

ANNEX A

Details of Tax Changes in Budget 2006 and Their Effect On Different Categories of Taxpayers

Contents

(i) Details of Main Income Tax Changes

(ii) Examples Showing the Effects of Budget Changes on Different Categories of Married and Single Taxpayers

Examples 1 to 12 attached show for various categories of taxpayers the income tax, levy and PRSI liabilities payable under the existing and proposed structure. Changes to Child Benefit from April 2006 and the Family Income Supplement from January 2006 are also included in the calculations. The effects of the new Early Childcare Supplement (ECS) from April 2006 are also included. The examples are based on specimen incomes with the basic tax credits and exemption limits only. The Home Carer credit is included as appropriate. The examples do not take account of discretionary reliefs. Examples showing the net gains to married two earner couples are calculated using the assumption that the higher income-earning spouse earns 65% of the couple's total income and that the lower earning spouse earns 35% of the couple's income. Variations can arise due to rounding.

(iii) Average Tax Rates

Tables showing average tax rates for the years 1997 - 2006 for various household types are included.

(iv) Distribution of Income Earners

A table showing the distribution of income earners both pre-Budget and post-Budget is included.

(v) Illustrative Cases

A number of illustrative cases are included to show the impact of the tax/PRSI changes in the Budget as well as the ECS on a number of different household types.