Taxation Annexes to the Summary

of 2013

Budget Measures

Taxation Annexes to the Summary of 2013 Budget Measures

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ANNEX A

The Effect of Budget 2013 Measures On Different Categories of Income Earners

Contents

(i) Examples Showing the Effects of Budget Changes on Different Categories of Married/Civil Partners and Single Income Earners

Examples 1 to 3 show the impact on various categories of income earners of the changes to PRSI and the introduction of the local property tax. Family Income Supplement payments are also 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 Tax Rates

Tables showing average tax rates for the years 2001 to 2013 for various household types are included.

(iii) Distribution of Income Earners

A table showing the distribution of income earners on the income tax file for 2012 and for 2013 on a pre-Budget basis.

(iv) Illustrative Cases

A number of illustrative cases to show the impact of the changes to PRSI and the Universal Social Charge and to some social welfare payments (child benefit) on a number of different household types. The cases also show the effects of the Household Charge in 2012 and the new Local Property Tax in 2013.

EXAMPLE 1

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

Gross Income	Income Tax		PRSI		Universal Social Charge		Property Value	Property Tax in 2013	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	0	0	10,000	10,000	0	0	0.0%
15,000	0	0	0	0	399	399	0	0	14,601	14,601	0	0	0.0%
25,000	1,700	1,700	736	1,000	1,069	1,069	93,750	23*	21,495	21,208	-287	-6	-1.3%
35,000	4,162	4,162	1,136	1,400	1,769	1,769	131,250	112	27,933	27,557	-377	-7	-1.3%
45,000	8,262	8,262	1,536	1,800	2,469	2,469	168,750	157	32,733	32,312	-422	-8	-1.3%
55,000	12,362	12,362	1,936	2,200	3,169	3,169	206,250	202	37,533	37,067	-467	-9	-1.2%
75,000	20,562	20,562	2,736	3,000	4,569	4,569	281,250	247	47,133	46,622	-512	-10	-1.1%
100,000	30,812	30,812	3,736	4,000	6,319	6,319	375,000	337	59,133	58,532	-602	-12	-1.0%
125,000	41,062	41,062	4,736	5,000	8,069	8,069	468,750	427	71,133	70,442	-692	-13	-1.0%
150,000	51,312	51,312	5,736	6,000	9,819	9,819	562,500	517	83,133	82,352	-782	-15	-0.9%
175,000	61,562	61,562	6,736	7,000	11,569	11,569	656,250	607	95,133	94,262	-872	-17	-0.9%

EXAMPLE 2

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

Gross Income	Income Tax		PRSI		Universal Social Charge		Property Value	Property Tax in 2013	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	0	0	10,000	10,000	0	0	0.0%
15,000	0	0	0	0	399	399	0	0	14,601	14,601	0	0	0.0%
25,000	50	50	736	1,000	1,069	1,069	0	0	23,145	22,881	-264	-5	-1.1%
35,000	2,050	2,050	1,136	1,400	1,769	1,769	131,250	56*	30,045	29,725	-320	-6	-1.1%
45,000	4,722	4,722	1,536	1,800	2,469	2,469	168,750	157	36,273	35,852	-422	-8	-1.2%
55,000	8,822	8,822	1,936	2,200	3,169	3,169	206,250	202	41,073	40,607	-467	-9	-1.1%
75,000	17,022	17,022	2,736	3,000	4,569	4,569	281,250	247	50,673	50,162	-512	-10	-1.0%
100,000	27,272	27,272	3,736	4,000	6,319	6,319	375,000	337	62,673	62,072	-602	-12	-1.0%
125,000	37,522	37,522	4,736	5,000	8,069	8,069	468,750	427	74,673	73,982	-692	-13	-0.9%
150,000	47,772	47,772	5,736	6,000	9,819	9,819	562,500	517	86,673	85,892	-782	-15	-0.9%
175,000	58,022	58,022	6,736	7,000	11,569	11,569	656,250	607	98,673	97,802	-872	-17	-0.9%

EXAMPLE 3

Married couple/civil partnership, 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		Property Value	LPT in 2013	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	0	0	22,792	22,792	0	0	0.0%
€15,000	0	0	0	0	399	399	10,036	10,036	0	0	24,637	24,637	0	0	0.0%
€25,000	0	0	736	1,000	1,069	1,069	4,888	5,044	0	0	28,083	27,975	-108	-2	-0.4%
€35,000	1,240	1,240	1,136	1,400	1,769	1,769	1,040	1,040	131,250	56*	31,895	31,575	-320	-6	-1.0%
€45,000	3,912	3,912	1,536	1,800	2,469	2,469	0	0	168,750	157	37,083	36,662	-422	-8	-1.1%
€55,000	8,012	8,012	1,936	2,200	3,169	3,169	0	0	206,250	202	41,883	41,417	-467	-9	-1.1%
€75,000	16,212	16,212	2,736	3,000	4,569	4,569	0	0	281,250	247	51,483	50,972	-512	-10	-1.0%
€100,000	26,462	26,462	3,736	4,000	6,319	6,319	0	0	375,000	337	63,483	62,882	-602	-12	-0.9%
€125,000	36,712	36,712	4,736	5,000	8,069	8,069	0	0	468,750	427	75,483	74,792	-692	-13	-0.9%
€150,000	46,962	46,962	5,736	6,000	9,819	9,819	0	0	562,500	517	87,483	86,702	-782	-15	-0.9%
€175,000	57,212	57,212	6,736	7,000	11,569	11,569	0	0	656,250	607	99,483	98,612	-872	-17	-0.9%

(a) Variations can arise due to rounding
(b) Includes the impact of the abolition of the Employee PRSI Allowance
(c) Includes the impact of Family Income Supplement where relevant
(d) For the purpose of these calculations, in order to determine the value of the property, it is assumed (i) loan to income ratio (LTI) is three times an individuals gross income, (ii) an individual must have 20% equity.
(e) A half- year LPT charge applies for 2013. The liability is calculated at the mid-point of the band at 0.18% as outlined in Annex B of the Budget book.
(f) Properties over €1 million are charged at 0.18% of the actual value up to €1 million plus 0.25% of the excess value over €1 million.
(g) Deferrals: A system of voluntary deferral arrangements for owner-occupiers will be implemented to address cases where there is an inability to pay the LPT:
Where gross income limits do not exceed €15,000 (single) and €25,000 (couple).
For income stressed owner-occupiers who have an outstanding mortgage, an adjusted gross income limit will apply – where gross income less 80% of mortgage interest falls below €15,000/€25,000 a deferral option will be available up to end 2017 (when MIR also ends).
Marginal relief will apply for owner-occupiers where the income or adjusted income is €10,000 above the income limit of €15,000/€25,000, i.e €25,000/€35,000 to permit deferrals of up to 50% of LPT liability.
Interest will be charged on deferred amounts but at a lower rate than the rate charged in default cases. The deferred amounts, including interest, will be a charge on the property. Deferred property taxes and interest will have to be discharged on the sale/transfer of the property.

(h) Figures do not take account of Household Charge in 2012
* Takes into account marginal relief for property tax as outlined in Annex B of the Budget book.

(ii) AVERAGE 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**
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%
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%
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%
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%
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%
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%
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%
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%

FULL RATE PRSI	MARRIED/CIVIL PARTNERSHIP ONE INCOME TWO CHILDREN												
Gross Income €	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2009 (s)/2010**	**2011**	**2012**	**2013**
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%
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%
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%
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%
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%
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%
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%
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%

* Average Tax Rates 2001-2010: Total of Income Tax, Levies (Income and Health) and PRSI as a proportion of gross income.
Average Tax Rates 2011-2013: Total of Income Tax, PRSI and Universal Social Charge as a proportion of gross income.
Includes only the standard employee credit, personal income tax credit and home carer credit, where relevant.

(s) Supplementary Budget 2009

AVERAGE 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
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%
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%
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%
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%
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%
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%
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%
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%

MODIFIED RATE PRSI	MARRIED/CIVIL PARTNERSHIP ONE INCOME TWO CHILDREN												
Gross Income €	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009 (s)/2010	2011	2012	2013
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%
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%
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%
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%
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%
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%
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%
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%

* Average Tax Rates 2001-2010: Total of Income Tax, Levies (Income and Health) and PRSI as a proportion of gross income.
Average Tax Rates 2011-2013: Total of Income Tax, PRSI and Universal Social Charge as a proportion of gross income.
This measure includes only the standard employee credit, personal income tax credit and home carer credit, where relevant.

(s) Supplementary Budget 2009

AVERAGE 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
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%
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%
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%
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%
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%
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%
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%
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%

SELF EMPLOYED	MARRIED/CIVIL PARTNERSHIP ONE INCOME TWO CHILDREN												
Gross Income €	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009 (s)/2010	2011	2012	2013
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%
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%
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%
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%
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%
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%
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%
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%

* Average Tax Rates 2001-2010: Total of Income Tax, Levies (Income and Health) and PRSI as a proportion of gross income.
Average Tax Rates 2011-2013: Total of Income Tax, PRSI and Universal Social Charge as a proportion of gross income.
Includes only the personal income tax credit and home carer credit, where relevant.

(s) Supplementary Budget 2009

(iii) DISTRIBUTION OF INCOME EARNERS ON THE INCOME TAX FILE FOR 2012 AND FOR 2013 ON A PRE-BUDGET

	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
2012	847,237 39.28%	944,455 43.79%	365,138 16.93%	2,156,830
2013 on a pre-budget basis	841,002 39.69%	953,066 42.85%	379,362 17.46%	2,173,430

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

Notes:

Distributions for 2012 are estimates from the Revenue tax-forecasting model using actual data for the year 2010, adjusted as necessary for income and employment trends in the interim.

Distributions for 2013 are compiled on a similar basis as 1. above.

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. The cases also include the Household Charge and new Local Property Tax. Public Service pension contributions are based on Civil Service conditions and the Pension Related Deduction is included for public servants. Some figures are rounded to the nearest euro.

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)	n/a	202*
Net Income	35,795	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)

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%

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)

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)

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)
** 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.

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)

ANNEX B

Local Property Tax (LPT)

The Local Property Tax (LPT) will come into effect from 1 July 2013 with a half year charge applying for 2013. The LPT will be administered by the Revenue Commissioners.

The main features of the Local Property Tax are as follows:

1. Liable Persons

- Owners of residential properties, including rental properties, will be legally responsible ("liable persons") for payment of the tax.
- The liability will rest with the tenant in the case of long leases (over 20 years) or life tenancies.
- Co-owners will be jointly and severally liable for the tax.
- During March 2013, information will be sent by the Revenue Commissioners to liable persons advising them of their obligations in relation to the LPT and how to comply.

2. Assessment System

- The Local Property Tax will operate through a system of self-assessment and self-declaration by liable persons.
- The Revenue Commissioners will have responsibility for all administration, collection, enforcement and audit aspects of LPT.
- Normal Revenue enforcement and collection procedures will apply to the LPT.

3. Basis of Assessment

- The market value of residential properties will be the basis of assessment for the tax.
- There will be a system of market value taxable bands (see Table 1, page B25):
    - The initial band covers €0-€100,000.
    - Then bands of €50,000 width up to €1,000,000 in value thereafter.
    - The tax liability will be calculated by applying the tax rate to the mid-point of the band.
    - Houses valued over €1m will be chargeable to LPT on their market value, with no banding applied.

4. Valuing Property

- Liable persons will self-assess the market value of their property.
- Where Revenue guidance about valuing a property is followed, property valuations will not be challenged by the Revenue Commissioners.

- The initial valuation is valid up to and including the year 2016.

5. Rates

- For the first 18 months (up to 31 December 2014) the national central tax rate will be **0.18% up to €1 million and 0.25% on excess value over €1 million.**

- From 1 January 2015 local authorities will have discretion to vary the LPT rates by +/-15% of the national central rate.

- The national central rate will not be increased for the lifetime of the Government.

6. Payment Methods

The LPT may be paid in full by a Bank Single Debit Authority or by Debit/Credit Card. Alternatively the tax may be paid by instalment through deduction at source, direct debit or by cash payments. Liable Persons may choose from the following payment options:

- Deduction at source from salary/occupational pension or certain payments from the Department of Social Protection, the Department of Agriculture, Food and Marine

- Direct Debit

- Bank Single Debit Authority

- Credit Card/Debit Card

- Cash Payments through certain service providers

7. Compliance

- The Revenue Commissioners are developing a comprehensive register of residential properties in the State. It will contain approximately 1.9 million properties.

- During March 2013, information will be sent by the Revenue Commissioners to liable persons advising them of their obligations in relation to the LPT and how to comply.

- In the absence of a return the Revenue Commissioners will pursue collection of an estimated amount of LPT, which will have been notified to the taxpayer.

- In the absence of a return or an election by the taxpayer for a particular method of payment, as far as possible, deduction at source will be the default means of collection.

- In the case of the self-employed, the Revenue Commissioners will not issue a tax clearance certificate where there is unpaid LPT. Late delivery of an LPT return will be linked to the filing of an income tax return, thus exposing a self-employed taxpayer to the penalty of an income tax surcharge.

- Where LPT remains outstanding, a charge will attach to that property. This charge will have to be discharged on the sale/transfer of the property.

8. Exemptions

Certain properties will be exempt from assessment. These exemptions largely correspond to exemptions from the Household Charge, and include:

- Newly constructed but unsold residential property
- Where ownership is vested in a public body or an approved charitable body and used to provide accommodation to people with special housing needs such as the elderly or people with disabilities
- Where a principal private residence is unoccupied by reason of long term mental or physical infirmity
- Mobile home, vehicle or a vessel
- Property fully subject to commercial rates
- Houses in certain unfinished developments as prescribed by law
- Properties enjoying protection in other legislation – diplomatic or similar property

New exemptions will apply in the case of:

- New and previously unused properties that are purchased between 1 January 2013 and the end of 2016 will be exempt until the end of 2016
- Second-hand property purchased by a first time buyer between 1 January 2013 and 31 December 2013 will be exempt until the end of 2016

However, local authority housing and social housing will not be exempt unless it is provided to people with special housing needs such as the elderly or people with disabilities. Liability will rest with the local authority or social housing organisation as owner.

9. Deferrals (see Table 2, page B26)

A system of voluntary deferral arrangements for owner-occupiers will be implemented to address cases where there is an inability to pay the LPT under specified conditions:

- Where the gross income does not exceed €15,000 (single) and €25,000 (couple)
- For income stressed owner-occupiers who have an outstanding mortgage, an adjusted gross income limit will apply – where gross income less 80% of mortgage interest falls below €15,000/€25,000 a deferral option will be available up to the end of 2017 (when mortgage interest relief also ends).
- Marginal relief will apply for owner-occupiers where the income or adjusted income is €10,000 above the income limit (€15,000/€25,000) to permit deferrals of up to 50% of LPT liability.
- Interest will be charged on deferred amounts but at a lower rate (i.e. 4% per annum) than the rate charged in default cases (i.e. 8% per annum). The deferred amount, including interest, will be a charge on the property. Deferred property taxes and interest will have to be discharged on the sale/transfer of the property.

10. Local Authority Funding

- Revenue from the LPT will support the provision of local services.
- Internationally, local services are administered by local authorities and financed by local service charges.
- In Ireland, local authorities are responsible for, among other services, public parks; libraries; open spaces and leisure amenities; planning and development; fire and emergency services; maintenance and cleaning of streets; and street lighting. These facilities benefit everyone.

11. Household Charge/Non-Principal Private Residence (NPPR) Charge

a. The arrears of the Household Charge for 2012 will be capped at €130 if paid to the Local Government Management Agency before 30 April 2013.

b. From 1 May to 30 June 2013 normal Household Charge collection, late payment fee and interest procedures will apply. The cap of €130 will no longer be available.

c. From 1 July 2013, any outstanding Household Charge will be increased to €200 and added to the Local Property Tax due on the property. In effect, the arrears of the Household Charge will be converted into LPT and collected through the LPT system. The Revenue Commissioners will pursue this additional liability when the LPT system is fully operational. Interest and penalties under the LPT system will apply to the additional €200.

- The annual NPPR charge will apply for 2013 and the NPPR will be abolished thereafter.
- Similar provisions as for arrears of the Household Charge will be put in place for the collection of any arrears of NPPR.

12. Communication

- The Revenue Commissioners will engage in a comprehensive public communications campaign throughout the first half of 2013 involving the publication of comprehensive guidelines on the operation of the LPT, valuation procedures and payments methods.

13. Key Dates

2012

December Budget Announcement; Bill published and debated in Oireachtas.

If passed:

2013

March Revenue Commissioners will issue return forms and a detailed explanatory booklet to Liable Persons.

1 May	Property Valuation Date – value valid up to and including 2016
7 May	LPT Return Forms due to Revenue
28 May	LPT Return Forms due if filing electronically
From 1 July	Phased payments such as direct debit or deduction at source payments commence (From 1 January in subsequent years)
15 July	First Direct Debit Payment date
21 July	Bank Single Debit Authority Payments deducted

14. <u>Estimated Yield</u>

The yield from the LPT is estimated to be €250 million in 2013 (half year charge) and €500 million in a full year. No one methodology is used. Instead, the yield is a blended average of three approaches:

- An approach based on the data used in the report of the taskforce chaired by Dr. Don Thornhill updated to include regional variation in property prices;
- A similar approach based on data from the property price register; and:
- An approach based on the ESRI tax-benefit model 'SWITCH'.

The estimation approach in the Thornhill report was used to illustrate indicative yields only using unpublished CSO data based on mortgage transactions and the CSO's property price index. In making the Budget forecast this was updated to include regional valuation in house prices and stock using data for county level housing stock, and regional variation in values from the CSO property price index. This results in a higher yield because of the higher weighting of higher value properties in counties with larger volumes of properties.

In Autumn 2012, a national register of property values was published for the first time based on actual transactions in the years 2010-2012. The register is updated on an on-going basis. The distribution from the register results in a higher incidence of higher value properties. Using the same indicative rates, an analysis based entirely on the register would result in a much higher yield compared with the method above. However, caution has been applied to this approach given the low number of transactions, the high percentage of non-mortgage (i.e. cash transactions) and the possible bias in recent transactions towards transactions of higher quality housing stock which may not represent the generality of housing valuations in the State.

A final method of estimation is based on the ESRI tax-benefit model SWITCH. In the SWITCH model, data on house prices come from the self-assessed value provided by the respondents to the Survey on Income and Living Conditions (SILC) in 2010 with these values indexed to adjust to 2012 prices. The SILC data are based on a sample of all private households, giving it the potential to provide a broader picture than one based on transactions or mortgages. The SWITCH model produces an estimate lower than the first method. However, the sample size in SWITCH is based on survey data and is smaller than the other two methods. In addition, SWITCH allows a maximum of ten value bands compared to twenty bands that are part of the LPT. Outputs from SWITCH may therefore under-estimate the impact of higher value properties.

The overall yield is a blended average of the approaches described above.

Table 1
Household Charge/Local Property Tax Charge - Changes from 2012 to 2014 for property values up to €1 m*

Valuation band €	Mid-point of valuation band €	Household Charge 2012	LPT in 2013 (half year charge)	**Difference to 2012 charge (€100 HC)**	LPT in 2014 (full year charge)	**Difference to 2013 charge**
0 to 100,000	50,000	€100	€45	-€55	€90	€45
100,001 to 150,000	125,000	€100	€112	€12	€225	€113
150,001 to 200,000	175,000	€100	€157	€57	€315	€158
200,001 to 250,000	225,000	€100	€202	€102	€405	€203
250,001 to 300,000*	275,000	€100	€247	€147	€495	€248
300,001 to 350,000	325,000	€100	€292	€192	€585	€293
350,001 to 400,000	375,000	€100	€337	€237	€675	€338
400,001 to 450,000	425,000	€100	€382	€282	€765	€383
450,001 to 500,000	475,000	€100	€427	€327	€855	€428
500,001 to 550,000	525,000	€100	€472	€372	€945	€473
550,001 to 600,000	575,000	€100	€517	€417	€1,035	€518
600,001 to 650,000	625,000	€100	€562	€462	€1,125	€563
650,001 to 700,000	675,000	€100	€607	€507	€1,215	€608
700,001 to 750,000	725,000	€100	€652	€552	€1,305	€653
750,001 to 800,000	775,000	€100	€697	€597	€1,395	€698
800,001 to 850,000	825,000	€100	€742	€642	€1,485	€743
850,001 to 900,000	875,000	€100	€787	€687	€1,575	€788
900,001 to 950,000	925,000	€100	€832	€732	€1,665	€833
950,001 to 1,000,000**	975,000	€100	€877	€777	€1,755	€878

***It is estimated that 85% to 90% of properties will fall within the first five bands.**
****Properties valued over €1m will be assessed at the actual value (no banding will apply) at 0.18% on the first €1m in value and 0.25% on the portion of the value above €1m**

Table 2
Sample Adjusted Income Thresholds

Mortgage Value €	Deferral Income Limit € Single / Couple	80% of Interest Charge @ 2.75%*	Adjusted Deferral Income Limit** € Single / Couple	80% of Interest Charge @ 3.5%*	Adjusted Deferral Income Limit** € Single / Couple	80% of Interest Charge @ 4.25%*	Adjusted Deferral Income Limit** € Single / Couple
200,000	15,000 / 25,000	4,288	19,228 / 29,228	5,448	20,448 / 30,448	6,600	21,600 / 31,600
300,000	15,000 / 25,000	6,432	21,432 / 31,432	8,170	23,170 / 33,170	9,900	24,900 / 34,900
400,000	15,000 / 25,000	8,580	23,580 / 33,580	10,892	25,892 / 35,892	13,200	28,200 / 38,200
500,000	15,000 / 25,000	10,720	25,720 / 35,720	13,616	28,616 / 38,616	16,500	31,500 / 41,500

*Based on average interest payments for a 25 year mortgage.
****Indicative values only**. Liable persons should refer to their personal circumstances to ascertain if the adjusted income thresholds apply.

Administration of property tax by the Revenue Commissioners

The following is a brief outline of how the Revenue Commissioners plan to administer property tax.

1. Register of residential properties

The Revenue Commissioners are developing a comprehensive register of residential properties in the State. It will contain about 1.9m properties.

2. Valuation and return

During March 2013, a notice will be sent to all liable persons. This notice will advise liable persons of their obligations in relation to property tax and how they should complete the property tax return. Where a person meets the ‘ownership’ test and the property is not an exempt property on 1 May 2013, the person is a liable person and has to submit the return to the Revenue Commissioners on or before 7 May 2013. Liable persons who submit their returns electronically through the Revenue website will have an additional three weeks to submit the return.

In the return, liable persons will include their assessment of the market value band of their property, claim a deferral of payment where they are eligible to do so or elect for a specified payment method. The return that is submitted in 2013 will be valid for 2014, unless the liable person’s circumstances change or unless he or she wishes to select an alternative payment method.

The first date on which property is to be valued will be May 2013. The Revenue Commissioners propose to allow the valuation on this date to be used as a basis for calculating the property tax for 2014, 2015 and 2016. A new basis valuation date will be set on 1 November 2016 for the next three-year valuation period.

The Revenue Commissioners will provide indicative property values that liable persons can rely on to assess the valuation band for their property. Alternatively, a liable person can self-assess or use a competent valuer. Where the Revenue indicative value is selected, or where certain procedures (such as engaging a professional valuer) which will be published in guidelines or regulations, are followed by liable persons, property valuations will not be challenged by the Revenue

Commissioners. This, and the 3-year valuation date, will provide certainty for liable persons in relation to valuation.

Where a return is sent to a person who is not the liable person in respect of the property, he or she may lodge an appeal, firstly, to the Revenue Commissioners, and if the matter cannot be resolved at that stage, then to the Appeal Commissioners.

3. Revenue estimate

Each return sent out by the Revenue Commissioners will also include a notice of the 'Revenue estimate' of the tax due. Where the liable person does not submit a return, the Revenue estimate will become payable by default and Revenue will collect the amount due in the normal ways – by deduction at source, attachment orders etc.. The estimate will automatically be displaced on submission of the return containing the self-assessed amount.

4. Assessments

Where the Revenue Commissioners have reason to believe that the amount that has been self-assessed by the liable person does not reflect market value, they may raise an assessment on the liable person for a different amount, but only where the procedures outlined in section 2 have not been followed. This Revenue assessment may be appealed to the Appeal Commissioners where the liable person does not agree with it, provided the self-assessed amount has been paid. Revenue does not expect, initially, to challenge values other than in a small number of cases. The focus of Revenue's initial compliance programme is likely to be on making sure the Register is as complete as possible.

5. Payment methods

A comprehensive range of payment methods will be available. These include bank single debit instruction, direct debit, debit/credit card and deduction at source by employers, pension providers and certain Government departments. It will also be possible to make cash payments in a wide range of retail outlets and credit union offices, but not in post offices. In line with normal Revenue payment arrangements, the liable person will be liable for any charges arising from the various payment methods.

The liable person must select his or her preferred payment method when completing the return. Where the liable person opts for a single debit instruction, his or her bank account will be debited on 21 July 2013. However, where a liable person enters into a structured payment arrangement such as direct debit or deduction at source, payment can be spread evenly over the year.

Two categories of liable persons will be required to submit returns and pay property tax electronically through the Revenue website; those who own more than one residential property and those who are already required to submit returns in respect of other taxes and to pay those taxes electronically.

The late payment interest charge that applies to other taxes collected by the Revenue Commissioners will also apply to late payment of property tax.

6. Deduction at source

PAYE taxpayers can elect to pay property tax by deduction from their net pay or occupational pension, to commence from 1 July 2013 and from 1 January in each year thereafter. This facility will also be available to those who receive payments from the Department of Social Protection under certain social welfare schemes, such as the State pension, or who receive regular payments from the Department of Agriculture, Food and the Marine such as the single farm payment.

Where a liable person fails to submit a return, the Revenue Commissioners will instruct either the employer, pension provider, Department of Social Protection or the Department of Agriculture, Food and the Marine, as appropriate, to deduct the amount of the Revenue estimate when making payments to the liable person.

7. Self-assessed taxpayers

Many liable persons who are within the self-assessment system for income tax, such as the self-employed, do not receive the type of payments from which property tax can be deducted at source. In these cases, the liable person may opt to pay by means of a single debit instruction in July 2013 or opt for payment by direct debit or another payment option. If the self-assessed taxpayer does not meet the payment

obligations, the usual Revenue collection processes, including late payment interest, tax clearance, penalties and publication in the tax defaulters' list may arise.

The Revenue Commissioners are also considering linking the timely submission of a liable person's property tax return and income tax return so that late, or non-submission of a property tax return would similarly impact on the income tax return which would, in turn, attract surcharges and other penalties.

8. Charges on property

Where any amount of property tax is outstanding in respect of a property, a charge will attach to that property and this charge will have to be discharged on the sale of the property. This will apply generally in the case of outstanding property tax and also in the case of deferred property tax owed by a liable person who qualifies for a deferral as outlined in section 9.

9. Deferrals

Liable persons who have gross income in a year that is below the thresholds recommended in the Thornhill report may be eligible to defer payment of their property tax liability until their financial circumstances improve or the property is sold. Liable persons who took out mortgages at the height of the property boom may avail of an increased threshold. The deferred amount, including interest charged at a lower rate than the standard Revenue late payment interest charge, will be a charge on the property.

10. Communication

The Revenue Commissioners will engage in a comprehensive public communications campaign throughout the first half of next year involving a direct mail-shot to all liable persons and the publication of comprehensive guidelines on the operation of property tax, valuation procedures and payment methods. The return which will issue to liable persons – see 2 above – will be accompanied by an explanatory booklet.

The Revenue Commissioners will communicate in Irish with any liable person currently on their case base who has indicated their wish to receive communications

in Irish. The Revenue Commissioners will encourage any other liable persons who wish to receive communications in Irish to contact them before March 2013 so that this can be arranged in time for the issue of the return.

ANNEX C

Revision to VRT and Motor Tax Rates and Related Issues

An announcement was made in the 2012 Budget of a public consultation process to review the structure and rates of VRT and Motor Tax in line with the technological advances in motor vehicles, while maintaining a positive environmental incentive to reduce transport emissions, which has contributed to a significant reduction in revenues from both sources.

The process involved representatives of the Department of Finance, the Revenue Commissioners, the Department of the Environment, Community and Local Government and the Department of Transport, Tourism and Sport reviewing the submissions received and conducting a number of follow-up meetings to investigate further some of the proposals. The views of industry were carefully considered throughout the process.

Following consideration of the options, the tables below show the revised structures for both VRT and motor tax for vehicles taxed on the basis of CO_2 emissions which have been agreed. Increases are being applied to motor tax rates for all other categories of vehicle also. These increases will take effect from 1 January 2013. The higher rate of increase in motor tax for cars taxed on the basis of CO_2 reflects the comparatively lower rate of tax for these cars compared to those taxed on the basis of engine capacity, and this provides a degree of protection for the tax base. The restructuring of the CO_2 and VRT Bands A and B, and the differential increases applied, maintain a positive environmental incentive towards lower emission vehicles, reflect the shift towards lower emissions vehicles evidenced to date and provide a more robust basis for maximising the environmental incentive into the future.

In addition, consultation took place with relevant stakeholders on a proposal for the introduction of a second vehicle registration period in the year, beginning in 2013, in an effort to (i) generate an additional sales peak in the second half of each year, and (ii) to stabilise employment in the motor industry, which it was felt could arise from the effect of that second peak. As a result, 2013 will see the introduction of a second registration period. The sequence will take the form of a separate 3-digit year identifier for the first and second 6 month periods in the year, i.e. 131 and 132 respectively, and the number sequence will revert to “1” for the second period.

The VRT reliefs currently in place for electric vehicles (up to €5,000), plug-in hybrid electric vehicles (up to €2,500), and hybrid and flexible fuel vehicles (up to €1,500) are being retained for a further 12 months to end December 2013. It should also be noted that the motor tax on electric cars is being reduced to €120.

Revised Motor Tax Rates with effect from 1 January, 2013.

PRIVATE CARS registered before 1 July 2008

Engine Capacity (c.c.)	Old rate €	New rate €	Difference €
Not over 1,000	185	199	14
1,001 to 1,100	278	299	21
1,101 to 1,200	307	330	23
1,201 to 1,300	333	358	25
1,301 to 1,400	358	385	27
1,401 to 1,500	384	413	29
1,501 to 1,600	478	514	36
1,601 to 1,700	506	544	38
1,701 to 1,800	592	636	44
1,801 to 1,900	626	673	47
1,901 to 2,000	660	710	50
2,001 to 2,100	843	906	63
2,101 to 2,200	885	951	66
2,201 to 2,300	925	994	69
2,301 to 2,400	962	1,034	72
2,401 to 2,500	1,005	1,080	75
2,501 to 2,600	1,204	1,294	90
2,601 to 2,700	1,251	1,345	94
2,701 to 2,800	1,294	1,391	97
2,801 to 2,900	1,342	1,443	101
2,901 to 3,000	1,390	1,494	104
3,001 or more	1,683	1,809	126
Electrical	157	120	-37

i. **NEW PRIVATE CARS registered on or after 1 July 2008**

ii. **NEW PRIVATE CARS registered between 1 January 2008 and 30 June 2008 where motor tax is based on CO_2.**

Band	**Emissions**	**Old rate** **€**	**New rate** **€**	**Difference** **€**
A0	0	160	120	-40
A1	1-80g	160	170	10
A2	More than 80g/km up to and including 100g/km	160	180	20
A3	More than 100g/km up to and including 110g/km	160	190	30
A4	More than 110g/km up to and including 120g/km	160	200	40
B1	More than 120g/km up to and including 130g/km	225	270	45
B2	More than 130g/km up to and including 140g/km	225	280	55
C	More than 140g/km up to and including 155g/km	330	390	60
D	More than 155g/km up to and including 170g/km	481	570	89
E	More than 170g/km up to and including 190g/km	677	750	73
F	More than 190g/km up to and including 225g/km	1,129	1,200	71
G	More than 225g/km	2,258	2,350	92

GOODS VEHICLES

Unladen Weight (kg)	Old Rate €	New Rate €	Difference €
Not over 3,000	310	333	23
3,001 to 4,000	391	420	29
4,001 to 5,000	505	543	38
5,001 to 6,000	700	753	53
6,001 to 7,000	948	1,019	71
7,001 to 8,000	1,193	1,282	89
8,001 to 9,000	1,474	1,584	110
9,001 to 10,000	1,755	1,886	131
10,001 to 11,000	2,036	2,188	152
11,001 to 12,000	2,317	2,490	173
12,001 to 13,000	2,598	2,792	194
13,001 to 14,000	2,879	3,094	215
14,001 to 15,000	3,160	3,396	236
15,001 to 16,000	3,441	3,698	257
16,001 to 17,000	3,722	4,000	278
17,001 to 18,000	4,003	4,302	299
18,001 to 19,000	4,284	4,604	320
19,001 to 20,000	4,565	4,906	341
20,001 or more	4,833	5,195	362
Electrical (not over 1,500 kg)	86	92	6

LARGE P.S.V. AND YOUTH/COMMUNITY BUS

Seating Capacity	Old Rate €	New Rate €	Difference €
9 to 20 seats	143	154	11
21 to 40 seats	188	202	14
41 to 60 seats	375	403	28
61 seats or more	375	403	28

TRADE LICENCES

Category of Vehicle	Initial Trade Licence /Plate Old Rate	Initial Trade Licence /Plate New Rate	Difference	Replacement Trade Licence /Plate Old Rate	Replacement Trade Licence /Plate New Rate	Difference
Motor Cycle only	€55	€59 (single plate)	€4	€35	€38 (single plate)	€3
All other vehicles	€328	€353 (pair of plates)	€25	€80	€86 (pair of plates)	€6

MISCELLANEOUS VEHICLES

Type of Vehicle	Old Rate €	New Rate €	Difference €
Off-road dumper	823	885	62
General Haulage tractor	310	333	23
Machine/workshop/contrivance (including "recovery vehicle")	310	333	23
Island Vehicles	95	102	7
Agriculture tractor, trench digger and excavator	95	102	7
Motor Caravan	95	102	7
Hearse	95	102	7
Dumper and forklift truck	95	102	7
Taxi and hackney	88	95	7
School Bus	88	95	7
Cycles and Tricycles:			
- Electrical	33	35	2
- Not over 75cc	46	49	3
- 76cc to 200cc	62	67	5
- 201cc or over	82	88	6
-			
Pedestrian-Controlled Vehicle	82	88	6
VETERAN AND VINTAGE			
Motorcycles	24	26	2
All other vehicles	52	56	4

CURRENT AND REVISED RATES OF VRT

Current CO2 Emission Bands	g CO2/km	Current VRT Rate (% of OMSP)	Revised CO2 Emission Bands	g CO2/km	Revised VRT Rate (% of OMSP)
A	0-120g	14%	**A1**	0-80g	14%
			A2	81-100g	15%
			A3	101-110g	16%
			A4	111-120g	17%
B	121-140g	16%	**B1**	121-130g	18%
			B2	131-140g	19%
C	141-155g	20%	**C**	141-155g	23%
D	156-170g	24%	**D**	156-170g	27%
E	171-190g	28%	**E**	171-190g	30%
F	191-225g	32%	**F**	191-225g	34%
G	226g and over	36%	**G**	226g and over	36%

ANNEX D

SUPPORTING THE SME SECTOR

1. SUMMARY OF 10 POINT TAX REFORM PLAN TO HELP SMALL BUSINESS

In the November Medium Term Fiscal Statement, the Department of Finance published a paper on the importance of small business to the Irish economy. This paper highlighted that small and medium sized businesses make up over 99% of businesses in Ireland and account for almost 70% of people employed.

Despite Ireland's reputation as one of the world's most globalised economies, 64% of private sector workers are employed by indigenous non-exporting firms, with 56% working for indigenous, non-exporting small businesses.

These numbers highlight the importance of domestic demand for sustaining and generating employment in Ireland, and suggest that our recovery strategy needs to give some additional support to small businesses.

To that end, the 10 Point Tax Reform Plan contains measures to assist small business in a number of ways by:

- Helping their cash flow position;
- Helping them access funding;
- Reducing the costs associated with the administrative burden of tax compliance;
- Boosting demand for their products in new markets; and
- Incentivising them to create jobs.

The measures are as follows:

1. Reforming the *3 Year Corporation Tax Relief for Start Up Companies* to allow unused credits to be carried forward to help create jobs and improve cash flow

2. Amending the *Close Company Surcharge* by increasing the *de minimis* level to €2,000 to reduce the administrative burden and assist cash flow

3. Increasing the amount of expenditure eligible for the *R&D Tax Credit* on a full volume basis (without reference to the 2003 base year) to €200,000 to encourage innovation and help cash flow

4. Increasing the *VAT cash receipts basis* accounting threshold from €1m to €1.25m to help cash flow

5. Extending the *Foreign Earnings Deduction* for work related travel to Algeria, Democratic Republic of Congo, Egypt, Ghana, Kenya, Nigeria, Senegal & Tanzania to help boost demand for Irish goods and services abroad

6. Extending the *Employment and Investment Incentive* scheme to 2020 to help companies access funding

7. Extending the general rate and Young Trained Farmers *rate of stock relief,* and amendments to the definition of *registered partnerships* for stock relief, to give a targeted assistance to the farming sector

8. Introducing a Capital *Gains Tax relief for Farmers for land restructuring* to give a targeted assistance to the farming sector

9. Reviewing the *'carried interest' provision* in the tax code to help small businesses to access funding

10. Announcing a joint Revenue and Department of Finance public consultation: '*Taxation of Micro Enterprises: Reduction in Compliance Costs'* to identify ways to ease the administrative burden

Further details of these measures are contained in the Summary of Budget Measures

2. ADDITIONAL COMPLEMENTARY MEASURES FOR SME SECTOR

A. National Pensions Reserve Fund

- ***SME support Funds to provide equity as well as credit finance to the sector.***

The NPRF Commission has substantially progressed the development of a suite of investment funds in the SME sector covering:

- *equity investment,*
- *credit provision and*
- *restructuring / recovery investment.*

Investment by the NPRF will be on a commercial basis and the proposed funds will be offered and managed by third party investment managers and will incorporate third party investment alongside the NPRF.

The funds are expected to initially range in size from €100 million to €400 million and will invest in, or offer credit to, SMEs across all sectors of the economy with the exception of property/real estate.

Within the suite currently under development there are equity funds targeting investment of €5 million upwards and credit funds focused on lending to the full range of SME companies that may be looking to borrow from €50,000 to €50 million.

Third party investors into these funds are being sought on a phased basis, with the NPRF acting as an initial cornerstone investor. Having a cornerstone investor in place and visibility from initial operations as to the types of investment transactions each fund will enter into are the key elements required to market these investment opportunities to third party investors, both domestic and international. These funds, once operational, will have capital ready for immediate deployment. It is intended that a number of the funds will be operational in the first and second quarter of 2013.

B. Approval to the Credit Review Office to extend the team of reviewers so that SMEs seeking assistance from the CRO receive a considered and timely response to their application.

An independent assessment of the Credit Review Office was published on the Department of Finance website last week. The Minister called for suggestions from members of the public on what more the Credit Review Office can do to ensure SMEs are getting the support on bank lending they require http://www.finance.gov.ie/viewdoc.asp?DocID=7433 .

Sanction has issued to the CRO to increase the number of reviewers by an initial six reviewers pending the outcome of the public consultation process on the assessment of the CRO.

C. Publication by the Credit Review Office of guidance for SMEs.

This is available on the CRO website at http://www.creditreview.ie. It provides advice for SMEs on how to deal with their banks and their rights in various dealings with the banks.

ANNEX E

Changes to the Scheme of Tax Relief for Donations to Charities and Approved Bodies

On 8 February 2012 the Minister for Finance, Mr. Michael Noonan T.D., announced a public consultation on possible changes to the scheme of tax relief for donations to charities and approved bodies. This followed representations made by the charities sector and some of the recommendations of the Forum on Philanthropy and Fundraising.

Interested parties were invited to make submissions regarding the amendments that the Minister proposed to make to the scheme.

These amendments were:

i. Donations from all individual donors under the scheme would be treated in the same manner, with the tax relief in all cases being repaid to the charity. This would mean that self-assessed taxpayers would no longer be able to claim a deduction on their tax returns for donations made under the scheme.
ii. Introduce a blended rate of relief that would apply to all taxpayers regardless of their marginal tax rate. This would involve a rate of refund of around 30%. All donations would be grossed up as is currently done for donations from individuals within the PAYE collection system.
iii. The charitable donations scheme would be removed from the scope of the high earners' restriction.
iv. An annual donation limit of €1 million per individual, which could be tax relieved under the scheme would be introduced.

The closing date for receipt of submissions was 11 May 2012.

A total of 61 responses to the public consultation were received. An analysis of the submissions was completed and will be published on the Department's Tax Policy website http://www.taxpolicy.gov.ie in due course.

Having considered the points raised by those that made submissions to the public consultation, the Minister has decided to proceed with the introduction of the changes as outlined and to set the blended rate of refund at 31%. This blended rate will be subject to regular review. These changes will take effect in respect of all donations made by individuals on or after 1 January 2013. Legislation providing for the changes will be set out in the forthcoming Finance Bill.

All of the changes are designed to be Exchequer neutral.

Simplification and Reducing the Administrative Burden

- Bodies will be permitted to use enduring declarations from donors that could last up to a maximum of 5 years.

- An option to complete a declaration solely in respect of donations made in a single year will also be available.

- The charity will only be required to record the donor's PPSN the first time a declaration is signed. Thereafter, charities will use their own identifier for any communications with the donor.

- Bodies will submit refund claims to the Revenue Commissioners electronically.

- Claims in respect of PAYE donors can only be refunded after the relevant information (P35) is provided to the Revenue Commissioners.

- Claims in respect of self-assessed taxpayers can be submitted, but will be held and processed when the relevant tax return is made by the individual concerned.

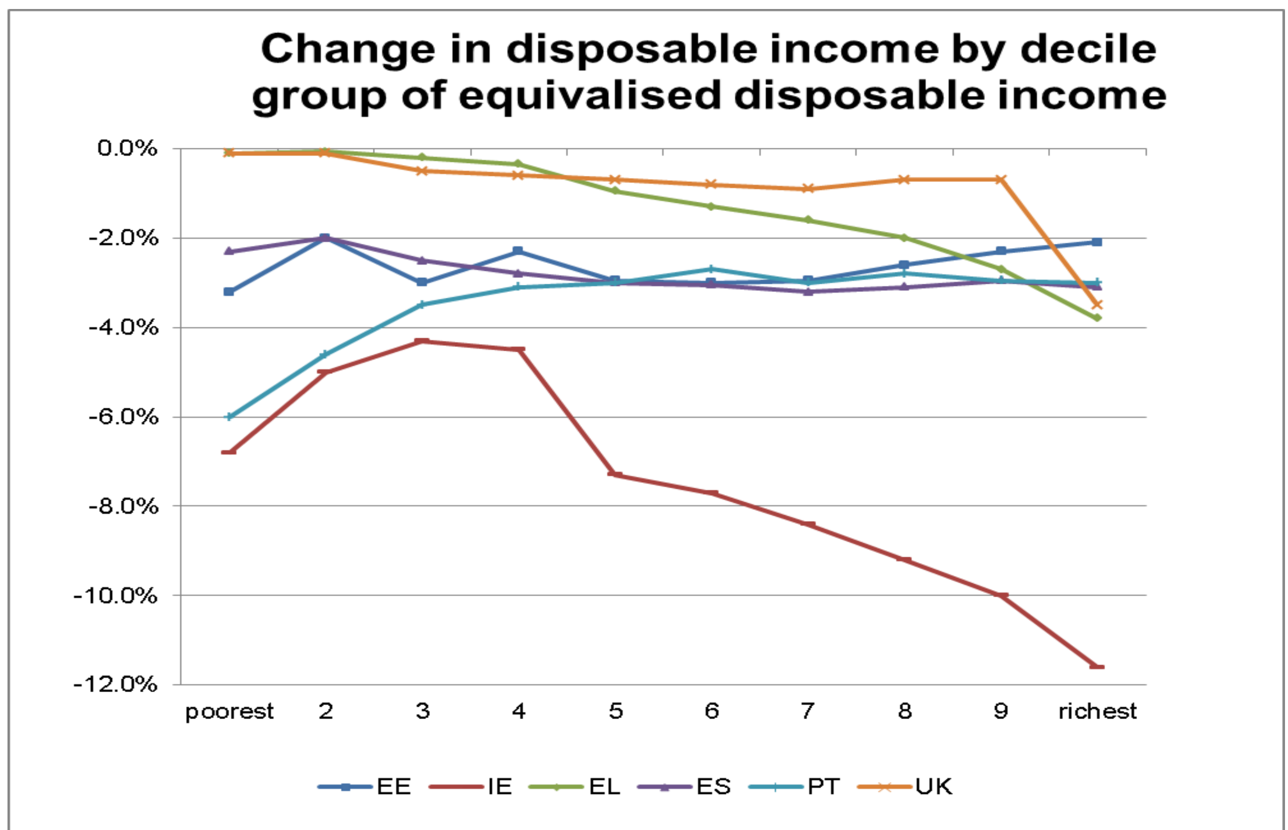
These simplification measures will greatly reduce the administrative overhead for both the bodies concerned and the Revenue Commissioners.

ANNEX F

Distributional impact of recent budgets and progressivity issues

The Irish tax system is one of the most progressive in the world. Research by the OECD, the ESRI and the European Commission has shown that the income tax system is one of the most progressive in the OECD and that the overall fiscal adjustment has been progressive in nature.

A comparison of austerity measures to 2011 in six EU countries by researchers on behalf of the European Commission found that reductions in disposable income due to tax and contribution increases in Ireland were larger in the upper part of the income distribution.[1] The research also showed that over 30% of the overall adjustment was borne by the richest 10% of the population and approximately 70% by the richest four deciles. The researchers also identified Ireland's adjustment as the most progressive of the six countries that were reviewed.

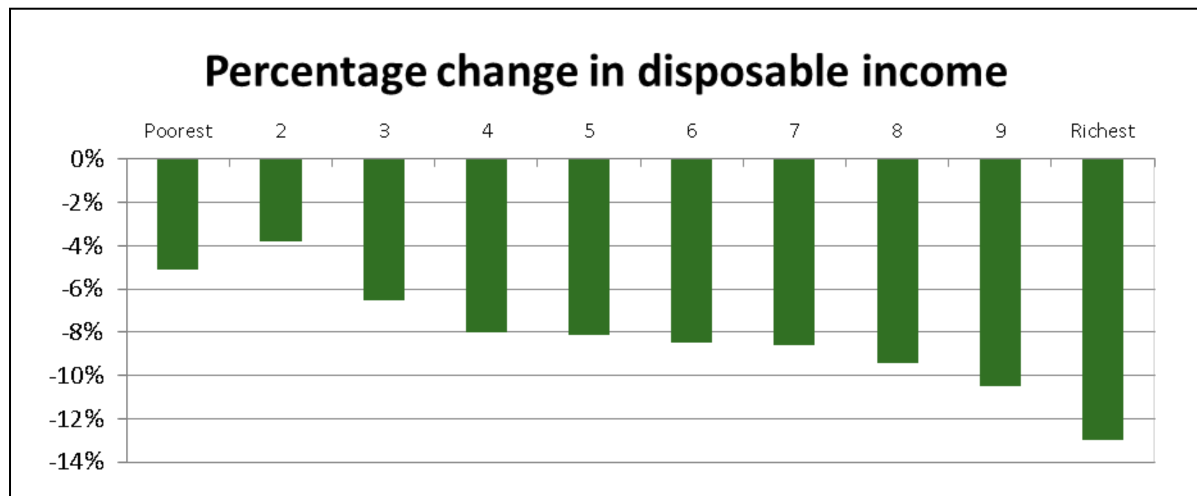


Percentage Change in Household Disposable Income Due to Austerity Measures in 6 EU Countries(Estonia, Greece, Ireland, Portugal, Spain, UK)
Source: EUROMOD

Similar results were presented by the ESRI based on an analysis of the cumulative impact of budgetary policy over the full period to Budget 2012 since the initial budgetary response to the emerging crisis in October 2008.[2] The greatest losses over the period were for those with high incomes, and the smallest losses for those with the lowest incomes. Losses for low

[1] Callan T., C. Leventi, H. Levy, M. Matsaganis, A. Paulus and H. Sutherland, 2011. "The distributional effects of austerity measures: a comparison of six EU countries" Research Note 2/2011 of the European Observatory on the Social Situation and Demography, European Commission.
[2] Callan, T., Keane, C., Savage, M., and and Walsh, J.R. 2012. "Distributional Impact of Tax, Welfare and Public Sector Pay Policies: 20092012", in, *Quarterly Economic Commentary, ESRI, 2012.*

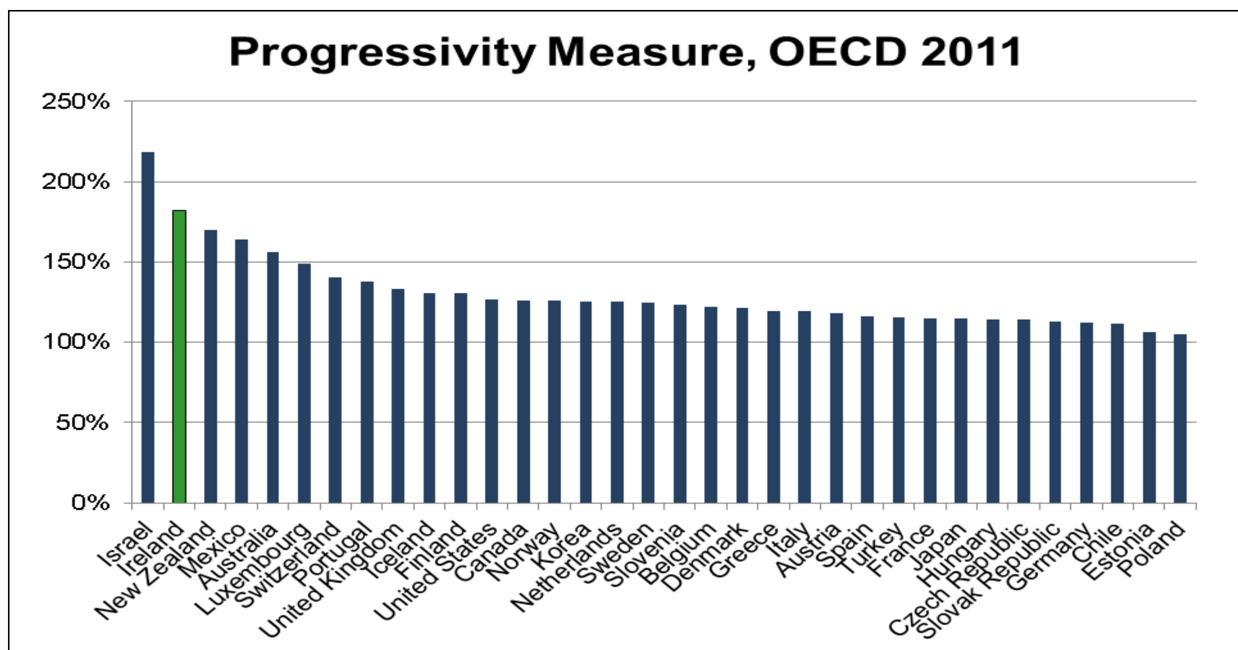
income deciles range from 4 to 6 per cent, for middle income deciles from 7.5 to 9.5 per cent, and 11-13 per cent for the top two income deciles.



Estimated impact of Budgets 2009 to 2012 by decile of disposable income - Source: ESRI

In its annual publication '*Taxing Wages'* the OECD publishes a measure of progressivity of income tax systems in member countries.[3] This measure compares the tax wedge of an individual on 167% of the average wage to an individual on 67% of the average wage.[4]

Under this measure the OECD estimates show that with a score of 182%,[5] Ireland had the second highest progressivity outcome of OECD members in 2011 and the highest of EU members. This is demonstrated in the graph below.

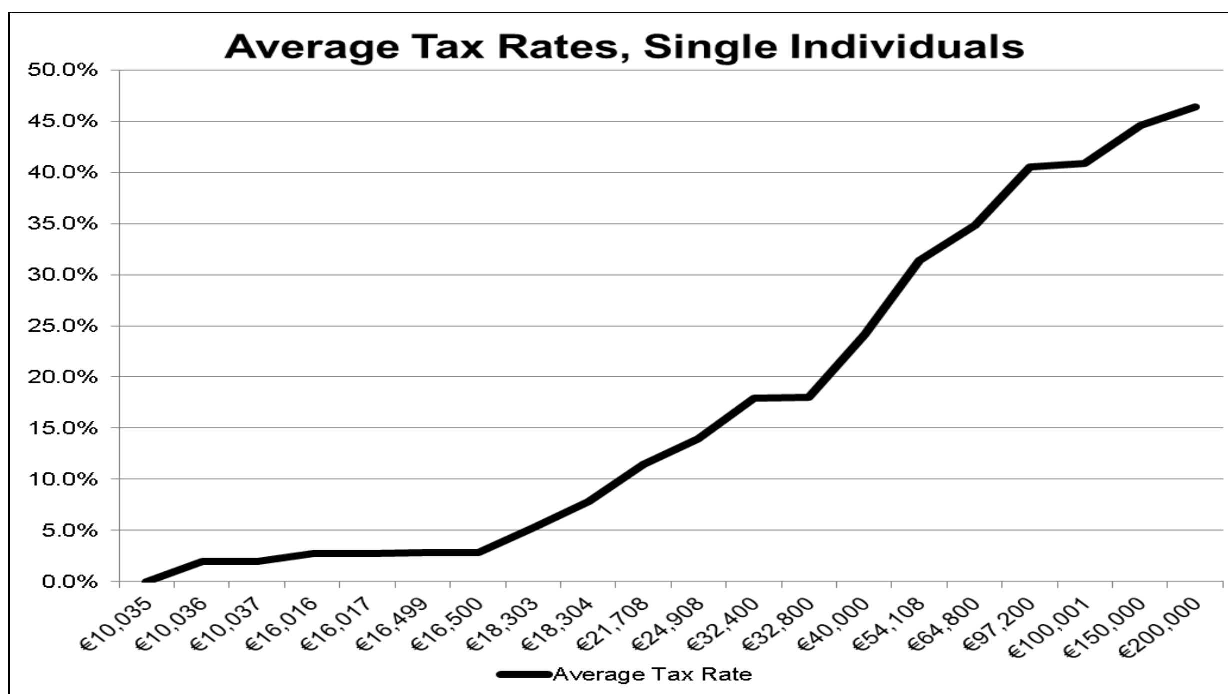


Progressivity of income tax systems - Source: OECD, 'Taxing Wages 2011'

[3] OECD (2012), Taxing Wages 2011, OECD Publishing. http://dx.doi.org/10.1787/tax_wages-2011-en
[4] The tax wedge is defined by the OECD as income tax plus employee and employer social security contribution less cash benefits as a percentage of a labour costs.
[5] Based on an average wage in Ireland of €32,400 the OECD measure compares the ratio of the tax wedges of individuals earning approximately €54,100 to €21,700.

The progressivity of the Irish income tax system is driven by the low average effective tax rates, including universal social charge and social security contributions, for individuals at low levels of income. The chart below plots the effective tax rates for a range of income levels along the income distribution.

The effective tax rate is less than 11% for all incomes up to €21,700 (approximately 67% of the average wage) and 18% at the average wage. The OECD rate for workers at 67% of the average wage was 21% in 2011 and 25% for individuals earning the average wage.

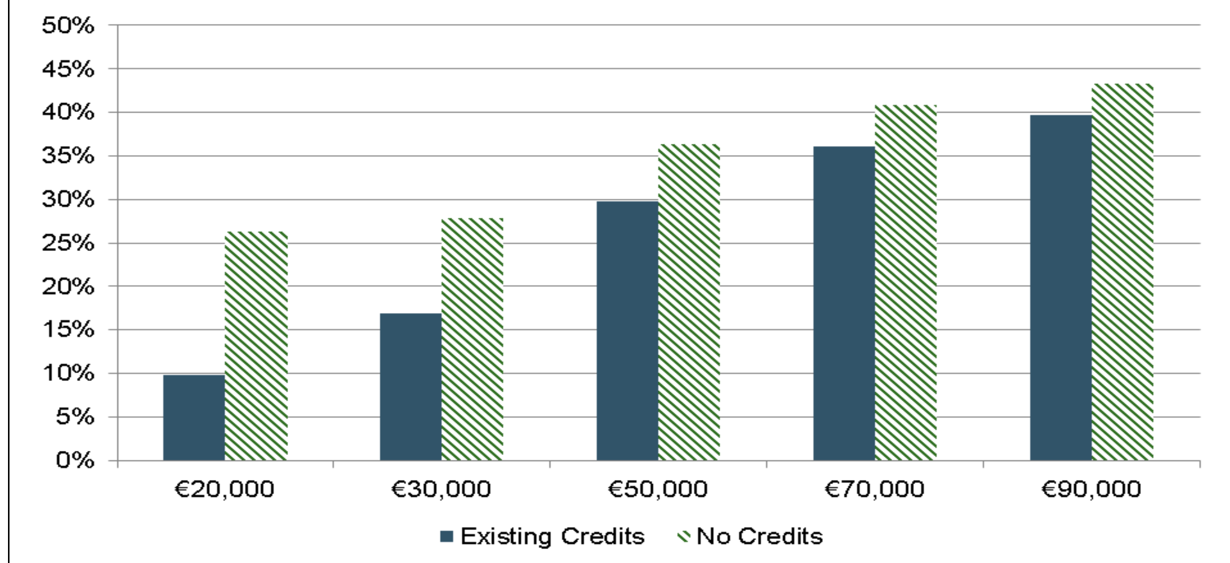


Average effective rates for single individuals, Ireland
Source: Department of Finance analysis

That the average effective rates of tax are low at lower income levels is not surprising given the progressive nature of the tax credits. The personal and PAYE tax credits (of €1,650 each) result in individuals not entering the income tax system until an income level of €16,500, a level that was described by the IMF as very high in its recent Article IV report on Ireland.[6]

The tax credits are also highly progressive with the benefits disproportionately accruing to those at the lower end of the income distribution. As can be seen in the chart below the effective tax rate for an individual at €20,000 is just under 11% but would be 26% but for the tax credits. For an individual at €90,000 the tax credits only result in a 3 percentage point reduction in effective rates.

[6] IMF (2012), Ireland - Staff Report for the 2012 Article IV Consultation, IMF. See ‘Policy Discussion B – Growth-Friendly Consolidation that Protects the Vulnerable’



Impact of tax credits on average effective tax rates for single individuals, Ireland
Source: Department of Finance analysis

It is also very instructive to look at the cumulative impact of tax changes over the period since 2008. The tables below provide a distributional analysis of progressivity for single individuals working in the private and public sector for the period 2008 to 2013 inclusive at selected income levels**.**

For the private sector the reductions in net income range from 8% or €1,753 at €25,000 to just under 14% or €16,068 at €200,000.

Private Sector (Full PRSI)[7]

Income	Total Deductions in 2008	Net Pay in 2008	Total Deductions in 2013	Net Pay in 2013	Total Change in Net Income	% Change in Net Income
€25,000	€3,216	€21,784	€4,969	€20,031	- €1,753	- 8.0%
€50,000	€13,732	€36,268	€16,901	€33,099	- €3,169	- 8.9%
€75,000	€25,561	€49,439	€30,786	€44,214	- €5,225	-10.6%
€100,000	€37,212	€62,788	€44,671	€55,329	- €7,459	- 11.9%
€150,000	€60,672	€89,328	€72,441	€77,559	- €11,769	- 13.2%
€200,000	€84,143	€115,857	€100,211	€99,789	- €16,068	- 13.9%

[7] Assumes a 6% pension contribution; total deductions in 2008 include pensions contribution, income tax, PRSI, and health levy where appropriate; total deductions in 2013 include pensions contribution, income tax, PRSI and Universal Social Charge where appropriate.

The progressivity of the changes over the period is even more marked in the public sector. For the public sector the reductions in net income range from 10.4% or €2,325 at €25,000 to 23.5% or €27,253 at €200,000. This additional loss is driven primarily by the application of a highly progressive Pensions Related Deduction (PRD) in the public sector. It is important to note that the figures for the public sector do not include the pay adjustment which took effect from 1 January 2010 (the pay reductions themselves were progressive ranging from 5% to 20% of gross income in some cases).

Public Sector (Full PRSI)[8]

Income	Total Deductions in 2008	Net Pay in 2008	Total Deductions in 2013	Net Pay in 2013	Total Change in Net Income	% Change in Net Income
€25,000	€2,674	€22,326	€4,999	€20,001	- €2,325	- 10.4%
€50,000	€13,420	€36,580	€18,472	€31,528	- €5,052	- 13.8%
€75,000	€25,297	€49,703	€33,950	€41,050	- €8,653	- 17.4%
€100,000	€37,020	€62,980	€49,457	€50,543	- €12,437	- 19.7%
€150,000	€60,622	€89,378	€80,472	€69,528	- €19,850	- 22.2%
€200,000	€84,234	€115,766	€111,487	€88,513	- €27,253	- 23.5%

In terms of where the burden of taxation (income tax plus USC) falls this is illustrated in the table below. It shows that in 2012 the top 5% of income earners (those over €100,000) paid 40% of all income tax and USC combined. By comparison the bottom 78% of income earners (those below €50,000) pay 24% of all income tax and USC combined.

Estimated Cumulative Burden of Income Tax and USC for 2012[9]

Gross Earnings	% Income Earners 2012	% Tax & USC Paid 2012
> €200,000	1%	19%
> €100,000	5%	40%
> €80,000	8%	51%
> €50,000	22%	76%
< €50,000	78%	24%

The foregoing analysis of tax changes since 2008 and the burden of income taxation in 2012 strongly support the analysis carried out by the OECD in their *'Taxing Wages 2011'* that Ireland has one of the most progressive income tax systems in the OECD.

[8] Total deductions in 2008 include pension's contribution (based on Civil Service conditions), income tax, PRSI, and health levy where appropriate; total deductions in 2013 include pension's contribution (based on Civil Service conditions), pensions related deduction (PRD) income tax, PRSI and Universal Social Charge where appropriate.

[9] The figures are estimates from the Revenue Commissioners tax-forecasting model using actual data for the year 2010 adjusted as necessary to take account of the most recent data available for income and employment trends for the year in question. It is, therefore, provisional and likely to be revised.