An Income Tax proposal to facilitate the introduction of Basic Income in Ireland

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Introduction

The prospect of introducing a universal basic income payment has frequently been opposed or dismissed on the simple basis of the excessive cost to the State. How can we possibly afford to pay every citizen €200 per week unconditionally? There are a few other issues that are raised in objecting to UBI, such as the possible reduction in the incentive to work, or welfare tourism perhaps. However, if the cost is deemed to be excessive, then Basic Income as a proposal is hard to promote.

Back in 2001, there was a Green Paper issued by the government and it looked at the case for introducing Basic Income. It concluded that we would need to have an income tax rate in excess of 60% in order to fund it. For obvious reasons, that had a significant negative consequence for UBI advocates. More recently, our friends in Social Justice Ireland revisited the costing, based on more recent data, and concluded that a partial universal basic income of €150 per week could be funded by the application of a flat 40% tax rate. That was certainly more promising – but under closer inspection, I believed that there were issues arising with that, in particular the application of a flat tax.

I come to this presentation as an ardent advocate of Basic Income. I believe that it offers a major positive reform of the State's support to its citizens. Basic Income is not a wonder fix – the State needs to provide appropriate educational, health and housing services as well as the financial security of the Basic Income in order to allow its citizens to live and thrive in a more egalitarian society in a more respectful and a more contented way. UBI offers a higher level of equality in the provision of financial support to its citizens. The resulting reduction in poverty levels would be welcomed and it would lead to improvements in health and well-being. This tax proposal is re-distributive in that it helps to address the needs of those whose earnings are lower than the average industrial wage. It offers a fully transparent range of tax rates and bands that should ultimately take some or all of the inequality out of people's personal income tax returns.

This proposal aims to achieve the financial and administrative feasibility for the introduction of basic income in Ireland. It considers how to implement it – at no additional administrative cost to the State or employer – and it considers the transition from where we are now to where we want to get to.

I need to make clear some boundaries or limits to this presentation and its scope. This proposal does not address the additional costs that will arise in providing this Universal Basic Income to non income-earners, in other words, adults who are in receipt of neither an income nor State transfers that are less than the proposed Basic Income level. I hope that SJI will be able to help us develop our model further to be more inclusive of those costs outside the scope of this presentation.

CSO 2016

According to CSO's latest census of 2016, there are just under 3m adults aged between 18 and 66 in the State. Revenue's figures for 2016 tell us that there just under 3m individuals who receive an income – although this 3m will include pensioners who are in receipt of an occupational pension and those in receipt of a State contributory pension scheme payment. CSO's data tells us there are just under 600,000 citizens aged over 66 – most of whom are in receipt of either the State contributory or non-contributory pension. Finally, CSO's census tells us that there are 1.2m citizens aged under 18, most or all of whom are in receipt of a reduced Universal Basic Income or Child Benefit.

Table 1: CSO 2016 Population by Age

	Population	State Support	%age of Total
Aged 0 – 18	1,190,502	Child Benefit	25%
Aged 18 – 66	2,977,952	Tax Credits and Reliefs or State Benefits & Transfers	63%
Aged 66 – 80	464,106	Contributory & Non-Contributory Pension	10%
Aged 80 +	129,305		3%

Effective and Marginal Tax Rate

Most of the media commentary on the annual budgetary tax changes concentrates on a citizen's marginal tax rate. This is the rate of deduction that applies to their next €100 of income. A citizen may have various tax credits and reliefs, but the marginal rate of tax is a limited way of presenting facts that does not take into account how much total tax the citizen is paying.

Let's use the example of Boots or Woodies, where you see "2 for the price of 1", "3 for the price of 2" or "4 for the price of 3" offers. In each case, after you've bought the first items, buying the second-last item qualifies you for a freebie – so the marginal rate of discount on the last item is 100%. But most shoppers will be able to see which promotion offers the best value. The effective discount rate is in the first case 50%, in the second case it is 33% and in the last case it is 25%.

This presentation will make repeated reference to a citizen's effective tax rate. At present, an individual's nett pay calculations are based on the tax-payer's tax credit certificate (P2C, containing the tax credit and tax bands to apply). To help put these nett pay results in context, we need to calculate the effective rate of State deduction. The effective rate is calculated as: Total State Deduction/Gross Income or (Gross Income – Nett Pay)/Gross Income. Let's use a few simple examples to illustrate, based on current 2018 standard rates of tax, USC and PRSI:

Table 1: Calculation of Effective Tax Rate at Current 2018 Rates of Tax, USC & PRSI for a single person under PAYE with no pension deduction

Gross Pay	Nett Pay	Marginal Rate	Effective Rate
€10,000	€10,000	0%	0%
€25,000	€21,825	29%	13%
€50,000	€36,538	49%	27%
€75,000	€49,189	52%	34%
€100,000	€61,189	52%	39%
€125,000	€73,189	52%	41%
€250,000	€133,189	52%	47%

Problems with the current income tax system

The recent Budget 2019 highlighted the first major flaw with our current income tax system. Small changes that are being introduced for 2019 have been shown to amount to an increase of around €5 per week for those earning over €50,000. Similarly, the Budget included an increase in the core Social Protection payments of €5 per week. However, for lower income-earners, the benefits are smaller. Those who are paying no tax cannot benefit from tax reductions. Those paying low levels of tax do not benefit to the same extent as those paying higher levels of tax. Simultaneously, their lower earnings preclude them from benefitting from the full increases in various Social Protection benefits.

Table 3: Analysis of the nett changes arising from Budget 2019 for a standard single income-earner

Gross Pay	Nett Pay 2018	Nett Pay 2019	Change	Per Week
€10,000	€10,000	€10,000	€0	€0.00
€25,000	€21,825	€21,852	€27	€0.52
€50,000	€36,538	€36,777	€239	€4.60
€75,000	€49,189	€49,479	€290	€5.58
€100,000	€61,189	€61,479	€290	€5.58
€125,000	€73,189	€73,479	€290	€5.58
€250,000	€133,189	€133,479	€290	€5.58

The other major flaw in the current income tax system is the depth and range of special additional tax credits, allowances and reliefs that are available to some taxpayers. The most common form of tax avoidance is availing of the relief available for pension contributions. We will address pension further below. But at the top end of the income earners, this year's Comptroller & Auditor General's Annual Report noted that 90 of the wealthiest people in the country paid income tax in 2015 at a lower rate than the average taxpayer. According to the report, 83 of these so-called high net worth individuals, or one in four of the 334 included in this analysis, declared taxable income of less than the average industrial wage, which is just over €36,500. The report shows many of Ireland's very highest earners pay relatively small amounts in income tax, with many using tax credits and reliefs to reduce their tax charge. The report also notes that whilst on average, this group of wealthy people pay tax at a rate of between 30% and 40% on their incomes, a significant minority pay a lot less. Interestingly, 10 taxpayers from the group were responsible for 85% of the €473 million income tax bill owed in total, meaning that many of the rest paid relatively little. Some declared little income for tax here, probably due to tax residency elsewhere and their use of capital gains on asset sales (giving rise to CGT instead of income tax), whilst other successfully used a range of credits and reliefs to shelter income from tax.

No doubt, some tax reliefs were introduced to promote certain activities. Other tax reliefs arose instead of appropriate Social Protection grants transfers. Here, we are proposing a radical overhaul or re-boot of all of these non-universal reliefs and allowances by an elimination of all such allowances. In their place, to replace all allowances and credits, we propose a fixed universal payment to all income earners. This will achieve transparency and equality.

Transition

Change is a challenge – particularly for those who will be affected the most. This proposal includes a methodology of moving from our current income tax system to the proposed tax system over a 5 year period so that the transition can be as acceptable as possible.

Target Effective Tax Rates

Based on one's political values and the need for the State to fund its current expenditure, what is our preferred target effective income tax rates? Whilst Table 1 shows that the current Irish tax system is indeed progressive, is there a way of achieving a more progressive tax regime? Do we want someone earning €25,000 paying an effective rate of 13%? Do we want to reduce the income tax change of someone earning €50,000? Do we want to increase the income tax for people earning over €100,000? We still have to be conscious of the marginal rate of tax and how it may influence the incentive to work. And how do we achieve all of this in the context of meeting the very large cost of paying out a Basic Income to all income earners? We can't presume to raise the full cost of Basic Income from only the highest income earners. Is all of this feasible?

Table 4: Target Effective Rates?

Gross Pay	Nett Pay	Current Rate	Target Rate?	Change?
€10,000	€10,000	0%	0%	-
€25,000	€25,000	13%	0%	-13%
€50,000	€40,000	27%	25%	-2%
€75,000	€56,250	34%	35%	+1%
€100,000	€65,000	39%	40%	+1%
€125,000	€75,000	41%	42%	+1%
€250,000	€137,500	47%	48%	+1%

Current 2018 Tax/USC/PRSI Results

In order to help discuss our proposed Basic Income model, we need to have some understanding of the current income tax, USC and PRSI systems of statutory deductions.

I remember our first payroll package that we developed in 1980 had to deal with tax-free allowances and tax tables – 35%, 45%, 55% and 65%. The current income tax system was intended to be simpler, with two separate tax rates (20% and 40%), with the higher rate applied on income above a cut-off point (currently €34,500 for a single person). After one's gross income tax is calculated, this is reduced by the citizen's tax credit (currently €3,300 for a single person under PAYE). However, income tax is far from simple – that's why tax advice is much sought-after. There are all sorts of additional credits, allowances, reliefs and exemptions that can apply to different people for different reasons. Many people are unaware of these means by which their tax deduction can be reduced. Nonetheless, we all know that many people find effective ways to reduce their tax rates significantly by making best use of these various schemes. Appropriate use of these credits, allowances, exemptions and reliefs is referred to as "tax avoidance" which should not be confused with "tax evasion" which is the incorrect or untruthful declaration of income and/or avoidance mechanisms.

Regarding PRSI, we are using the standard "Class A" rates throughout although it should be noted that there are many people on different, lower rates. There is an employee contribution of 4% of gross pay and a separate additional employer contribution of 10.85%. There are reductions for an employee earning less than €352 per week (or €18,367 per year) down to zero, increasing to 4% when pay exceeds €424 per week (or €22,124 per year). Also, the employer rate increases from an initial 8.6% rising to 10.85% at €352 per week. Note also that PRSI has other anomalies that are not included in this model, including the fact that it is calculated on a "week 1" basis which can lead to circumstances in which the actual PRSI sums calculated are different to those in this model.

PRSI Classes other than "A"

There are certain citizens who pay reduced PRSI or do not pay any PRSI on their income – such as those receiving an occupational pension (Class M). Citizens who are aged over 66 and working for an employer pay at a reduced J class. Self-employed income earners do not pay Employer PRSI (Class S).

In Table 1 earlier, we have tabulated the standard tax and USC calculations for 2018 based on a single person's credits and cut-off points paid through the PAYE system, and PRSI class A.

For the purposes of subsequent costing computations, we have used prior year data to estimate that there is an effective 25% "discount" on the standard A Class PRSI contributions in terms of overall PRSI receipts, when applied to the total earnings of all income earners. This figure needs to be validated by other sources of data, and is subject to confirmation.

CSO StatBank

Historically, Revenue and CSO have published their income and tax data across various categories, such as for each earning bracket specified. The latest year for which detailed data is available is 2016. Recently, Revenue published a separate analysis of the gross income across these earning brackets for all income-earning individuals rather than "tax units". Revenue also publish their forecasts for current year and new year outcomes. We use this data in this proposal.

Pension Relief

Pension contributions are a major source of current income tax relief. At present, employee pension contributions are fully allowable against income tax. This generates a significant incentive to those employees whose current marginal rate of tax is 40% to use pension contributions as a means of reducing their income tax charge.

This UBI proposal includes a radical change to the way in which the State provides an incentive to all income earners to invest in an occupations pension scheme.

Instead of tax relief at the income earner's marginal tax rate, we propose to offer an SSIA-type State cash payment equivalent to one third of the employee's contribution. This revised method of supporting and promoting employee contributions is borrowed from the Department of Employment and Social Protection's Strawman proposal for Automatic Enrolment in Retirement Savings Systems published earlier in 2018. Here, we propose to replace current pension relief measures with those contained in the Strawman proposal – where there is a 3:3:1 employee:employer:State (**) ratio of contributions, of up to 6% of gross income, up to an annual income ceiling of €70,000. Employee contributions would be made after-tax, and are voluntary, albeit with a default presumption of enrolment. This revised State pension support proposal offers greater transparency and is of more equal value to low, medium and high income earners.

** Note: Relief is subject to certain percentage limits based on the age of the employee and also subject to the value of the pension fund not exceeding €2m.*

*** Note: For every €3 that the employee contributes, the employer also contributes €3 and the State contributes €1. Therefore, the employee will have a contribution of €7 to their fund, at a cost of only €3 to the employee.*

**** Note: For simplicity, we are presuming here that all pensions are Defined Contribution schemes.*

Our Proposed “Model D” of Basic Income

A Universal Basic Income involves the same single amount paid to every qualifying citizen. However, many BI advocates propose dividing citizens up by age, with a different amount payable to each. In terms of actual amount, the value of the Basic Income for adults is intended to fund a basic or frugal life. It is proposed that older persons should receive more to cover the fact that their opportunities to earn their own income is diminished, whist their living costs are likely to be higher.

In recent discussions within Basic Income Ireland, we have discussed:

- Model A: A partial Basic Income of €150 per week funded by a 40% flat tax
- Model B: A full Basic Income of €193 per week funded by two rates of tax, 40% and 45%
- Model C: An earlier draft of this proposal with the same Basic Income of €192.

This proposal contains a number of changes to the earlier Model C. The nerd in me was tempted to refer to it as Model C+, instead we’ve imaginatively called it “Model D”.

In terms of actual value, some advocates have suggested that the Basic Income payment should equate to 25% of the State’s GDP per citizen. For Ireland, this would equate to €12,750 per annum. Others have proposed a BI equivalent to the current Jobseekers Allowance amount, or €10,071 per annum, given that this is the sum already determined by the State as sufficient to live on. We are proposing a rate of €192 per week, or €10,000 per year for adults aged between 18 and 66.

We propose that for income earners, the Basic Income payment is processed as a refundable tax credit equal to €192 per week. This means that the employee will receive their standard payslip, as they currently do, but it will be inclusive of the Basic Income payment together with the revised set of income tax, USC and PRSI deductions. Persons who are not income earners can receive their Basic Income payment directly from the State, as currently applies to State contributory and non-contributory pensions and other State transfers.

The new PAYE Modernisation scheme that is being introduced by Revenue from 1st January 2019 will facilitate the accurate exchange of instructions from employees to Revenue and then to employers in a seamless and efficient manner. No system changes are necessary to implement this proposal.

Tax Reform Proposal to support the introduction of Basic Income

The Tax Reform 2016 Plan stated: “*In 2016, it is estimated that personal income taxes of over €19 billion will be raised for the Exchequer, representing over 40% of the total tax take. Of this, income tax is expected to comprise c.€14 billion, USC is expected to comprise c.€4 billion, and savings and investment withholding taxes c.€1 billion. Pay Related Social Insurance (PRSI) revenue accrues directly to the Social Insurance Fund, and as such is not included in figures for Exchequer tax receipts. PRSI revenue in 2015 amounted to €8.45 billion*”.

Whilst our modelling capacity is limited, and several assumptions will be noted, our proposal must reflect the collection of similar sums of total deductions. The State’s finances put income tax and USC receipts into one pot and PRSI into another pot. This proposal involves maintaining all three existing statutory deductions but with significant changes to USC rates and bands. This allows a reasonable consideration of the likely outcomes of this proposal.

Specifically, this plan proposes:

- Process Basic Income as an equivalent refundable tax credit of €10,000 per annum

- Eliminate all tax credits, allowances, exemptions and reliefs

- Replace relief on pension contributions with a State monetary contribution equivalent to one third of the employee's contribution, up to 6% of gross pay, with a ceiling of €70,000 annual income, as prescribed in the DEASP's Strawman proposal on Automatic Enrolment in Retirement Savings Systems, due to be introduced in 2022

- Keep the existing 20% and 40% income tax rates but reduce the cut-off point (the point after which 20% is calculated and the 40% rate is applied) to €20,000

- Significant changes to USC rates and bands, intended to generate a more progressive tax regime in the context of a refundable tax credit. This increase in USC is also the significant contributing factor towards funding the additional State cost of paying Basic Income to all income earners:

Annual Gross Income	USC Rate
0 - €10,000	**25%**
€10,000 - €50,000	5%
Above €50,000	10%

  The current USC exemption that arises for income earners of less than €13,000 is removed in this proposal. Also, the current 3% additional contribution by self-employed on earnings over €100,000 is not included in this proposal.

- No change to Employee PRSI, unaltered at 4% for those earning over €20,000. However, Employer PRSI is reformed to include a table of rates and bands, where the employer rate increases from a lower starting point of 7.5% for the lowest earning and increases gradually to 10%, 12.5% and finally to 15% for those earning over €64,181.

Annual Gross Income	Employer PRSI Rate
0 - €10,000	7.5%
€10,000 - €20,000	10.0%
€20,000 - €60,000	12.5%
Above €60,000	15.0%

  No change is proposed to the PRSI rates for those who are in receipt of occupational pensions (Class M, 0%) or self-employed income earners who should continue to pay the standard 4% as the employee PRSI rate with no employer PRSI contributions, as per Class S at present. Arguably, Class J could have the same employer rate as Class A.

The stand-out feature in this proposal is the high initial rate of USC at 25% on the first €10,000. On first reading, this rate may appear to run against the intention to provide a progressive tax regime, with zero or low rates of tax on the lower paid before rising to higher rates for the highest paid. However, in the context of the unconditional payment of a Basic Income, this initial high rate of USC is justifiable and, I believe, necessary to give us the desired highly progressive tax regime.

The Results

To illustrate this claim, we need to carry out some examples of tax calculations and see what the effects of these alternative rates and bands will have on an income-earner's nett pay and compare them with the current system.

For comparative purposes, we will also tabulate the nett pay outcomes under the earlier Partial Basic Income proposal as noted above and referred to as "Model A".

Table 5: Current Rates of Deduction in 2018

Gross Pay	Tax Credit	Gross Tax Rate	USC	Employee PRSI
€0	€3,300	0%	0%	0%
€10,000	€3,300	20%	0%	0%
€25,000	€3,300	20%	0.5% & 2%	4%
€50,000	€3,300	20% & 40%	0.5%, 2% & 4.75%	4%
€75,000	€3,300	20% & 40%	0.5%, 2%, 4.75% & 8%	4%
€100,000	€3,300	20% & 40%	0.5%, 2%, 4.75% & 8%	4%
€125,000	€3,300	20% & 40%	0.5%, 2%, 4.75% & 8%	4%
€250,000	€3,300	20% & 40%	0.5%, 2%, 4.75% & 8%	4%

Table 6: Proposed Deduction Rates in Model D

Gross Pay	Basic Income/ Tax Credit	Gross Tax Rate	USC	Employee PRSI
€0	€10,000	0%	0%	0%
€10,000	€10,000	20%	25%	0%
€25,000	€10,000	20% & 40%	25% & 5%	4%
€50,000	€10,000	20% & 40%	25% & 5%	4%
€75,000	€10,000	20% & 40%	25% & 5% & 10%	4%
€100,000	€10,000	20% & 40%	25% & 5% & 10%	4%
€125,000	€10,000	20% & 40%	25% & 5% & 10%	4%
€250,000	€10,000	20% & 40%	25% & 5% & 10%	4%

Table 7: Nett Pay Calculations under Current Tax system and under Model D

Gross Pay	Current Standard Nett Pay	Model A Nett Pay	Model D Nett
€0	€0	€7,800	€10,000
€10,000	€10,000	€13,800	€15,500
€25,000	€21,825	€22,800	€24,750
€50,000	€36,538	€37,800	€37,500
€75,000	€49,189	€52,800	€49,500
€100,000	€61,189	€67,800	€61,000
€125,000	€73,189	€82,800	€72,500
€250,000	€133,189	€157,800	€130,000

Table 8: Effective Tax Rates under Current Tax system and under Model D

Gross Pay	Current Standard Rates	Model A Rates	Model D Rates
€0	0%		
€10,000	0%	-38%	-55%
€25,000	13%	9%	1%
€50,000	27%	24%	25%
€75,000	34%	30%	34%
€100,000	39%	32%	39%
€125,000	41%	34%	42%
€250,000	47%	37%	48%

Basic Income and Flat Tax

Many research papers on the subject have made the case for Basic Income very strongly, highlighting all the positive consequences on poverty, personal dignity, equality, job choice, life/work balance, care, etc. Many advocates quote the UN Declaration of Human Rights, and in particular Article 25, to base their argument in favour of UBI. This presentation does not include any of this narrative, leaving it to others who are more competent, qualified and experienced to do so. However, several of those research papers have made reference to the financing of Basic Income by means of the application of a simple, single flat tax on all income. I believe this is not justified by the calculated outcomes. At the very least, the issue of a flat tax should not be associated with the case for introducing Basic Income.

My reasons for not supporting a flat tax include:

- A flat tax in Ireland does not respect the State's revenue separate streams, where income tax and USC go into the general taxation pot whilst PRSI goes into the Social Insurance Fund
- Referring to Tables 6 and 7 above, the consequences of a flat tax, whilst generating a marginally progressive tax regime, are such that (subject to an individual's current use of non-standard tax reliefs and allowances which would be eliminated) all income earners would be better off. This would reduce the extent of the redistribution in the new tax system
- A single flat tax renders the income tax system quite inflexible to target specific groups of income earners in the future.

There is no reason to presume that a flat tax should be in any way linked to the proposal to introduce Basic Income. Instead, I believe we should look at the opportunities that the introduction of Basic Income brings in terms of justifying the removal of all non-standard tax credits, allowances and reliefs, as well as looking at the need to adjust current rates in order to achieve both the level of State tax revenues that are needed to help fund Basic Income as well as achieve a more progressive tax regime.

Transition

This package for the payment of a Universal Basic Income, along with the significant tax reform programme involves significant change to income earners' nett pay – its redistributive effect will be positive for those on the lower brackets of earnings. Some at the higher end of the spectrum of earnings are likely to be affected by the elimination of the non-standard tax credits, allowances and reliefs that they may be using. We acknowledge that it is best practice to introduce these changes gradually, over a number of years, so that income earners can adjust to the changes positively.

Taking a lead from the DEASP's Strawman proposal on the introduction of Automatic Enrolment for Retiring Savings schemes, we propose that the introduction of Basic Income be phased in over a 5 year period, starting from 2022. This should include both the level of Basic Income (refundable tax credit) and the gradual elimination of the non-standard tax credits and allowances:

Table 9: Gradual increase in the refundable tax credit from its current €3,300 to €10,000:

	Basic Income or Refundable Tax Credit	Reduction in all non-standard credits and allowances	Automatic Enrolment rate of Pension Deduction
2022, Year 1	€5,000	20%	1%
2023, Year 2	€6,000	40%	2%
2024, Year 3	€7,000	60%	3%
2025, Year 4	€8,000	80%	4%
2026, Year 5	€9,000	100%	5%
2027, Year 6	€10,000	100%	6%

Further work is required to calculate the required transitional USC rates and bands that would facilitate the transition to our final target set of rates and bands.

Calculated Cost of this Basic Income Model D

The core data used in this section is Revenue's data that they publish regarding the number of individual tax payers and their income.

https://www.revenue.ie/en/corporate/information-about-revenue/statistics/income-distributions/individualised-gross-income-distributions.aspx

Table 10: 2016 Breakdown of income tax payers by earning bracket

Earning Bracket	Individuals	Gross Income (€m)
0 - 10,000	546,133	2,702.90
10,000 - 12,000	142,215	1,559.92
12,000 - 15,000	206,665	2,770.86
15,000 - 17,000	124,485	1,991.73
17,000 - 20,000	188,556	3,487.43
20,000 - 25,000	294,190	6,616.10
25,000 - 27,000	111,378	2,894.86
27,000 - 30,000	158,646	4,522.17
30,000 - 35,000	249,130	8,087.36
35,000 - 40,000	192,318	7,193.96
40,000 - 50,000	265,480	11,838.54
50,000 - 60,000	165,919	9,053.04
60,000 - 70,000	94,061	6,078.39
70,000 - 75,000	31,823	2,303.41
75,000 - 80,000	24,729	1,914.25
80,000 - 90,000	35,765	3,028.00
90,000 - 100,000	23,438	2,219.44
100,000 - 150,000	49,718	5,929.30
150,000 - 200,000	15,368	2,636.40
200,000 - 275,000	9,259	2,140.66
Over 275,000	10,224	5,596.39

This total of 2,939,500 income earners must be noted as including people who are aged over 66 and whose income includes occupational pensions and State Contributory pension payments. This total will also include income earners who receive other State transfers, and therefore, those State transfers will need to be taken out of the calculated cost figures. These and other computations must be noted and addressed in any further consideration of the total cost of introducing Basic Income to all citizens.

Revenue Forecast for 2018:

Revenue also publishes a "Ready Reckoner"(7) that provides estimates of income and cost regarding changes at Budget time. From this, we can calculate the expected growth in income levels. Unfortunately, this growth is not broken down by income bracket – which means that we can only assume that the growth occurs uniformly across all brackets. This assumption needs to be noted.

Calculated Cost of this Basic Income Model D

By necessity, the figures below are broad-brush and are subject to further work. However, this estimated cost analysis is intended to show that the introduction of a Basic Income payment in Ireland can be fully funded within the 3m income earners in the country.

Note that based on the wider BI proposal, there would be no additional State cost in continuing the payment of the existing Children's Allowance as a reduced Basic Income to those aged 0 to 18, of whom there are 1.2m citizens.

That leaves a further 0.6m citizens, many of whom are currently in receipt of current State benefits, including State non-contributory pension payments, disability allowance, invalidity pension, job-seekers allowances, amongst others. The nett additional cost of introducing Basic Income to this number of citizens will need to be analysed elsewhere. However, the cost of doing so could be funded by any preferred form of State revenue stream – income tax, VAT, financial taxes or any form of new tax not yet levied.

Cost Adjustment re current State Transfers

According to the Department of Employment Affairs and Social Protection's Annual Report for 2017, there were just under 2.1m recipients of its various schemes. Whilst there is an understanding that no individual's level of State support would be reduced on the basis of the introduction of Basic Income, a number of those schemes would no longer apply. The payment of Basic Income would replace a number of these schemes where the current level of payment was below the proposed Basic Income of €10,000.

The calculated cost table includes an adjustment to provide for the non-duplication of an existing State transfer to any of the 2.9m income earners included in this model. In particular, it is likely that many people currently receiving the State contributory pension are included in this group of individuals. This 2.9m people will also include many who are in receipt of any of the following:

- Job Seekers Benefit
- Illness Benefit
- Farm Assist.

Assuming that the above payments do not exceed €192 per week, and that we only count those individuals who are included in this group of 2.9m income earners, then within our proposal, the payment of the Basic Income would replace those payments. That means that our costing can include the estimated savings of those payments.

Table 11: Selected State Transfers subject to non-duplication to income earners

	2016 €m	*Recipients*	**2018 €m**	*Recipients in 2017*
Contributory Pension	6,108	*579,474*	6,692	*693,624*
Jobseekers Benefit	356	*355,806*	421	*340,458*
Illness Benefit	597		620	
Farm Assist	79	*78,831*	78	*78,182*
Sub-Total of above State transfers	7,140		7,811	
Assume 50% applicable to savings	3,570		3,905	

Note that the 2018 figures above are estimated based on 2017 data applying the same rate of change from 2016 to 2017 to calculate 2018 data.

The Department of Employment Affairs and Social Protection publishes figures of the number of recipients for various schemes as well as the value of those State transfers. The estimate above of the savings that will arise in the context of Basic Income being paid as an alternative needs further work. Other State transfers might be considered for inclusion in this consideration, such as Susi student grants.

Finally, it should be noted that the calculated cost table below does not include any entry regarding the extra State revenues that would certainly arise from the additional consumer spending by those whose nett disposable income would increase under this proposal.

Table 12: Estimated change to State Income in applying this Basic Income and Income Tax proposal

	Actual		**Forecast**		
	2016		**2018**		
Number of Individual Income Earners	**2,939,500**	(a)	**2,939,500**	(e)	
	€m		**€m**		
Gross Income of those individuals	**94,554**	(a)	**111,734**	(f)	*+18%*
Current State Income:	**€m**		**€m**		
Current State Income Tax & USC (€m)	17,878	(b)	21,958	(f)	*+23%*
Plus Add PRSI paid to SIF (€m)	9,566	(c)	10,357	(g)	*+8%*
Nett State Income (€m)	**€27,444**		**€32,315**		
Basic Income Model D:					
Income Tax (€m)	28,398		34,881		*+23%*
Plus USC (€m)	10,765		12,047		*+12%*
Plus PRSI (€m)	11,639		14,153		*+22%*
Less Basic Income pay-out (€m)	-29,395		-29,395		
Plus Estimate of savings on existing State transfers (€m)	3,570	(d)	3,905	(h)	
Less State cost re Pension contributions (€m)	-1,656		-1,894	(i)	
Nett State Income (€m)	**€23,321**		**€33,697**		

Notes:

(a) https://www.revenue.ie/en/corporate/information-about-revenue/statistics/income-distributions/individualised-gross-income-distributions.aspx

(b) https://www.revenue.ie/en/corporate/documents/statistics/receipts/net-receipts.pdf

(c) http://www.welfare.ie/en/downloads/SIF2016.pdf (page 9)

(d) http://www.welfare.ie/en/downloads/Annual_Statistics_Report_2017.pdf

(e) Our model presumes no change in the number of income earners from 2016 to 2018

(f) Published by Revenue in October 2017, after Budget 2018: https://www.revenue.ie/en/corporate/information-about-revenue/statistics/index.aspx

(g) https://www.finance.gov.ie/wp-content/uploads/2018/07/TSG-18-03-PRSI-DEASP.pdf

(h) http://www.welfare.ie/en/downloads/SIF2017.pdf

(i) https://www.welfare.ie/en/downloads/Automatic_Enrolment_Strawman_Proposal.pdf

Other References

(1) CSO DataStat Database
http://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?MainTable=RVA01&PLanguage=0&PXSId=0

(2) Pensions Authority
http://www.pensionsauthority.ie/en/LifeCycle/Tax/

(3) Social Justice Ireland: Costing a Basic Income for Ireland
https://www.socialjustice.ie/sites/default/files/attach/policy-issue-article/4642/chapter9.pdf

(4) Tax Reform 2016 Plan
http://www.finance.gov.ie/wp-content/uploads/2017/07/Income-Tax-Reform-Plan.pdf

(5) Dept of Social Protection Tax Strategy Report July 2017
http://www.finance.gov.ie/wp-content/uploads/2017/07/TSG-17-04-PRSI-DSP.pdf

(7) Revenue Ready Reckoner
https://www.revenue.ie/en/corporate/documents/statistics/ready-reckoner.pdf

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(9) CSO Census 2016
http://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?Maintable=E3011&Planguage=0
and http://www.cso.ie/en/releasesandpublications/ep/p-cp3oy/cp3/

(10) Universal Pensions
https://www.socialjustice.ie/sites/default/files/attach/publication/5197/universalstatesocialwelfarepension.pdf

(11) Estimates of Receipts and Expenditure for Year Ending 31st December 2018
http://budget.gov.ie/Budgets/2018/Documents/White_Paper_2018_final.pdf

(12) Cost of Tax Allowances, Credits, Exemptions and Reliefs
https://www.revenue.ie/en/corporate/documents/statistics/tax-expenditures/costs-tax-expenditures.pdf

(13) Number of Recipients of DEASP support schemes
http://www.welfare.ie/en/downloads/ar2017.pdf (page 13)

(14) Comptroller & Auditor General: 2017 Public Accounts Annual Report
https://www.audit.gov.ie/en/Find-Report/Publications/2018/2017-Annual-Report-Chapter-18-Management-of-high-wealth-individuals%E2%80%99-tax-liabilities.pdf

(15) UN Declaration of Human Rights:
http://www.un.org/en/universal-declaration-human-rights/index.html

Extended Table 7: Calculation of Nett Pay under Basic Income in 2018

This table shows the current calculation of nett pay for a single person with standard single PAYE tax credits and cut-off points. The deductions include PAYE income tax, USC and PRSI at the A class rates for 2018.

Income	Current Nett Pay	BI Model D	Change
10,000	10,000	15,500	5,500
15,000	14,800	19,250	4,450
20,000	18,263	22,200	3,937
25,000	21,825	24,750	2,925
30,000	25,388	27,300	1,912
35,000	28,850	29,850	1,000
40,000	31,413	32,400	987
45,000	33,975	34,950	975
50,000	36,538	37,500	962
55,000	39,100	40,050	950
60,000	41,663	42,600	937
65,000	44,225	44,900	675
70,000	46,788	47,200	412
75,000	49,189	49,500	311
80,000	51,589	51,800	211
85,000	53,989	54,100	111
90,000	56,389	56,400	11
95,000	58,789	58,700	-89
100,000	61,189	61,000	-189
105,000	63,589	63,300	-289
110,000	65,989	65,600	-389
115,000	68,389	67,900	-489
120,000	70,789	70,200	-589
125,000	73,189	72,500	-689
150,000	85,189	84,000	-1,189
175,000	97,189	95,500	-1,689
200,000	109,189	107,000	-2,189
225,000	121,189	118,500	-2,689
250,000	133,189	130,000	-3,189
275,000	145,189	141,500	-3,689
300,000	157,189	153,000	-4,189