

# Examining the effects of a Basic in Ireland - Tax Rates and Distributional Effects

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# Age-related Basic payments 2015

| Payment                    | Weekly  | Annual  |
|----------------------------|---------|---------|
| Children (0-17)            | €31.05  | €1,620  |
| Working Age Adults (18-65) | €150    | €7,827  |
| Older people (66-79)       | €230.30 | €12,017 |
| Older people (80+)         | €240.30 | €12,539 |

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## Other features of 2015 study

- €38 supplement to those unemployed but actively seeking employment
- Abolish
  - Tax Reliefs and Tax Credits
  - All other tax rates and tax bands
  - USC and Employee PRSI
  - *Almost* all welfare payments
- Small increase in Employer PRSI – 10.75% to 13.5%

## Previous analysis

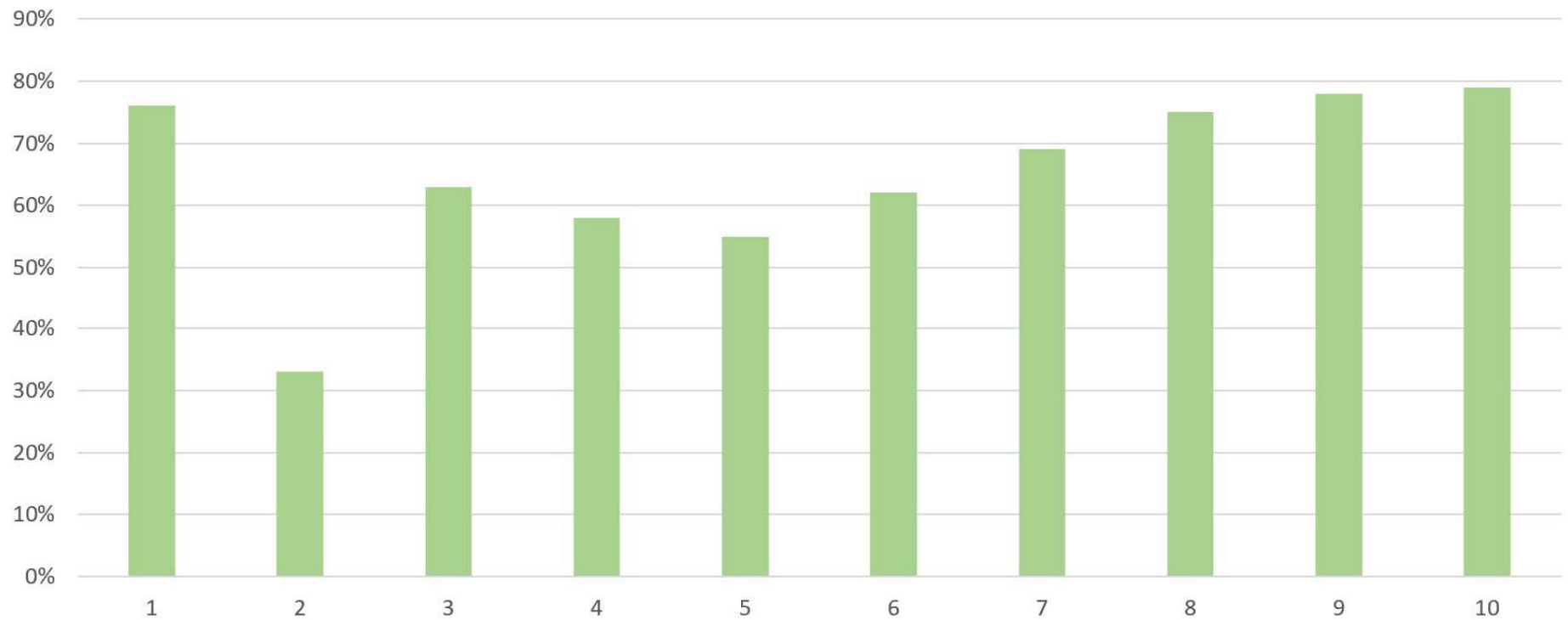
- 40% flat rate is problematic
- 74% of pensioners living alone were losing out.
- 28% of pensioners living alone were losing by €100+ per week!
- Households with 2 adults where at least 1 was pensioner also faring badly - 60% of them losing out
- Houses with children performed the best - close to 90% “winning”

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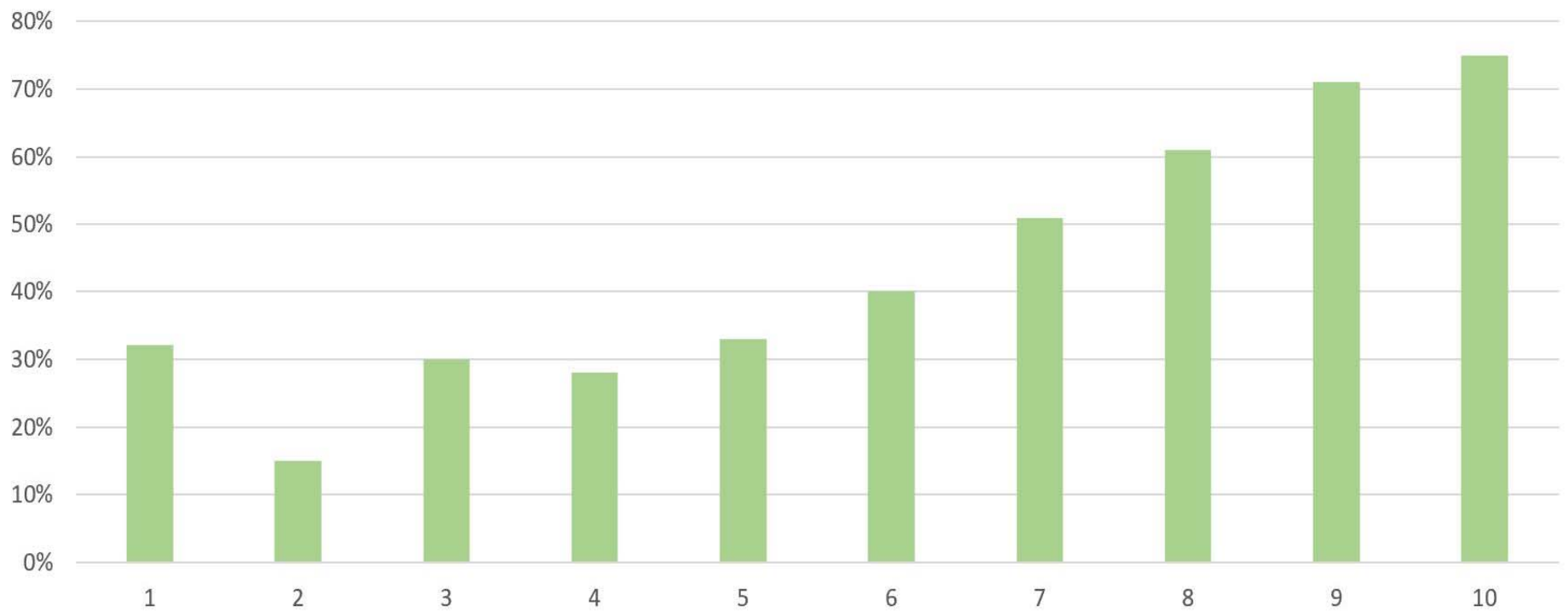
# Prelim analysis – 2015 data (40% flat rate)

% of households benefiting, by income decile



# Prelim analysis – 2015 data (40% flat rate)

% of households benefiting by €100+ per week, by income decile



# Conclusions at the DEW Conference 2017

- Progressive taxation is key
- Targeted payments must remain
- SILC data is great! But has its limitations....
- More tweaking is required

# Aims for our current analysis

- What kind of progressive taxation framework works?
- What's the distributive impact?
- Targeted payments?
- Adjustments to SILC data?



# What kind of Basic Income system?

- A payment from the state to every resident
  - ✓ on an individual basis
  - ✓ without any means test or work requirement.



- It would ideally be sufficient to live a frugal but decent lifestyle, without supplementary from paid work.

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# What kind of Basic Income system?

- Replace almost all weekly social welfare payments
- Replace tax credits and tax reliefs
- Tax-free, with all other personal income being taxed
- Payment conditional on residency within Ireland
- The level of the payment is age-dependent
- No more Employee PRSI or USC - merged with income tax
- The Employer PRSI rate, currently at 10.85% (2018) increases to 13.5%

# What kind of Basic Income system?

- New taxation framework:
  - 25% on the first €25,000
  - 50% thereafter
- It's also worth noting that the 40% flat rate remains valid in 2016

# Retained payments

Back to school clothing and footwear

One Parent Family Payment

Free travel

Carer's payment

Domiciliary care allowance

Cost of Disability Allowance

Living Alone Allowance

Unemployment Supplement

Qualified Child Payments

Household Benefits Package

Fuel Allowance

School meals

Rent Supplement

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# SILC Data 2016

- Most recently available
- Survey on Income and Living Conditions
- Household survey covering:
  - Income
  - Living conditions!
- Official source of data on household and individual income
- Around 250 indicators per person
- 13,186 individuals in 5,219 households



**An Phríomh-Oifig Staidrimh**  
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# SILC Data 2016

- Important to note that there are limitations!
- Individual ages not given
- Certain types of payments are aggregated
- Keying errors
- SILC is broadly representative...
  - age group
  - sex
  - household composition
  - region
- BUT!



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## Effect on Households

From overall population:

Approximately 68% of households benefit

This is up from 63% under the flat rate of 40%



# Effect on Households

| <b>Household type</b>                         | <b>Benefiting</b> | <b>Losing</b> |
|---|-------------------|---------------|
| Pensioner living alone                        | 83%               | 17%           |
| Working age adult living alone                | 72%               | 28%           |
| 2 adults, at least one of whom is a pensioner | 72%               | 28%           |
| 2 working age adults                          | 65%               | 35%           |
| 3+ adult household                            | 71%               | 29%           |
| Single parent household                       | 59%               | 41%           |
| 2 adults, with children                       | 55%               | 45%           |
| Other households with children                | 73%               | 27%           |

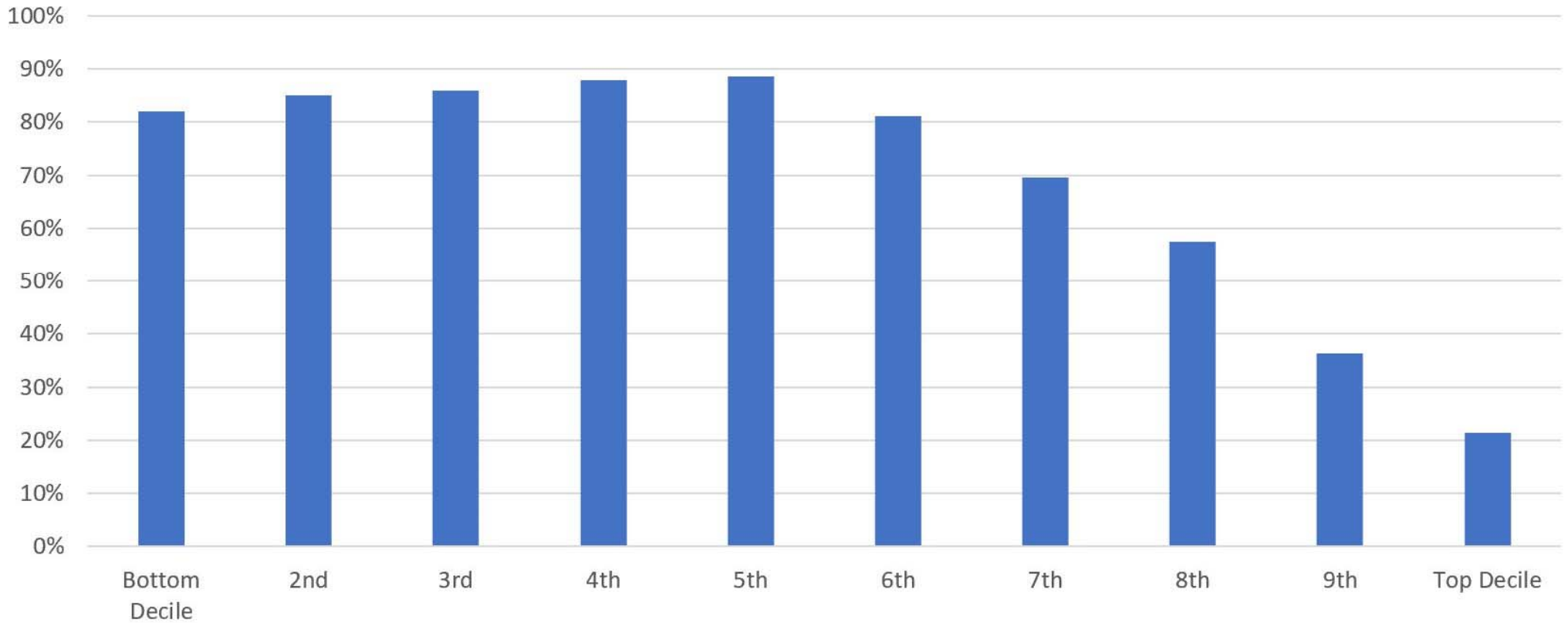


# Effect on Households

| Household Type                       | €100+      | €50-€100   | €20-€50    | €0-€20     | No Change | €0-€20    | €20-€50   | €50-€100  | €100+      |
|--------------------------------------|------------|------------|------------|------------|-----------|-----------|-----------|-----------|------------|
| Pensioner living alone               | 7%         | 3%         | 8%         | 65%        | 0%        | 4%        | 5%        | 3%        | 6%         |
| Working age adult living alone       | 16%        | 20%        | 18%        | 17%        | 0%        | 9%        | 9%        | 5%        | 6%         |
| 2 adults (incl at least 1 pensioner) | 23%        | 16%        | 14%        | 20%        | 11%       | 5%        | 4%        | 3%        | 5%         |
| 2 working age adults                 | 30%        | 16%        | 13%        | 6%         | 0%        | 7%        | 8%        | 9%        | 11%        |
| 3+ adult household                   | 47%        | 12%        | 8%         | 4%         | 0%        | 6%        | 3%        | 8%        | 13%        |
| Single parent household              | 31%        | 17%        | 8%         | 3%         | 0%        | 6%        | 8%        | 17%       | 9%         |
| 2 adult household with children      | 25%        | 15%        | 8%         | 7%         | 0%        | 7%        | 10%       | 12%       | 15%        |
| Other households with children       | 48%        | 15%        | 5%         | 4%         | 0%        | 3%        | 6%        | 6%        | 13%        |
| <b>Overall population</b>            | <b>27%</b> | <b>14%</b> | <b>10%</b> | <b>16%</b> | <b>1%</b> | <b>6%</b> | <b>7%</b> | <b>8%</b> | <b>10%</b> |

# Effect on Households

% of households benefiting, by income decile



# Effect on Households

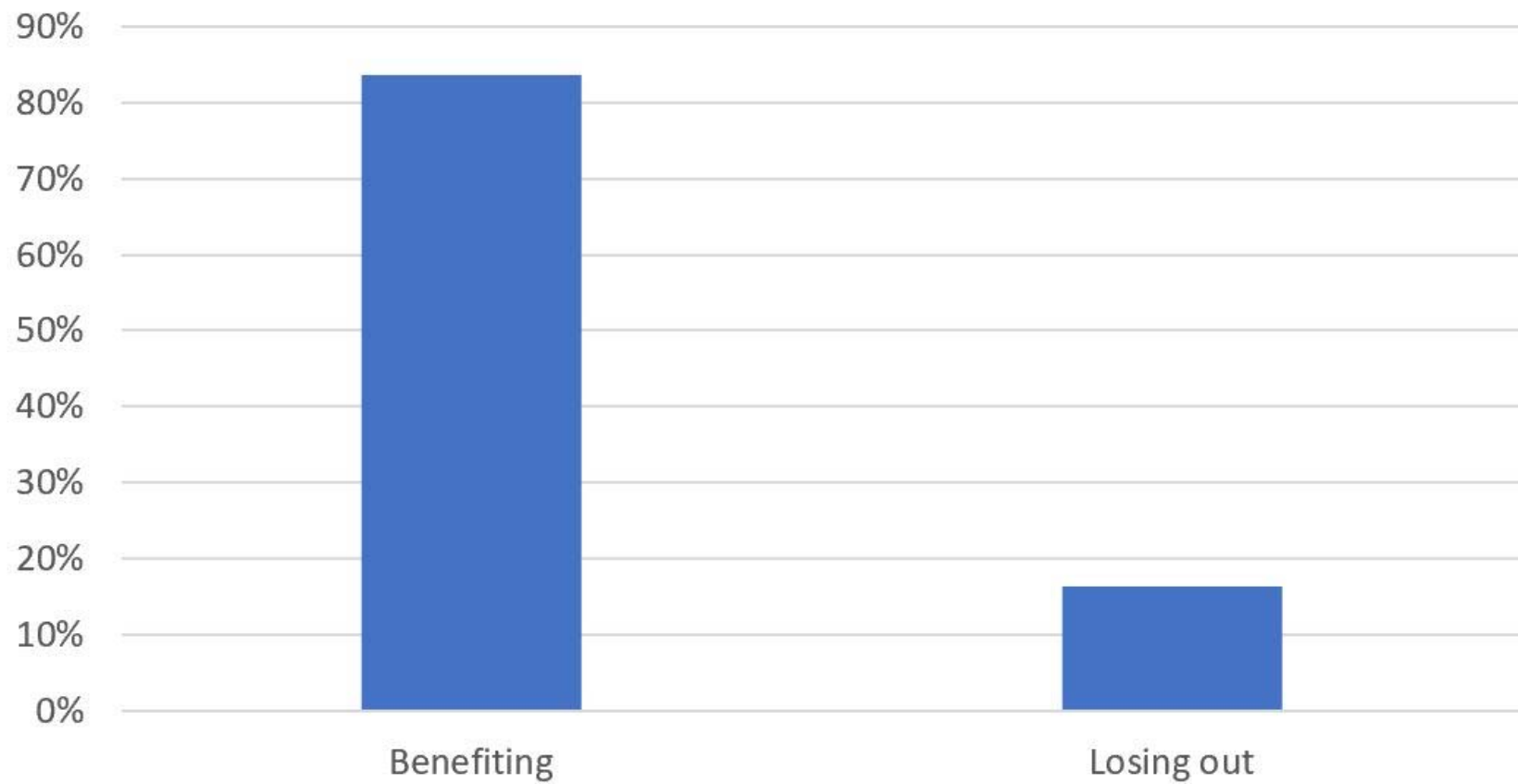
| Household type       | €100+ | €50-€100 | €20-€50 | €0-€20 | No Change | €0-€20 | €20-€50 | €50-€100 | €100+ |
|----------------------|-------|----------|---------|--------|-----------|--------|---------|----------|-------|
| Bottom Income Decile | 60%   | 12%      | 6%      | 3%     | 0%        | 5%     | 3%      | 4%       | 7%    |
| 2nd Decile           | 39%   | 12%      | 13%     | 19%    | 0%        | 4%     | 3%      | 2%       | 7%    |
| 3rd Decile           | 30%   | 5%       | 9%      | 43%    | 0%        | 3%     | 4%      | 3%       | 4%    |
| 4th Decile           | 52%   | 10%      | 5%      | 15%    | 7%        | 3%     | 2%      | 3%       | 4%    |
| 5th Decile           | 52%   | 12%      | 8%      | 14%    | 3%        | 2%     | 1%      | 2%       | 5%    |
| 6th Decile           | 48%   | 15%      | 6%      | 9%     | 3%        | 4%     | 2%      | 3%       | 9%    |
| 7th Decile           | 31%   | 21%      | 8%      | 8%     | 0%        | 5%     | 3%      | 5%       | 18%   |
| 8th Decile           | 22%   | 12%      | 12%     | 9%     | 1%        | 7%     | 6%      | 5%       | 26%   |
| 9th Decile           | 11%   | 7%       | 9%      | 7%     | 1%        | 7%     | 12%     | 11%      | 35%   |
| Top Income Decile    | 6%    | 3%       | 7%      | 5%     | 0%        | 4%     | 7%      | 10%      | 57%   |

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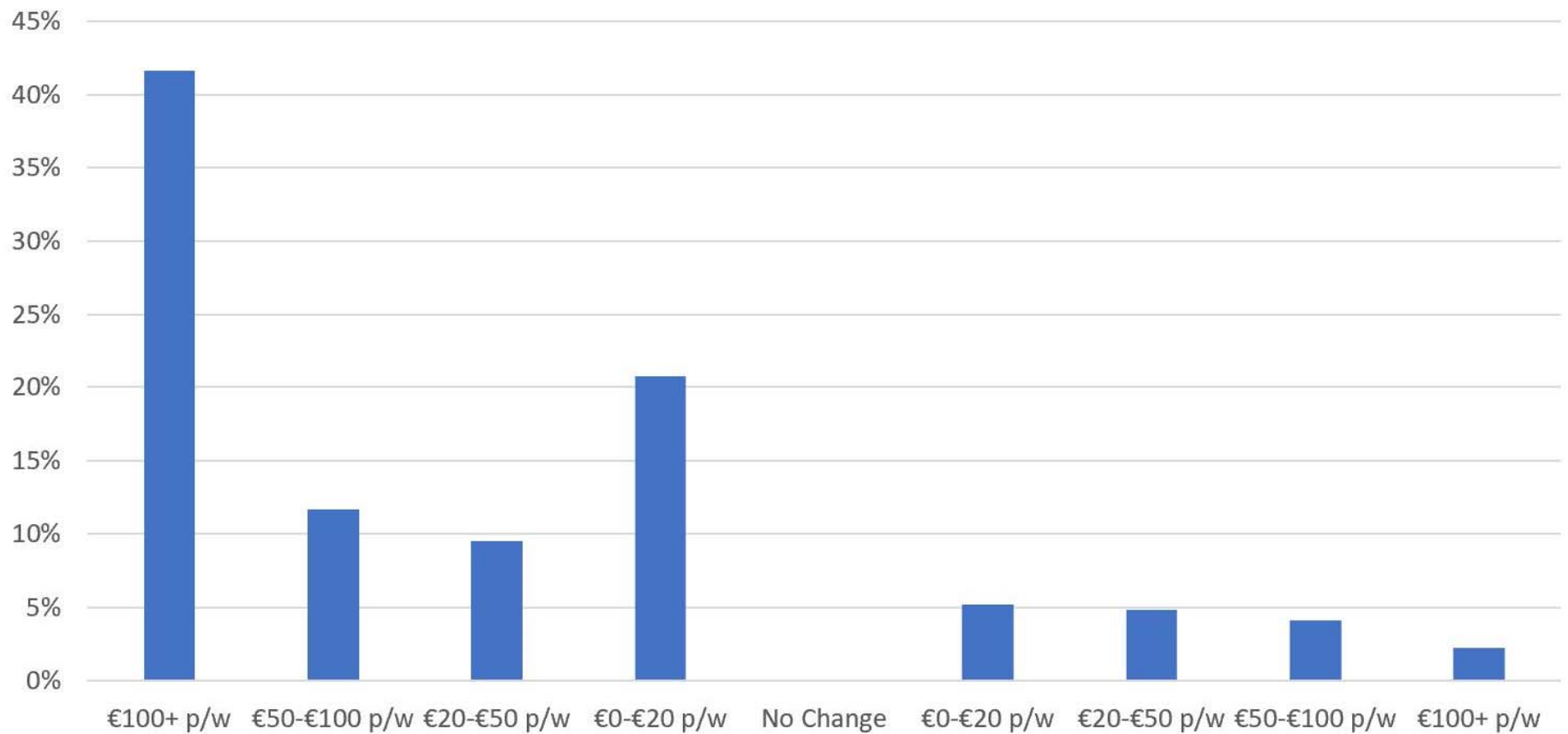
# Effect on Households

## Households in poverty - Winning or losing?



# Effect on Households

## Households in poverty - Winning or losing?



# Some lessons

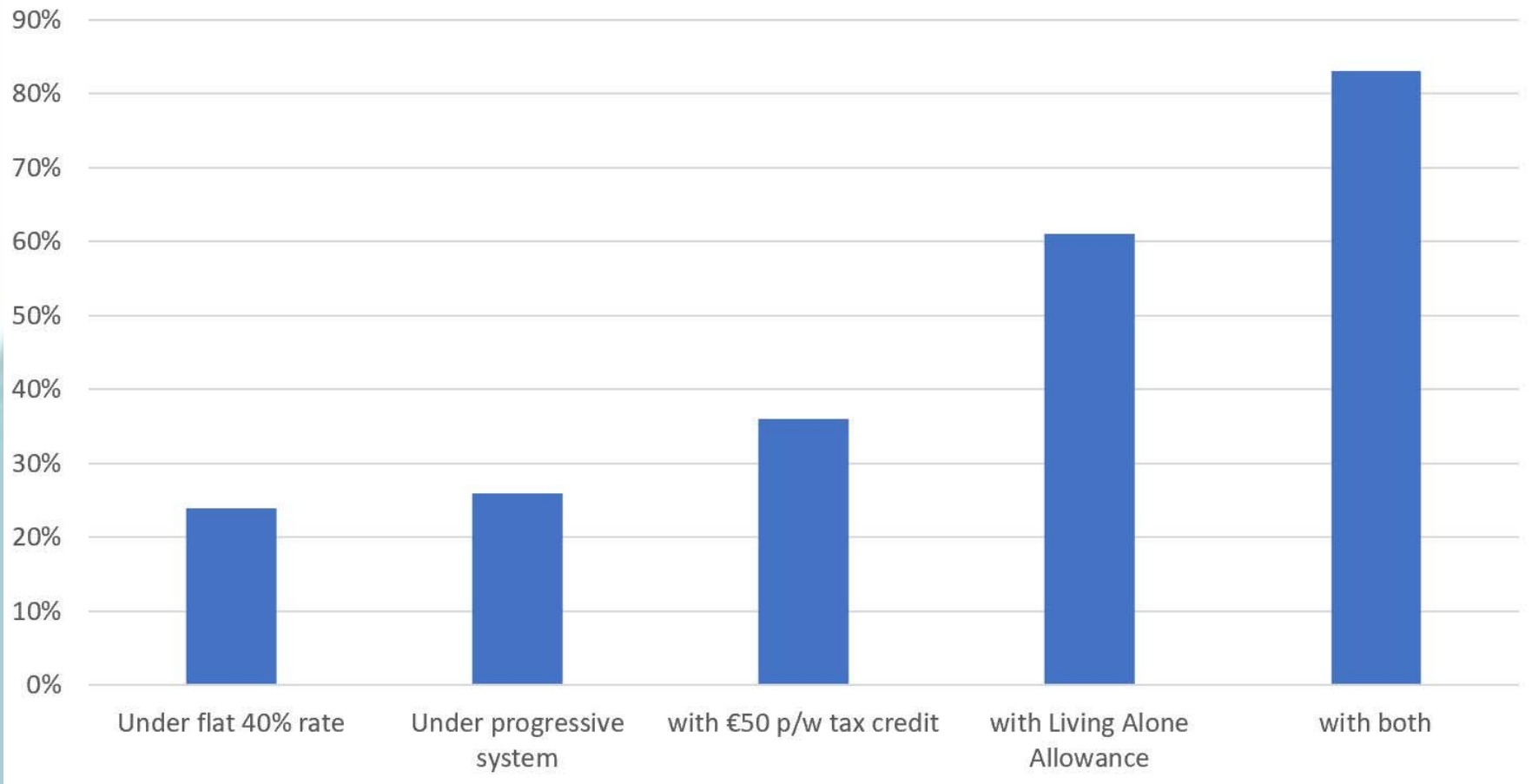
- Progressive taxation is key
- Targeted payments must remain
- SILC data is great! But has its limits....
- More tweaking is required
- **Living Alone Allowance and Tax Credits for Older People**

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# Effect on Households

Pensioners living alone - How do we prevent losses?



## Pensioners

- According to SILC, 33% pensioners living alone are at risk of poverty
- 100% of those benefit from this policy
- The Living Alone Allowance much more effective than the tax credit for this group



## Other possible scenarios

Increase the Working Age Adult payment to €200 per week

Flat rate of 47% required, or 30% on first €25,000 and 60% thereafter

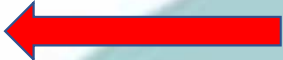
Increase the Working Age Adult and pension payments to €250 per week

Flat rate of 57% required, or 35% on first €25,000 and 71% thereafter

## Other possible scenarios

*Relatively* low levels of beneficiaries among certain households with families.  
41% of single parent households **losing** through proposals.  
What to do about it?

| Household Type                  | Base |
|---------------------------------|------|
| Single parent household         | 41%  |
| 2 adult household with children | 45%  |
| Other households with children  | 27%  |

 % losing out

## Other possible scenarios

Increase the child payment by 50%

Cost about €1 billion

Increase the tax rates from 25% and 50% to 26% and 51%

| Household Type                  | Base | 50% Increase |
|---------------------------------|------|--------------|
| Single parent household         | 41%  | 33%          |
| 2 adult household with children | 45%  | 38%          |
| Other households with children  | 27%  | 24%          |

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# Other possible scenarios

Double the child payment

Cost about €2 billion

Increase the tax rates from 25% and 50% to 27% and 52%

| Household Type                  | Base | 50% Increase | Double |
|---------------------------------|------|--------------|--------|
| Single parent household         | 41%  | 33%          | 26%    |
| 2 adult household with children | 45%  | 38%          | 33%    |
| Other households with children  | 27%  | 24%          | 19%    |

# Conclusions and next steps

- Certain features of the old system must remain
- Reconciling SILC and Revenue data
- Further work on the model

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