.0%	41.0%	41.0%	41.0%

MODIFIED RATE PRSI	MARRIED/CIVIL PARTNER ONE INCOME TWO CHILDREN													
Gross Income €	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2009 (s)/2010**	**2011**	**2012**	**2013**	**2014**
15,000	0.8%	0.8%	0.8%	0.8%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%	2.7%	2.7%	2.7%
20,000	2.8%	2.8%	2.8%	2.8%	0.8%	0.8%	0.8%	0.8%	1.8%	2.8%	4.4%	4.4%	4.5%	4.5%
25,000	6.6%	5.0%	4.4%	3.5%	2.9%	2.9%	2.9%	0.9%	1.9%	2.9%	5.1%	5.1%	5.2%	5.2%
30,000	9.3%	8.0%	7.5%	6.7%	5.5%	4.5%	2.9%	2.9%	3.9%	6.9%	6.4%	6.4%	6.4%	6.4%
40,000	14.4%	13.3%	13.0%	12.4%	10.8%	9.1%	7.7%	6.9%	7.9%	10.9%	11.8%	11.8%	11.8%	11.8%
60,000	24.3%	23.6%	23.3%	23.0%	21.9%	20.5%	18.6%	17.6%	18.2%	21.3%	23.5%	23.5%	23.5%	23.5%
100,000	32.2%	31.8%	31.6%	31.4%	30.7%	29.9%	28.4%	27.7%	28.5%	32.5%	34.4%	34.4%	34.4%	34.4%
120,000	34.1%	33.8%	33.7%	33.5%	32.9%	32.2%	30.9%	30.4%	31.4%	35.4%	37.3%	37.3%	37.4%	37.4%

Average Effective Tax Rates 2001-2010: Total of Income Tax, Levies (Income and Health) and PRSI as a proportion of gross income.
Average Effective Tax Rates 2011-2014: Total of Income Tax, PRSI and Universal Social Charge as a proportion of gross income.
Calculations only account for the personal income tax credit and home carer credit, where relevant.
Supplementary Budget 2009

AVERAGE EFFECTIVE TAX RATES ON ANNUAL EARNINGS IN % TERMS*

SELF EMPLOYED

SELF EMPLOYED	SINGLE													
Gross Income €	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2009 (s)/2010**	**2011**	**2012**	**2013**	**2014**
15,000	13.7%	12.9%	12.9%	12.9%	12.5%	12.1%	11.3%	10.8%	10.8%	10.8%	15.7%	15.7%	15.7%	15.7%
20,000	18.0%	17.4%	17.4%	17.4%	15.1%	14.9%	14.2%	13.9%	14.9%	15.9%	19.3%	19.3%	19.3%	19.3%
25,000	19.4%	18.9%	18.9%	18.9%	18.7%	18.5%	18.0%	15.7%	16.7%	17.7%	21.7%	21.7%	21.7%	21.7%
30,000	23.7%	21.4%	21.4%	21.4%	20.2%	19.6%	19.1%	18.9%	19.9%	22.9%	23.2%	23.2%	23.2%	23.2%
40,000	29.5%	27.8%	27.8%	27.8%	26.9%	25.3%	23.8%	22.8%	23.3%	26.3%	29.0%	29.0%	29.0%	29.0%
60,000	35.4%	34.2%	34.2%	34.2%	33.6%	32.6%	31.2%	30.6%	31.2%	34.2%	36.6%	36.6%	36.6%	36.6%
100,000	40.0%	39.3%	39.3%	39.3%	39.0%	38.3%	37.1%	36.7%	37.5%	41.3%	42.8%	42.8%	42.8%	42.8%
120,000	41.2%	40.6%	40.6%	40.6%	40.3%	39.8%	38.7%	38.4%	39.4%	43.2%	44.8%	44.8%	44.8%	44.8%

SELF EMPLOYED	MARRIED/CIVIL PARTNER ONE INCOME TWO CHILDREN													
Gross Income €	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2009 (s)/2010**	**2011**	**2012**	**2013**	**2014**
15,000	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	6.7%	6.7%	6.7%	6.7%
20,000	7.2%	6.0%	6.0%	6.0%	3.4%	3.0%	3.0%	3.0%	4.0%	5.0%	7.6%	7.6%	7.6%	7.6%
25,000	10.8%	9.8%	9.8%	9.8%	9.3%	8.9%	7.8%	4.8%	5.8%	6.8%	11.8%	11.8%	11.8%	11.8%
30,000	13.2%	12.3%	12.3%	12.3%	11.9%	11.6%	10.7%	9.8%	10.8%	13.8%	15.0%	15.0%	15.0%	15.0%
40,000	17.9%	17.1%	17.1%	17.1%	16.1%	14.9%	14.3%	13.6%	14.6%	17.6%	19.0%	19.0%	19.0%	19.0%
60,000	27.6%	27.1%	27.1%	27.1%	26.4%	25.3%	23.8%	22.9%	23.5%	26.5%	29.4%	29.4%	29.4%	29.4%
100,000	35.3%	35.1%	35.1%	35.1%	34.6%	34.0%	32.7%	32.1%	32.9%	36.7%	38.4%	38.4%	38.4%	38.4%
120,000	37.3%	37.0%	37.0%	37.0%	36.7%	36.1%	35.0%	34.5%	35.5%	39.4%	41.2%	41.2%	41.2%	41.2%

Average Effective Tax Rates 2001-2010: Total of Income Tax, Levies (Income and Health) and PRSI as a proportion of gross income.
Average Effective Tax Rates 2011-2014: Total of Income Tax, PRSI and Universal Social Charge as a proportion of gross income.
Calculations only account for the personal income tax credit and home carer credit, where relevant.
Supplementary Budget 2009

(iii) ESTIMATED DISTRIBUTION OF INCOME EARNERS ON THE INCOME TAX FILE FOR 2013 AND 2014

	Exempt (standard rate liability fully covered by credits or age exemption limits)	Paying tax at the standard rate * (including those whose liability at the higher rate is fully offset by credits)	Higher rate liability NOT fully offset by credits	Total
2013	**875,000** **40.39%**	**920,100** **42.47%**	**371,300** **17.14%**	**2,166,400**
2014 on a pre-budget basis	**856,000** **39.08%**	**941,800** **43.00%**	**392,500** **17.92%**	**2,190,300**

*Includes those benefiting from the system of margina relief taxation.

Notes:

Distribution for 2013 and 2014 are estimates from the Revenue tax-forecasting model using actual data for the year 2011, adjusted as necessary for income and employment trends in the interim.

Figures are provisional and likely to be revised.

A jointly assessed married couple/civil partnership is treated as one tax unit.

(iv) ILLUSTRATIVE CASES

These cases deal with basic personal tax credits, the employee tax credit, the home carer credit, the age credit, the age exemption limits, the standard rate bands, PRSI and the Universal Social Charge (USC). Social welfare payments under the Family Income Supplement scheme (FIS), the State Pension and Child Benefit are also included, where relevant. Additional tax reliefs such as Mortgage Interest Relief and Rent Relief are not taken into account. Some of the cases also include tax relief in respect of medical insurance premiums. Some figures are rounded to the nearest euro.

Example 1
Eric is single and in third level education which his parents are funding. He works 20 hours a week as a factory worker on the minimum wage rate of €8.65 per hour. Eric lives at home with his parents. Eric will see no change in his annual net income due to this Budget.

	2013	**2014**
	€	€
Gross Salary	8,996	8,996
Income Tax liability	0	0
PRSI liability	0	0
Universal Social Charge	0	0
Total tax liability	0	0
Net Income	8,996	8,996
Annual change		0
Change as a % of net income		0%

Example 2
Kevin is single and is employed in the catering sector earning the Minimum Wage of €17,542 per annum. Kevin will see no change in his annual net income due to this Budget.

	2013	**2014**
	€	€
Gross Salary	17,542	17,542
Income Tax liability	208	208
PRSI liability	0	0
Universal Social Charge	547	547
Total tax liability	755	755
Net Income	16,787	16,787
Annual change		0
Change as a % of net income		0%

Example 3

Brenda is a single parent with one daughter, Marianne aged 2 years. Brenda is the primary carer for Marianne. Brenda is employed full time as a project manager earning €48,000 per annum. Brenda will see no change in her annual net income due to this Budget.

	2013	**2014**
	€	€
Gross Salary	48,000	48,000
Income Tax liability	7,002	7,002
PRSI liability	1,920	1,920
Universal Social Charge	2,679	2,679
Total tax liability	11,601	11,601
Child Benefit	1,560	1,560
Net Income	37,959	37,959
Annual change		0
Change as a % of net income		0%

Example 4

Joe and Monika are married with three children, Martina, Piotr and Karolina who are aged 6, 8 and 14 years. Joe works in the home. Monika is a legal secretary earning €25,000 per annum. The family will see no change in their annual net income due to this Budget.

	2013	**2014**
	€	**€**
Gross Salary	25,000	25,000
Income Tax liability	0	0
PRSI liability	1,000	1,000
Universal Social Charge	1,069	1,069
Total tax liability	2,069	2,069
Child Benefit	4,680	4,680
Family Income Supplement (FIS)	8,216	8,216
Net income	35,827	35,827
Annual loss		0
Change as a % of net income		0%

Example 5

Alan and Ilona are married with two children, Amy and Clare who are aged 9 and 11 years. Ilona works in the home. Alan is employed as an accountant earning €60,000 per annum. He pays a pension contribution of 6% of his gross income. They have medical insurance cover costing €2,864 in 2013 and 2014 before tax relief at source is discounted. The family will see no change in their annual net income due to this Budget.

	2013	**2014**
	€	€
Gross Salary	60,000	60,000
Pension Contribution	3,600	3,600
Income Tax liability	8,586	8,586
PRSI liability	2,400	2,400
Universal Social Charge	3,519	3,519
Total tax liability	14,505	14,505
Child Benefit	3,120	3,120
Medical Insurance Premium (after tax relief at source)	2,291	2,291
Net Income	42,724	42,724
Annual loss		0
Change as a % of net income		0%

Example 6

Donal and Maria are married with two children, Niall and Anita who are aged 3 and 5 years. Donal works in the home. Maria is self-employed with income of €150,000 per annum. Maria pays a pension contribution of 6% of her gross income. They have medical insurance cover costing €6,913 in 2013 and 2014 before tax relief at source is discounted. The family will see a loss of 1.0% or €783 in their annual net income as a result of this year's Budget.

	2013	**2014**
	€	€
Gross Income	150,000	150,000
Pension Contribution	9,000	9,000
Income Tax liability	44,922	44,922
PRSI liability	6,000	6,000
Universal Social Charge	11,319	11,319
Total tax liability	62,241	62,241
Child Benefit	3,120	3,120
Medical Insurance Premium (after tax relief at source)	5,530	6,313
Net Income	76,349	75,566
Annual loss		-783
Change as a % of net income		-1.0%

Example 7

Paul and Barbara are a retired couple. Paul is aged 74 and Barbara is aged 72. Paul has a Contributory State Pension (€22,703) and an occupational pension of €40,000 per annum. The couple will see no change in their annual net income due to this Budget.

	2013	2014
	€	€
State Pension	22,703	22,703
Occupational pension	40,000	40,000
Gross Income	62,703	62,703
Income Tax liability	10,681	10,681
PRSI liability	n/a	n/a
Universal Social Charge	1,399	1,399
Total tax liability	12,080	12,080
Net Income	50,623	50,623
Annual Loss		0
Change as a % of net income		0%

Annex B

Reduction in the Standard Fund Threshold

The Taxes Consolidation Act (Chapter 2C of Part 30) imposes a limit or ceiling on the total capital value of pension benefits that an individual can draw in their lifetime from tax-relieved pension products, where those benefits come into payment for the first time on or after 7 December 2005. There are significant additional tax liabilities where the limit is exceeded.

Background

This limit is called the "standard fund threshold" (SFT) and was set at €5 million when introduced with effect from 7 December 2005. Individuals, the capital value of whose uncrystallised pension rights on 7 December 2005 (pension rights that the individual had not become entitled to receive at that date) exceeded €5 million could protect those rights at that value by applying for a higher limit or threshold (a "personal fund threshold" – PFT). The legislation provides for the indexation of both the SFT and PFT at the discretion of the Minister for Finance and the thresholds were increased by way of an earnings index in 2007 and 2008, increasing the SFT to just over €5.4 million at that time.

Budget 2011 Changes

The SFT was subsequently reduced on 7 December 2010 to its current level of €2.3 million. Where the capital value of pension rights taken by an individual since 7 December 2005 (i.e. crystallised rights) together with the capital value of any uncrystallised pension rights on 7 December 2010 exceeded the reduced SFT of €2.3 million the aggregate of those rights could be protected at that value by way of a PFT, subject to an overall PFT limit of just over €5.4m (i.e. the level of the previous SFT).

The system works as follows. On each occasion that an individual becomes entitled to receive a benefit under a pension arrangement for the first time (called a "benefit crystallisation event" (BCE)) they use up part of their SFT or PFT. At each BCE a capital value is attributed to the benefits that crystallise and the value is then tested against the SFT or the PFT, as appropriate, by the pension scheme administrator. When the capital value of a BCE, either on its own or when aggregated with prior BCEs, exceeds an individual's appropriate fund threshold a "chargeable excess" arises and a tax charge at 41% is immediately applied on the amount of the excess. In addition, when the remainder of the excess is subsequently drawn down as a pension (or, for example, by way of a distribution from an ARF or vested PRSA), it is subject to tax at the individual's marginal rate. The effective income tax rate on an excess of pension funding over the SFT or PFT can be as high as 65%, excluding any liability to USC and PRSI.

Implementation of changes announced in Budget 2013

To give effect to the change announced in December 2012, the SFT is being further reduced as on and from 1 January 2014 from €2.3 million to a new lower amount of €2 million. Other changes to the SFT regime are also being introduced from that date to improve the equity of the regime as between Defined Benefit (DB) pension arrangements and Defined Contribution (DC) arrangements and between those who take pension benefits at younger ages and those who take them at older ages. The following arrangements will apply:

- Individuals with pension rights in excess of the new lower SFT on 1 January 2014 will be able to protect the capital value of those rights by claiming a PFT subject to a maximum PFT of €2.3m (i.e. the level of the previous SFT)

- As before, the PFT must be calculated on the basis of the aggregate of the capital value of pension benefits, if any, which the individual has already become entitled to receive since 7 December 2005 (i.e. crystallised rights) and the capital value of any uncrystallised pension rights the individual has on 1 January 2014. Where this aggregate amount exceeds the new SFT of €2 million, that higher amount will be the PFT, subject to the maximum PFT limit of €2.3m.

- The current standard valuation or capitalisation factor of 20 must be used to determine the value of DB pension rights for the purposes of calculating an individual's PFT at 1 January 2014.

- A PFT will have to be claimed by way of a PFT notification to the Revenue Commissioners in accordance with the legislation which will include certain proposed amendments to this aspect of the SFT procedures and these amendments will be reflected in the forthcoming Finance Bill.

- Individuals who already have a PFT under the previous arrangements outlined above will retain that PFT and don't need to do anything arising from the new arrangements.

- All DB pension rights accrued after 1 January 2014 will be valued at the point of draw down for BCE purposes for measurement against the SFT or PFT using an age-related valuation factor which will vary according to the age of the individual at the point of draw down of those rights. The factors and the ages at which they will apply are set out hereunder[1].

- All DB pension rights accrued up to 1 January 2014 and crystallised after that date will be valued at the point of drawdown for BCE purposes for measurement against the SFT or PFT at the current standard valuation factor of 20.

- Where a DB pension is drawn down (i.e. crystallised) after 1 January 2014, part of which was accrued up to that date and part after that date, the calculation of the capital value at the BCE will be split accordingly with the portion accrued up to 1 January capitalised using the current standard capitalisation factor of 20 and

[1] These factors are based very broadly on the assumptions underpinning the conversion of pension funds into pension annuities recommended by the Society of Actuaries for use in assisting in the preparation of annual Statements of Reasonable Projection (SORP) for members of DC occupational pension schemes and PRSA holders which illustrate the retirement benefits they may receive in retirement. The basis for the SORP factors is a pension increasing with CPI at 2% pa which also provides for a 50% survivor's pension together with other assumptions specified in the Society of Actuaries guidance (Actuarial Standard of Practice Pen – 12).

the portion accrued after that date capitalised using the appropriate age-related valuation factor.

- For DC type pension arrangements, the capital value of the pension rights on 1 January 2014 remain, as before, the value of the assets in the arrangement that represent the member's accumulated rights on that date i.e. the value of the fund.

Full details of these changes will be reflected in the forthcoming Finance Bill.

Proposed factors varying with age to value DB pension benefits for BCE purposes:

Age	**Factor**	**Age**	**Factor**
50 (and below)	37	61	29
51	36	62	28
52	36	63	27
53	35	64	27
54	34	65	26
55	33	66	25
56	33	67	24
57	32	68	24
58	31	69	23
59	30	70+	22
60	30		

ANNEX C
€500m TAX PACKAGE BUILDING BUSINESS & CREATING JOBS
25 MEASURES FOR JOBS AND GROWTH

Jobs and Growth remain the top priority. New businesses tend to be the greatest contributors to job creation. For new business success it is necessary to incentivise entrepreneurship, innovation and investment. Existing small businesses also require support to grow and create jobs. Access to credit and finance for SMEs is vital for economic growth and is central to Ireland's continuing recovery.

Entrepreneurship is a powerful driver of economic growth and job creation. It creates new companies and jobs, opens up new markets, and nurtures new skills and capabilities.

Innovation accounts for about two thirds of the sources of economic growth and innovative firms tend to be the greatest contributors to job creation.

Investment is essential for the survival and growth of Small and Medium Enterprises.

Credit and Finance Ensuring enterprises and in particular SMEs have access to an appropriate flow of finance from a diverse range of sources is a major policy issue.

Opportunity Small and new business needs the opportunity to grow and flourish. To that end it is important to create a level playing field for legitimate business by tackling unfair competition from the shadow economy.

A package of 25 measures has been developed which focuses on the business drivers outlined above in order to realise the maximum benefit from the minimum cost.

The 25 measures with their intended targets are outlined below:

Promoting Entrepreneurship

1. Capital Gains Tax Relief for re-investment of previous asset disposals in productive assets

The measure applies where an individual makes an investment in assets for use in a new productive trading activity in the period 1 January 2014 to 31 December 2018 and subsequently disposes of this investment no earlier than three years after the date of investment. The CGT payable on the disposal of this new investment will be reduced by the lower of the CGT paid by the individual on a previous disposal in the period from 1 January 2010 and 50% of the CGT due on the disposal of the new investment.

Target: To encourage individuals to re-invest the proceeds of a previous asset disposal into new productive trading or a new company and therefore to encourage new business and to keep capital focussed on business and the creation and maintenance of employment.

2. Start Your Own Business (SYOB)

This measure is being introduced to encourage individuals who are long-term unemployed to start their own unincorporated business. A two year exemption from income tax up to a maximum of €40,000 per annum is being provided for individuals who have been unemployed for at least 15 months prior to starting their own business.

Target: To encourage individuals to move from unemployment to self-employment.

Stimulating Investment

3. Enhancement of Employment and Investment Incentive

The initial 30% relief available for investments under the Employment and Investment Incentive is being removed from the high earners restriction for a period of 3 years. This restriction limits the amount of tax reliefs that can be claimed by high income individuals. The EII provides that a maximum of €150,000 can be invested by an individual per annum. Therefore, by lifting the restriction on the initial 30% relief, these investors should be encouraged to invest more funds in the EII and improve the availability of funds to SMEs.

Target: To increase investment in Irish SMEs that are focused on job creation and expansion.

4. Enterprise Securities Market – Transfers exempt from Stamp Duty

This proposal involves removal of the Stamp Duty charge (currently 1%) on shares listed on the Enterprise Securities Market (ESM) of the Irish Stock Exchange (ISE). The ESM is the ISE's market for growth companies. It has been specifically designed to meet the funding needs of companies at earlier stages in their development.

Target: It is intended to encourage more investors to back SMEs, thereby increasing the supply of equity available to them for growth and job creation. It may also encourage entrepreneurs and growing businesses to use the ESM to aid growth and job creation.

5. Inclusion of Real Estate Investment Trusts (REITs) in the Immigrant Investor Programme

Following the successful launch of the REIT product in Ireland it has been agreed with the Department of Justice to propose the inclusion of REITs as an investment option in the Immigrant Investor Programme.

Target: To encourage investment in REITs.

Financing Growth

6. Trade Finance

The Trade Finance Initiative would involve a tailored measure to support the growth of the export sector in Ireland thereby increasing investment, economic activity and employment. Discussions are taking place with the EIB to consider the feasibility of support being granted by the bank to underpin additional trade by Irish companies.

Target: To assist Irish exporters and businesses to increase exports and grow.

7. Credit Review Office – Increase Threshold

Increase in the threshold for applications that can be reviewed by the Credit Review Office from €500,000 to €3m. The increase in the number of reviewers sanctioned in Budget 2013 will ensure that the increased workload arising from this measure will be handled in a timely and comprehensive manner.

Target: To meet new lending demands from borrowers currently banked with non-trading banks and banks which are strategically exiting the Irish SME lending market.

8. SME Communications Strategy

Communication strategy to increase awareness of State supports amongst SMEs. This strategy will also ensure that there is a greater awareness amongst businesses of the soon to be re-launched credit guarantee scheme.

Target: To inform SMEs who are eligible for State supports but may not be aware of it or how to go about obtaining it.

9. Building Business Capacity

A programme, consisting of 2 days dedicated off site training together with expert mentoring support, to enhance SMEs business and financial capacity in relation to understanding and utilising a broader range of financial products, as well as equipping them with the necessary tools to make a strong business case when applying for credit. The programme will be launched on a pilot basis with 1,000 SMEs taking part next year.

Target: To assist micro and small business to grow.

Encouraging Innovation

10. Research and Development Tax Credit - Outsourcing

The limits on the amount of expenditure on R&D outsourced to third parties which can qualify for the R&D Tax Credit is being increased from 10% to 15%.

Target: This should help to assist small companies in performing R&D, as they are more likely to need to outsource because they may have insufficient resources in-house for certain functions. It should also support the outsourcing of discrete R&D tasks to smaller businesses.

11. Research and Development Tax Credit – Base Year

It is intended ultimately that the base year will be phased out entirely over time and as resources allow. In the interim, the amount of expenditure eligible for the R&D Tax Credit on a full volume basis (without reference to the 2003 base year) is being increased from €200,000 to €300,000.

Target: This measure will reduce the impact of the base year on companies who had significant R&D expenditure in 2003 and it will assist smaller companies to access the credit without reference to the base year. The phasing out of the base year, when complete, should improve the overall international competitiveness of the regime.

12. Research and Development Tax Credit – Key Employee

The key employee provision is in place in order to assist companies to attract key talent, by allowing the company to transfer the tax-free benefit of the R&D tax credit

to employees who meet certain conditions. Some minor changes will be made to this element of the tax credit to remove some barriers to take-up that were identified in the review of the R&D Tax Credit which took place this year.
Target: This measure is to help R&D performing companies to attract key talent.

Cash Flow

13. VAT – Increase cash basis to €2m

The annual VAT cash receipts basis threshold for small to medium businesses is being increased from €1.25m to €2m with effect from 1 May 2014
Target: To assist small to medium businesses in the critical area of cash-flow and to reduce administration.

Protecting Compliant Business by Tackling the Shadow Economy

14. VAT Anti-Fraud Measures

(i) Disallowance of input VAT – Business which have not paid for supplies (in full or part) within a six month period will be required to repay the VAT claimed on those supplies. (ii) Quick reaction mechanism – Allows Revenue to apply an emergency and temporary reverse-charge measure to certain goods or services to address sudden and massive VAT fraud. (iii) Requirement to keep specific records – Provision is being made to allow Revenue issue a notice requiring businesses to procure specific information in circumstances where Revenue has reasonable grounds for believing that the records specified might assist in identifying VAT fraud.
Target: To protect compliant business from unfair competition by tackling the shadow economy. To assist small business in the area of cash flow by encouraging prompt payments.

15. Excise and Energy Tax Anti-Fraud Measures

Tobacco

This gives Revenue the power to search baggage and other receptacles for illicit tobacco products. Revenue can require a person suspected of illegal selling of tobacco products to stop, and to permit and facilitate a search of any baggage or other thing the person has with them, and which is reasonably believed to contain tobacco products concerned in the offence.

Alcohol

Alcohol products that are held on unlicensed premises may be made liable to forfeiture under excise law and to seizure by Revenue.

Mineral Oil Tax Law

(i) Supplier liability to mineral oil tax in the case of a supplier who knowingly supplies Marked Gas Oil to persons who have no legitimate use for it. (ii) Revocation and renewal of mineral oil traders' licences in the case of suppliers who knowingly supply Marked Gas Oil to persons who have no legitimate use for it.

Target: To protect compliant business from unfair competition by tackling the shadow economy.

16. The Appeal System for Tax Matters

Reform the role, functions and structure of the Office of the Appeal Commissioners, who hear appeals against assessments, decisions and determinations of the Revenue Commissioners on a variety of taxes, and of the tax appeals system.

Target: To ensure an enhanced and cost effective appeal mechanism for tax cases, providing transparency and increased certainty for the taxpayers.

Tourism and Hospitality Sector

17. VAT – Retention of 9% VAT rate

The reduced rate of 9% VAT for tourism related services and goods has been a boost to the tourism sector but is due to expire at the end of this year. The 9% VAT rate is being retained.

Target: To support and encourage growth in small businesses in the tourism sector.

18. Reduction of Air Travel Tax to 0%

The rate of the Air Travel Tax will be reduced to 0% from 1 April 2014. The Air Travel Tax was introduced in March 2011 and since then a general rate of €3 has applied.

Target: To encourage the development of new routes leading to increased capacity and traffic flows. This increase in routes and therefore in passengers should lead to the creation of additional jobs.

Construction and Building Sector

19. Extension of the Living City Initiative

The Initiative is being extended to include residential properties constructed up to and including 1914 and certain areas of the cities of Cork, Galway, Kilkenny and Dublin.

Target: To have a beneficial effect on the construction sector by stimulating the regeneration of retail and commercial districts and encouraging families to move back into the centre of Irish cities to live in historic buildings.

20. Home Renovation Incentive

Tax relief of 13.5% will be available for qualifying expenditure on home renovation and improvement work. The relief will be granted by way of a tax credit split over two years following the year in which the works are carried out. The minimum expenditure must be €5,000 and relief will be provided up to a maximum of €30,000. The relief will be linked to the Principal Private Residence of an individual and the contractor must be tax compliant.

Target: To give a boost to tax compliant businesses in the construction sector.

21. Extension of CGT Relief for Property

Budget and Finance Act 2012 introduced a CGT incentive for property purchased in the period up to 7 December 2013. This purchase period is now being extended to 31 December 2014. Properties purchased in this extended period and which are

held for a minimum of 7 years will not attract CGT on any gains if disposed of at that point. Proportionate relief will apply where disposals are made after 7 years.
Target: To encourage activity in the property sector.

Farming/Agriculture and Food Sector

22. VAT – Increase in Farmers flat rate addition from 4.8% to 5%

The farmers flat-rate addition is being increased from 4.8% to 5% with effect from 1 January 2014. The flat-rate scheme compensates unregistered farmers for VAT incurred on their farming inputs and is reviewed annually in accordance with the EU VAT Directive.
Target: To assist the farming sector. The increase to 5% in 2014 continues to achieve full compensation for farmers.

23. Capital Gains Tax Retirement Relief

CGT retirement relief is being further extended to disposals of leased farmland in circumstances where, among other conditions, the land is leased over the long-term (a minimum lease of 5 years) and the subsequent disposal of the farmland is to a person other than a child of the individual disposing of the land.
Target: The purpose of the measure is to encourage older farmers who have no children to transfer their farm to, lease out their farmland over the long term to younger farmers.

24. Review of Farmers Taxation

The Departments of Finance and the Department of Agriculture, Forestry and the Marine will conduct an independent review of farmer taxation in 2014 to ensure that tax reliefs are focused on those areas where they are needed most and also to ensure tax payer value for money
Target: To target farming tax reliefs at the areas where they will have the most benefit.

Film Industry

25. Improve the new Film Relief to include non-EU talent

The definition of ‘eligible individual’ is being extended to include non-EU talent, in conjunction with the introduction of a withholding tax.
Target: To attract major film productions and high-end television shows to these shores by improving Ireland’s attractiveness to international movie stars. These types of productions are job rich and can often give a knock-on boost to the tourism sector.