



An Roinn Airgeadais  
Department of Finance

# Consultation on Ireland's Personal Tax System

March 2023

Prepared by the Tax Division  
Department of Finance  
[www.gov.ie/finance](http://www.gov.ie/finance)

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## 1. Introduction

The Government is committed to developing a review of the personal tax system, having regard to the medium-term. The Department of Finance has been tasked with conducting this review, and the draft terms of reference for this work are as follows:

1. The exercise will have regard to the fact that the personal tax system should be underpinned by a number of desirable principles - the system should provide a sustainable and stable source of revenue to the Exchequer, while at the same time supporting a competitive economy.
2. An examination of recent trends in income tax receipts and the potential linkage with other tax receipts and certain sectors of the economy will be undertaken.
3. The review will also seek to provide a comparative analysis, at an international level, of the tax burden on taxpayers at a number of income points.
4. The opportunity should be taken to identify what enhancements to statistical data would further assist with policy development.
5. The work will examine and present policy considerations and potential options in relation to the personal tax system taking account of the relevant Programme for Government commitments.
6. The review will further examine the option of the introduction of an intermediate or third rate of income tax.
7. Further analysis of the recommendations of the recent Report of the Commission on Taxation and Welfare relevant to the personal tax system should also be carried out.
8. A public consultation will be undertaken as part of the review.
9. The review may also take into account other relevant matters which may arise through the various actions outlined above.
10. The draft report should be submitted to the Minister for Finance by mid-2023.

## 2. Overview of Personal Tax System

Income taxes are the largest annual source of revenue for the Exchequer, accounting for 37% of tax revenues forecast in 2023 (€32.1 billion total, c.€24.5 billion Income Tax, c.€5.2 billion Universal Social Charge (USC), c. €2.4 billion Other – DIRT, PSWT).

It is very desirable that the personal tax system should maintain the characteristics of stability and resilience in terms of its contribution to the total taxes collected by the State.

### Income Tax Structure 2023

The Standard Rate Cut-Off Point is the maximum amount an individual can earn at the standard rate of Income Tax (20%) before entering into the higher rate of Income Tax (40%). The maximum level varies, depending on the personal circumstance of the taxpayer unit.

	<b>Single Person</b>	<b>Single Person qualifying for Single Person Child Carer Credit</b>	<b>Married 1 Earner</b>	<b>Married 2 Earners</b>
Standard Rate Cut-Off Point	€40,000	€44,000	€49,000	€49,000 (with an increase of €31,000 max) <sup>1</sup>

Income tax credits reduce the amount of income tax payable. The main income tax credits and their 2023 values include:

<b>Credit</b>	<b>Value (€)</b>
Single Person	1,775
Married or Civil Partnership	3,550
Employee Tax Credit (PAYE)	1,775
Earned Income Tax Credit	1,775
Home Carer Tax Credit	1,700
Single Person Child Carer Credit	1,650

<sup>1</sup> The maximum increase in the rate band is the lower of €31,000 or the income of the lower earner.

Incapacitated Child Credit	3,300
Dependent Relative	245
Age Tax Credit	245 (single), 490 (married)
Blind Tax Credit	1,650

## USC Structure 2023

The USC was introduced in 2011 and replaced two levies – the Income Levy and the Health Levy. The USC is an individualised tax, meaning that a person's liability to the tax is determined on the basis of his/her own individual income and personal circumstances. The current rates and thresholds of USC are as follows:

USC Bands	Rate	
	Employees	Self-Employed
€0 - €12,012	0.5%	0.5%
€12,012 - €22,920	2%	2%
€22,921 - €70,044	4.5%	4.5%
€70,044+	8%	8%
€100,000+	8%	11%

Incomes of €13,000 or less are exempt from USC. In addition, certain Social Welfare payments such as the State Contributory Pension and the State Non-Contributory Pension are exempt from USC. Further, a reduced rate of USC (maximum rate of 2%) applies for the following:

- Individuals aged 70 or over whose annual income does not exceed €60,000 and
- Individuals aged under 70 with a full medical card whose annual income does not exceed €60,000.

### 3. Questions

Having regard to the terms of reference for the personal tax system review, views are sought on the following:

- Do you have any suggestions on how the personal tax system could be reformed or enhanced, while broadly maintaining the yield and ensuring it continues to provide a sustainable and stable source of revenue to the Exchequer to fund public services?
- Does the personal tax system sufficiently support a competitive economy to incentivise and encourage work?
- Do you have views on the progressivity of the personal tax system?
- Do you think the personal tax system operates as an effective means of income redistribution?
- What are the key areas in the personal tax system for future policy consideration?

In responding, you should keep in mind the potential Exchequer cost/yield implications of suggestions/proposals and the broad tenets of the Department of Finance Guidelines for Tax Expenditures<sup>2</sup>.

**Please note that the review is concerned with the policy aspects relating to the structure of the personal tax system, rather than administrative aspects of the system itself.**

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<sup>2</sup> <https://www.gov.ie/pdf/?file=https://assets.gov.ie/181244/b0751f6a-d9b0-4bf4-bdcb-68214c7d62a7.pdf#page=null>

## 4. Consultation Period

We are inviting replies from interested parties to any or all of the above questions.

The consultation period will run from Wednesday 8 March to Wednesday 5 April 2023. Any submissions received after this date may not be considered.

### How to Respond

The preferred means of response is by email to: [personaltaxreview@finance.gov.ie](mailto:personaltaxreview@finance.gov.ie)

Alternatively, you may respond by post to:


Personal Tax Policy Review,  
Tax Division,  
Department of Finance,  
Government Buildings,  
Upper Merrion Street,  
Dublin 2  
D02 R583

Please include contact details if you are responding by post.

When responding, please indicate whether you are contributing to the consultation process as a professional tax adviser, representative body, business representative, in an individual capacity, as a non-governmental organisation, or in any other capacity.

### Freedom of Information

Responses to this consultation are subject to the provisions of the Freedom of Information Acts. Parties should also note that responses to the consultation may be published on the website of the Department of Finance. Parties should clearly indicate where their responses contain personal information, commercially sensitive information or confidential information which they would not wish to be released under FOI or published.



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