ANNEX A

Details Of Tax Changes In Budget 2002 And Their Effect On

Different Categories Of Taxpayers

(i) Details Of Main Income Tax Changes

(ii) Examples

Showing The Effects Of Budget Changes On Different Categories Of Married And Single Taxpayers

(iii) Average Tax Rates

Tables showing average tax rates for the years 1997 - 2003 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 and social welfare changes in the Budget on a number different household types.

DETAILS OF MAIN INCOME TAX CHANGES

	Existing	**Proposed**	**Increase**
Tax Credits	**€**	**€**	**€**
Employee Credit	660	800	140

Exemption Limits	**Existing**	**Proposed**	**Increase**
	€	**€**	**€**
65 years and over			
Single/Widowed	13,000	15,000	2,000
Married	26,000	30,000	4,000

Examples 1 to 15 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 2003 and the Family Income Supplement from January 2003 are also included in the calculations. These figures are rounded to the nearest euro. 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. This is representative of actual cases by reference to Revenue records.

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

EXAMPLE 1

Married couple, one income, no children taxed under PAYE
Full rate PRSI contributor

GROSS	PRSI/Levy Liability		Tax Liability		Total	Gain as % of
INCOME	Existing	Proposed	Existing	Proposed	Gain	Net Income
€	**€**	**€**	**€**	**€**	**€**	**%**
12,000	0	0	0	0	0	0.0
13,000	0	0	0	0	0	0.0
14,000	0	0	0	0	0	0.0
15,000	336	336	0	0	0	0.0
16,000	376	376	0	0	0	0.0
17,000	416	416	0	0	0	0.0
18,000	456	456	0	0	0	0.0
19,000	876	876	100	0	100	0.6
20,000	936	936	300	160	140	0.7
25,000	1,236	1,236	1,300	1,160	140	0.6
30,000	1,536	1,536	2,300	2,160	140	0.5
35,000	1,836	1,836	3,300	3,160	140	0.5
40,000	2,091	2,136	4,960	4,820	95	0.3
45,000	2,221	2,278	7,060	6,920	83	0.2
50,000	2,341	2,398	9,160	9,020	83	0.2
55,000	2,462	2,519	11,260	11,120	83	0.2
60,000	2,577	2,634	13,360	13,220	83	0.2
70,000	2,802	2,859	17,560	17,420	83	0.2
80,000	3,018	3,080	21,760	21,620	78	0.1
90,000	3,233	3,295	25,960	25,820	78	0.1
100,000	3,443	3,505	30,160	30,020	78	0.1
110,000	3,653	3,715	34,360	34,220	78	0.1
120,000	3,863	3,925	38,560	38,420	78	0.1
130,000	4,068	4,130	42,760	42,620	78	0.1

EXAMPLE 2

Married couple, one income, two children taxed under PAYE
Full rate PRSI contributor

GROSS	PRSI/Levy Liability		Tax Liability		Child Benefit	Total	Gain as % of	Total Gain where	Gain including FIS
INCOME	Existing	Proposed	Existing	Proposed	Increase (a)	Gain	Net Income (b)	FIS applies (c)	as % of Net Income (d)
€	**€**	**€**	**€**	**€**	**€**	**€**	**%**	**€**	**%**
12,000	0	0	0	0	144	144	1.0	664	3.4
13,000	0	0	0	0	144	144	0.9	664	3.3
14,000	0	0	0	0	144	144	0.9	664	3.3

15,000	336	336	0	0	144	144	0.8	664	3.2
16,000	376	376	0	0	144	144	0.8	664	3.2
17,000	416	416	0	0	144	144	0.7	664	3.1
18,000	456	456	0	0	144	144	0.7	664	3.0
19,000	876	876	0	0	144	144	0.7	664	3.0
20,000	936	936	0	0	144	144	0.7	716	3.2
25,000	1,236	1,236	530	390	144	284	1.1	284	1.1
30,000	1,536	1,536	1,530	1,390	144	284	1.0	284	1.0
35,000	1,836	1,836	2,530	2,390	144	284	0.9	284	0.9
40,000	2,091	2,136	4,190	4,050	144	239	0.7	239	0.7
45,000	2,221	2,278	6,290	6,150	144	227	0.6	227	0.6
50,000	2,341	2,398	8,390	8,250	144	227	0.5	227	0.5
55,000	2,462	2,519	10,490	10,350	144	227	0.5	227	0.5
60,000	2,577	2,634	12,590	12,450	144	227	0.5	227	0.5
70,000	2,802	2,859	16,790	16,650	144	227	0.4	227	0.4
80,000	3,018	3,080	20,990	20,850	144	222	0.4	222	0.4
90,000	3,233	3,295	25,190	25,050	144	222	0.3	222	0.3
100,000	3,443	3,505		29,250	144	222	0.3	222	0.3
110,000	3,653	3,715	33,590	33,450	144	222	0.3	222	0.3
120,000	3,863	3,925	37,790	37,650	144	222	0.3	222	0.3
130,000	4,068	4,130	41,990	41,850	144	222	0.3	222	0.3

(a) Value during 2003 of the increase in Child Benefit (CB) made in the Budget, which is effective from April, 2003 (i.e. assuming 9 months of CB increase).

(b) Net income includes CB less deductions of tax, levy and PRSI (where appropriate) and so may be higher than the gross income.

(c) The two last columns show the total gain where Family Income Supplement (FIS) is taken up in both years. The gain includes the value during 2003 of the improvement in FIS made in this Budget which take effect from January, 2003.

(d) Net income includes CB and FIS (where relevant) less deductions of tax, levy and PRSI (where appropriate) and so may be higher than the gross income.

EXAMPLE 3
Married couple, one income, four children taxed under PAYE
Full rate PRSI contributor

GROSS	PRSI/Levy Liability		Tax Liability		Child Benefit	Total	Gain as % of	Total Gain where	Gain including FIS
INCOME	Existing	Proposed	Existing	Proposed	Increase (a)	Gain	Net Income (b)	FIS applies (c)	as % of Net Income (d)
€	**€**	**€**	**€**	**€**	**€**	**€**	**%**	**€**	**%**
12,000	0	0	0	0	324	324	1.8	844	3.5

13,000	0	0	0	0	324	324	1.7	844	3.4
14,000	0	0	0	0	324	324	1.6	844	3.3
15,000	336	336	0	0	324	324	1.6	844	3.3
16,000	376	376	0	0	324	324	1.5	844	3.3
17,000	416	416	0	0	324	324	1.4	844	3.2
18,000	456	456	0	0	324	324	1.4	844	3.2
19,000	876	876	0	0	324	324	1.3	896	3.1
20,000	936	936	0	0	324	324	1.3	1140	3.3
25,000	1,236	1,236	530	390	324	464	1.6	464	3.9
30,000	1,536	1,536	1,530	1,390	324	464	1.4	464	1.4
35,000	1,836	1,836	2,530	2,390	324	464	1.3	419	1.3
40,000	2,091	2,136	4,190	4,050	324	419	1.1	407	1.1
45,000	2,221	2,278	6,290	6,150	324	407	1.0	407	1.0
50,000	2,341	2,398	8,390	8,250	324	407	0.9	407	0.9
55,000	2,462	2,519	10,490	10,350	324	407	0.8	407	0.8
60,000	2,577	2,634	12,590	12,450	324	407	0.8	407	0.8
70,000	2,802	2,859	16,790	16,650	324	407	0.7	407	0.7
80,000	3,018	3,080	20,990	20,850	324	402	0.6	402	0.6
90,000	3,233	3,295	25,190	25,050	324	402	0.6	402	0.6
100,000	3,443	3,505		29,250	324	402	0.5	402	0.5
110,000	3,653	3,715	33,590	33,450	324	402	0.5	402	0.5
120,000	3,863	3,925	37,790	37,650	324	402	0.5	402	0.5
130,000	4,068	4,130	41,990	41,850	324	402	0.4	402	0.4

(a) Value during 2003 of the increase in Child Benefit (CB) made in the Budget, which is effective from April, 2003 (i.e. assuming 9 months of CB increase).

(b) Net income includes CB less deductions of tax, levy and PRSI (where appropriate) and so may be higher than the gross income.

(c) The two last columns show the total gain where Family Income Supplement (FIS) is taken up in both years. The gain includes the value during 2003 of the improvement in FIS made in this Budget which take effect from January, 2003.

(d) Net income includes CB and FIS (where relevant) less deductions of tax, levy and PRSI (where appropriate) and so may be higher than the gross income.

EXAMPLE 4

Married couple, two incomes, two children taxed under PAYE
Full rate PRSI contributors

GROSS INCOME	PRSI/Levy Liability		Tax Liability		Child Benefit Increase (a)	Total Gain	Gain as % of Net Income (b)	Total Gain where FIS applies (c)	Gain including FIS as % of Net Income (d)
	Existing	Proposed	Existing	Proposed					
€	**€**	**€**	**€**	**€**	**€**	**€**	**%**	**€**	**%**

12,000	0	0	0	0	144	144	1.0	664	3.4
13,000	0	0	0	0	144	144	0.9	664	3.3
14,000	0	0	0	0	144	144	0.9	664	3.3
15,000	0	0	0	0	144	144	0.8	664	3.2
16,000	0	0	0	0	144	144	0.8	664	3.1
17,000	0	0	0	0	144	144	0.7	664	3.1
18,000	0	0	0	0	144	144	0.7	664	3.0
19,000	0	0	0	0	144	144	0.7	664	3.0
20,000	0	0	0	0	144	144	0.6	144	0.6
25,000	386	386	640	360	144	424	1.6	424	1.6
30,000	906	906	1,640	1,360	144	424	1.4	424	1.4
35,000	1,101	1,101	2,640	2,360	144	424	1.3	424	1.3
40,000	1,296	1,296	3,640	3,360	144	424	1.1	424	1.1
45,000	1,857	1,857	4,640	4,360	144	424	1.0	424	1.0
50,000	2,122	2,122	5,640	5,360	144	424	0.9	424	0.9
55,000	2,772	2,772	6,640	6,360	144	424	0.9	424	0.9
60,000	3,061	3,072	8,520	8,240	144	414	0.8	414	0.8
70,000	3,437	3,494	12,720	12,440	144	367	0.6	367	0.6
80,000	3,807	3,864	16,920	16,640	144	367	0.6	367	0.6
90,000	4,168	4,230	21,120	20,840	144	362	0.5	362	0.5
100,000	4,528	4,585	25,320	25,040	144	367	0.5	367	0.5
110,000	4,878	4,940	29,520	29,240	144	362	0.5	362	0.5
120,000	5,123	5,237	33,720	33,440	144	310	0.4	310	0.4
130,000	5,349	5,468	37,920	37,640	144	305	0.3	305	0.3

This example assumes that the joint income is divided by 65% and 35% between both spouses.
(a) Value during 2003 of the increase in Child Benefit (CB) made in the Budget, which is effective from April, 2003 (i.e. assuming 9 months of CB increase).
(b) Net income includes CB less deductions of tax, levy and PRSI (where appropriate) and so may be higher than the gross income.
(c) The two last columns show the total gain where Family Income Supplement (FIS) is taken up in both years. The gain includes the value during 2003 of the
improvement in FIS made in this Budget which take effect from January, 2003.
(d) Net income includes CB and FIS (where relevant) less deductions of tax, levy and PRSI (where appropriate) and so may be higher than the gross income.

Example 5

(Single person taxed under PAYE)
Full rate PRSI contributor

GROSS	PRSI/Levy Liability		Tax Liability		Total		Gain as % of
INCOME	Existing	Proposed	Existing	Proposed	Gain	Net Income	
€	**€**	**€**	**€**	**€**	**€**	**%**	
12,000	0	0	220	80	140	1.2	
13,000	0	0	420	280	140	1.1	
14,000	0	0	620	480	140	1.0	
15,000	336	336	820	680	140	1.0	
16,000	376	376	1,020	880	140	1.0	

17,000	416	416	1,220	1,080	140	0.9
18,000	456	456	1,420	1,280	140	0.9
19,000	876	876	1,620	1,480	140	0.8
20,000	936	936	1,820	1,680	140	0.8
25,000	1,236	1,236	2,820	2,680	140	0.7
30,000	1,536	1,536	4,260	4,120	140	0.6
35,000	1,836	1,836	6,360	6,220	140	0.5
40,000	2,091	2,136	8,460	8,320	95	0.3
45,000	2,221	2,278	10,560	10,420	83	0.3
50,000	2,341	2,398	12,660	12,520	83	0.2
55,000	2,462	2,519	14,760	14,620	83	0.2
60,000	2,577	2,634	16,860	16,720	83	0.2
70,000	2,802	2,859	21,060	20,920	83	0.2
80,000	3,018	3,080	25,260	25,120	78	0.2
90,000	3,233	3,295	29,460	29,320	78	0.1
100,000	3,443	3,505	33,660	33,520	78	0.1
110,000	3,653	3,715	37,860	37,720	78	0.1
120,000	3,863	3,925	42,060	41,920	78	0.1
130,000	4,068	4,130	46,260	46,120	78	0.1

Average Tax Rates

SELF-EMPLOYED **SINGLE**

€	1997	1998	1999	2000	2001	2002	2003
12,000	22.5%	20.5%	17.8%	15.5%	11.4%	10.3%	10.3%
20,000	32.3%	34.5%	26.7%	22.1%	18.0%	17.4%	17.4%
25,000	36.9%	34.5%	32.0%	26.5%	19.4%	18.9%	18.9%
30,000	39.8%	37.6%	35.5%	30.6%	23.7%	21.4%	21.4%
40,000	42.4%	40.3%	38.9%	34.9%	29.5%	27.8%	27.8%
60,000	45.0%	43.0%	41.9%	38.6%	35.4%	34.2%	34.2%

SELF-EMPLOYED **MARRIED ONE INCOME 2 CHILDREN**

€	1997	1998	1999	2000	2001	2002	2003
12,000	6.8%	5.9%	5.9%	4.5%	3.0%	3.0%	3.0%
20,000	23.4%	21.3%	17.9%	11.4%	7.2%	6.0%	6.0%
25,000	25.3%	23.3%	20.5%	14.9%	10.8%	9.8%	9.8%
30,000	26.6%	24.6%	22.3%	17.2%	13.2%	12.3%	12.3%
40,000	31.1%	28.8%	25.9%	21.8%	17.9%	17.1%	17.1%
60,000	37.5%	35.3%	33.3%	29.9%	27.6%	27.1%	27.1%

SELF-EMPLOYED MARRIED 2 INCOMES** 2 CHILDREN

€	1997	1998	1999	2000	2001	2002	2003
12,000	7.7%	6.5%	6.5%	5.1%	4.2%	4.2%	4.2%
20,000	20.8%	18.7%	15.5%	13.2%	9.3%	8.0%	8.0%
25,000	24.3%	22.3%	19.5%	16.0%	11.8%	10.8%	10.8%
30,000	25.6%	23.6%	21.3%	19.1%	15.0%	14.2%	14.2%
40,000	32.3%	29.8%	26.0%	21.4%	17.3%	16.7%	16.7%

60,000	39.1%	36.9%	34.9%	30.1%	23.7%	21.4%	21.4%

* Average Tax Rates: Total of Income Tax, Levies and PRSI as a proportion of gross income. This measure includes only the standard employee and personal income tax credits. It does not include the impact of any other allowances or reliefs.

** The Married Two-Incomes figures assume that the joint income is divided by 65% and 35% between both spouses

(iv) DISTRIBUTION OF INCOME EARNERS ON THE INCOME TAX FILE

	Exempt	Marginal Relief	Standard Rate	Higher Rate	Total
Pre-Budget	643,630	11,777	664,991	564,902	1,885,300
	34.14%	0.62%	35.27%	29.96%	
Post-Budget	681,030	16,393	626,692	561,185	1,885,300
	36.12%	0.87%	33.24%	29.77%	

Note:
The pre-Budget distribution forecasts the numbers of income earners, (assuming income growth for 2003), which would be in each tax band in 2003 if no Budget were introduced.

(V) ILLUSTRATIVE CASES

These cases deal only with the basic personal tax credits and the employee tax credit. Discretionary tax reliefs such as mortgage interest relief or rent allowance or charges such as benefit in kind are not taken into account. For illustrative purposes, some of the figures in the attached examples are rounded to the nearest euro.

David

David is single and employed as a waiter and is earning €14,000 per annum. He will gain €140 from the Budget.

	2002	2003
Gross Income	€	€
Standard Rate Band	14,000	14,000
Income Tax liability (€14,000 @ 20%)	28,000	28,000
Less Tax Credits	2,800	2,800
Total Income Tax Due	2,180	2,320
PRSI	620	480
Levies	0	0

Total Liability	0	0
Net Cash Income	620	480
Deductions as a % of Gross Income	13,380	13,520
	4.4%	3.4%

James and Annemarie

James and Annemarie are a retired couple. James is aged 75 and Annemarie is aged 70. James has an occupational pension of €30,000. After the Budget they will be outside the tax net. They will gain €1,600 from the Budget as a result of the tax changes.

	2002	**2003**
Gross Income	**€**	**€**
Exemption Limits	30,000	30,000
Income Tax (€4,000@40%^)	26,000	30,000
Net Cash Income	1,600	0
Deductions as a % of Gross Income	28,400	30,000
	5.3%	0%

^marginal relief rate of 40% payable on income in excess of the exemption limits

^^ like the majority of those over 65 it is assumed that there is no liability for PRSI

Duncan and Mary

Duncan and Mary are married with two children. Duncan is employed as an information technology technician earning €40,000 while Mary works in the home. They will gain €95 from the Budget.

	2002	**2003**
Gross Income	**€**	**€**
Standard Rate Band	40,000	40,000
Income Tax liability	37,000	37,000
Less Tax Credits	8,660	8,660
Total Income Tax Due	4,470	4,610
PRSI	4,190	4,050

Levies	1,291	1,336
Total Liability	800	800
Net Cash Income	6,281	6,186
Deductions as a % of Gross Income	33,719	33,814
	15.7%	15.5%

John and Stephanie

John and Stephanie are a married couple with two children. John is a garda earning €35,000 and Stephanie is employed as a solicitor and earning €45,000. They will gain €223 from the Budget.

	2002	**2003**
Gross Income	**€**	**€**
Standard Rate Band	80,000	80,000
Income Tax liability	56,000^	56,000^
Less Tax Credits	21,280	21,280
Total Income Tax Due	4,360	4,640
PRSI	16,920	16,640
Levies	1,624	1,681
Total Liability	1,600	1,600
Net Cash Income	20,144	19,921
Deductions as a % of Gross Income	59,856	60,079
	25.2%	24.9%

^ With maximum transferability between spouses of €37,000

Liam and Georgina

Liam and Georgina are a married couple with three children. Liam is self employed and runs his own business and earns €35,000 and Georgina is employed as an accountant and earning €65,000. They will gain €83 from the Budget.

	2002	**2003**
Gross Income	**€**	**€**

Standard Rate Band	100,000	100,000
Income Tax liability	56,000^	56,000^
Less Tax Credits	29,680	29,680
Total Income Tax Due	3,700	3,840
PRSI	25,980	25,840
Levies	2,442	2,499
Total Liability	2,000	2,000
Net Cash Income	30,422	30,339
Deductions as a % of Gross Income	69,578	69,661
	30.4%	30.3%

^ With maximum transferability between spouses of €37,000

Anne

Anne is a widow aged 68, with a pension from her late husband's employment of €14,770. She is also in receipt of a widow's contributory pension of €7,530 which will increase to €8,102 in the Budget. She will gain €598 as a result of the tax and social welfare changes in the Budget.

	2002	**2003**
Gross Income	**€**	**€**
Standard Rate Band	22,300	22,872^
Income Tax liability	28,000	28,000
Less Tax Credits	4,460	4,574
Total Income Tax Due	2,685	2,825
PRSI	1,775	1,749
Levies	0	0
Total Liability	0	0
Net Cash Income	1,775	1,749
Deductions as a % of Gross Income	20,525	21,123

	8.0%	7.6%

^The increase in Gross Income is as a result of the increase in social welfare payments.

Sharon

Sharon is single and has a five-year-old son. Sharon works as a secretary and earns €24,000. She will gain €140 from the Budget.

	2002	**2003**
Gross Income	**€**	**€**
Standard Rate Band	24,000	24,000
Income Tax liability	32,000	32,000
Less Tax Credits	4,800	4,800
Total Income Tax Due	3,700	3,840
PRSI	1,100	960
Levies	696	696
Total Liability	480	480
Net Cash Income	2,276	2,136
Deductions as a % of Gross Income	21,724	21,864
	9.5%	8.9%