Budget 2013
Income Tax Measures

BUDGET 2013

An Roinn Airgeadais
Department of Finance

Overview of Income Tax Measures

Medical Cards and USC

The standard rates of USC will apply to those aged 70 years of age and over and medical card holders (PAYE and self-employed income earners) earning €60,000 and above with effect from 1 January 2013. The current lower 4% rate of USC which applies until the end of 2014 will continue in place for all other relevant individuals.

Maternity Benefit

Maternity Benefit will be taxable for all claimants with effect from 1 July 2013.

Top Slicing Relief

This relief, which could be claimed in respect of tax on the final, taxable element of an individual's ex gratia lump sum paid in connection with the termination of the holding of an office or employment, will not be available from 1 January 2013 to those in receipt of ex gratia lump sums of €200,000 or above.

Overview of Income Tax Measures

PRSI

The weekly PRSI allowance for full rate and modified rate PRSI contributors will be removed.

The minimum annual PRSI contribution for self-employed earners will be increased from €253 to €500.

Where modified PRSI rate payers have income from a trade or profession, such income and any unearned income they have will be made subject to PRSI with effect from the 1st of January 2013; and

Unearned income for everyone else will become subject to PRSI in 2014. This means that PRSI will be payable on income generated from wealth, such as rental income, investment income, dividends, interest on deposits and savings.

Worked Examples

Example 1

Liam is single, no children and self-employed with income of €60,000 per annum.

He pays a pension contribution of 6% of his gross income. He owns his home which is valued at €250,000. He will see a loss of 0.3% or €102 in his annual net income due to this Budget.

	2012 €	2013 €
Gross Income	60,000	60,000
Pension Contribution	3,600	3,600
Income Tax liability	14,586	14,586
PRSI liability	2,400	2,400
Universal Social Charge	3,519	3,519
Total tax liability	20,505	20,505
Household Charge	100	n/a
Local Property Tax (LPT)	35,795	202*
Net Income		35,693
Annual loss		-102
Change as a % of net income		-0.3%

* A half- year LPT charge applies for 2013. The liability is calculated at the mid-point of the band as follows: (€225,000 x 0.18%)/2. (As set out in Annex B of the Budget book)

Worked Examples

Example 2

Daniel 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. Daniel lives at home.

Daniel will see no change in his annual net income due to this Budget.

	2012 €	2013 €
Gross Income	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%

Worked Examples

Example 3

Alan and Sinéad are married with two children, Alice and Anita who are aged 8 and 15. Sinéad works in the home. Alan works in the catering industry earning €25,000 per annum. They own their home which is valued at €125,000. Alan and Sinéad have elected to defer their property tax in full for the year 2013 and have made the necessary notification to the Revenue Commissioners. The family will see a loss of 0.8% or €248 in their annual net income due to this Budget.

	2012 €	2013 €
Gross Salary	25,000	25,000
Income Tax liability	0	0
PRSI liability	736	1,000
Universal Social Charge	1,069	1,069
Total tax liability	1,805	2,069
Child Benefit	3,360	3,120
Family Income Supplement (FIS)	4,888	5,044
Household Charge	100	n/a
Local Property Tax (LPT)	n/a	112*
Net income	31,343	31,095
Annual loss		-248
Change as a % of net income		-0.8%

A half year charge LPT charge applies for 2013. The LPT liability is calculated at the mid-point of the relevant band as follows: (€125,000 x 0.18%)/2. Alan and Sinéad qualify for a voluntary deferral as their joint annual income does not exceed the threshold of €25,000 for a couple. (As set out in Annex B of the Budget book)

Worked Examples

Example 4

Pierce and Brenda are married with three children, Siobhan, Vincent and Kate who are aged 8, 10 and 12 years. Both Pierce and Brenda joined the public service in 1996 and are earning €60,000 and €40,000, respectively. They own their home which is valued at €350,000. The family will see a loss of 1.7% or €1,176 in their annual net income due to this Budget.

	2012 €	2013 €
Gross Income	100,000	100,000
Pension Contribution	4,824	4,824
Pension Related Deduction	6,500	6,500
Income Tax liability	15,981	15,981
PRSI liability	3,472	4,000
Universal Social Charge	5,638	5,638
Total tax liability	25,091	25,619
Child Benefit	5,136	4,680
Household Charge	100	n/a
Local Property Tax (LPT)	n/a	292*
Net income	68,621	67,445
Annual loss		-1,176
Change as a % of net income		-1.7%

* A half year LPT charge applies for 2013. The LPT liability is calculated at the mid-point of the band as follows: (€325,000 x 0.18%)/2. (As set out in Annex B)

Worked Examples

Example 5

Colm is single and aged 68. He is retired and is in receipt of the Contributory State Pension (€11,976 per annum). In addition, he receives €13,024 per annum from his occupational pension. He owns his home which is valued at €175,000. Colm has elected to defer 50% of his property tax for the year 2013 and has made the necessary notification to the Revenue Commissioners. Colm will see a gain of 0.1% or €21.50 in his annual net Income due to this Budget.

	2012 €	2013 €	
	€	€	
State Pension	11,976	11,976	
Occupational pension	13,024	13,024	
Gross Income	25,000	25,000	
Income Tax liability	1,455	1,455	
PRSI liability	n/a	n/a	
Universal Social Charge	320	320	
Total tax liability	1,775	1,775	
Household Charge	100	n/a	
Local Property Tax (LPT)	n/a	*78.5	*Paid
		**78.5	**Deferred
Net Income	23,125	23,146.5	
Annual Change		21.50	
Change as a % of net income		0.1%	

* A half year LPT charge applies for 2013. The LPT liability is calculated at the mid-point of the band as follows: (€175,000 x 0.18%)/2. 50% of the charge has been deferred – the balance payable is shown in the table above. (As set out in Annex B of the Budget book)
** Marginal relief will apply for owner-occupiers where the income or adjusted income is €10,000 above the full deferral income limits of €15,000 (single persons) and €25,000 (couples) – that is, €25,000 and €35,000, respectively - to permit deferrals of up to 50% of LPT liability.

Worked Examples

Example 6

Eric and Clare are a retired couple. Eric is aged 72 and Clare is aged 71. Eric has a Contributory State Pension (€22,703) and an occupational pension of €100,000 per annum. They own their home which is valued at €1.2 million. The couple will see a loss of 4.3% or €3,570 in their annual net income due to this Budget.

	2012 €	2013 €
State Pension	22,703	22,703
Occupational pension	100,000	100,000
Gross Income	122,703	122,703
Income Tax liability	36,090	36,090
PRSI liability	n/a	n/a
Universal Social Charge	3,799	6,319
Total tax liability	39,889	42,409
Household Charge	100	n/a
Local Property Tax	n/a	1,150*
Net Income	82,714	79,144
Annual Loss		-3,570
Change as a % of net income		-4.3%

*A half year LPT charge applies for 2013. The LPT liability is calculated as follows: ((€1m x 0.18%) + (€200,000 x 0.25%)) / 2. [Banding does not apply because the property is valued over €1m.] (As set out in Annex B)

Overview of Income Tax Measures

Summary of Budget 2013 Tax Policy Measures

TAX HEAD	MEASURE	BRIEF DESCRIPTION
Income Tax	Medical Cards and USC	Eligibility test to pay the lower 4% rate is being amended to introduce an income threshold of €60,000.
Income Tax	Maternity Benefit	Maternity Benefit will now be taxable from 1 July 2013.
Income Tax	Top Slicing Relief	This relief in respect of tax on the final element of an ex gratia lump sum payment will not be available to those in receipt of ex gratia lump sums of €200,000 or more.
Income Tax	PRSI	The weekly PRSI allowance for full rate and modified rate PRSI contributors will be removed.
Income Tax	PRSI	The minimum annual PRSI contribution for self-employed earners will be increased from €253 to €500.
Income Tax	PRSI	The block exemption from PRSI for income from a trade or profession and unearned income for modified rate contributors will be abolished from 1 January 2013.Removal of remaining block exemption from 1 January 2014.

For more information please go to:

http://www.budget.gov.ie

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