Fairness and Changing Income Taxes
September 2018

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FAIRNESS AND CHANGING INCOME TAXES

Introduction

The need for fairness in the tax system was clearly recognised in the first report of the Commission on Taxation over 35 years ago. It stated:

> *"…in our recommendations the spirit of equity is the first and most important consideration. Departures from equity must be clearly justified by reference to the needs of economic development or to avoid imposing unreasonable compliance costs on individuals or high administrative costs on the Revenue Commissioners."* (1982:29)[1]

The need for fairness is just as obvious today and *Social Justice Ireland* believes that this should be a central objective of policy making as various plans for changes to the system are considered.

Despite low overall levels of taxation, and low effective income taxation rates, reductions in income taxation levels continue to be highlighted as a potential policy reform.[2] *Social Justice Ireland* believes that the best reform to the income taxation system would be to make tax credits refundable. Such a reform would mean that the full value of tax credits goes to everybody who has an earned income. The main beneficiaries would be low-paid employees (full-time and part-time). This option would improve the net income of workers whose incomes are lowest.

Net reductions to income taxes are not a central priority for *Social Justice Ireland* either in the forthcoming Budget or in any future plans for taxation policy reform. We believe that any available money should be used to improve Ireland's social services and infrastructure, reduce poverty and social exclusion and increase the number of jobs for disadvantaged groups such as for people with disabilities and for the long term unemployed – policy priorities highlighted throughout our various publications.

However, as discussion and policy considerations often focus on income taxation reductions we have undertaken this study to examine, from the perspective of fairness, various reform choices. As a minimum, the analysis highlights the distributive impact taxation policy choices can have and the potential policy has to pursue both fair and unfair outcomes.

The document includes three examinations:

- **A.** An assessment of the fairness of seven possible income taxation options, each with a full-year cost of between €254m to €348m; equivalent to between 1.2% and 1.6% of the annual income taxation yield.
- **B.** An assessment of the fairness of three income tax changes that have been discussed as possible options for Budget 2019.
- **C.** An assessment of the fairness of plans to abolish the Universal Social Charge (USC) for most earners.

[1] Commission on Taxation (1982) *Commission on Taxation First Report*, Dublin, Stationery Office.
[2] We detail current levels, and recent trends, in overall taxation levels and in effective income taxation levels in our annual Socio Economic Review. The 2018 edition, entitled *Social Justice Matters: 2018 guide to a fairer Irish society*, is available on our website and was launched during April 2018.

A. Fairness in Changing Income Tax – 7 options compared

Here we examine the fairness of various income tax reform options open to Government.[3] Our analysis is based on the Pre-Budget 2019 Taxation Ready Reckoner published by the Revenue Commissioners.

Our approach has been to examine seven possible income taxation options. Each of these options and their full-year costs are outlined below. The full-year cost of the options range from €254m to €348m; equivalent to between 1.2% and 1.6% of the expected income taxation yield in 2018.

The reforms examined are for the 2018 income taxation system and are:

- the abolition of the 0.5% USC rate - that applies to income below €12,012 **and** a 1% point decrease in the 2% USC rate – that applies to income between €12,012 and €19,372 (full year cost €319m)
- an increase in the personal tax credit of €100 with commensurate increases in couple, widowed parents and the single person child carer credit (full year cost €254m)
- a decrease in the top tax rate from 40% to 39% (full year cost €348m)
- a 0.75% point decrease in the 4.75% USC rate – that applies to income between €19,372 and €70,044 (full year cost €306m)
- a 1.5% point decrease in the 8% USC rate – that applies to income above €70,044 (full year cost €256m)
- an increase in the standard rate band (20% tax band) of €1,500 (full year cost €316m)
- a decrease in the standard rate of tax from 20% to 19.5% (full year cost €330m)

Table 1 presents the results of this comparison. Although all of the income taxation options have similar costs (1.2%-1.6% of the income taxation yield), they each carry different effects on the income distribution.

Abolishing the 0.5% USC rate and simultaneously reducing the 2% rate by one percentage point benefits all those with incomes of more than €13,000.[4] Earners above €19,372 (the entry point to the next USC rate) experience the full benefit of the reduction. Therefore, the increased income received by a single earner on €25,000 and on €125,000 is the same – an extra €133.66.

Increasing the personal tax credit also provides a fair distributive outcome across the income distribution. The gain is the same for all taxpayers earning sufficient income to pay more than €100 in income taxes. However, below €16,500 for single earners / €24,900 for couples with one earner / €33,000 for couples with two earners, there are no gains as up to these points tax credits absorb all income tax liabilities.

[3] Earlier editions of this document were prepared pre and post Budget's 2015-2018 and are available on our website.
[4] Individuals with incomes of less than €13,000 are not liable to the USC.

Table 1: Comparing gains under seven possible income tax reforms (€ per annum)						
Gross Income	**€15,000**	**€25,000**	**€50,000**	**€75,000**	**€100,000**	**€125,000**
Decrease in the top tax rate from 40% to 39% (full year cost €348m)						
Single earner	0.00	0.00	154.50	404.50	654.50	904.50
Couple 1 earner	0.00	0.00	64.50	314.50	564.50	814.50
Couple 2 earners	0.00	0.00	0.00	59.00	309.00	559.00
Decrease in the standard tax rate from 20% to 19.5% (full year cost €330m)						
Single earner	0.00	125.00	172.75	172.75	172.75	172.75
Couple 1 earner	0.00	50.00	217.75	217.75	217.75	217.75
Couple 2 earners	0.00	0.00	250.00	345.50	345.50	345.50
Increase in the personal tax credit of €100 (full year cost €254 million)						
Single earner	0	100	100	100	100	100
Couple 1 earner	0	50	200	200	200	200
Couple 2 earners	0	0	200	200	200	200
Increase in the standard rate band of €1,500 (full year cost €316 million)						
Single earner	0	0	300	300	300	300
Couple 1 earner	0	0	300	300	300	300
Couple 2 earners	0	0	0	600	600	600
Abolish 0.5% USC rate and a 1% point decrease in the 2% rate (full year cost €319m)						
Single earner	89.94	133.66	133.66	133.66	133.66	133.66
Couple 1 earner	89.94	133.66	133.66	133.66	133.66	133.66
Couple 2 earners	0.00	102.44	248.6	267.32	267.32	267.32
A 0.75% point decrease in the 4.75% USC rate (full year cost €306m)						
Single earner	0.00	42.21	229.71	380.04	380.04	380.04
Couple 1 earner	0.00	42.21	229.71	380.04	380.04	380.04
Couple 2 earners	0.00	0.00	98.46	271.92	459.42	562.88
A 1.5% point decrease in the 8% USC rate (full year cost €256m)						
Single earner	0.00	0.00	0.00	74.34	449.34	824.34
Couple 1 earner	0.00	0.00	0.00	74.34	449.34	824.34
Couple 2 earners	0.00	0.00	0.00	0.00	0.00	168.09

Notes: All workers are assumed to be PAYE workers. For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2018 income taxation system. The increase in the personal tax credit assumes a commensurate increase in the couple, widowed parents and the single person child carer credit. USC calculations assume earners pay the standard rate of USC.

Compared to these two options, the other five income tax reforms skew the benefits towards those on higher incomes.

A decrease in the top tax rate only benefits those paying tax at that rate. Therefore, the single earner on €25,000 gains nothing from this change while those on €50,000 gain €154.50 per annum and those on €100,000 gain €654.50 per annum. The higher the income, the greater the gain. This is the least fair outcome of those examined.

Reducing the two top USC bands (4.75% and 8%) also produces notably unfair outcomes. Decreasing the 4.75% band benefits earners with income between €19,372 and €70,044 and for those within this band the benefit is greater the higher an individual's income. Similarly, it is only individuals with earnings in excess of €70,044 who gain from a reduction in the 8% rate with the gains greatest for those with the most income.

Changing the entry point to the top tax rate (i.e. increasing the standard rate band) also provides gains which are skewed towards higher incomes. A single earner on €25,000 gains nothing from this reform and it is only individuals with incomes of €34,550 plus, and couples with two earners with a gross income above €69,100, who gain.

Finally, **decreasing the standard rate of income tax** also skews any gains towards higher income earners. A single individual on €15,000 gains nothing while those on €25,000 get some benefit (+€125). The maximum value of the gain is only available to single individuals with incomes over €34,450, couples one-earners with an income of over €43,550 and couples two earners with a gross income above €69,100.

Charts 1-7 illustrate the impact of these changes.[5] Judged from the perspective of fairness, reducing the bottom two USC rates or increasing tax credits are the best options.

Conclusion

Overall, two of the changes would produce fairer outcomes:

- increasing the personal tax credit; and
- reducing the 0.5% and 2% USC rates.

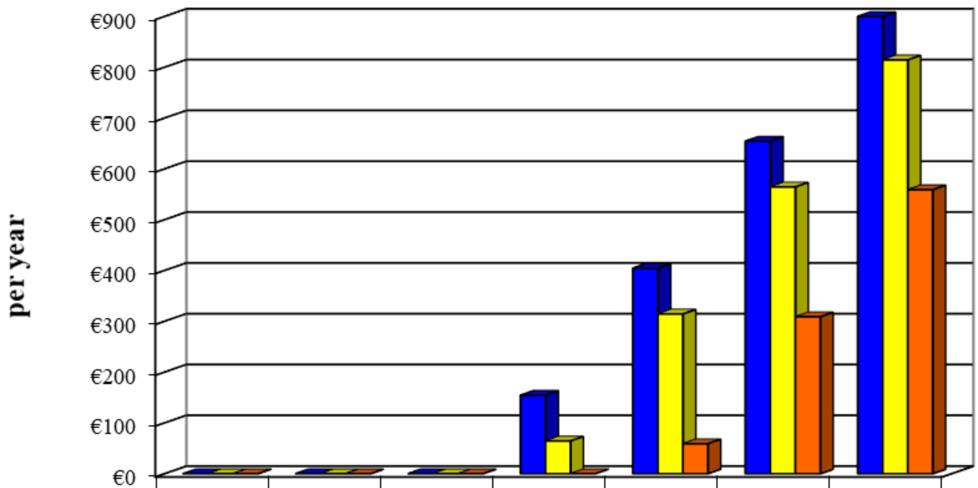
Five of the changes would produce unfair outcomes:

- reducing the top tax rate to 39%;
- reducing the standard tax rate to 19%;
- increasing the standard rate band;
- reducing the 4.75% USC rate; and
- reducing the 8% USC rate.

Each of the two fair options would provide beneficiaries with an improvement in their annual income of around €90-€130. Each of the five unfair options would skew benefits towards those with higher incomes.

[5] For ease of interpretation, all charts are presented with the same scale.

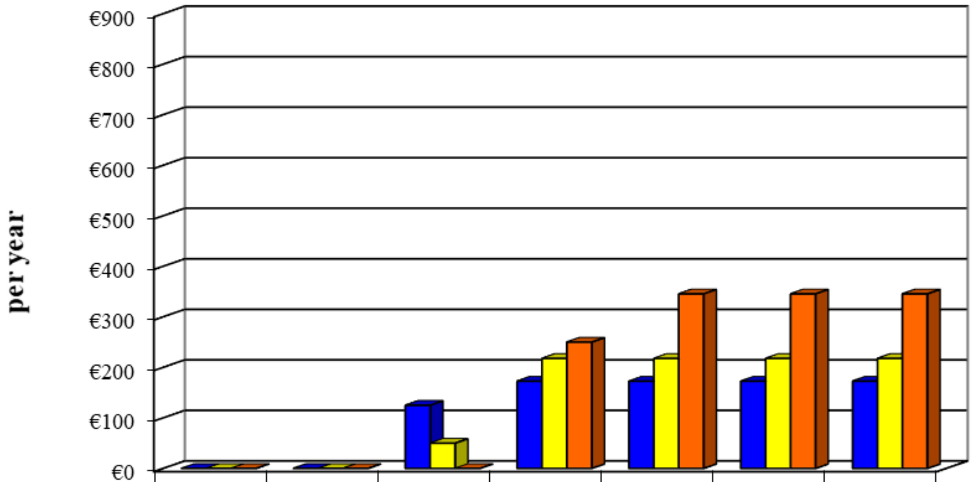
Chart 1: How much better off would people be if the top tax rate was decreased from 40% to 39% (full year cost €348 million)



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0.00	0.00	0.00	154.50	404.50	654.50	904.50
Couple 1 Earner	0.00	0.00	0.00	64.50	314.50	564.50	814.50
Couple 2 Earners	0.00	0.00	0.00	0.00	59.00	309.00	559.00

Notes: All workers are assumed to be PAYE workers. For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2018 income taxation system.

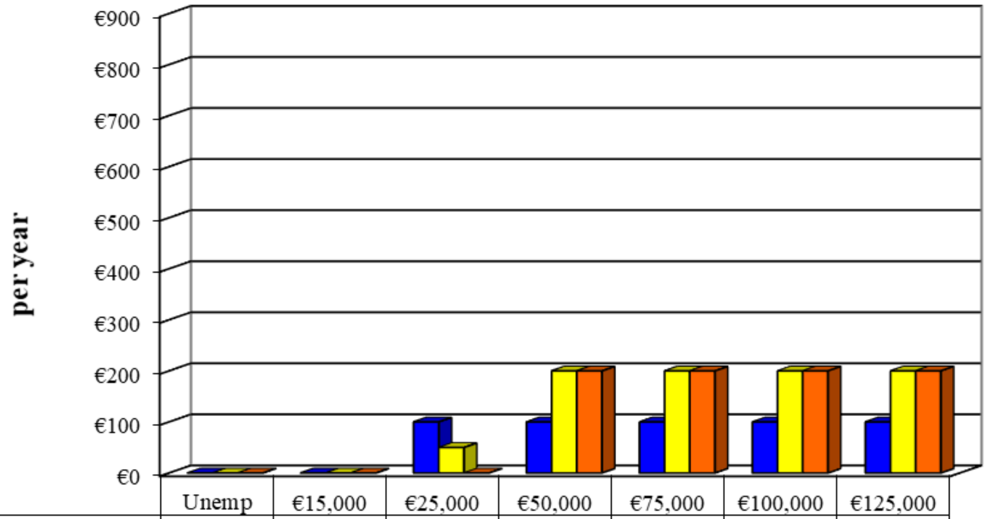
Chart 2: How much better off would people be if the standard tax rate was decreased from 20% to 19.5% (full year cost €330 million)



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0.00	0.00	125.00	172.75	172.75	172.75	172.75
Couple 1 Earner	0.00	0.00	50.00	217.75	217.75	217.75	217.75
Couple 2 Earners	0.00	0.00	0.00	250.00	345.50	345.50	345.50

Notes: All workers are assumed to be PAYE workers. For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2018 income taxation system.

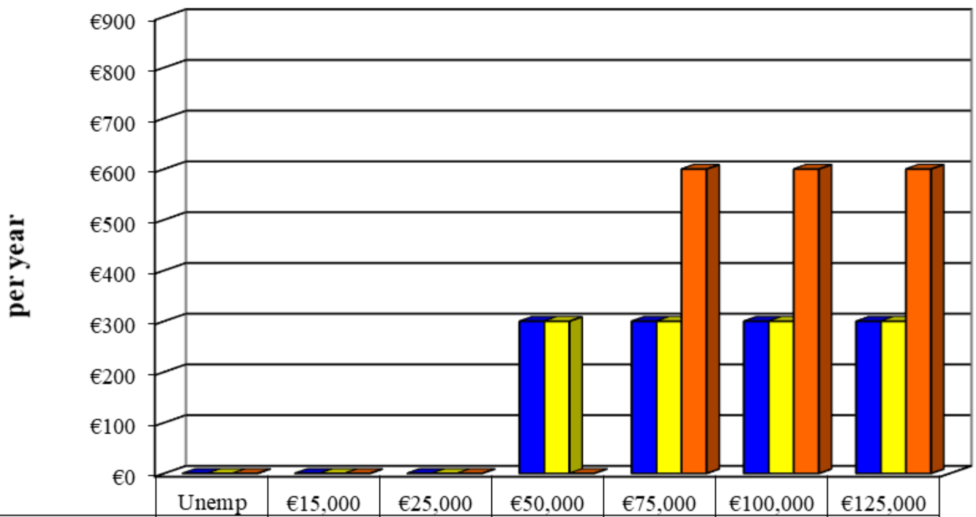
Chart 3: How much better off would people be if the personal tax credit was increased by €100 (full year cost €254 million)



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0.00	0.00	100.00	100.00	100.00	100.00	100.00
Couple 1 Earner	0.00	0.00	50.00	200.00	200.00	200.00	200.00
Couple 2 Earners	0.00	0.00	0.00	200.00	200.00	200.00	200.00

Notes: All workers are assumed to be PAYE workers. For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2018 income taxation system. The increase in the personal tax credit assumes a commensurate increase in the couple, widowed parents and the single person child carer credit.

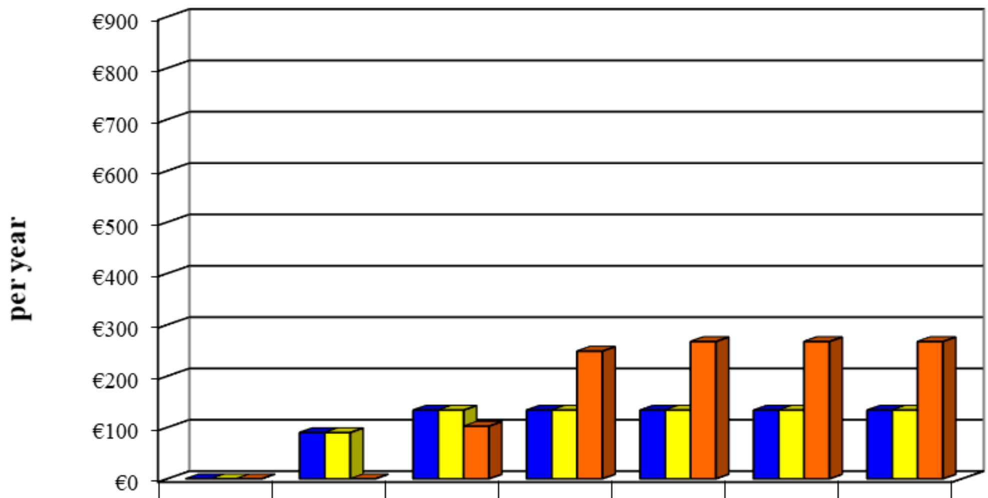
Chart 4: How much better off would people be if the standard rate band was increased by €1,500 (full year cost €316 million)



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0.00	0.00	0.00	300.00	300.00	300.00	300.00
Couple 1 Earner	0.00	0.00	0.00	300.00	300.00	300.00	300.00
Couple 2 Earners	0.00	0.00	0.00	0.00	600.00	600.00	600.00

Notes: All workers are assumed to be PAYE workers. For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2018 income taxation system.

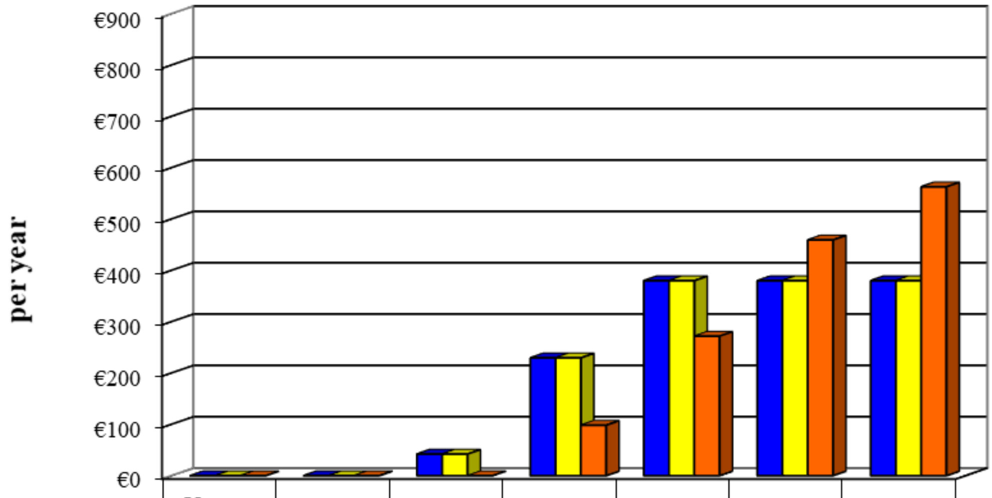
Chart 5: How much better off would people be the 0.5% USC rate was abolished and the 2% USC rate was reduced by one percentage point (full year cost €319 million)



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0.00	89.94	133.66	133.66	133.66	133.66	133.66
Couple 1 Earner	0.00	89.94	133.66	133.66	133.66	133.66	133.66
Couple 2 Earners	0.00	0.00	102.44	248.60	267.32	267.32	267.32

Notes: For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2018 income taxation system. USC calculations assume earners pay the standard rate of USC.

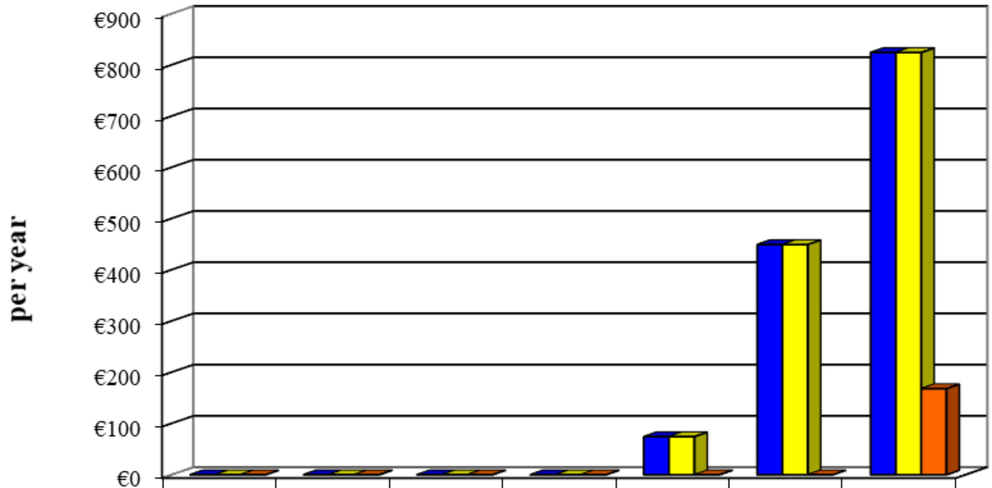
Chart 6: How much better off would people be if the 4.75% USC rate was reduced to 4% (full year cost €306 million)



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0.00	0.00	42.21	229.71	380.04	380.04	380.04
Couple 1 Earner	0.00	0.00	42.21	229.71	380.04	380.04	380.04
Couple 2 Earners	0.00	0.00	0.00	98.46	271.92	459.42	562.88

Notes: For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2018 income taxation system. USC calculations assume earners pay the standard rate of USC.

Chart 7: How much better off would people be if the 8% USC rate was reduced by one and a half percentage points (full year cost €256 million)



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0.00	0.00	0.00	0.00	74.34	449.34	824.34
Couple 1 Earner	0.00	0.00	0.00	0.00	74.34	449.34	824.34
Couple 2 Earners	0.00	0.00	0.00	0.00	0.00	0.00	168.09

Notes: For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2018 income taxation system. USC calculations assume earners pay the standard rate of USC.

B. Analysis of Some Income Tax Reform Proposals for Budget 2019

It is of concern that a large proportion of recent political and policy discussion has once again returned to the issues of income tax reductions. Memories of similar discussions in the run up to the economic crash, when income taxes were at similar levels, seem to be already forgotten. Can we afford to let history repeat itself?

As we have outlined earlier, *Social Justice Ireland* believes that reductions to income taxes should not be a central priority in the forthcoming Budget or in any future plans for taxation policy reform. We believe that any available money should be used to improve Ireland's social services and infrastructure, reduce poverty and social exclusion and increase the number of jobs for disadvantaged groups such as for people with disabilities and for the long term unemployed – policy priorities highlighted throughout our various publications.

Here we examine, from the perspective of fairness, three of the income taxation reforms being proposed by various political parties in the run up to Budget 2019. Each of these policy choices costs approximately the same amount but all three carry different distributive outcomes. Our analysis is based on the Pre-Budget 2019 Taxation Ready Reckoner published by the Revenue Commissioners.

As a minimum, the analysis highlights the distributive impact taxation policy choices can have and the potential policy has to pursue both fair and unfair outcomes.

The proposals examined are:

- an increase in the standard rate band (20% tax band) of €1,000 (full year cost €213m)
- a 0.5% point decrease in the 4.75% USC rate – that applies to income between €19,372 and €70,044 (full year cost €204m)
- an increase in the personal tax credit of €85 with commensurate increases in couple, widowed parents and the single person child carer credit (full year cost €216m)

Table 2 presents the results of this comparison across a range of single, couple one earner and couple two earner household types.

In terms of fairness the analysis shows clear differences between the proposals.

Both increasing the standard rate band and decreasing the 4.75% USC rate skew the benefits towards those on higher incomes.

In contrast, increasing the personal tax credit spreads the benefits more evenly across all earners.

As Table 2 shows, changing the entry point to the top tax rate (i.e. increasing the standard rate band) provides gains which are skewed towards higher incomes. A single earner on €25,000 gains nothing from this reform and it is only individuals with incomes of €34,550 plus, and couples with two earners with a gross income above €69,100, who gain. The largest benefits flow to those on the highest incomes.

Reducing the 4.75% USC band, benefits earners with income between €19,372 and €70,044 and for those within this band the benefit is greater the higher an individual’s income. An individual on €25,000 gains just over €28 a year while an individual on €100,000 gains nine times as much (€253.36 per annum).

An €85 increase in the personal tax credit provides the same gain to all taxpayers earning sufficient to pay more than €85 in income taxes. However, below €16,500 for single earners / €24,900 for couples with one earner / €33,000 for couples with two earners, there are no gains as up to these points tax credits absorb all income tax liabilities.

Table 2: Gains from three Budget 2019 income tax reform proposals (€ per annum)

Gross Income	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Increase in the standard rate band of €1,000 (full year cost €213 million)						
Single earner	0	0	200	200	200	200
Couple 1 earner	0	0	200	200	200	200
Couple 2 earners	0	0	0	400	400	400
A 0.5% point decrease in the 4.75% USC rate (full year cost €204m)						
Single earner	0	28.14	153.14	253.36	253.36	253.36
Couple 1 earner	0	28.14	153.14	253.36	253.36	253.36
Couple 2 earners	0	0	65.64	181.28	306.28	375.26
Increase in the personal tax credit of €85 (full year cost €216 million)						
Single earner	0	85	85	85	85	85
Couple 1 earner	0	50	170	170	170	170
Couple 2 earners	0	0	170	170	170	170

Notes: All workers are assumed to be PAYE workers. For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2018 income taxation system. The increase in the personal tax credit assumes a commensurate increase in the couple, widowed parents and the single person child carer credit.

Charts 8-10 illustrate the impact of these changes. In terms of fairness, increasing the personal tax credit is the best option.

Conclusion

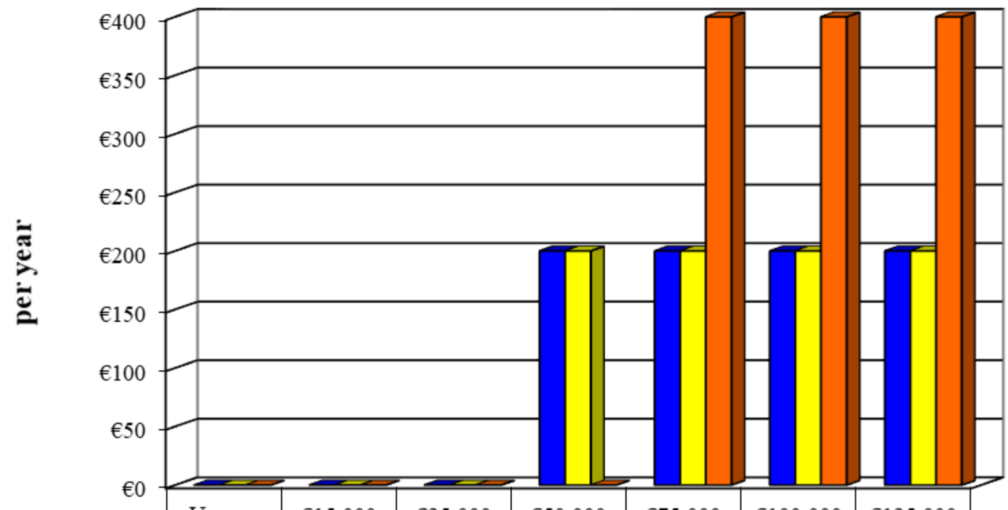
Our examination of three alternative income tax changes for Budget 2019, each with a similar cost of approximately €210m per annum, finds that only one would produce a fair outcome:

- increasing the personal tax credit by €85 per annum.

The two other proposals produce an unfair outcome by skewing benefits towards those with higher incomes:

- increasing the standard rate band of €1,000; and
- reducing the 4.75% USC rate to 4.25%.

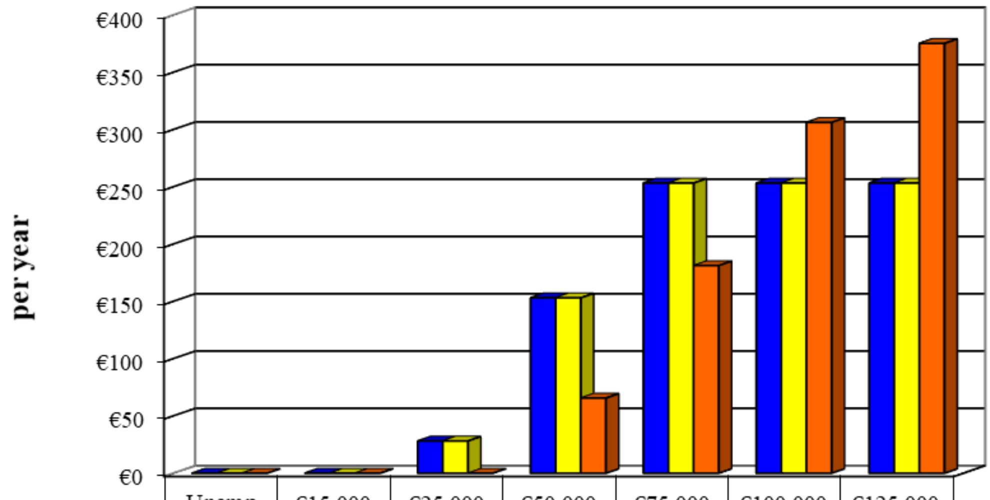
Chart 8: How much better off would people be if the standard rate band was increased by €1,000 (full year cost €213 million)



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0	0	0	200	200	200	200
Couple 1 Earner	0	0	0	200	200	200	200
Couple 2 Earners	0	0	0	0	400	400	400

Notes: All workers are assumed to be PAYE workers. For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2018 income taxation system.

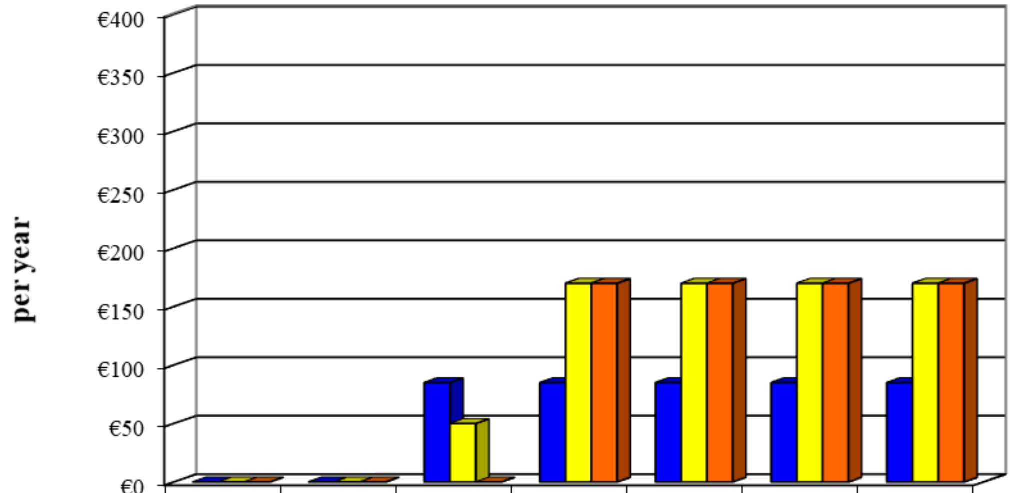
Chart 9: How much better off would people be if the 4.75% USC rate was reduced by half a percentage point (full year cost €204 million)



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0.00	0.00	28.14	153.14	253.36	253.36	253.36
Couple 1 Earner	0.00	0.00	28.14	153.14	253.36	253.36	253.36
Couple 2 Earners	0.00	0.00	0.00	65.64	181.28	306.28	375.26

Notes: For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2018 income taxation system. USC calculations assume earners pay the standard rate of USC.

Chart 10: How much better off would people be if the personal tax credit was increased by €85 (full year cost €216 million)



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0	0	85	85	85	85	85
Couple 1 Earner	0	0	50	170	170	170	170
Couple 2 Earners	0	0	0	170	170	170	170

Notes: All workers are assumed to be PAYE workers. For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2018 income taxation system. The increase in the personal tax credit assumes a commensurate increase in the couple, widowed parents and the single person child carer credit.

C. Abolishing the USC for Most Earners

Some recent discussions on the reform of income taxes have focused on changes to the USC. While proposals have varied, they have generally argued for the elimination of the first three rates of the USC (0.5%, 2% and 4.75%) over a series of Budgets.

Here we examine the fairness of such a reform. Our analysis is based on the Pre-Budget 2019 Taxation Ready Reckoner published by the Revenue Commissioners. It does not include any accompanying policy measures which might attempt to claw back some of the gains from earners with very high incomes.[6]

The reform examined is based on the 2018 income taxation system and includes:

- the elimination of the current 0.5% USC rate – that applies to income below €12,012 (full year cost €136m);
- the elimination of the current 2% USC rate – that applies to income between €12,012 and €19,372 (full year cost €366m);
- the elimination of the current 4.75% USC rate – that applies to income between €19,372 and €70,044 (full year cost €1,938m); and
- no change in the 8% USC rate – that applies to income above €70,044.[7]

The total cost of these changes would be €2,440m in a full tax year; equivalent to 11.4% of the expected income taxation yield in 2018.

Table 3 presents the results of this analysis in € per annum terms and Table 4 shows these results as a proportion of gross income. Charts 11 and 12 illustrate the results.

Table 3: Comparing gains from the abolition of the 0.5%, 2% and 4.75% USC rates (€ per annum)

Gross Income	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single earner	119.82	474.59	1,662.09	2,614.18	2,614.18	2,614.18
Couple 1 earner	119.82	474.59	1,662.09	2,614.18	2,614.18	2,614.18
Couple 2 earners	0.00	144.82	1,000.66	2,136.68	3,324.18	3,979.40

Notes: USC calculations assume earners pay the standard rate of USC. All workers are assumed to be PAYE workers. For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2018 income taxation system.

What the results show is a dramatically unfair impact from the USC reform. As Table 3 and Chart 11 show, the gains are heavily skewed towards those on the highest incomes.

Single earners above €70,044 gain €2,614 per annum, more than five and a half times the gains for a worker on €25,000.

[6] Proposals have included the tapering out of tax credits for high earners and/or new levies on those with individual incomes in excess of €100,000. Such measures would reduce the gains received by those with the very highest incomes.
[7] The 8% rate raises €1,368m a year giving a total USC yield of €3,808m.

Couples with two incomes totalling €125,000 gain almost €4,000 per annum, four times the amount that goes to a similar middle-income couple on €50,000.

Looked at as a proportion of gross income (Table 4 and Chart 12), the regressive nature of the tax change is further visible. As income increases so too does the proportional gain, peaking at a value of 3.5% of gross income for single earners at €75,000 and peaking for couples with two incomes at an annual income of €100,000.

Table 4: Comparing gains from the abolition of the 0.5%, 2% and 4.75% USC rates (% of annual gross income)

Gross Income	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single earner	0.8%	1.9%	3.3%	3.5%	2.6%	2.1%
Couple 1 earner	0.8%	1.9%	3.3%	3.5%	2.6%	2.1%
Couple 2 earners	0.0%	0.6%	2.0%	2.8%	3.3%	3.2%

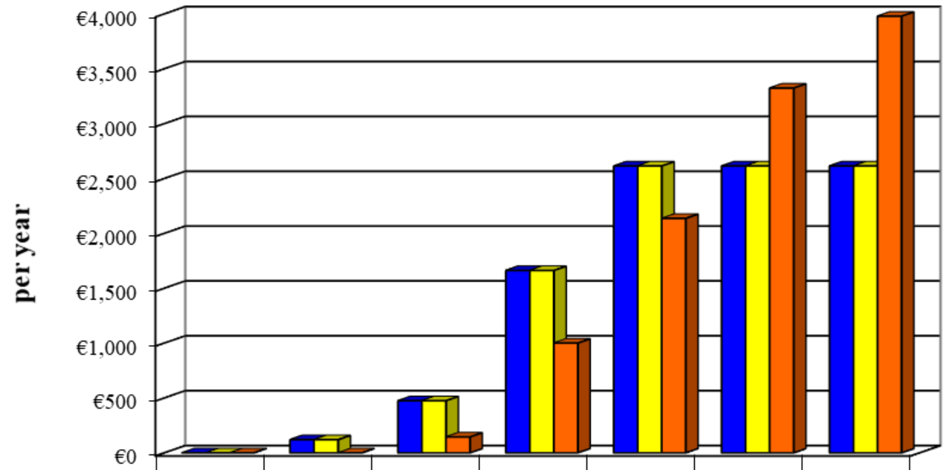
Notes: See Table 3.

Conclusion

Overall, reforming the income taxation system through the elimination of the first three rates of the USC is an expensive and unfair policy path. Although we have assumed here that there is no change to the 8% USC rate, the gains are heavily skewed towards those on the highest incomes. A move to eliminate the USC in its entirety would further skew the gains for those on the highest incomes.

From the perspective of fairness, the question arises as to whether such a large amount of annual taxation revenue could be used in a much fairer and better way?

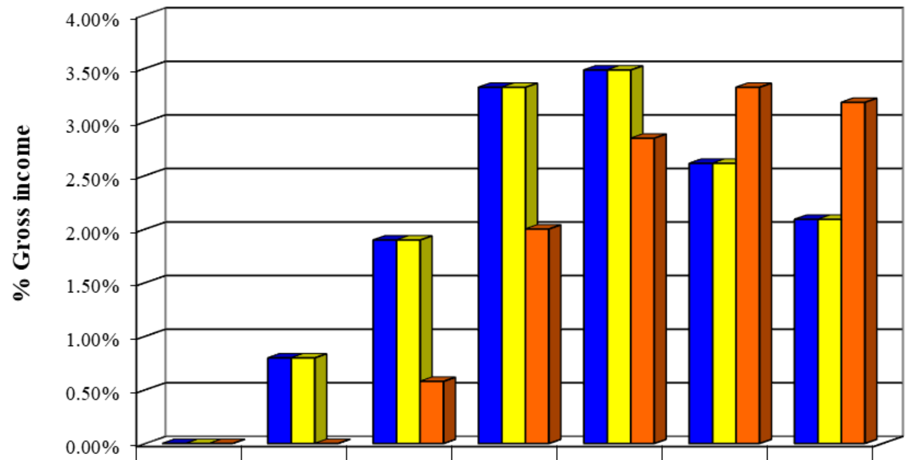
Chart 11: How much better off would people be if the 0.5%, 2% and 4.75% USC rates were abolished (full year cost €2,440 million) - € per annum



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0.00	119.82	474.59	1662.09	2614.18	2614.18	2614.18
Couple 1 Earner	0.00	119.82	474.59	1662.09	2614.18	2614.18	2614.18
Couple 2 Earners	0.00	0.00	144.82	1000.66	2136.68	3324.18	3979.40

Notes: USC calculations assume earners pay the standard rate of USC. All workers are assumed to be PAYE workers. For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2018 income taxation system. The results do not include the effect of any accompanying measures to claw back some of the gains from high earners.

Chart 12: How much better off would people be if the 0.5%, 2% and 4.75% USC rates were abolished (full year cost €2,440 million) - % gross income



	Unemp	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Single	0.00%	0.80%	1.90%	3.32%	3.49%	2.61%	2.09%
Couple 1 Earner	0.00%	0.80%	1.90%	3.32%	3.49%	2.61%	2.09%
Couple 2 Earners	0.00%	0.00%	0.58%	2.00%	2.85%	3.32%	3.18%

Notes: USC calculations assume earners pay the standard rate of USC. All workers are assumed to be PAYE workers. For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2018 income taxation system. The results do not include the effect of any accompanying measures to claw back some of the gains from high earners.

Social Justice Ireland is an independent think-tank and justice advocacy organisation of that advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole.

Acknowledgement

This work is partly supported by the Department of Rural and Community Development via the Scheme to Support National Organisations and Pobal.

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